

MARUWA CO., LTD.

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

**FOR IMMEDIATE RELEASE**

**Consolidated operating results and financial conditions for the third quarter of fiscal 2005**

MARUWA CO., LTD. today announced its consolidated business results for the third quarter of fiscal 2005, a nine-month period ended 31 December 2004 as follows;

Note1: None of the accounting principles were changed from the last fiscal term.

Note2: MARUWA acquired the entire shares of Kimmon Quartz Co.,Ltd. as a new consolidated subsidiary on 1 April 2004, and changed its name to MARUWA QUARTZ CO., LTD.

**1. Summary of operating results**

	<b>Current 3rd Qt from 1 April 2004 to 31 December 2004</b>		Previous 3rd Qt from 1 April 2003 to 31 December 2003		(Reference) For fiscal 2004 ended 31 March 2004
	JPY million	Change%	JPY million	Change%	JPY million
Net sales	<b>11,913</b>	35.7%	8,781	11.5%	12,003
Operating income	<b>1,066</b>	195.3%	361	19.9%	686
Net income	<b>1,107</b>	204.1%	364	136.4%	475

Net income per share :	JPY	JPY	JPY
(Basic)	<b>102.29</b>	--	42.67
(Diluted)	<b>102.12</b>	--	42.67

Note1: Change figures indicate increases (decreases) percentages compared to the third quarter results in the previous fiscal year, respectively.

Note2: Neither the third quarter results of the fiscal 2005 nor those of the fiscal 2004 are audited.

**Review of operations**

In the third quarter of this fiscal year, order level declined because markets were in an adjustment period particularly in overseas compared to the second quarter which was led by a brisk digital home devices market and a favorably semiconductor-equipment market.

Consolidated net sales for the nine-month period of this fiscal term increased 35.7% compared to the corresponding period of the previous year since total revenue increased especially through a newly-consolidated subsidiary of quartz glass business in April in addition to favorable sales in the first half of the year. Compared to the previous quarter, net sales were a 5.6% decrease, but we are now on a slow recovery trend as a whole in the fourth quarter.

As for profits, we began to have some achievements in reduction of in-process inventories in the third quarter, making up for decreasing profits due to a drop of orders. As a result, efficiency was improved so that operating income increased 195.3% compared to the third quarter of the last year. Compared to the preceding second quarter, operating income resulted on the same level despite of a sales decrease that indicates we successfully enhanced flexible operations.

## Quarterly sales results by product division

JPY million

	Fiscal 2004		Fiscal 2005			
	ended 31 March 2004		ending 31 March 2005			
	3rd Qt	4th Qt	1st Qt	2nd Qt	3rd Qt	4th Qt
Circuit Ceramics	1,396	1,492	<b>1,746</b>	<b>1,566</b>	<b>1,479</b>	1,515
Machinery Ceramics	682	718	<b>1,363</b>	<b>1,376</b>	<b>1,257</b>	1,260
Radio Frequency Products	271	255	<b>259</b>	<b>270</b>	<b>302</b>	305
EMC Components	708	758	<b>808</b>	<b>768</b>	<b>720</b>	720
Total	3,057	3,223	<b>4,176</b>	<b>3,981</b>	<b>3,758</b>	3,800

### Circuit Ceramics

Total sales for the third quarter were 1,479 million yen, up 5.9% compared to the third quarter of the previous year, down 5.6% compared to the preceding second quarter.

As for the sales of ceramic substrates for resistors, sales for domestic manufacturers were relatively favorable, but orders from Taiwanese manufacturers slowed down due to inventory adjustments which are now on a moderate recovery trend in the fourth quarter. Large substrates were unchanged, being expected to grow for the markets in Europe. Marketing activities for AlN substrates began to bear fruits in Europe and the U.S. gradually.

### Machinery Ceramics

Total sales were 1,257 million yen, a decrease of 8.6% compared to the last quarter.

The semiconductor equipment industry, a principle market of quartz glass products, turned into a slow adjustment period from the third quarter following a series of orders at a high level in the first half of the current term. In this third quarter, MARUWA endeavored to reorganize our production sites, including MARUWA QUARTZ CO., LTD., a new member of MARUWA group since April, to expand operations effectively, and at the same time established a system to improve productivity at each manufacturing base.

Magnetic head-supporting blocks for FDD, amid accelerating restructuring of the entire industry, are now in an adjustment phase due to an increase of inventories on markets in the fourth quarter after acquiring orders at a high level in the first half. MARUWA focuses on achieving larger shares in the market, widening the applications of FDD-related products.

### Radio Frequency Products

Radio Frequency Products continuously grew so that total sales of the third quarter were 302 million yen, a 11.9% increase compared to the second quarter. For the device products, a wide variety of applications and flexible response to customers resulted in a sales increase although the future of communications markets for China is unclear. Dielectric ceramics, particularly being recovered since the second quarter, showed a solid sale especially for LNB (low noise box) products. Thin film products are being prepared for future sales expansion mainly for DVD devices, establishing a manufacturing system to cover up R&D expenses.

### EMC Components

Total sales of the third quarter decreased 6.3% to 720 million yen compared to the second quarter.

EMI filters as a countermeasure against electromagnetic waves are expected further growth, having favorable orders from amusement equipment markets as well as from the market of base stations for mobile phones. Also, we expect a future sales increase as orders are expanding also from automotive components industries in which all MARUWA group enhance operations.

