

MARUWA CO., LTD.

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Final Results for Fiscal 2011

MARUWA CO., LTD. today announced its consolidated business results for the full fiscal year ended 31st March, 2011 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\$1 = 83.15yen.

*Consolidated subsidiaries: 11 companies (Maruwa (Malaysia) Sdn. Bhd., Taiwan Maruwa Co., Ltd., MARUWA Electronics (Taiwan) Co., Ltd., Maruwa Europe Ltd., Maruwa America

I. Summary of Consolidated Results**(1) Summary of consolidated statement of income**

	JPY million		Change %	USD thousand
	For year ended 31st March 2010	For year ended 31st March 2011		For year ended 31st March 2011
Net sales	15,405	20,011	29.9%	166,391
Operating income	1,289	3,035	135.5%	25,236
Income before income taxes	1,231	2,898	135.4%	25,344
Net income	1,105	2,012	82.1%	17,977
		JPY		USD
Net income per share (Basic)	102.97	187.14	81.7%	2.25
	(Diluted)	--	--	--

*Average number of issued shares

10,730,160

10,749,267**(2) Summary of consolidated financial condition**

	JPY million		Change %	USD thousand
	As of 31st March 2010	As of 31st March 2011		As of 31st March 2011
Total Assets	30,689	33,649	9.6%	286,789
Total net assets	26,560	28,105	5.8%	233,693
Equity ratio	86.5%	83.5%	-3.0%	
		JPY		USD
Total net assets per share	2,470.94	2,611.82	5.7%	31.41
*Number of issued shares at the year end	10,745,230	10,749,937		

(3) Summary of consolidated statement of cash flows

	JPY million		Change %	USD thousand
	For year ended 31st March 2010	For year ended 31st March 2011		For year ended 31st March 2011
Net cash provided by operating activities	2,922	2,549	-12.8%	22,442
Net cash used in investing activities	(917)	(2,646)	-188.5%	(22,001)
Net cash used in financing activities	(248)	(307)	-23.8%	(2,553)
Cash and cash equivalents at end of term	8,863	8,380	-5.4%	70,927

II. Dividends

	JPY per share	
	Fiscal 2011	Fiscal 2012 (forecast)
Interim	15	15
Year-end	15	15
Annual	30	30

III. Outlook for fiscal 2011 ending 31 March 2011

	JPY million	
	Half year	Full year
Net sales	9,600	23,100
Operating income	1,480	3,560
Net income	938	2,210
Net income per share	87.26	205.58

*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.

Review of Operations and Financial Condition

I. Operating Results

	JPY							
	Fiscal 2010				Fiscal			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	2,952	3,655	3,953	4,845	4,587	4,989	4,894	5,541
Operating income	(72)	271	443	647	634	841	756	804
Net income	(22)	313	328	486	375	538	496	603

	JPY			
	Previous		Current	
	For year ended		For year ended	
	31st March	31st March 2011	amount	%
Net sales	15,405	20,011	4,606	29.9%
Operating income	1,289	3,035	1,746	135.5%
Net income	1,105	2,012	907	82.1%

(1) Review of operations

The world economy tended in general toward recovery in this fiscal year, though there is political instability in North Africa and Middle East and financial crisis in Euro zone nations triggered credit impairment. The trend toward recovery is in part due to the strong market expansion in emerging countries, particularly China, and the recovering American economy.

The recovery of the world economy caused an increase in production activity and profit in Japan. There was gradual recovery in terms of individual consumption, employment and income due to government-led economic policy. As a result of these factors, the Japanese economy in the first half was on a recovery trend.

However the economy has not attained a full-scale recovery in the second half due to a slowdown since autumn. This has been caused by the sharp rise and continuation of a strong yen. This has resulted in rising raw material costs, mainly in terms of crude oil. Additionally, economic conditions have deteriorated due to the occurrence of the devastating Tohoku Earthquake on 2011/3/11.

In these circumstances, the electronic component market in the first half of the fiscal year was strong. This was due in part to a recovering consumer demand, fueled by the expansion of digital service items in China and other Asian countries. This was also due to activation of capital expenditure for semiconductors, which then influenced a recovering demand for semiconductors.

