

MARUWA CO., LTD.

3-83, Minamihonjigahara-cho, Owariasahi-city, Aichi-pref., 488-0044 JAPAN

Consolidated financial results for the second quarter of Fiscal 2014

MARUWA CO., LTD. today announced its consolidated financial results for the second quarter of Fiscal 2014<1 April 2014 - 30 Sep 2014> as follows;

I. Summary of Consolidated Financial Results

(1) Summary of consolidated operating results

	JPY million		Change %
	1st Quarter	1st Quarter	
	1 April - 30 Sep 2013	1 April - 30 Sep 2014	
Net sales	15,347	15,821	3.1%
Operating income	1,314	1,271	-3.3%
Income before income taxes	1,406	1,314	-6.5%
Net income	1,081	756	-30.1%
<hr/>			
Net income per share:	JPY		
Basic	87.66	61.20	-30.2%
Diluted	87.60	61.20	-30.1%

(2) Summary of consolidated financial condition

	As of 31 March	As of 30 Sep	Change %
	2013	2014	
Total assets	49,569	50,024	0.9%
Total net assets	40,016	41,158	2.9%
Equity ratio	80.7%	82.3%	1.6%
<hr/>			
	JPY		
Total net assets per share	3,239.88	3,332.35	

II. Dividends

	JPY per share	
	Fiscal 2013	Fiscal 2014 (forecast)
Interim	17	18
Year-end	17	18
Total	34	36

*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.

III. Outlook for the fiscal 2014<1 April 2014 - 30 Sep 2014>

The forecast figures for business results and dividends announced in 30 July 2014 are not changed.

Review of Operations

1. Review of Operations

In this consolidated cumulative second quarter, it has gradually risen on growing expectations of the United States economic recovery due to a rising trend of capital investment and personal consumption. The European financial market turmoil has also regained stability and generally recovered. Meanwhile, emerging markets including China and South-East Asian countries has been under an uncertain condition because of concerns over slowdown in growth and frequent political unrest.

In the Japanese economy, market has generally recovered due to improvement of income environment by turnaround of corporate performance, depreciation of the yen and rising stock prices led by economic and fiscal policy of 'Abenomics'. However, the economic condition has still been uncertain because of reverse effect caused by a last-minute surge in demand due to the consumption tax hike, slowdown growth of export due to a stagnation of emerging markets and a high level price of raw materials from yen depreciation.

Under the uncertain market condition, the MARUWA Group's business results during this quarter has stayed firm especially in ceramic products for power modules related to energy-savings and environment which are one of our differentiated products in the ceramic components division. On the other hand, in the lighting equipment division, the plans of construction period will be delayed after the fiscal year and it seems to be difficult to achieve the prior forecast. This is because of soaring of personnel expense and material price due to the increase of demand for construction (i.g. reconstruction demand for Tohoku and facility maintenance for Tokyo Olympics).

The forecast of this fiscal year, however, remains unchanged from the prior forecast because it is expected to continue to steadily increase in the ceramic components division.

As a result, our consolidated sales were 15,821 million yen (increase 3.1% year on year). Our operating income was 1,271 million yen (decrease 3.3% year on year). Ordinary profit was 1,508 million yen (increase 8.1% year on year). Net income was 756 million yen (decrease 30.1% year on year).

2. Operating Results by Business Division

The Ceramic Components Division

The total sales for this business segment was 11,125 million yen (increase 7.6% year on year).

Markets related to energy-saving and environment are still brisk and the sales of ceramic products for HEV and LED remained strong.

Operating income was 1,997 million yen (increase 2.1% year on year).

Lighting Equipment Division

The total sales for this business segment was 4,696 million yen (decrease 6.1% year on year).

The profit, we push forward constitution reinforcement of YAMAGIWA and result comes out smoothly. The recording of sales will be delayed because construction plans were delayed while orders were increased. An operating loss was 236 million yen (decrease 20.5% year on year).

Regarding profits, we are further strengthening the structure of YAMAGIWA and it steadily produces results. We will continue to develop and expand sales of ceramic LED modules and lighting equipment.

