

8 November 2002

MARUWA CO., LTD.

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**FOR IMMEDIATE RELEASE**

Nagoya- MARUWA CO., LTD. today announced its consolidated business results for the first half of fiscal 2003, the six-month period ended 30 September, 2002 is as follows;

\*The financial statements are prepared in conformity with the accounting principles generally accepted in Japan.

\*US dollar amounts are converted for convenience only at the rate of US\$ = 120.60 yen.

\*Consolidated subsidiaries: 4 companies

1. Summary of Consolidated Results

(1) Summary of consolidated statement of income

	JPY million			USD thousand
	Six month period ended 30 Sept. 2002	Six month period ended 30 Sept. 2001	Change %	Six month period ended 30 Sept. 2002
Net sales	5,430	5,370	1.1%	44,288
Operating income (loss)	272	(46)	--	2,219
Income before income taxes	227	55	312.7%	1,853
Net income	139	24	479.2%	1,132
		JPY		USD
Net income per share	12.62	2.15	487.0%	0.10

(2) Summary of consolidated financial condition

	JPY million			USD thousand
	Six month period ended 30 Sept. 2002	Six month period ended 30 Sept. 2001	Change %	Six month period ended 30 Sept. 2002
Total Assets	26,447	28,341	-6.7%	215,720
Shareholders' equity	23,746	24,790	-4.2%	193,685

Shareholders' equity ratio	89.8%	87.5%	2.6%	89.8%
		JPY		USD
Shareholders' equity per share	2,160.06	2,254.98	-4.2%	17.60

### (3) Summary of consolidated statement of cash flows

	JPY million			USD thousand
	Six month period ended 30 Sept. 2002	Six month period ended 30 Sept. 2001	Change %	Six month period ended 30 Sept. 2002
Cash flows from operating activities	974	311	213.2%	7,954
Cash flows from investing activities	(358)	(2,795)	--	(2,921)
Cash flows from financing activities	(245)	(167)	--	(1,997)
Cash and cash equivalents at the end of the period	5,841	6,583	-11.3%	47,646

## 2. Projections

### (1) Consolidated earnings forecast for fiscal 2003 (Revised in November 2002)

	JPY million
Net sales	10,300
Net income	255

\*Cautionary statements: the above forecasts are forward-looking statements involving risks and uncertainties.

Due to a number of factors, actual results may differ significantly from these estimates.

## 3. Management Policies

### (1) Basic management policy

"MARUWA OF CERAMIC MATERIAL TECHNOLOGY" is the corporate vision of MARUWA CO., LTD. and its subsidiaries (together with the Company, "MARUWA.") For this vision, we strive to enhance the corporate value by following consistently "quality first" policy, which entails constant technological innovation, and to meet the expectations of all the stakeholders including shareholders, customers, and employees.

Under this vision, the Company has set the management policy that the Company will continue to remain as a winning company under business competition by reinforcing its core businesses through selection and concentration, constructing highly profitable structure, and developing products with No.1 share in the niche market at global level.

#### (2) Dividend policy

The basic principle in MARUWA's dividend policy is to maintain stable dividend payments to the shareholders. We will determine dividend ratio based on comprehensive assessment of the Company's financial conditions and operation and meeting customers' demand as stated in the Basic Management Policy.

#### (3) Business strategy and management issues

In the midst of IT era, in which quick transformation and continuous growth are expected in response to rapidly changing market, MARUWA aims to increase corporate value by bolstering profitability and growth ratio. In order to achieve this goal, we proceed the utilization of our basic technologies such as of ceramic material, of electronic circuit design, and of multi-layering, all which have been accumulated in MARUWA for years, in telecommunication industry.

To promote the reform of managerial organization, we changed the conventional internal hierarchical system into more compact and flexible structure. In this structure, the locus of responsibilities for results in each department became clearer, and, the evaluation of each department according to its result has contributed to make the management open.

#### 4. Summary of the Interim Business Environment

The Japanese economic climate has been a stagnation, influenced by the slowdown of U.S. economy.