In the second half, though there was an impact from the slowdown of the recovering economy, we worked actively to build up new product lines in the areas of energy saving, ecology-related products, such as HEV, LED lighting and new products for information terminal markets, mainly for smartphone use.

Because of these factors, Maruwa's turnover for this fiscal year was 20,011 million yen. (This is up 29.9% compared to last year.)

We improved production profitability in order to be able to take appropriate countermeasures against rapid changes in the market climate. This was achieved through improvement of production yield, lead time and cost reduction. As a result, our operating income was 3,035 million yen, up 135.4% compared to last year. Our net income was 2,012 million yen, an increase of 82.1% compared to last year.

(2) Review of operating results by business segment

	JPY million	
	Current	
	For year ended	For year ended
	31st March 2010	31st March 2011
Ceramic Components:		
Net sales	13,587	18,061
Operating income	1,705	3,498
Lighting Equipment:		
Net sales	1,818	1,950
Operating income	104	136
Total:		
Net sales	15,405	20,011
Operating income	1,809	3,634
Elimination:		
Net sales	--	--
Operating income	(520)	(599)
Consolidated:		
Net sales	15,405	20,011
Operating income	1,289	3,035

2. Review of operating results by business segment

Ceramic Components

The total sales for this business segment was 18,061 million yen, up 32.9% compared to last year. An increase in orders was sustained due to the recovering demand for digital consumer products in China and other Asian countries. Ceramics for power modules for the energy saving, ecology related market, such as HEV, EV and wind power generators, made good progress.

The operating income was 3,498 million yen (up 105.2% compared to last year) we exceeded the level of the previous year due to improvement in productivity of existing products, cost reduction and contribution of new product offerings with high added value.

Lighting Equipment

Total sales of the Lighting Equipment segment was 1,950 million yen, up 7.3 % compared to last year. Operating income was 136 million yen, up 31% compared to last year.

The sales of traditional lighting equipment are decreasing.

However, sales for LED lighting equipment are rising, and new product development in this area and expansion of sales are improving operational profit. There is increased demand for ecology related products, such as LED lighting.

(3) Outlook of the Full Fiscal 2011

	JPY million		
	For year ended	For year	Change
	31st March 2011	31st March	%
Net sales	20,011	23,100	15.4%
Operating income	3,035	3,560	17.3%
Net income	2,012	2,210	9.8%

Sales by segment	JPY million		
	For year ended	For year	Change
	31st March 2011	31st March	%
Ceramic Components	18,061	20,800	15.2%
Lighting Equipment	1,950	2,300	17.9%
Total	20,011	23,100	15.4%

*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. Financial Condition

Total assets as of the end of this fiscal year were 33,649 million yen, up 9.6% from the end of previous year.

Total liabilities increased 34.3% to 5,544 million yen from the end of previous year and this was due to a increase in trade notes, accounts payable and income tax payable.

Total net assets were 28,106 million yen.

As a result, equity ratio was 83.4%.

Cash and cash equivalents at the end of this fiscal year were 8,380 million yen.

Cash provided by operating activities were 2,549 million yen. This is a 373 million yen decrease from the previous year.

Net cash used in investing activities was 2,646 million yen due in particular to payments for purchase of property. There was a 1,729 million yen increase from the previous year.

Net cash used in financing activities was 307 million yen. This was 59 million yen increase from the previous year.

Financial Condition

	JPY		JPY	
	As of 31st March	As of 31st March	Change	
	2010	2011	Amount	%
Total assets	30,689	33,649	2,960	9.6%
Total liabilities	4,128	5,544	1,416	34.3%
Total net assets	26,560	28,105	1,545	5.8%
Equity ratio	86.5%	83.5%	-3.0%	
	JPY		JPY	
	For year ended	For year ended	Change	
	31st March 2010	31st March 2011	Amount	%
Net cash provided by	2,922	2,549	-373	-12.8%
Net cash used in	(917)	(2,646)	-1,729	-188.5%
Net cash used in	(248)	(307)	-59	-23.8%
Cash and cash equivalents	8,863	8,380	-483	-5.4%
Net sales	15,405	20,011	4,606	29.9%
Capital expenditure	1,209	1,585	376	31.1%
Depreciation	1,637	1,584	-53	-3.2%

