MURATA SEMIANNUAL REPORT

For the six months ended September 30, 2007

Innovator in Electronics

Murata Manufacturing Co., Ltd.

To Our Shareholders

We would like to report to you the financial status overview, concurrently with the delivery of the semiannual report for the fiscal year ending in March 2008.

During the period under review, the global electronic market enjoyed a significant growth in demand for electronic components, due to vibrant developments in the production of major products such as mobile phones, personal computers, and digital AV equipment. The functional sophistication of electronic equipment also contributed to the upward trend.

Looking at the market environment segmented by application, the key mobile phone segment within the communication equipment market marked an increase in demand in advanced countries for sophisticated terminals such as third-generation phones. Demand for mobile phones continued to run strong in China, India, and other emerging economies.

In the market for computers and peripheral equipment, demand for notebook computers and peripherals remained strong. In the AV equipment market, sales of flat-panel TVs and game consoles were brisk. The automotive electronics market was highlighted by a growing use of electronics in automobiles.

The Murata Group responded to this market environment by aggressively increasing production capacity for key products to deal with growing demand, while focusing on improving customer service. To cope with falling product prices, we improved profitability and strengthened the business base by further developing cost reduction activities such as productivity improvement, while pushing forward with the commercialization of new, high-value added products.

As a result, for the semiannual period, net sales increased 10.0% compared with the corresponding period of 2006 to 304,948 million Yen, operating income increased 8.6% from the same period of last year to 58,777 million Yen, income before income taxes increased 6.8% from a year earlier to 60,727 million Yen and net income increased 12.2% year on year to 37,965 million Yen.

Net sales by product category for the six-month period under review compared with the figures for the same period of 2006 are as follows:

[Capacitors]
This capacitor category includes monolithic ceramic capacitors, ceramic disc capacitors, and trimmer capacitors.
In the period under review, chip monolithic ceramic capacitors, the main product in this category, showed very strong sales, as large-capacitance products grew sharply in all applications including AV equipment, communication equipment, and computers and peripheral equipment. Small-sized products also marked a significant sales growth in applications for communication equipment. On the other hand, sales of application-specific capacitors for computers and peripheral equipment declined.
As a result, overall net sales increased 21.2% year on year to 124,177 million Yen.

[Piezoelectric Components]
The piezoelectric components category includes SAW (Surface Acoustic Wave) filters, ceramic resonators, piezoelectric sensors, ceramic filters and piezoelectric buzzers.
In the period under review, sales of SAW filters for use in communication equipment grew well above the figures for the previous first half. In piezoelectric sensors, sensors for shock-detection use in HDDs and sales of ultrasonic sensors for car electronics increased.
Sales of ceramic resonators for use in computers and peripheral products suffered a decline. Ceramic filters for use in AV equipment and communication equipment also dropped in sales.
As a result, overall sales posted a year-on-year growth of 16.2%, to 45,301 million Yen.

[Microwave Devices]
These devices include short-range wireless communication modules (including Bluetooth® modules), multilayer ceramic devices, connectors, isolators and dielectric filters.
In the period under review, sales of multilayer ceramic devices, connectors, and isolators for communication equipment increased sharply. In contrast, there was a significant decline in the sales of short-range wireless communication modules for communication equipment.
As a result, overall net sales dropped 15.9% year on year, to 50,409 million Yen.

[Module Products]
This product category includes power supplies and circuit modules.
In the period under review, sales of power supplies grew substantially, primarily in those for AV equipment such as flat-panel TVs and computers and peripheral equipment. In the circuit modules product line, sales of terrestrial digital tuners for mobile phones and modules for communication equipment increased sharply.
As a result, overall net sales increased 18.6% year on year to 33,290 million Yen.

[Other Products]
Other products include EMI suppression filters, coils, sensors, and resistors.
In the period under review, sales of EMI suppression filters for AV equipment increased.
Sales of chip coils grew sharply, due to strong demand for communication equipment.
Among sensors, gyroscopes for use in AV equipment posted an substantial increase in sales.
As a result, overall net sales posted a 8.4% year on year increase to 50,762 million Yen.

Tsuneo Murata
President
Statutory Representative Director

Note: Bluetooth® is a registered trademark of Bluetooth SIG, Inc. of the United States.

SELECTED FINANCIAL DATA (UNAUDITED)

Murata Manufacturing Co., Ltd. and Subsidiaries
Six months ended September 30, 2007, 2006 and 2005

	Millions of yen except per share amounts			Thousands of U.S. dollars except per share amounts (Note)
	2007	2006	2005	**2007**
Net sales	**¥304,948**	¥277,155	¥228,937	**$2,651,722**
Operating costs and expenses	**246,171**	223,037	191,053	**2,140,618**
Operating income	**58,777**	54,118	37,884	**511,104**
Other income	**1,950**	2,766	1,446	**16,957**
Income before income taxes	**60,727**	56,884	39,330	**528,061**
Net income	**37,965**	33,843	24,794	**330,130**
Amounts per share:				
Earnings per share				
Basic	**¥171.01**	¥152.50	¥110.97	**$1.49**
Diluted	**170.97**	152.47	110.97	**1.49**
Cash dividends	**50.00**	40.00	25.00	**0.43**
Current assets	**669,727**	653,393	601,428	**5,823,713**
Property, plant and equipment less accumulated depreciation	**320,124**	252,624	226,849	**2,783,687**
Total assets	**1,053,247**	952,827	857,531	**9,158,670**
Shareholders' equity	**849,914**	780,799	719,980	**7,390,557**
Capital investment	**61,639**	41,910	21,624	**535,991**
Number of employees	**32,682**	28,426	26,719	

Note:The U.S. dollar amounts in this report represent translation of Japanese yen for convenience only at the rate of ¥115=U.S.$1.

