

MARUWA CO., LTD.

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## Consolidated financial results for the second quarter of Fiscal 2012

MARUWA CO., LTD. today announced its consolidated financial results for the second quarter of Fiscal 2012<1 April 2011 -

### I. Summary of Consolidated Financial Results

#### (1) Summary of consolidated operating results

	JPY million		
	2nd Quarter	2nd Quarter	Change %
	As of 30 Sep. 2010	As of 30 Sep. 2011	
Net sales	9,576	<b>10,976</b>	14.6%
Operating income	1,475	<b>1,802</b>	22.2%
Income before income taxes	1,353	<b>1,852</b>	36.9%
Net income	913	<b>1,263</b>	38.3%
Net income per share:	JPY		
Basic	84.98	<b>114.81</b>	35.1%
Diluted	-	<b>114.64</b>	--

#### (2) Summary of consolidated financial condition

	As of 31 March	As of 30 Sep.	Change %
	2011	2011	
Total assets	33,649	<b>38,991</b>	15.9%
Total net assets	28,106	<b>32,915</b>	17.1%
Equity ratio	83.4%	<b>84.3%</b>	0.9%
Total net assets per share	JPY		
	2,611.82	<b>2,672.96</b>	2.3%

### II. Dividends

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

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

### II. Outlook for the fiscal 2012<1 April 2011 - 31 March 2012>

The forecast figures for business results announced in 27 April 2011 were changed with current

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

\*Consolidated subsidiaries: 11 companies.

## **Review of Operations**

### **1. Review of Operations**

In this second quarter, the world economy tended in general toward recovery due to ongoing strong market expansion in emerging countries, including China. But on the other hand, there were rapid progress of strong yen due to credit impairment such as the concern of US economic slowdown, downgrade of US government bonds, the reactivation of a concern about expanding debt problem in Euro zone nations triggered by Greece and slowdown economic growth at emerging countries, including China.

There were indications that the Japanese economy was steadily recovering from the devastating Tohoku Earthquake on March 11th, although radioactive pollution, electricity restriction and distrust of politicians exert a negative impact on the recovery of the economy.

However the future of economy is still unclear due to a severity of employment situation, decrease of export involved by strong yen or slowdown of economic growth in overseas mainly the Americas and Europe, sluggish personal consumption by the end of consumption incentive and overseas transfer of domestic company.

The Maruwa Group is seeing an increase in demand for its electronic components, in both domestic and global markets. This is due to 1) strong consumer demand for digital electric items, mainly in China and other Asian countries, 2) continuous growth of high power modules for environmentally-friendly HEV/HV, windmills and LED lighting, and 3) a recovery in the demand for semiconductor manufacturing equipment.

In these circumstances, because of an increased demand for ceramic substrate products for the electric items market and for quartz glass products for semiconductor manufacturing equipment, consolidated turnover for this quarter was 10,976 million yen. (This is up 14.6% compared to same period last year)

We have been improving 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 consolidated operating income was 1,802 million yen. (This is up 22.1% compared to same period last year) Net income was 1,263 million yen. (This is up 38.3% compared to same period last year)

### **2. Operating Results by Business Division**

#### **The Ceramic Components Division**

The second quarter turnover was 10,294 million yen. This is a 13.3% increase over the same period last year.

The demand for ceramic substrate products, EMC component products and thin film circuit products has grown in the market of digital electric items, especially smart phones in China and

other Asian countries and high power modules for environmentally friendly HEV/HV, windmills. Demand for quartz glass products for semiconductor manufacturing equipment has also increased.

Operation income was 2,148 million yen. This is up 18.8% compared to same period last year, and is due to improvement of production profitability and the addition of new high-value products.

### Lighting Equipment Division

Turnover for LED lighting devices has increased consistently in the public utilities markets, and MARUWA is continuing to press forward with the development of new LED lighting products. The turnover during this second quarter was 682 million yen. This is a 33 million yen increase over the same period last year. Operating loss was 7 million yen.

#### Review of Operations

Review of operating results by segment

	JPY	
	2nd Quarter As of 30 2010	2nd Quarter As of 30 Sep. 2011
<b>Ceramic Components:</b>		
Net sales	9,082	10,294
Operating income	1,808	2,148
<b>Lighting Equipment:</b>		
Net sales	495	682
Operating income	(39)	(7)
<b>Total:</b>		
Net sales	9,576	10,976
Operating income	1,769	2,141
<b>Elimination:</b>		
Net sales	--	--
Operating income	(293)	(339)
<b>Consolidated:</b>		
Net sales	9,576	10,976
Operating income	1,476	1,802

### 3. Financial Condition

Total assets as of the end of this second quarter were 38,991 million yen. This is a 15.9% up compared to the end of last fiscal year. This is due to flotation to beef up equipments.

Total liabilities were 6,076 million yen. This is up to 9.6% compared to the previous year-end. Total net assets were 32,915 million yen. This is up to 17.1% compared to previous year-end. This is due to increase of funds, capital surplus and retained earnings by flotation. As a result, capital ratio is 84.3%.

