Murata Mfg. (6981.T)

2Q above expectations: Positive on sharp rise in guidance and medium- to long-term capacity expansion; raise TP, Buy

6981.T	12m Price Target: ¥13,200	Price: ¥6,349	Upside: 107.9%

Murata Mfg.'s 2Q operating profits of ¥147.5 bn, reported at 14:00 JST on October 30, largely exceeded our estimate of ¥132 bn. The company also made a large upward revision to full-year guidance to ¥520 bn, from ¥430 bn (assumes ¥155/USD in 2H). The large upward revision is a surprise, as it exceeds our prior estimate (¥490 bn), which was higher than the BBG consensus. Key points from the results briefing were as follows. **(1) MLCC sales:** 2Q sales increased +14% qoq, and the full-year target was raised from ¥1,157.5 bn (+24% yoy) to ¥1,276.2 bn (+36% yoy). It also plans for an +11% hoh increase from 1H to 2H. Company guidance is for sales for DC/AI to increase 120-140% in FY3/27, and to double again in FY3/28. **(2) MLCC capacity utilization/BB ratio:** 1Q/2Q utilization was 90-95% (close to 95%), and guidance for 3Q/4Q is 95%. The 2Q BB ratio was 1.39x, and the order backlog is increasing. **(3) MLCC capacity:** Murata announced a cumulative investment of ¥1 tn (¥350 bn in buildings/¥650 bn in equipment) over FY3/27-FY3/31. It expects MLCC sales to more than double from ¥0.9 tn in FY3/26 to ¥2 tn in FY3/31, and much of the capacity expansion is assumed to be for DC/AC, where high marginal profit is expected. For annualized capacity, it plans for an increase of over +10% in FY3/27, +20% in FY3/28 and FY3/29, and a growth rate slightly lower than +20% from FY3/30 onward. **(4) MLCC prices:** While assuming flat prices from 1H to 2H, the company has already started raising prices for legacy products where peers are doing the same, and stated it will promptly begin considering price hikes (from 2H onward) in cases where cost increases are expected due to capital expenditures.

In conclusion, we have a very positive impression of all the details, including (1) a large upside to results and guidance, (2) an acceleration in revenue growth for DC/AI, (3) the decision on long-term MLCC investment centered on DC/AI where high marginal profit is expected, and (4) progress in considerations for price hikes. We slightly raise our target price from ¥13,100 to ¥13,200, and maintain our Buy rating (on CL).

BUY (CL)

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Key Data

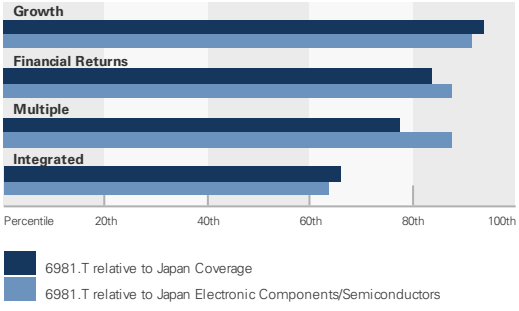
Market cap: ¥12.9tr / $81.6bn
Enterprise value: ¥12.1tr / $76.5bn
3m ADTV: ¥169.5bn / $1.1bn
Japan
Japan Electronic Components/Semiconductors
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	3/26	3/27E	3/28E	3/29E
Revenue (¥ bn)	1,830.9	2,268.0	2,714.0	3,165.0
Op. profit (¥ bn) New	**281.8**	**524.0**	**730.0**	**925.0**
Op. profit (¥ bn) Old	281.8	490.0	710.0	915.0
Op. profit CoE (¥ bn)	270.0	520.0	–	–
EPS (¥) New	**128.5**	**232.2**	**343.1**	**452.0**
EPS (¥) Old	128.5	222.9	333.5	447.6
P/E (X)	21.5	27.3	18.5	14.0
P/B (X)	2.0	4.1	3.5	2.9
CROCI (%)	13.7	18.3	23.1	27.3

	6/26	9/26	12/26E	3/27E
EPS (¥)	46.6	60.0	65.6	59.9

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates.
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BUY CL

Murata Mfg. (6981.T)