Segment Information (Unaudited)

Murata Manufacturing Co., Ltd. and Subsidiaries
Six months ended September 30, 2007 and 2006

Geographic Segment Information

2007	Japan	The Americas	Europe	Asia	Corporate and eliminations	Consolidated
	Millions of yen					
Unaffiliated customers	**¥118,552**	**¥24,326**	**¥27,363**	**¥134,707**	**–**	**¥304,948**
Intersegment	**127,132**	**8**	**45**	**13,826**	**¥(141,011)**	**–**
Total revenue	**245,684**	**24,334**	**27,408**	**148,533**	**(141,011)**	**304,948**
Operating costs and expenses	**200,496**	**22,223**	**25,101**	**139,362**	**(141,011)**	**246,171**
Operating income	**45,188**	**2,111**	**2,307**	**9,171**	**–**	**58,777**

2006	Japan	The Americas	Europe	Asia	Corporate and eliminations	Consolidated
	Millions of yen					
Unaffiliated customers	¥118,356	¥22,130	¥25,804	¥110,865	–	¥277,155
Intersegment	110,581	4	0	11,612	¥(122,197)	–
Total revenue	228,937	22,134	25,804	122,477	(122,197)	277,155
Operating costs and expenses	184,523	23,843	24,722	114,523	(124,574)	223,037
Operating income (loss)	44,414	(1,709)	1,082	7,954	2,377	54,118

2007	Japan	The Americas	Europe	Asia	Corporate and eliminations	Consolidated
	Thousands of U.S.dollars					
Unaffiliated customers	**$1,030,887**	**$211,530**	**$237,940**	**$1,171,365**	**–**	**$2,651,722**
Intersegment	**1,105,496**	**70**	**391**	**120,226**	**$(1,226,183)**	**–**
Total revenue	**2,136,383**	**211,600**	**238,331**	**1,291,591**	**(1,226,183)**	**2,651,722**
Operating costs and expenses	**1,743,444**	**193,244**	**218,270**	**1,211,843**	**(1,226,183)**	**2,140,618**
Operating income	**392,939**	**18,356**	**20,061**	**79,748**	**–**	**511,104**

Overseas Sales

2007	The Americas	Europe	Asia and Others	Total
	Millions of yen			
Overseas sales	**¥25,380**	**¥36,066**	**¥168,006**	**¥229,452**
Consolidated sales				**304,948**
Percentage	**8.3%**	**11.8%**	**55.1%**	**75.2%**

2006	The Americas	Europe	Asia and Others	Total
	Millions of yen			
Overseas sales	¥22,740	¥36,510	¥147,298	¥206,548
Consolidated sales				277,155
Percentage	8.2%	13.2%	53.1%	74.5%

2007	The Americas	Europe	Asia and Others	Total
	Thousands of U.S.dollars			
Overseas sales	**$220,696**	**$313,617**	**$1,460,922**	**$1,995,235**
Consolidated sales				**2,651,722**

Note:The segment information is prepared in accordance with the Japanese Securities Exchange Law.

Production, Order and Backlog by Product (Unaudited)

Murata Manufacturing Co., Ltd. and Subsidiaries
Six months ended September 30, 2007 and 2006

	Millions of yen 2007	Component ratio 2007	Millions of yen 2006	Component ratio 2006	Thousands of U.S.dollars 2007
Production by Product		%		%	
Capacitors	**¥130,918**	**41.3**	¥108,037	37.5	**$1,138,417**
Piezoelectric Components	**47,516**	**15.0**	39,951	13.9	**413,183**
Microwave Devices	**50,462**	**15.9**	63,205	21.9	**438,800**
Module Products	**34,607**	**10.9**	27,918	9.7	**300,930**
Other Products	**53,373**	**16.9**	48,821	17.0	**464,113**
Total	**¥316,876**	**100.0**	¥287,932	100.0	**$2,755,443**

Notes: 1. Figures are based on production quantity and sales price to customers.
2. Exclusive of consumption taxes
3. Production amounts of the foreign subsidiaries were translated into Japanese yen at average exchange rates for each period.
4. The tables by product indicate production, order and backlog of electronics components and related products.
5. The total production, order and backlog in Module Products for this semiannual period have increased greatly compared to the previous semiannual period because the order performed well in AV and communication market.