The electronic components industry to which the Company belongs had also been in a sharp decline since last term. However, MARUWA kept rather slightly firm sales condition due to an increase in demand for stocks during the first quarter as customers' inventory adjustments were completed. Also, the effect of our through internal reform which started in last year of recession began to appear. We are achieving a flexible structure that could create profits even when sales are sluggish in this marketsensitive industry.

As a result, sales of the six-month period was 5,430 million yen as originally planned, an increase of 60 million yen (1.1 %) compared with the first half period of last year. As for the profits, since we continued to try to cut fixed cost even though there was influence of a decrease in stocks as a result of our intensive effort in shortening lead time, operating income was 272 million yen, an increase of 318 million yen compared with last year's first half period. Net income was 139 million yen, an increase of 115 million yen compared with the first half period of the previous term.

The interim dividend to be paid is 7 yen per share as originally planned.

Review of operation in each business division is as follows.

#### Circuit Ceramics

Circuit Ceramics include ceramic substrates for chip resistors which is one of our core products, glazed ceramic substrates for

thermal printer head (TPH,) large ceramic substrates for hybrid ICs, and Aluminium Nitride for power modules.

Net sales of this division was 2,351 million yen, an increase of 145 million yen, 6.6 % up compared with the previous interim results. The sales was favorable due to a rise in demand for stocks from the rapid recovery in March to the first quarter period when our customers' inventory adjustments were completed and digital household electronics market was good. Although it turned into a modest adjustment period, in and after the third quarter it tends to be recovered.

#### Machinery Ceramics

Machinery Ceramics include magnetic head-supporting blocks for personal computers, and ceramic water valves.

Supporting blocks showed favorable sales in Asian markets throughout the first half period. As for the valves, demand rose in the Taiwanese market. Therefore, the total sales of this division was 733 million yen, an increase of 168 million yen, 29.7 % up compared to the previous interim results.

#### Radio Frequency Products

Radio Frequency Products include dielectric ceramic filters which are used for cellular phones, base stations and GPS (Global Positioning System,) and VCO (Voltage Controlled Oscillators) for cellular phones and other wireless communication.

The sales of dielectric filters was influenced by the sharp fluctuations in demand from cellular phone's parts makers; from the first quarter in shape via an adjustment period in the second quarter, it is now on a track to recovery. VCO sales was in a boom especially in Asian markets of cellular phones, wireless LAN and base stations, and LTCC (Low Temperature Co-firing Ceramics) grew as well.

As a result, the total sales of this division was 755 million yen, an increase of 219 million yen, 40.9 % up compared with the previous interim results.

#### EMC Components

The name of this division was changed in the beginning of this term from "Capacitor Products" to "EMC Components" for the purpose of making clear direction of our products. EMC Components division includes noise/surge protecting components such as EMI filters and chip varistors, and ceramic capacitors of high voltage/high capacitance types.

The digital camera market keeps in a good condition, and consequently we faced increasing price pressure especially on Taiwanese components market and forced to accelerate the fall of unit sales prices. As a result, multi-layer ceramic capacitor production was in a difficult phase, but it bottomed out in August. EMI filters had sales at a low level but firm demand. The divisional sales resulted in 1,591 million yen, a decrease of 472 million yen, 22.9 % down compared with the previous interim result.

#### 5. Financial Condition

The amount of cash flow gained from operating activities in the first half of this term was 974 million yen and increased 663 million yen compared with the previous interim result. The income before income taxes for the first half of this year was 227 million yen ( an increase of 172 million yen compared to the last interim result, and the depreciation cost increased slightly to 683 million yen.

As for the working capital, the notes and accounts receivable increased to 476 million yen while the accounts payable increased to 222 million yen.

The amount of cash flow used in investing activities was 358 million yen, a decrease of 2,437 million yen compared to the last interim result.

The payments for purchase of property, plant & equipment resulted in 292 million yen, especially for metal molds and renewal both in Japan and overseas, a decrease of 2,427 million yen compared to the last interim result.

The amount of cash flow used in financial activities was 245 million yen, an increase of 78 million yen compared to the last interim result. It mainly includes the payment of long-term debt of 168 million yen and cash dividend paid of 77 million yen.

As a result, the amount of cash and cash equivalents at end of the interim period increased 349 million yen to 5,841 million yen compared to the end of last fiscal year.