Rating since Apr 6, 2016

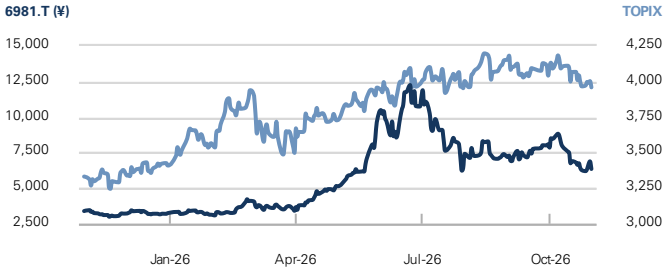
Ratios & Valuation

	3/26	3/27E	3/28E	3/29E
P/E (X)	21.5	27.3	18.5	14.0
P/B (X)	2.0	4.1	3.5	2.9
FCF yield (%)	2.7	2.6	4.1	5.8
EV/EBITDAR (X)	10.5	14.8	10.4	7.5
EV/EBITDA (excl. leases) (X)	10.5	14.8	10.4	7.5
CROCI (%)	13.7	18.3	23.1	27.3
ROE (%)	8.8	14.3	18.1	19.9
Net debt/equity (%)	(23.9)	(27.2)	(33.1)	(40.5)
Net debt/equity (excl. leases) (%)	(23.9)	(27.2)	(33.1)	(40.5)
Interest cover (X)	297.2	4,753.0	6,621.6	8,390.4
Days inventory outst, sales	100.0	85.2	74.5	67.6
Receivable days	62.1	57.5	55.5	53.4
Days payable outstanding	23.6	26.6	30.5	33.9
DuPont ROE (%)	8.6	13.7	17.1	18.5
Turnover (X)	0.6	0.7	0.7	0.7
Leverage (X)	1.2	1.2	1.2	1.1
Gross cash invested (ex cash) (¥)	3,432.2	3,601.7	3,808.8	4,026.1
Average capital employed (¥)	2,013.6	2,111.5	2,201.2	2,283.2
BVPS (¥)	1,370.7	1,550.8	1,831.4	2,214.6

Growth & Margins (%)

	3/26	3/27E	3/28E	3/29E
Total revenue growth	5.0	23.9	19.7	16.6
EBITDA growth	1.5	66.1	32.9	25.6
EPS growth	2.2	80.7	47.8	31.7
DPS growth	14.0	7.7	7.1	6.7
EBIT margin	15.4	23.1	26.9	29.2
EBITDA margin	25.1	33.7	37.4	40.3
Net income margin	12.8	17.9	21.1	22.8

Price Performance



	3m	6m	12m
Absolute	(1.0)%	23.1%	109.5%
Rel. to the TOPIX	(1.2)%	15.9%	74.7%

Source: FactSet. Price as of 30 Oct 2026 close.

Income Statement (¥ bn)

	3/26	3/27E	3/28E	3/29E
Total revenue	1,830.9	2,268.0	2,714.0	3,165.0
Cost of goods sold	(1,157.4)	(1,258.8)	(1,403.4)	(1,563.0)
SG&A	(391.7)	(485.2)	(580.6)	(677.0)
R&D	(158.9)	(178.1)	(190.0)	(200.0)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**460.0**	**764.0**	**1,015.0**	**1,275.0**
Depreciation & amortization	(178.2)	(240.0)	(285.0)	(350.0)
EBIT	**281.8**	**524.0**	**730.0**	**925.0**
Net interest inc./(exp.)	0.2	1.1	1.1	1.1
Income/(loss) from associates	–	–	–	–
Pre-tax profit	**308.6**	**534.5**	**746.0**	**941.0**
Provision for taxes	(74.7)	(129.3)	(173.0)	(220.0)
Minority interest	–	–	–	–
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**233.9**	**405.2**	**573.0**	**721.0**
Post-tax exceptionals	–	–	–	–
Net inc. (post-exceptionals)	**233.9**	**405.2**	**573.0**	**721.0**
EPS (basic, pre-except) (¥)	**117.9**	**212.3**	**312.5**	**410.0**
EPS (diluted, pre-except) (¥)	**128.5**	**232.2**	**343.1**	**452.0**
EPS (basic, post-except) (¥)	**117.9**	**212.3**	**312.5**	**410.0**
EPS (diluted, post-except) (¥)	**128.5**	**232.2**	**343.1**	**452.0**
DPS (¥)	65.0	70.0	75.0	80.0
Div. payout ratio (%)	55.1	33.0	24.0	19.5