	Millions of yen 2007	Component ratio 2007	Millions of yen 2006	Component ratio 2006	Thousands of U.S.dollars 2007
Order by Product		%		%	
Capacitors	**¥122,032**	**39.6**	¥109,327	38.3	**$1,061,148**
Piezoelectric Components	**44,822**	**14.5**	39,692	13.9	**389,756**
Microwave Devices	**54,167**	**17.6**	61,255	21.5	**471,017**
Module Products	**35,572**	**11.5**	27,708	9.7	**309,322**
Other Products	**51,679**	**16.8**	47,513	16.6	**449,383**
Total	**¥308,272**	**100.0**	¥285,495	100.0	**$2,680,626**

Notes: 1. Figures are based on order quantity and sales price to customers.
2. Exclusive of consumption taxes

	Millions of yen 2007	Component ratio 2007	Millions of yen 2006	Component ratio 2006	Thousands of U.S.dollars 2007
Backlog by Product		%		%	
Capacitors	**¥ 27,693**	**42.8**	¥ 27,541	45.2	**$ 240,809**
Piezoelectric Components	**7,018**	**10.9**	7,997	13.2	**61,026**
Microwave Devices	**9,595**	**14.8**	7,507	12.3	**83,435**
Module Products	**9,826**	**15.2**	7,021	11.5	**85,443**
Other Products	**10,517**	**16.3**	10,825	17.8	**91,452**
Total	**¥ 64,649**	**100.0**	¥ 60,891	100.0	**$ 562,165**

Notes: 1. Figures are based on backlog quantity and sales price to customers.
2. Exclusive of consumption taxes

Consolidated Balance Sheets (Unaudited)

Murata Manufacturing Co., Ltd. and Subsidiaries
As of September 30, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note2)
	2007	2006	**2007**
ASSETS			
Current assets:			
Cash	**¥ 34,313**	¥ 25,986	**$ 298,374**
Time deposits	**72,895**	68,755	**633,870**
Marketable securities (Note 3)	**288,380**	331,895	**2,507,652**
Notes and accounts receivable:			
Trade notes	**7,086**	8,067	**61,617**
Trade accounts	**134,811**	117,462	**1,172,270**
Allowance for doubtful notes and accounts	**(1,795)**	(1,464)	**(15,609)**
Inventories	**101,149**	75,803	**879,557**
Deferred income taxes	**23,245**	19,729	**202,130**
Prepaid expenses and other	**9,643**	7,160	**83,852**
Total current assets	**669,727**	653,393	**5,823,713**
Property, plant and equipment:			
Land	**41,361**	40,909	**359,661**
Buildings	**234,798**	210,418	**2,041,722**
Machinery and equipment	**510,328**	451,882	**4,437,635**
Construction in progress	**40,049**	22,077	**348,252**
Total	**826,536**	725,286	**7,187,270**
Accumulated depreciation	**(506,412)**	(472,662)	**(4,403,583)**
Net property, plant and equipment	**320,124**	252,624	**2,783,687**
Investments and other assets:			
Investments (Note 3)	**14,876**	18,193	**129,357**
Deferred income taxes	**6,557**	5,620	**57,017**
Long-term receivables, advances and other	**41,963**	22,997	**364,896**
Total investments and other assets	**63,396**	46,810	**551,270**
Total assets	**¥ 1,053,247**	¥952,827	**$9,158,670**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings	**¥ 12,998**	¥ 8,900	**$ 113,026**
Trade notes payable	**4,590**	5,452	**39,913**
Trade accounts payable	**33,364**	29,205	**290,122**
Accrued payroll and bonuses	**22,262**	19,930	**193,583**
Income taxes payable	**19,509**	22,242	**169,643**
Accrued expenses and other	**48,219**	28,335	**419,296**
Total current liabilities	**140,942**	114,064	**1,225,583**
Long-term liabilities:			
Long-term debt	**20**	25	**174**
Termination and retirement benefits	**41,441**	46,804	**360,356**
Deferred income taxes	**20,301**	10,456	**176,530**
Other	**629**	679	**5,470**
Total long-term liabilities	**62,391**	57,964	**542,530**
Commitments and contingent liabilities (Note 5)			
Shareholders' equity (Note 8):			
Common stock			
Authorized 581,000,000 shares in 2007 and 2006; Issued 225,263,592 shares in 2007 and 2006	**69,377**	69,377	**603,278**
Capital surplus	**102,401**	102,306	**890,443**
Retained earnings	**682,106**	626,652	**5,931,357**
Accumulated other comprehensive income (loss):			
Unrealized gains on securities	**4,554**	5,552	**39,600**
Minimum pension liability adjustments	**–**	(571)	**–**
Pension liability adjustments	**7,617**	–	**66,235**
Unrealized gains (losses) on derivative instruments	**13**	(194)	**113**
Foreign currency translation adjustments	**1,979**	(3,815)	**17,209**
Total accumulated other comprehensive income	**14,163**	972	**123,157**
Treasury stock, at cost 3,254,140 shares in 2007 and 3,324,723 shares in 2006	**(18,133)**	(18,508)	**(157,678)**
Total shareholders' equity	**849,914**	780,799	**7,390,557**
Total liabilities and shareholders' equity	**¥ 1,053,247**	¥952,827	**$9,158,670**

See notes to consolidated financial statements (unaudited).