Review of Operations

Review of operating results by segment

	JPY million	
	2nd Quarter	2nd Quarter
	1 April - 30 Sep	1 April - 30 Sep
	2013	2014
Ceramic Components:		
Net sales	10,344	11,125
Operating income	1,955	1,997
Lighting Equipment:		
Net sales	5,003	4,696
Operating income	(196)	(236)
Total:		
Net sales	15,347	15,821
Operating income	1,759	1,761
Elimination:		
Net sales	--	--
Operating income	(445)	(490)
Consolidated:		
Net sales	15,347	15,821
Operating income	1,314	1,271

3. Financial Condition

Total assets as of the end of this second quarter were 50,024million yen, increase 0.9% from the end of last fiscal year. Total liabilities were 8,866 million yen, decrease 7.2% from the end of last fiscal year. Total net assets were 41,158 million yen ,increase 2.9% from the end of last fiscal year.

The forecast figures for business results and dividends announced in 30 July 2014 are not changed.

Consolidated Balance Sheet

	JPY million	
	2nd Quarter	(Reference)
	As of 30 Sep	As of 31 March
	2014	2014
ASSETS		
Current assets:		
Cash & deposits	14,312	13,362
Trade notes and accounts receivable	7,913	8,870
Electronically recorded monetary claims-operating	340	374
Inventories:	6,970	6,025
Deferred tax assets	479	439
Other current assets	846	727
Allowance for doubtful accounts	(15)	(15)
Total current assets	30,845	29,782
Property, plant & equipment:		
Land	3,518	3,512
Buildings & structures	4,805	4,981
Machinery & equipment	6,076	6,169
Other	555	543
Construction in progress	1,235	1,539
Total property, plant & equipment	16,189	16,744
Goodwill	571	716
Other	447	410
Total Intangible assets	1,018	1,126
Investment & other assets:		
Total investments & other assets	1,972	1,917
Total assets	50,024	49,569

LIABILITIES**Current liabilities:**

Trade notes & accounts payable	3,264	3,639
Current portion of long-term debt	470	445
Accrued income taxes	604	896
Accrued bonus	476	436
Accrued bonus to directors	5	10
Notes payable for property acquisitions	201	453
Other	2,213	1,726
Total current liabilities	<u>7,233</u>	<u>7,605</u>

Long-term liabilities:

Long-term debt	957	1,159
Diferred tax liabilities	155	175
Provision for environmental measures	26	26
Other	495	589
Total long-term liabilities	<u>1,633</u>	<u>1,949</u>
Total liabilities	<u>8,866</u>	<u>9,554</u>

NET ASSETS**Shareholders' equity:**

Common stock	8,647	8,647
Capital surplus	11,947	11,947
Retained earnings	19,918	19,372
Treasury stock, at cost	(47)	(47)
Total shareholders' equity	<u>40,465</u>	<u>39,919</u>

Valuation and translation adjustments:

Net unrealized gains(losses)on available-for-sale securities	95	48
Foreign currency translation adjustments	595	46
Total valuation and translation adjustments	<u>690</u>	<u>94</u>

A subscription warrant and Minority stockholders share	3	3
Total shareholders' equity	<u>3</u>	<u>3</u>
Total net assets	<u>41,158</u>	<u>40,016</u>
Total liabilities and net assets	<u>50,024</u>	<u>49,569</u>

Consolidated Statements of Income

	JPY million	
	2nd Quarter	2nd Quarter
	1 April - 30 Sep	1 April - 30 Sep
	2013	2014
Net sales	15,347	15,821
Cost of sales	10,128	10,729
Gross profit	5,219	5,092
Selling, general & administrative expenses	3,905	3,821
Operating income	1,314	1,271
Other income (expenses):		
Interest & dividend income	26	23
Interest expenses	(4)	(7)
Rent income	57	51
Rent expenses on real estates for investments	(28)	(19)
Foreign exchange gain (loss), net	(5)	172
Gain on sales of noncurrent assets	0	1
Compensation income	65	-
Subsidy income	-	755
Loss on disposal or sales of property, plant and equipment	(22)	(5)
Loss on reduction of noncurrent assets	-	(738)
Provision for environmental measures	(26)	-
Gain on redemption of securities	7	21
Impairment loss	(12)	(192)
Other, net	34	(19)
Other income (expenses), net	92	43
Income before income taxes	1,406	1,314
Income taxes:		
Current	585	560
Deferred	(260)	(2)
Total income taxes	325	558
Minority interests in income	0	0
Net income	1,081	756