Balance Sheet (¥ bn)

	3/26	3/27E	3/28E	3/29E
Cash & cash equivalents	653.7	808.3	1,113.4	1,578.7
Accounts receivable	328.2	386.2	439.0	486.4
Inventory	520.5	537.8	569.6	602.6
Other current assets	79.1	79.1	79.1	79.1
Total current assets	**1,581.4**	**1,811.3**	**2,201.1**	**2,746.8**
Net PP&E	1,300.9	1,335.9	1,370.9	1,390.9
Net intangibles	22.8	22.8	22.8	22.8
Total investments	12.2	12.2	12.2	12.2
Other long-term assets	282.7	282.7	282.7	282.7
Total assets	**3,200.0**	**3,464.9**	**3,889.7**	**4,455.4**
Accounts payable	79.8	103.8	130.4	159.7
Short-term debt	1.7	1.7	1.7	1.7
Short-term lease liabilities	–	–	–	–
Other current liabilities	234.9	234.9	234.9	234.9
Total current liabilities	**316.5**	**340.5**	**367.1**	**396.4**
Long-term debt	1.5	1.5	1.5	1.5
Long-term lease liabilities	–	–	–	–
Other long-term liabilities	163.3	163.3	163.3	163.3
Total long-term liabilities	**164.8**	**164.8**	**164.8**	**164.8**
Total liabilities	**481.3**	**505.3**	**531.9**	**561.2**
Preferred shares	–	–	–	–
Total common equity	**2,718.7**	**2,959.7**	**3,357.8**	**3,894.3**
Minority interest	**--**	**--**	**--**	**--**
Total liabilities & equity	**3,200.0**	**3,464.9**	**3,889.7**	**4,455.4**
Net debt, adjusted	(1,023.3)	(1,177.8)	(1,482.9)	(1,948.3)

Cash Flow (¥ bn)

	3/26	3/27E	3/28E	3/29E
Net income	233.9	405.2	573.0	721.0
D&A add-back	178.2	240.0	285.0	350.0
Minority interest add-back	–	–	–	–
Net (inc)/dec working capital	(61.2)	(51.4)	(58.0)	(51.1)
Other operating cash flow	45.3	–	–	–
Cash flow from operations	**396.2**	**593.8**	**800.0**	**1,019.9**
Capital expenditures	(247.8)	(275.0)	(320.0)	(370.0)
Acquisitions	–	–	–	–
Divestitures	–	–	–	–
Others	23.7	–	–	–
Cash flow from investing	**(224.0)**	**(275.0)**	**(320.0)**	**(370.0)**
Repayment of lease liabilities	–	–	–	–
Dividends paid (common & pref)	(125.6)	(135.2)	(144.9)	(154.5)
Inc/(dec) in debt	(49.6)	–	–	–
Other financing cash flows	29.6	(29.1)	(30.0)	(30.0)
Cash flow from financing	**(145.6)**	**(164.3)**	**(174.9)**	**(184.5)**
Total cash flow	**28.6**	**154.6**	**305.1**	**465.4**
Free cash flow	148.5	318.8	480.0	649.9

Source: Company data, Goldman Sachs Research estimates.

Estimate revisions, target price

Based on 2Q results and the new guidance, we raise our FY3/27-FY3/29 operating profit estimates by +7%/+3%/+1%. We also fine-tune our 12-month target price from ¥13,100 to ¥13,200. We maintain our Buy rating.

Exhibit 1: Murata Mfg.: Earnings Summary

	FY3/27 - Q2		FY3/27			
(JPY: Bn)	GSE	Actual	GSE		CoE	Bloomberg
			Old	New		
Sales	574.0	588.5	2,208.8	2,268.0	2,260.0	2,153.2
OP	132.0	147.5	490.0	524.0	520.0	468.5
NI	102.0	104.8	389.0	405.2	396.0	367.7

Source: Company data, Goldman Sachs Global Investment Research, Bloomberg

Murata Mfg.