Consolidated Statements of Income and Retained Earnings (Unaudited)

Murata Manufacturing Co., Ltd. and Subsidiaries
Six months ended September 30, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note2)
	2007	2006	2005	**2007**
Net sales	**¥304,948**	¥277,155	¥228,937	**$2,651,722**
Operating costs and expenses:				
Cost of sales	**184,538**	164,380	139,057	**1,604,679**
Selling, general and administrative (Note 1.q)	**42,156**	38,348	34,769	**366,574**
Research and development	**19,477**	20,309	17,227	**169,365**
Total operating costs and expenses	**246,171**	223,037	191,053	**2,140,618**
Operating income	**58,777**	54,118	37,884	**511,104**
Other income (expenses):				
Interest and dividend income	**2,457**	1,803	1,103	**21,365**
Interest expense	**(256)**	(130)	(67)	**(2,226)**
Foreign currency exchange gain (loss)	**(872)**	(320)	10	**(7,582)**
Other - net	**621**	1,413	400	**5,400**
Other income (expenses) - net	**1,950**	2,766	1,446	**16,957**
Income before income taxes	**60,727**	56,884	39,330	**528,061**
Income taxes:				
Current	**21,345**	23,840	14,285	**185,609**
Deferred	**1,417**	(799)	251	**12,322**
	22,762	23,041	14,536	**197,931**
Net income	**37,965**	33,843	24,794	**330,130**
Retained earnings:				
Balance at beginning of period	**655,240**	601,685	555,512	**5,697,740**
Cash dividends - ¥50.0 ($0.43) per share in 2007, ¥40.0 per share in 2006, and ¥25.0 per share in 2005	**(11,099)**	(8,876)	(5,618)	**(96,513)**
Balance at end of period	**¥682,106**	¥626,652	¥574,688	**$5,931,357**

	Yen			U.S. dollars (Note2)
Amounts per share (Note 4):				
Basic earnings per share	**¥171.01**	¥152.50	¥110.97	**$1.49**
Diluted earnings per share	**¥170.97**	¥152.47	¥110.97	**$1.49**
Cash dividends per share	**¥50.00**	¥40.00	¥25.00	**$0.43**

See notes to consolidated financial statements (unaudited).

Consolidated Statements of Comprehensive Income (Unaudited)

Murata Manufacturing Co., Ltd. and Subsidiaries
Six months ended September 30, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note2)
	2007	2006	2005	**2007**
Net income	**¥37,965**	¥33,843	¥24,794	**$330,130**
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on securities	**(814)**	(440)	1,133	**(7,078)**
Minimum pension liability adjustments	**–**	(42)	90	**–**
Pension liability adjustments	**(849)**	–	–	**(7,383)**
Unrealized gains (losses) on derivative instruments	**42**	(161)	27	**365**
Foreign currency translation adjustments	**1,595**	834	2,834	**13,870**
Other comprehensive income (loss)	**(26)**	191	4,084	**(226)**
Comprehensive income	**¥37,939**	¥34,034	¥28,878	**$329,904**

See notes to consolidated financial statements (unaudited).

Consolidated Statements of Cash Flows (Unaudited)