## Consolidated Balance Sheet

	JPY million	
	2nd Quarter	(Reference)
	As of 30 Sep.	As of 31 March
	2011	2011
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash & deposits	11,955	8,923
Trade notes and accounts receivable	6,669	6,540
Inventories:	4,562	3,671
Deferred tax assets	221	221
Other current assets	541	311
Allowance for doubtful accounts	(13)	(12)
Total current assets	23,935	19,654
<b>Property, plant &amp; equipment:</b>		
Land	3,975	3,155
Buildings & structures	4,000	3,782
Machinery & equipment	3,652	3,494
Other	460	384
Construction in progress	1,419	1,525
Total property, plant & equipment	13,506	12,340
Intangible Assets	200	221
Net property, plant & equipment	13,706	12,561
<b>Investment &amp; other assets:</b>		
Total investments & other assets	1,350	1,434
Total assets	38,991	33,649

**LIABILITIES****Current liabilities:**

Trade notes & accounts payable	2,034	2,105
Current portion of long-term debt	5	5
Accrued income taxes	587	598
Accrued bonus	365	345
Accrued bonus to directors	5	22
Notes payable for property acquisitions	1,306	669
Other	1,234	1,229
Total current liabilities	<u>5,536</u>	<u>4,973</u>

**Long-term liabilities:**

Long-term debt	115	116
Deferred tax liabilities	181	201
Other	244	253
Total long-term liabilities	<u>540</u>	<u>570</u>

Total liabilities	<u>6,076</u>	<u>5,543</u>
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**NET ASSETS****Shareholders' equity:**

Common stock	8,647	6,710
Capital surplus	11,901	9,747
Retained earnings	14,853	13,750
Treasury stock, at cost	(152)	(679)
Total shareholders' equity	<u>35,249</u>	<u>29,528</u>

**Valuation and translation adjustments:**

Net unrealized gains(losses)on available-for-sale securities	(86)	(50)
Foreign currency translation adjustments	(2,286)	(1,401)
Total valuation and translation adjustments	<u>(2,372)</u>	<u>(1,451)</u>

A subscription warrant and Minority stockholders share	38	29
Total shareholders' equity	<u>38</u>	<u>29</u>
Total net assets	<u>32,915</u>	<u>28,106</u>
Total liabilities and net assets	<u>38,991</u>	<u>33,649</u>

## Consolidated Statement of Income

	JPY million	
	2nd Quarter	2nd Quarter
	1 April - 30 Sep. 2010	1 April - 30 Sep. 2011
Net sales	9,576	<b>10,976</b>
Cost of sales	6,281	<b>7,304</b>
Gross profit	3,295	<b>3,672</b>
Selling, general & administrative expenses	1,820	<b>1,870</b>
Operating income	1,475	<b>1,802</b>
Other income (expenses):		
Interest & dividend income	26	<b>13</b>
Interest expenses	(1)	<b>(1)</b>
Rent income	56	<b>54</b>
Rent expenses on real estates for investments	(27)	<b>(26)</b>
Foreign exchange gain (loss), net	(41)	<b>56</b>
Stock issuance cost	-	<b>(24)</b>
Gain on sales of property, plant and equipment	0	<b>10</b>
Loss on disposal or sales of property, plant and equipment	(13)	<b>(45)</b>
Loss on valuation of inventories securities	(150)	<b>(4)</b>
Other, net	28	<b>17</b>
Other income (expenses), net	(122)	<b>50</b>
Income before income taxes	1,353	<b>1,852</b>
Income taxes:		
Current	393	<b>581</b>
Deferred	47	<b>8</b>
Total income taxes	440	<b>589</b>
Net income	913	<b>1,263</b>

## Consolidated Statement of Cash Flows

	JPY million	
	For year ended 30th Sep. 2010	For year ended 30th Sep. 2011
<b>Cash flows from operating activities:</b>		
Income before income taxes	1,353	1,852
Depreciation	750	843
Decrease in allowance for doubtful accounts	(9)	(4)
Gain (Loss) on Valuation investment securities	150	6
Gain on disposal or sales of property, plant & equipment	13	35
Interest & dividend income	(26)	(13)
Foreign exchange (gain) loss	8	6
Decrease (increase) in trade notes & accounts receivable	(492)	(343)
Increase in inventories	(416)	(1060)
Decrease in trade notes & accounts payable	(404)	(10)
Other	(58)	(116)
Sub-total	869	1196
Interest & dividend income received	27	15
Interest expenses paid	(1)	(1)
Income taxes paid	(281)	(587)
Net cash provided by operating activities	614	623
<b>Cash flows from investment activities:</b>		
Payments into time deposits	(131)	(95)
Payments for purchase of property, plant & equipment	(438)	(1872)
Proceeds from sales of property, plant & equipment	12	67
Payments for purchase of investment securities	(134)	(112)
Proceeds from sales of investment securities	155	109
Payments for purchase of intangible assets	(7)	(8)
Other	10	38
Net cash used in investing activities	(533)	(1873)
<b>Cash flows from financing activities:</b>		
Increase in short-term loans payable	-	0
Proceeds from long-term loans payable	-	1
Payments of long-term debt	(2)	(2)
Proceeds from clearance of treasury stock	9	745
Proceeds from issuance of common stock	-	3850
Purchase of treasury stock	-	(1)
Cash dividends paid	(150)	(161)
Net cash used in financing activities	(143)	4,432
Effect of exchange rate changes on cash & cash equivalents	-90	-171
Net increase (decrease) in cash & cash equivalents	(152)	3,011
Cash and cash equivalents at beginning of year	8864	8380
Increase in cash and cash equivalents from newly consolidated subsidiary	-	-
Cash and cash equivalents at end of year	8,712	11,391