#### 6. Outlook of the Full Fiscal 2003

In remaining uncertainty due to the bad loan problem and concern about falling stock price in Japan and also the unforeseeable future of the U.S. economy, full-fledged recovery of the domestic economy including consumer spending is not expected.

Under these circumstances, in the electronic components industry, especially in Asian markets, the shift to new models of telecommunication appliances such as cellular phones started in a full scale, and it is forecasted that the shipping amount of personal computer-related components will increase. However, there still remain many uncertainty in this industry.

In the fiscal year 2002, MARUWA had resulted in a heavy deficit, but the profitability was improved as a result of the internal reforms started in last year. For in this interim period, the foreign exchange loss unexpectedly affected to the income negatively and economic uncertainty still remains, we posted the revised projection of results below.

MARUWA, in production, is going to continue to improve profitability by proceeding the incentive reduction of lead time started in last year. In sales operation, we will enhance the flexibility in responding our customers' diverse needs and quick delivery requests, and develop more our sales outlets. In R&D, we will concentrate in developing new high-level technology based on MARUWA's unique material technology to stay ahead of the severe price competition coming particularly in Chinese markets.

The revised forecasts of the consolidated business results for the full fiscal year 2003 ended in March 2003 is as follows;

Net sales	10,300 million yen
Operating income	500 million yen
Net income	255 million yen

Assuming that these figures will be realized, we are planning to pay dividend at the rate of 7 yen per share at year-end,

collectively 14 yen a year together with the interim dividend.

\*Cautionary statements: the above forecasts are forward-looking statements involving risks and uncertainties.

Due to a number of factors, actual results may differ significantly from these estimates.

## 6. Consolidated Balance Sheet

	JPY million			JPY million		USD thousand
	Six-month period ended 30 Sept. 2002	Six-month period ended 30 Sept. 2001	Change %	Year ended 31 March 2002	Change %	Six-month period ended 30 Sept 2002
<b>ASSETS</b>						
Current assets:						
Cash & deposits	5,741	1,364	320.9%	5,492	4.5%	46,830
Notes and accounts receivable, trade	2,889	2,998	-3.6%	2,473	16.8%	23,566
Marketable securities	--	5,219	--	--	--	816
Inventories	3,451	4,156	-17.0%	3,502	-1.5%	28,148
Deferred income taxes	49	25	96.0%	139	-64.7%	398
Other current assets	456	396	15.2%	560	-18.6%	2,906
Allowance for doubtful accounts	(2)	(42)	--	(26)	--	(19)
Total current assets	12,584	14,116	-10.9%	12,140	3.7%	102,645
Property, plant & equipment:						
Land	2,471	2,474	-0.1%	2,473	-0.1%	20,153
Building & structures	5,245	4,518	16.1%	5,348	-1.9%	42,783
Machinery & equipment	11,411	10,733	6.3%	9,258	23.3%	93,079
Other	--	--	--	2,441	--	--
Construction in progress	85	740	-88.5%	79	7.6%	693
Total	19,212	18,465	4.0%	19,599	-2.0%	156,708
Less-accumulated depreciation	(7,461)	(6,238)	--	(7,151)	--	(60,859)
Net property, plant & equipment	11,751	12,227	-3.9%	12,448	-5.6%	95,849
Investment & other assets:						
Investment securities	580	441	31.5%	558	3.9%	4,732
Deferred income taxes	--	22	--	--	--	--
Property & equipment f investments	1,054	1,080	-2.4%	1,066	-1.1%	8,599
Other	478	455	5.1%	518	-7.7%	3,895
Total investments & other assets	2,112	1,998	5.7%	2,142	-1.4%	17,226
Total assets	26,447	28,341	-6.7%	26,730	-1.1%	215,720
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Current liabilities:						
Notes & accounts payable, trade	711	889	-20.0%	508	40.0%	5,800
Current portion of long-term debt	153	199	-23.1%	204	-25.0%	1,252
Accrued income taxes	9	12	-25.0%	7	28.6%	74
Accrued bonus	119	--	--	127	-6.3%	968
Stock purchase warrants	11	--	--	11	0.0%	88
Other current liabilities	881	1,580	-44.2%	655	34.5%	7,186
Total current liabilities	1,884	2,680	-29.7%	1,512	24.6%	15,368
Long-term liabilities:						
Long-term debt	705	763	-7.6%	822	-14.2%	5,752
Accrued pension & severance costs	30	29	3.4%	17	76.5%	245
Deferred tax liabilities	2	2	0.0%	49	-95.9%	15
Other	80	77	3.9%	84	-4.8%	655
Total long-term liabilities:	817	871	-6.2%	972	-15.9%	6,667
Shareholders' equity:						
Common stock, authoriz 26,000,000 shares; issued & outstanding:	6,683	6,683	0.0%	6,683	0.0%	54,514
11,050,000 shares in 2002						
Additional paid-in capit	9,710	9,710	0.0%	9,710	0.0%	79,204