Murata Manufacturing Co., Ltd. and Subsidiaries
Six months ended September 30, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note2)
	2007	2006	2005	**2007**
Operating activities:				
Net income	**¥ 37,965**	¥ 33,843	¥ 24,794	**$ 330,130**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**28,763**	21,871	20,435	**250,113**
Losses on sales and disposal of property, plant and equipment	**296**	204	254	**2,574**
Impairment losses on long-lived assets	**–**	–	360	**–**
Gains on sales of securities	**–**	(2)	(70)	**–**
Provision for termination and retirement benefits, less payments	**(881)**	(575)	623	**(7,661)**
Deferred income taxes	**1,417**	(799)	251	**12,322**
Changes in assets and liabilities:				
Increase in trade notes and accounts receivable	**(8,460)**	(12,235)	(11,489)	**(73,565)**
Increase in inventories	**(9,960)**	(9,021)	(1,977)	**(86,609)**
Increase in prepaid expenses and other	**(18)**	(1,287)	(267)	**(156)**
Increase (decrease) in trade notes and accounts payable	**(2,453)**	5,343	4,167	**(21,330)**
Increase in accrued payroll and bonuses	**1,123**	687	605	**9,765**
Increase (decrease) in income taxes payable	**(9,939)**	4,333	(2,039)	**(86,426)**
Increase in accrued expenses and other	**16,765**	6,917	794	**145,783**
Other-net	**(218)**	3,015	(123)	**(1,896)**
Net cash provided by operating activities	**54,400**	52,294	36,318	**473,044**
Investing activities:				
Capital expenditures	**(61,639)**	(41,910)	(21,624)	**(535,991)**
Payment for purchases of investments and other	**(3,077)**	(2,034)	(2,442)	**(26,757)**
Net decrease (increase) in marketable securities	**31,945**	(16,499)	29,948	**277,783**
Increase in long-term deposits	**(2,000)**	–	–	**(17,391)**
Proceeds from sales of property, plant and equipment	**336**	207	776	**2,922**
Proceeds from sales of investments	**986**	10	116	**8,574**
Acquisition of subsidiaries, net of cash acquired	**(9,451)**	(15,387)	–	**(82,183)**
Increase in time deposits	**(280)**	–	–	**(2,435)**
Other	**12**	1	2	**104**
Net cash provided by (used in) investing activities	**(43,168)**	(75,612)	6,776	**(375,374)**
Financing activities:				
Net increase (decrease) in short-term borrowings	**(892)**	478	(199)	**(7,756)**
Repayment of long-term debt	**–**	(500)	–	**–**
Dividends paid	**(11,099)**	(8,876)	(5,618)	**(96,513)**
Payment for purchases of treasury stock	**(21)**	(19)	(15,589)	**(183)**
Proceeds from exercise of stock options	**182**	213	–	**1,583**
Other	**(4)**	(1)	(1)	**(35)**
Net cash used in financing activities	**(11,834)**	(8,705)	(21,407)	**(102,904)**
Effect of exchange rate changes on cash and cash equivalents	**495**	381	1,207	**4,304**
Net increase (decrease) in cash and cash equivalents	**(107)**	(31,642)	22,894	**(930)**
Cash and cash equivalents at beginning of period	**106,155**	126,383	93,671	**923,087**
Cash and cash equivalents at end of period	**¥ 106,048**	¥ 94,741	¥ 116,565	**$ 922,157**
Additional cash flow information:				
Interest paid	**¥ 252**	¥ 124	¥ 66	**$ 2,191**
Income taxes paid	**31,244**	19,497	16,332	**271,687**
Additional cash and cash equivalents information:				
Cash	**¥ 34,313**	¥ 25,986	¥ 30,917	**$ 298,374**
Time deposits	**72,895**	68,755	85,648	**633,870**
Time deposits with the original maturities over three months	**(1,160)**	–	–	**(10,087)**
Cash and cash equivalents at end of period	**¥ 106,048**	¥ 94,741	¥ 116,565	**$ 922,157**

See notes to consolidated financial statements (unaudited).

LIQUIDITY IN HAND

	Millions of yen			Thousands of U.S. dollars (Note2)
	2007	2006	2005	**2007**
Cash and cash equivalents at end of period	**¥106,048**	¥ 94,741	¥116,565	**$ 922,157**
Time deposits with the original maturities over three months	**1,160**	–	–	**10,087**
Marketable securities	**288,380**	331,895	302,401	**2,507,652**
Liquidity in hand	**¥395,588**	¥426,636	¥418,966	**$3,439,896**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Murata Manufacturing Co., Ltd. and Subsidiaries

1.Summary of Significant Accounting Policies

(a) Nature of operations

Murata Manufacturing Co., Ltd. (the "Company") and subsidiaries (together the "Companies") are engaged in the development, manufacture and sale of electronic components in numerous countries, with Japan, North America and certain other Asian and European countries as its primary markets. The Companies' major product groups are ceramic capacitors, piezoelectric components, microwave devices and module products, which are sold mainly to electronics companies for use as components in telecommunication, computer, audio, video, automotive electronics and other electronic products.

(b) Basis of financial statements

The accompanying unaudited consolidated financial statements, stated in Japanese yen, reflect certain adjustments, not recorded on the books of account, to present these statements in accordance with accounting principles generally accepted in the United States, except for the omission of a certain presentation of segment information required by Statement of Financial Accounting Standards ("SFAS") No.131, "Disclosures about Segments of an Enterprise and Related Information," and except for the omission of certain disclosures not presented in these interim financial statements.

The consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States for a complete financial statement presentation. In the opinion of management, all adjustments necessary for a fair presentation have been included.

(c) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany items have been eliminated in consolidation.

(d) Cash and cash equivalents

The Companies consider cash and time deposits with original maturities of three months or less as cash and cash equivalents. Such time deposits may be withdrawn on demand without diminution of principal.

(e) Marketable securities and investments

Under SFAS No.115, "Accounting for Certain Investments in Debt and Equity Securities," the Companies classify all debt securities and marketable equity securities as available-for-sale and carry them at fair value with a corresponding recognition of the net unrealized holding gain or loss (net of tax) as a separate component of shareholders' equity. Gains and losses on sales of investments are computed on an average cost basis. Equity securities that do not have a readily determinable fair value are recorded at average cost (See Note 3). The Companies review the fair value of their marketable securities and investments on a regular basis to determine if the fair value of any individual investment has declined below its cost and if such decline is other than temporary. A determination of whether a decline in value represents other than temporary impairment is based on criteria that include the extent to which the securities' carrying value exceeds its fair value, the duration of the market decline, and the Companies' ability and intent to hold the investment. Losses from other-than-temporary impairments, if any, are charged to income as incurred.