Trends of cash-flows indices

	JPY		
	For year ended	For year ended	For year ended
	31st March 2009	31st March 2010	31st March 2011
Equity ratio	87.9%	86.5%	83.5%
Equity ratio at market value	36.4%	69.5%	86.1%
Interest-bearing debt to	0.0	0.0	0.0
Interest coverage ratio	1,809.3	1,419.8	1,217.8

4. Outlook for the next fiscal year

The outlook for the future economy is characterized by a persistent wariness caused by the financial crisis in Euro zone nations triggering credit impairment and by political instability in North Africa and Middle East. However, a general trend toward recovery is predicted due to continuing upward momentum in America and economic growth in China and other emerging countries.

Meanwhile, the total scale of the damage caused by the 2011 Tohoku Earthquake is still uncertain, and an unpredictable atmosphere is expected to remain.

However, the energy saving, ecology related market in which we situate our growth strategy, is expected to grow at a solid rate.

Furthermore, new products for smartphone and other information terminal markets are expected to expand rapidly.

For capital investment, we will invest actively in the energy saving, ecology related market. We will also invest in new R&D, with increased staff, to work for the development of new products, with high added value.

We forecast that consolidated sales for the next fiscal year will be 23,100 million yen, up 15.4% compared to last year. In terms of operating income, net income is expected to be 3,560 million yen, up 17.3% compared to last year, 2,210 million yen (Up 9.9% compared to last year).

We will strengthen the corporate structure and improve profitability, which will benefit all stakeholders, including shareholders.

Cautionary statements: The above forecasts are based on the present business environment and currently-available information, and include forward-looking statements involving risks and uncertainties. The reader is cautioned not to place reliance entirely on the above forecast for making investment decisions. Due to a number of factors, such as future economic situations and market environment changes, actual results may differ significantly from these estimates.

Consolidated Balance Sheets

	JPY million	JPY million		USD thousand
	As of 31st March	As of 31st March	Change	As of 31st March
	2010	2011		2011
ASSETS				
Current assets:				
Cash & deposits	9,305	8,923	(382)	76,402
Trade notes and accounts receivable	5,314	6,540	1,226	43,816
Inventories	2,728	3,671	943	31,243
Deferred tax assets	294	221	(73)	1,598
Other current assets	114	311	197	2,687
Allowance for doubtful accounts	(12)	(12)	0	(81)
Total current assets	<u>17,743</u>	<u>19,654</u>	1,911	<u>155,665</u>
Property, plant & equipment:				
Land	3,161	3,155	(6)	32,169
Buildings & structures	3,941	3,782	(159)	38,644
Machinery & equipment	3,488	3,494	6	40,212
Other	280	384	104	3,665
Construction in progress	314	1,525	1,211	4,510
Net property, plant & equipment	<u>11,184</u>	<u>12,340</u>	1,156	<u>119,200</u>
Investments & other assets:				
Investment securities	427	337	(90)	2,802
Deferred tax assets	12	16	4	133
Property & equipment for investments	932	919	(13)	7,641
Other	184	175	(9)	1,455
Allowance for doubtful accounts	(26)	(13)	13	(108)
Total investments & other assets	<u>1,529</u>	<u>1,434</u>	(95)	<u>11,924</u>
Total assets	<u>30,689</u>	<u>33,649</u>	2,960	<u>286,789</u>

LIABILITIES**Current liabilities:**

Trade notes & accounts payable	1,727	2,105	378	17,503
Current portion of long-term debt	5	5	0	42
Accrued income taxes	265	598	333	4,972
Accrued bonus	313	345	32	2,869
Accrued bonus for directors	11	22	--	183
Notes payable for property acquisitions	352	669	317	5,563
Other current liabilities	918	1,229	311	10,219
Total current liabilities	<u>3,591</u>	<u>4,973</u>	1,382	<u>41,350</u>

Long-term liabilities:

Long-term debt	120	116	(4)	965
Deferred tax liabilities	158	201	43	1,671
Other	259	254	(5)	2,112
Total long-term liabilities	<u>537</u>	<u>571</u>	34	<u>4,748</u>