## 2. Summary of financial conditions

JPY million

	<b>Current 3rd Qt As of 31 December 2004</b>	Previous fiscal year As of 31 March 2004	Previous 3rd Qt As of 31 December 2003
Total Assets	<b>28,523</b>	26,664	26,766
Shareholders' equity	<b>23,995</b>	23,429	23,465
Shareholders' equity ratio	<b>84.1%</b>	87.9%	87.7%

JPY

Shareholders' equity per share	<b>2,266.47</b>	2,144.11	2,134.56
--------------------------------	-----------------	----------	----------

Consolidated total assets at the end of the third quarter were 28,523 million yen, an increase of 1,859 million yen compared to the end of the last year as a result of nine-month sales operations in this year, including 1,666 million yen attributed to MARUWA QUARTZ CO., LTD., a new consolidated subsidiary since April. Cash and deposits increased 602 million yen while the inventories in the whole MARUWA group were cut 600 million yen to improve efficiency.

Shareholders' equity increased 566 million yen since retained earnings increased 943 million yen for nine-month period while 278 million yen were transacted for own shares buyback.

## 3. Outlook for the fiscal 2005 ending 31 March 2005

MARUWA announced the revision of the operating results forecast on 7 February 2005.

JPY million

	Revised	Before revised
Net sales	15,700	15,700
Net income	1,200	870

Major reasons of the revision are as follows:

1. Some products that had heavily cost for R&D began to contribute to profits.
2. Our efforts started to bear fruits in reduction of in-process inventories and in establishing a flexible production system, covering a decrease of revenue due to slumping demands to increase profits for the fiscal year from the previous forecast.
3. Quartz glass business for which restructuring expenses after M&A had been calculated contributed to earning profits due both to effective restructuring and positive approach to the markets.
4. The merger of a consolidated subsidiary dated on 1 January 2005 brought a more-than-estimated tax effect so as to increase net income from the previous forecast.

**I. Consolidated Balance Sheets (summary)**

	JPY million			JPY million	
	Current 3rd Qt As of 31 December 2004	Previous 3rd Qt As of 31 December 2003	Change	Fiscal 2004 As of 31 Mar. 2004	Change
<b>ASSETS</b>					
Current assets					
Cash & deposits	6,804	5,871	933	6,202	602
Notes and accounts receivable, trade	4,993	3,714	1,279	3,740	1,253
Inventories	2,680	3,431	(751)	3,280	(600)
Other current assets	307	320	(13)	332	(25)
Total current assets	14,784	13,336	1,448	13,554	1,230
Property, plant & equipment	11,029	10,919	110	10,710	319
Investments & other assets	2,710	2,511	199	2,400	310
Total assets	28,523	26,766	1,757	26,664	1,859
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Current liabilities:</b>					
Notes & accounts payable, trade	904	616	288	670	234
Short-term debt	--	--	--	--	--
Other current liabilities	1,778	1,440	338	1,360	418
Total current liabilities	2,682	2,056	626	2,030	652
<b>Long-term liabilities:</b>					
Long-term debt	375	520	(145)	482	(107)
Accrued pension & severance costs	859	150	709	176	683
Other	612	575	37	547	65
Total long-term liabilities	1,846	1,245	601	1,205	641
<b>Shareholders' equity:</b>					
Common stock, authorized: 26,000,000 shares; issued & outstanding: 11,050,000 shares in 2003	6,683	6,683	0	6,683	0
Additional paid-in capital	9,710	9,710	0	9,710	0
Retained earnings	9,459	8,404	1,055	8,516	943
Net unrealized gains (losses) on other securities	10	17	(7)	38	(28)
Foreign currency translation adjustment	(1,286)	(1,147)	(139)	(1,215)	(71)
Treasury stock	(581)	(202)	(379)	(303)	(278)
Total shareholders' equity	23,995	23,465	530	23,429	566
Total liabilities & shareholders' equity	28,523	26,766	1,757	26,664	1,859

**II. Consolidated Statements of Income (summary)**

JPY million

	<b>Current 3rd Qt</b>		Previous 3rd Qt		Change		(Reference)	
	<b>from 1 April 2004</b>		from 1 April 2003		amount	%	For fiscal 2004	
	<b>to 31 December 2004</b>		to 31 December 2003				ended 31 March 2004	
	to net sales		to net sales				to net sales	
Net sales	<b>11,913</b>		8,781		3,132	35.7%	12,003	
Cost of sales	<b>8,602</b>	72.2%	6,,715	76.5%	1,887	28.1%	9,022	75.2%
Gross profit	<b>3,311</b>	27.8%	2,066	23.5%	1,245	60.3%	2,981	24.8%
Selling, general & administrative expenses	<b>2,245</b>	18.8%	1,705	19.4%	540	31.7%	2,295	19.1%
Operating income	<b>1,066</b>	8.9%	361	4.1%	705	195.3%	686	5.7%
Other income (expenses)	<b>(50)</b>	-0.4%	146	1.7%	(196)	-134.2%	25	0.2%
Income before income taxes	<b>1,016</b>	8.5%	507	5.8%	509	100.4%	711	5.9%
Income tax expenses	<b>(91)</b>	-0.8%	143	1.6%	(234)	-163.6%	236	2.0%
Net income	<b>1,107</b>	9.3%	364	4.1%	743	204.1%	475	4.0%

END