(f) Inventories

Inventories are stated at the lower of cost, which is determined principally by the average cost method, or market.

(g) Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment has been principally computed using the declining-balance method (straight-line method for certain overseas subsidiaries) based upon the estimated useful lives of the assets.

The range of useful lives is principally from 10 to 50 years for buildings and from 4 to 10 years for machinery and equipment.

(h) Termination and retirement benefits

Termination and retirement benefits are accounted for in accordance with SFAS No. 87, "Employers' Accounting for Pensions" and SFAS No.158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)." The Companies will adopt the measurement date provisions of SFAS No. 158 as of April 1, 2008.

(i) Revenue recognition

The Companies recognize revenue when persuasive evidence of an arrangement including title transfer exists, delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured.

(j) Advertising expenses

Advertising costs are expensed as incurred. Advertising expenses for the six months ended September 30, 2007 and 2006 were ¥968 million ($8,417 thousand) and ¥765 million, respectively.

(k) Taxes on income

The Companies follow the provisions of SFAS No.109, "Accounting for Income Taxes" to account for income taxes. Under SFAS No.109, deferred tax assets and liabilities are computed based on the differences between the financial statement and the income tax bases of assets and liabilities using the enacted tax rates. Deferred income tax expenses and credits are based on the change in the deferred tax assets and liabilities from period to period. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amounts expected to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

Provisions are made for taxes on unremitted earnings of all foreign subsidiaries as such earnings are not deemed to be permanently invested.

Effective April 1, 2007, the Companies account for uncertainty in income taxes in accordance with FASB Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109." FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

(l) Earnings per share

The Companies account for earnings per share in accordance with SFAS No. 128, "Earnings per Share." Diluted earnings per share reflects the potential dilution from potential shares outstanding such as shares issuable upon the exercise of stock options. A reconciliation of the numerator and denominator of the basic and diluted earnings per share computation is included in Note 4.

(m) Derivatives

The Companies account for their derivative instruments and hedging activities in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133," SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" and SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140." These standards establish accounting and reporting standards for derivative instruments and for hedging activities, and require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

On the date the derivative contract is entered into, the Companies designate the derivative as a hedge of forecasted foreign currency cash flows. The Companies formally document all relationships between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as foreign currency cash flow hedges to specific assets and liabilities in the consolidated balance sheet or to specific forecasted transactions. The Companies consider all hedges to be highly effective in offsetting changes in cash flows of hedged items, because the currencies and terms of the derivatives correspond to those of hedged items.

Changes in fair value of a derivative that is highly effective and that is designated and qualifies as a foreign currency cash flow hedge are recorded in other comprehensive income (loss), until earnings are affected by the variability in cash flows of the designated hedged item.

(n) Stock-based Compensation

The Company accounts for stock-based awards to employees in accordance with SFAS No.123 (revised 2004), "Share-Based Payment" ("SFAS No.123R"). SFAS No.123R requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost is recognized over the period during which an employee is required to provide service in exchange for the award on or after the effective date. Stock-based compensation for the six months ended September 30, 2007 and 2006 was ¥20 million ($174 thousand) and ¥53 million, respectively. There is no tax effect on the stock-based compensation.

(o) Shipping and Handling costs

Shipping and Handling costs which were included in selling, general and administrative expenses for the six months ended September 30, 2007 and 2006 were ¥2,930 million ($25,478 thousand) and ¥2,771 million, respectively.

(p) Consideration given by a vendor to a customer

The Companies account for consideration given to a customer as a reduction of revenue in accordance with EITF No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products." EITF No. 01-9 defines the income statement classification of consideration given by a vendor to a customer or reseller of the vendor's products.

(q) Impairment or Disposal of Long-Lived Assets

The Companies account for impairment or disposal of long-lived assets and discontinued operations in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement applies to all long-lived assets. The Companies' long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated and undiscounted future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets. If the Companies determine to dispose of assets, depreciation estimates for the assets shall be revised to reflect those remaining useful lives. Assets classified as held for sale shall be measured at the lower of its carrying amount or fair value less cost to sell.

(r) Goodwill and other intangible assets

The Companies account for goodwill and other intangible assets in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets." In accordance with this statement, goodwill is not amortized and is instead tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives.

And also this statement requires that an intangible asset that is determined to have indefinite useful life is not amortized but is instead tested at least annually for impairment until its useful life is determined to be no longer indefinite.

(s) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(t) Reclassifications

Certain items in prior years' financial statements have been reclassified to conform to the presentation for the six months ended September 30, 2007.