Investment Thesis - Murata Mfg.

Murata Mfg.'s main business is the manufacture of MLCCs, which account for about 50% of sales, as well as RF modules and MetroCirc. Demand for small, high-capacity MLCCs for AI/DC has expanded rapidly from 2025 onwards, tightening overall MLCC supply/demand. MLCCs for AI/DC are characterized by high technical requirements from customers to cope with surging power consumption within limited baseboard areas, resulting in higher ASPs compared to those for other products (they are also more likely to benefit from increased content per device due to technological changes). In April 2026, the company decided on an ¥80.0 bn capacity expansion investment specializing in AI/DC, and as the global market share leader (estimated at over 50% for AI/DC alone), we think it will continue to strongly benefit from AI demand. We believe this cycle will be prolonged due to factors such as further supply/demand tightening from a recovery in consumer electronics, an increase in long-term agreements (LTAs) for FY3/28, and further penetration into edge devices. We are Buy rated on Murata.

Price Target Risks and Methodology - Murata Mfg.

Valuation methodology: We are Buy rated on Murata Mfg. with a 12-month price target of ¥13,200. Our target price is based on a FY3/29E EV/GCI vs. CROCI/WACC, applying an 80% premium to our sector multiple of 10X (implies FY3/29E P/E of 29X).

Key risks: A decline in smartphone production volume, deterioration in MLCC supply/demand, and yen appreciation.

Disclosure Appendix

Reg AC

We, Daiki Takayama, Mitsuhiro Icho, Makoto Takahara and Yuji Hidaka, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

Contributing Authors: Daiki Takayama Goldman Sachs Japan Co., Ltd., Mitsuhiro Icho Goldman Sachs Japan Co., Ltd., Makoto Takahara Goldman Sachs Japan Co., Ltd., Yuji Hidaka Goldman Sachs Japan Co., Ltd..

Unless otherwise stated, the individuals listed in the Contributing Authors disclosure of this report are analysts in Goldman Sachs' Global Investment Research division.

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

For a more detailed description of how we calculate the GS Factor Profile, please contact your GS representative.

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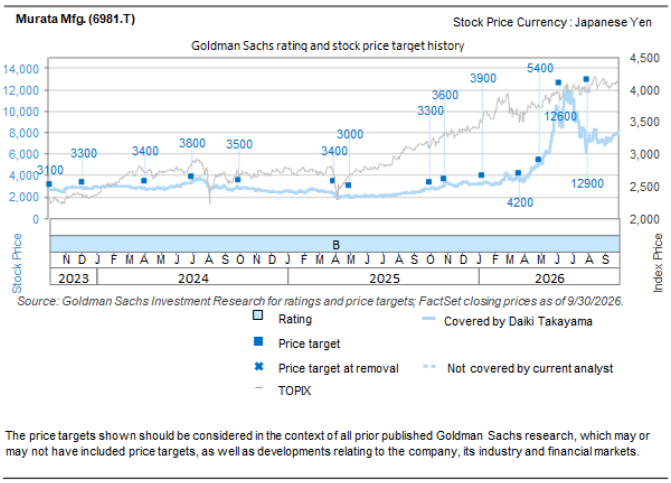
Distribution of ratings/investment banking relationships

Goldman Sachs Investment Research global Equity coverage universe

	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	50%	34%	16%	65%	58%	43%

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Target price history table(s)

Murata Mfg. (6981.T)

Date of report	Target price (¥)	Closing price (¥)
18-Oct-26	13,100	6,900
31-Jul-26	12,900	7,416
08-Jun-26	12,600	8,711
30-Apr-26	5,400	5,156
23-Mar-26	4,200	3,508
12-Jan-26	3,900	3,194
31-Oct-25	3,600	3,392
02-Oct-25	3,300	2,770
30-Apr-25	3,000	2,214
31-Mar-25	3,400	2,306
01-Oct-24	3,500	2,893
02-Jul-24	3,800	3,364
03-Apr-24	3,400	2,768
06-Dec-23	3,300	2,892

Price targets shown in table(s) are unadjusted for corporate actions.

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