Retained earnings	7,859	9,137	-14.0%	7,797	0.8%	64,102
Net unrealized gains on other securities	22	20	10.0%	86	-74.4%	183
Foreign currency translation adjustment	(326)	(559)	--	171	--	(2,672)
Treasury stock, at cost	(202)	(201)	--	(201)	--	(1,646)
Total shareholders' equity	23,746	24,790	-4.2%	24,246	-2.1%	193,685
Total liabilities & shareholders' equity	26,447	28,341	-6.7%	26,730	-1.1%	215,720

#### 7. Consolidated Statements of Income

	JPY million		Change %	USD thousand
	ix-month period ended 30 Sep 2002	ix-month period ended 30 Sep 2001		Six-month period ended 30 Sept 2001
Net sales	5,430	5,370	1.1%	44,288
Cost of sales	4,165	4,328	-3.8%	33,967
Gross profit	1,265	1,042	21.4%	10,321
Selling, general & administrative expenses	993	1,088	-8.7%	8,102
Operating income	272	(46)	--	2,219
Other income (expenses)				
Interest & dividend income	2	97	-97.9%	16
Interest expenses	8	(9)	--	67
Foreign exchange gain (loss), net	(63)	(17)	--	(511)
Other, net	8	30	-73.3%	62
Other income, net	(45)	101	--	(366)
Income before income taxes	227	55	312.7%	1,853
Income taxes:				
Current	6	12	-50.0%	51
Deferred	82	19	331.6%	670
	88	31	183.9%	721
Net income	139	24	479.2%	1,132

#### 8. Consolidated Statement of Cash Flows

	JPY million		Change %	JPY million	USD thousand
	Six-month period ended 30 Sept. 2002	Six-month period ended 30 Sept. 2001		Year ended 31 March 2002	Six-month period ended 30 Sept 2002
Operating activities:					
Income before income taxes	227	55	312.7%	(1,288)	1,853
Adjustments for:			--		
Depreciation	683	719	-5.0%	1,540	5,574
Increase (decrease) in allowance for doubtful accounts	(18)	(9)	--	(31)	(149)
Decrease in accrued pension & severance costs	13	5	160.0%	(7)	103
Loss on disposal of property, plant & equipment	25	31	-19.4%	47	207
Interest & dividends income	(2)	(97)	--	(114)	(19)
Foreign exchange (gain) loss	35	6	483.3%	(59)	284
Write-down of investment securities	0	15	--	27	1
(Increase) decrease in notes & accounts receivable	(476)	982	--	1,610	(3,879)
(Increase) decrease in inventories	(18)	(287)	--	470	(149)
Increase (decrease) in accounts payable	222	(476)	--	(916)	1,811