(u) New Accounting Standards

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 clarifies the definitions of fair value, which were different among the many accounting pronouncements that require or permit fair value measurement. SFAS No. 157 defines fair value as the price in an orderly transaction between market participants to sell the asset or transfer the liability in the market, clarifies that valuation techniques are consist with the market approach, income approach, and/or cost approach, and requires companies to apply them consistently. SFAS No. 157 also expands disclosures about the use of fair value to measure assets and liabilities. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and the Companies will adopt this statement as of April 1, 2008. The Companies are currently evaluating the impact of adoption of this statement on the Companies' consolidated financial statement as of the required effective date.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)." SFAS No. 158 requires companies to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in the statement of financial position, and requires companies to measure the funded status of a plan as of the date of its year-end statement of financial position. On March 31, 2007, the Companies adopted the recognition of the funded status of a defined benefit postretirement plan and the required disclosures with SFAS No.158. The Companies will adopt the measurement date provisions of SFAS No. 158 as of April 1, 2008. Adoption of this accounting standard is expected to have no effect on the Companies' consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115." SFAS No. 159 permits companies to choose to measure many financial assets and liabilities at fair value that are not currently required to be measured at fair value. Unrealized gains and losses on items for which the fair value option has been elected shall be recognized in earnings of each reporting period. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007 and the Companies will adopt this statement as of April 1, 2008. The Companies are currently evaluating the impact of adoption of this statement on the Companies' consolidated financial statement as of the required effective date.

2.Translation of Japanese Yen amounts into U.S. Dollar amounts

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for convenience of readers outside of Japan and have been made at the rate of ¥115 to $1, the approximate rate of exchange at September 30, 2007. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

3. Marketable Securities and Investments

The cost, gross unrealized gains, gross unrealized losses and fair value for available-for-sale securities by major security type, at September 30, 2007 and 2006 were as follows:

	Millions of yen			
	2007			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Current:				
Governmental debt securities	¥ 19,814	¥ 18	¥ 9	¥ 19,823
Private debt securities	268,873	311	627	268,557
Total	¥288,687	¥ 329	¥ 636	¥288,380
Non-current:				
Equity securities	¥ 4,634	¥8,161	¥ 16	¥ 12,779
Investment trusts	600	3	–	603
Total	¥ 5,234	¥8,164	¥ 16	¥ 13,382

	Millions of yen			
	2006			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Current:				
Governmental debt securities	¥ 25,539	¥ 36	¥ 10	¥ 25,565
Private debt securities	306,513	406	589	306,330
Total	¥332,052	¥ 442	¥ 599	¥331,895
Non-current:				
Equity securities	¥ 4,734	¥9,724	¥ 24	¥ 14,434
Investment trusts	600	3	–	603
Total	¥ 5,334	¥9,727	¥ 24	¥ 15,037

	Thousands of U.S. dollars			
	2007			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Current:				
Governmental debt securities	$ 172,296	$ 156	$ 78	$ 172,374
Private debt securities	2,338,026	2,704	5,452	2,335,278
Total	$2,510,322	$ 2,860	$ 5,530	$2,507,652
Non-current:				
Equity securities	$ 40,296	$70,965	$ 139	$ 111,122
Investment trusts	5,217	26	–	5,243
Total	$ 45,513	$70,991	$ 139	$ 116,365

The aggregate carrying amounts of the equity securities that do not have a readily determinable fair value at September 30, 2007 and 2006, which were valued at cost, were ¥1,494 million ($12,992 thousand) and ¥3,156 million, respectively. They were not included in the above schedule.

Contractual maturities of debt securities as of Sptember 30, 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	Cost	Fair Value	Cost	Fair Value
Within one year	**¥ 95,904**	**¥ 95,770**	**$ 833,948**	**$ 832,782**
After one year through five years	**192,102**	**191,919**	**1,670,452**	**1,668,861**
After five years	**681**	**691**	**5,922**	**6,009**
Total	**¥288,687**	**¥288,380**	**$2,510,322**	**$2,507,652**

Sales of available-for-sale securities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Proceeds from sales	**¥ 986**	¥13	**$8,574**
Gross realized gains	**–**	2	**–**
Gross realized losses	**14**	3	**122**

4. Amounts per Share

A reconciliation of the basic and diluted earnings per share computation is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Net income	**¥37,965**	¥33,843	**$330,130**

	Numbers of shares	
	2007	2006
Average common shares outstanding	**222,002,219**	221,927,434
Dilutive effect of stock options	**48,332**	42,868
Diluted common shares outstanding	**222,050,551**	221,970,302

	Yen		U.S. dollars
	2007	2006	**2007**
Earnings per share:			
Basic	**¥171.01**	¥152.50	**$1.49**
Diluted	**170.97**	152.47	**1.49**

5. Commitments and Contingent Liabilities

Outstanding commitments at September 30, 2007 and 2006 for the purchase of property, plant and equipment approximated ¥20,219 million ($175,817 thousand) and ¥13,933 million, respectively.

At September 30, 2007 and 2006, the Companies were contingently liable for trade accounts receivable discounted and transferred to banks of ¥297 million ($2,583 thousand) and ¥333 million, respectively, which were accounted for as sales when discounted and transferred.