Total liabilities	<u>4,128</u>	<u>5,544</u>	1,416	<u>46,098</u>
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NET ASSETS**Shareholders' equity:**

Common stock	6,710	6,710	--	55,794
Capital surplus	9,747	9,747	--	81,046
Retained earnings	12,051	13,750	1,699	114,331
Treasury stock, at cost	(689)	(679)	10	(5,646)
Total shareholders' equity	<u>27,819</u>	<u>29,528</u>	1,709	<u>245,525</u>

Valuation and translation adjustments:

Net unrealized gains (losses) on available-for-sale securities	(128)	(50)	78	(416)
Foreign currency translation adjustment	<u>(1,140)</u>	<u>(1,402)</u>	(262)	(11,658)
Total valuation and translation adjustments	<u>(1,268)</u>	<u>(1,452)</u>	(184)	<u>(12,073)</u>

A subscription warrant and Minority	<u>9</u>	<u>29</u>	-	<u>241</u>
Total shareholders' equity	<u>9</u>	<u>29</u>	20	<u>241</u>
Total net assets	<u>26,560</u>	<u>28,105</u>	1,545	<u>233,693</u>
Total liabilities & net assets	<u>30,688</u>	<u>33,649</u>	2,961	<u>279,791</u>

Consolidated Statements of Income

	JPY million	JPY million	Change	USD thousand
	For year ended	For year ended		For year ended
	31st March	31st March		31st March
	2010	2011		2011
Net sales	15,405	20,011	4,606	166,391
Cost of sales	11,005	13,318	2,313	110,739
Gross profit	4,400	6,693	2,293	55,652
Selling, general & administrative expenses	3,111	3,658	547	30,416
Operating income	1,289	3,035	1,746	25,236
Other income (expenses):				
Interest and dividend income	58	48	(10)	399
Interest expenses	(2)	(2)	0	(17)
Amortization of negative goodwill	58	--		0
Foreign exchange gain (loss), net	(102)	(89)	13	(740)
Gain on sales of property, plant and equipment	54	55		457
Loss on disposal or sales of property, plant and equipment	(165)	(20)		(166)
Gain on sales or valuation of investment securities	25	0		0
Loss on valuation of inventories	--	(150)		(1,247)
Early extra retirement payments	(16)	--		0
Loss by the disaster	--	(26)		(216)
Other, net	32	47	15	391
Other income (expenses), net	(58)	(137)	(79)	(1,139)
Income before income taxes	1,231	2,898	1,667	24,097
Income tax expenses:				
Current	288	750	462	6,236
Deferred	(162)	136	298	1,131
Total income taxes	126	886	760	7,367
Net income	1,105	2,012	907	16,730

Consolidated Statements of Changes in Net Assets

JPY million

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at 31 March 2010	6,710	9,747	12,051	(689)	27,819
Effect of changes in accounting policies applied to foreign subsidiaries					
Cash dividends			(312)		(312)
Net income			2,012		2,012
Change of scope of consolidation					
Purchase of treasury stock				0	0
Disposal of treasury stock			(1)	10	9
Other changes					
Total changes during the year			800	52	852
Balance at 31 March 2011	6,710	9,747	13,750	(679)	29,528

JPY million

	Valuation and translation adjustment			A subscription warrant and Minority stockholders share	Total net assets
	Net unrealized gains on available-for-sale securities	Foreign currency translation adjustment	Total valuation and translation adjustment		
Balance at 31 March 2010	(128)	(1,140)	(1,268)	9	26,560
Effect of changes in accounting policies applied to foreign subsidiaries					0
Cash dividends					(312)
Net income					2,012
Change of scope of consolidation					
Purchase of treasury stock					0
Disposal of treasury stock					9
Other changes	79	(262)	183	19	(164)
Total changes during the year	72	342	415	10	1,276
Balance at 31 March 2011	(50)	(1,402)	(1,452)	29	28,105