Other	130	(45)	--	(281)	1,064
Sub total	821	899	-8.7%	998	6,701
Interest & dividend income received	2	97	-97.9%	114	20
Interest expenses paid	(8)	(8)	--	(21)	(65)
Income taxes paid	159	(677)	--	(860)	1,298
Net cash provided by operating activities	974	311	213.2%	231	7,954
Investment activities:					
Payments for purchase of property, plant & equipment	(292)	(2,719)	--	(3,729)	(2,377)
Proceeds from sales of property, plant & equipment	58	24	141.7%	84	469
Payments for purchase of investment securities	(108)	(1)	--	(172)	(876)
Proceeds from sales of investment securities	--	--	--	118	--
Payments for purchase of stocks of subsidiaries	(16)	--	--	--	(133)
Payments for loans made	--	(60)	--	(60)	--
Collection from loan receivables	--	2	--	62	--
Increase in intangible fixed assets	0	(41)	--	(89)	(4)
Net cash used in investment activities	(358)	(2,795)	--	(3,786)	(2,921)
Financing activities:					
Issuance of long-term debt	--	(100)	--	164	--
Payments of long-term debt	(168)	0	--	(200)	(1,363)
Cash dividends paid	(77)	(67)	--	(144)	(632)
Purchase of treasury stock	0	(1)	--	(1)	(2)
Sales of treasury stock	--	1	--	1	--
Net cash provided by (used in) financing activities	(245)	(167)	--	(180)	(1,997)
Effect of exchange rate changes on cash & cash equivalents	(22)	(20)	--	(27)	-183
Net increase (decrease) in cash & cash equivalents	349	(2,671)	--	(3,762)	2,853
Cash and cash equivalents at beginning of year	5,492	9,254	-40.7%	9,254	44,793
Cash and cash equivalents at end of the period	5,841	6,583	-11.3%	5,492	47,646

## 9. Segment Information

### (1) Consolidated business segment information

MARUWA's business is comprised of one segment. Therefore, segment breakdown is not applicable.

### (2) Consolidated geographic segment information

	JPY million		Change %	USD thousand
	ix-month period ended 30 Sep 2002	ix-month period ended 30 Sep 2001		Six-month period ended 30 Sept 200
JAPAN				
Net sales:				
Unaffiliated customers	3,797	3,751	1.2%	30,970
Intersegment	293	189	55.0%	2,386
Total	4,090	3,940	3.8%	33,356
Operating cost	3,716	3,656	1.6%	30,308
Operating income (loss)	374	284	31.7%	3,048

### ASIA

Net sales:				
Unaffiliated customers	1,494	1,494	0.0%	12,189
Intersegment	457	416	9.9%	3,730
Total	1,951	1,910	2.1%	15,919
Operating cost	1,760	1,853	-5.0%	14,357
Operating income (loss)	191	57	235.1%	1,562
EUROPE				
Net sales:				
Unaffiliated customers	138	125	10.4%	1,130
Intersegment	1	2	-50.0%	6
Total	139	127	9.4%	1,136
Operating cost	187	142	31.7%	1,525
Operating income (loss)	(48)	(15)	--	(389)
TOTAL				
Net sales:				
Unaffiliated customers	5,430	5,370	1.1%	44,288
Intersegment	751	607	23.7%	6,123
Total	6,181	5,977	3.4%	50,411
Operating cost	5,663	5,651	0.2%	46,190
Operating income (loss)	518	326	58.9%	4,221
ELIMINATION				
Net sales:				
Total	751	607	23.7%	6,123
Operating cost	505	235	114.9%	4,121
Operating income (loss)	246	372	-33.9%	2,002
CONSOLIDATED				
Net sales:				
Total	5,430	5,370	1.1%	44,288
Operating cost	5,158	5,416	-4.8%	42,069
Operating income (loss)	272	(46)	--	2,219

(3) Net overseas sales by customer's geographic location

	JPY million		Change %	JPY million	USD thousand
	Six-month period ended 30 Sept. 2002	Six-month period ended 30 Sept. 2001		Year ended 31 March 2002	Six-month period ended 30 Sept 2002
Overseas sales:					
Asia	2,603	2,483	4.8%	4,743	21,233
Europe	114	98	16.3%	228	930
Others	120	115	4.3%	166	979
Total	2,837	2,696	5.2%	5,137	23,142
Consolidated net sales	5,430	5,370	1.1%	9,933	44,288
% of consolidated net sales:					
Asia	47.9%	46.3%		47.7%	
Europe	2.1%	1.8%		2.3%	
Others	2.2%	2.1%		1.7%	
Total	52.2%	50.2%		51.7%	

\*Overseas sales indicate net sales of the Company and its subsidiaries to customers outside Japan.

\*Countries are divided in geographical vicinity.

\*Main countries included in each are as indicated below;

Asia - Malaysia, Taiwan, Korea

Europe - Germany, England

Others - United States

END.