6. Financial Instruments and Concentration of Credit Risk

In the normal course of its business, the Companies invest in various financial assets and incur various financial liabilities. The Companies also enter into agreements for derivative financial instruments to manage their exposure to fluctuations in foreign currency exchange rates. The fair value estimates of financial instruments presented below are not necessarily indicative of the amounts the Companies might pay or receive from actual market transactions. The Companies had the following financial assets and liabilities at September 30, 2007 and 2006 :

Financial Assets and Liabilities

(1) Cash, time deposits, notes and accounts receivable, short-term borrowings, notes and accounts payable and long-term debt

Fair value approximates carrying amounts indicated in the balance sheets at September 30, 2007 and 2006.

(2) Marketable securities and investments

Fair value is primarily based on quoted market prices or estimated using discounted cash flow analysis, based on the market interest rates currently available to the Companies for instruments with similar terms and maturities. The fair values of marketable securities and investments are presented in Note 3.

(3) Long-term receivables, advances and other assets

Fair value is primarily based on dealer quotes for the same or similar instruments. The fair values of applicable long-term receivables, advances and other assets at September 30, 2007 and 2006 were ¥42,009 million ($365,296 thousand) and ¥23,070 million compared with carrying amounts of ¥41,963 million ($364,896 thousand) and ¥22,997 million, respectively.

Forward exchange contracts

The Companies had ¥18,800 million ($163,478 thousand) and ¥24,819 million in notional amounts of forward exchange contracts outstanding as of September 30, 2007 and 2006, respectively, in order to hedge the foreign currency risk of various sales and supply transactions, accounts receivable and accounts payable, which transactions are expected to occur within the next three months.

The estimated fair values of the Companies' forward exchange contracts at September 30, 2007 and 2006, which equal the carrying amounts, were an asset of ¥123 million ($1,070 thousand) and a liability of ¥547 million, respectively.

Changes in the fair value of forward exchange contracts designated and qualifying as cash flow hedges are reported in accumulated other comprehensive income (loss). These amounts are subsequently reclassified into earnings through other income (expenses) in the same period that the hedged items affect earnings. Most reclassifications occur when the products related to hedged transaction are sold from overseas subsidiaries to their customers. Substantially all unrealized gains or losses on derivatives included in accumulated other comprehensive income (loss) at the end of the period are expected to be recognized in earnings within the next three months.

The exposure to credit risk is minimal since the counterparties are major financial institutions. The Companies do not anticipate nonperformance by any of the counterparties. The gains or losses arising from these contracts are applied to offset gains or losses on related hedged assets, liabilities or future commitments.

Concentration of Credit Risk

A significant portion of the Companies' sales is dependent upon and concentrated in the electronics industry, especially telecommunications equipment. The Companies generally extend credit to their customers, therefore, collection of receivables could be affected by developments in the electronics industry. However, the Companies closely monitor extensions of credit and have never experienced significant credit losses.

7. Acquisition

The Companies completed the acquisition of the Power Electronics Division of C&D Technologies, Inc.(hereinafter "C&D") on August 31, 2007. Murata North America, Inc., a wholly-owned subsidiary of the Company, acquired the stocks or the equities of the subsidiaries of C&D, which constitute the Power Electronics Division. Murata Power Solutions, Inc. of the United States and 17 other companies were newly consolidated by the acquisition. The total acquisition price is US$87 million.

Murata Power Solutions, Inc. and 17 other subsidiaries develop, manufacture, and sell power supplies including DC/DC converters, AC/DC power supplies, and other transformers. These subsidiaries command an especially high market share for DC/DC converters. In addition to having a wide range of standard power supply products that the Company had not handled, these subsidiaries are strong in overseas markets that our power supply business has not been able to fully penetrate. We believe the acquisition will contribute to filling out our product line-up and entering new markets for our power supply business.

Note: DC/DC converters are circuit modules that transform direct-current power to regulated direct-current voltage output.

8. Subsequent Events

The Board of Directors of the Company resolved in October 2007 to pay a cash dividend of ¥50.0 ($0.43) per share or a total of ¥11,100 million ($96,522 thousand) to shareholders of record as of September 30, 2007.

Certificate by Chief Financial Officer

I, Yoshitaka Fujita as chief financial officer of the Company do hereby certify, to the best of my knowledge and after reasonable investigation, that, in my opinion, the consolidated balance sheets as of September 30, 2007, and the related consolidated statements of income and retained earnings and cash flows for the six months then ended present fairly the financial position of the Company and consolidated subsidiaries as of September 30, 2007, and the results of their operations and the changes in their cash flows for the six months then ended.

Yoshitaka Fujita

Yoshitaka Fujita
Corporate Senior Executive Vice President
Member of the Board of Directors

Company Data (Murata Manufacturing Co., Ltd.)

Date of Incorporation: December 23, 1950

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617-8555 Japan
Phone: 81-75-951-9111

Internet URL: http://www. murata. com/

Common stock: ¥69,376 million

Number of Issued Shares: 225,263 thousand

Number of Shareholders: 64,045

Number of Employees (Consolidated): 32,682

Stock Exchange Listings:
Tokyo Stock Exchange
Osaka Securities Exchange
Stock Exchange of Singapore

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Murata Manufacturing Co., Ltd.

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