USD thousand

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at 31 March 2010	55,794	81,046	100,204	(5,729)	231,315
Effect of changes in accounting policies applied to foreign subsidiaries					
Cash dividends			(2,793)		(2,793)
Net income			10,280		10,280
Change of scope of consolidation					
Purchase of treasury stock			--	(3)	(3)
Disposal of treasury stock			(50)	83	446
Other changes					
Total changes during the year			7,437	490	7,930
Balance at 31 March 2011	55,794	81,046	114,331	(5,646)	245,525

USD thousand

	Valuation and translation adjustment			A subscription warrant and Minority stockholders share	Total net assets
	Net unrealized gains on available-for-sale securities	Foreign currency translation adjustment	Total valuation and translation adjustment		
Balance at 31 March 2010	(1,064)	(9,479)	(10,543)	9	220,846
Effect of changes in accounting policies applied to foreign subsidiaries					0
Cash dividends					(2,594)
Net income					16,730
Change of scope of consolidation					0
Purchase of treasury stock					0
Disposal of treasury stock					75
Other changes	674	3,184	3,858	90	3,871
Total changes during the year	674	3,184	3,858	90	10,610
Balance at 31 March 2011	(416)	(11,658)	(12,073)	241	233,693

Consolidated Statement of Cash Flows

	JPY million	JPY million		USD thousand
	For year ended 31st March 2010	For year ended 31st March 2011	Change	For year ended 31st March 2011
Cash flows from operating activities:				
Income before income taxes	1,231	2,898	1,667	24,097
Adjustments for:				
Depreciation	1,637	1,584	(53)	13,171
Amortization of negative goodwill	(58)	--	58	0
Decrease in allowance for doubtful accounts	(5)	(13)	(8)	(108)
Loss on disposal of property, plant & equipment	72	20	(52)	166
Interest & dividend income	(58)	(48)	10	(399)
Foreign exchange (gain) loss	5	8	3	67
Gain on sales of investment securities	(14)	0	14	0
Loss on valuation of inventories	--	150	150	1,247
Decrease (increase) in trade notes & accounts receivable	(948)	(1,272)	(324)	(10,577)
Increase in inventories	393	(979)	(1,372)	(8,140)
Decrease in trade notes & accounts payable	355	409	54	3,401
Other	226	211	(15)	1,754
Sub-total	<u>2,836</u>	<u>2,968</u>	132	<u>24,679</u>
Interest & dividend income received	59	48	(11)	399
Interest expenses paid	(3)	(2)	1	(17)
Income taxes paid	(58)	(465)	(407)	(3,866)
The amount of corporation tax return	88	--	-	<u>0</u>
Net cash provided by operating activities	<u>2,922</u>	<u>2,549</u>	(373)	<u>21,195</u>
Cash flows from investment activities:				
Payments into time deposits	(57)	(165)	(108)	(1,372)
Proceeds from withdrawal of time deposits	78	35	--	291
Payments for purchase of	(1,196)	(2,542)	(1,346)	(21,137)
Proceeds from sales of	162	9	(153)	75
Payments for purchase of	(282)	(176)	106	(1,463)
investment securities				0
Proceeds from sales of	412	196	(216)	1,630
Purchase of intangible assets	(51)	(9)	42	(75)
Other	17	6	(11)	50
Net cash used in investing activities	<u>(917)</u>	<u>(2,646)</u>	(1,729)	<u>(22,001)</u>
Cash flows from financing activities:				
Payments of long-term debt	(5)	(5)	0	(42)
Cash dividends paid	(300)	(312)	(12)	(2,594)
An income by the publication of the subscription warrant	9	--	0	0
Payments for purchase of treasury stock	0	0	0	0
Proceeds from sales of treasury stock	48	10		83
Net cash used in financing activities	<u>(248)</u>	<u>(307)</u>	(59)	<u>(2,553)</u>
Effect of exchange rate	<u>44</u>	<u>(79)</u>	(123)	(657)
changes on cash & cash equivalents				
Net increase (decrease) in	1,801	(483)	(2,284)	(4,016)
cash & cash equivalents				
Cash and cash equivalents	7,062	8,863	1,801	73,696
at beginning of year				<u>0</u>
Cash and cash equivalents at end of year	<u>8,863</u>	<u>8,380</u>	(483)	<u>69,680</u>