

MARUWA CO., LTD.

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Final Results for Fiscal 2005

MARUWA CO., LTD. today announced its consolidated business results for the full fiscal year ended 31st March, 2005 as follows;

*The financial statements are not audited.

*US dollar amounts are converted for convenience only at the rate of US\$1 = 107.45yen.

*Consolidated subsidiaries: 6 companies (Maruwa (Malaysia) Sdn. Bhd., Taiwan Maruwa Co., Ltd., MARUWA Electronics (Taiwan) Co., Ltd. (former NEC TOKIN Electronics (Taiwan) Co.,Ltd.), Maruwa Europe Ltd., MARUWA TFG Co., Ltd., and MARUWA QUARTZ Co., Ltd.)

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

	JPY million	JPY million		USD thousand
	For year ended	For year ended	Change %	For year ended
	31st March	31st March		31st March
	2005	2004		2005
Net sales	15,529	12,003	29.4%	144,519
Operating income (loss)	1,357	686	97.8%	12,630
Income before income taxes	1,180	711	66.0%	10,982
Net income	1,225	475	157.9%	11,401
		JPY		USD
Net income per share	112.40	42.67	163.4%	1.00

(2) Summary of consolidated financial condition

	JPY million	JPY million		USD thousand
	As of 31st March	As of 31st March	Change %	As of 31st March
	2005	2004		2005
Total Assets	28,466	26,664	6.8%	264,926
Shareholders' equity	24,328	23,429	3.8%	226,415
Shareholders' equity ratio	85.5%	87.9%	-2.7%	
		JPY		USD
Shareholders' equity per share	2,256.48	2,144.11	5.2%	21.00

(3) Summary of consolidated statement of cash flows

	JPY million	JPY million		USD thousand
	For year ended	For year ended	Change %	For year ended
	31st March	31st March		31st March
	2005	2004		2005
Net cash provided by operating activities	3,319	2,102	57.9%	30,886
Net cash used in investing activities	(2,062)	(708)	--	(19,189)
Net cash used in financing activities	(583)	(406)	--	(5,429)
Cash and cash equivalents at end of term	6,935	6,202	11.8%	64,540

Management Policies

(1) Basic management policy

"MARUWA OF CERAMIC MATERIAL TECHNOLOGY" is MARUWA's corporate vision. We strive to differentiate us from our peers and 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.

Based on this policy, it is MARUWA's management policy to expand into new fields and to survive among severe global business competition by reinforcing its core business with "selection and concentration" strategy and boosting shares in global niche markets.

(2) Dividend policy

As a profit allocation policy, MARUWA considers to allocate acquired cash-flows through operations to positive investment into new growing areas, consolidated results-considered dividends, and the appropriation of retained earnings for flexible use against changes of management environment. In a rapidly changing industry, our current most important issue is to meet market needs appropriately and promptly. Therefore, we continue to carry out aggressive upfront investment especially into R&D equipment, and the effective use of cash flows for agile M&A strategies.

(3) The number of shares per unit

MARUWA is currently on a growth phase as an electronic components manufacturer and aims to increase liquidity at the stock market in this stage. Based on this policy, when we changed the company name 6 years ago, we lowered the number of shares per unit to 100 to increase the accessibility of shares for individual investors. As a result, the number of total shareholders increased from 2,800 at that time to 4,440 in March 2005, proving that the individual shareholder base was successfully broadened and liquidity was improved.

(4) Business strategies and management issues

In the midst of the IT era, in which quick adjustment and sustained growth are required to ride on the rapidly changing market, MARUWA, whose core competence is our technologies, acquired and combined base technologies such as ceramic material technology, electronic device technology, and multi-layering technology, and promotes its business mainly in information-communication areas. Recently, we also target components for automobiles while keeping our business core in ceramics. Also, developing our fields from quartz glass to semiconductor manufacturing, we supply our products for the electronic components industry from a wider range of materials.

As for management issues, we are determined to make intensive and collective efforts on management objectives set out as plain as possible in every fiscal year, taking advantage of small corporate size that is suitable for company-wide efforts.

In fiscal 2003, MARUWA made efforts to strengthen its internal organization by thorough structural improvement to build up a defensive, flexible company, which is enable to secure profit in the dynamically changing electronic components industry.

In fiscal 2004, MARUWA focused on enhancing external business activities to establish an aggressive style by conducting a sales reinforcement project that improved the integrity among the sales, production and R&D divisions. Also, We enhanced

our core technology, material technology, in company-wide to reconstruct the market-focused R&D structure and flexible system of materials production.

In line with these efforts, in fiscal 2005, MARUWA enhanced our operating structure with an added management policy of "focus on cash-flows", implementing asset efficient indices in each production unit. Also regarding production, the priority challenges are to shorten lead-time and to supply products in a timely manner in order to respond resiliently to the accelerated shifts of market needs to high mix, low volume and quick delivery. At the same time, one of the big challenges in related to M&A is to introduce and penetrate the "MARUWA Culture" into each subsidiary which is newly brought to the MARUWA group.

In fiscal 2006, MARUWA will focus on enhancing possibility-included business values as each operation including acquired business through M&A develops a growth strategy for each growth stage and business size.

(5) Corporate governance

1. Basic policy for corporate governance

MARUWA is enhancing our governance structure, focusing on realizing efficient management that is the priority issue on management. Efficient management includes prompt and resilient approach to the rapidly changing electronic components market. As a public being in the society, we commit ourselves to building up corporate governance structure by improving evaluation and internal control, and pursue sustainable growth toward next stage. Also, we vow to enhance the quality of governance to exercise open and transparent management to the society and stock markets as a global public company.

2. Progress of measures

i. Governance structure

MARUWA adopts a governance structure of auditing system. Our governance structure consists of the board of directors, the board of auditors, and the internal auditing office under the direct control of the president.

- There are 9 directors. They discuss important issues at regular or special meetings of the board of directors, and mutually monitor business operations for which 5 directors are responsible. (These 5 directors are also responsible on a practical level.)

- There is no outside director.

- There are 3 auditors, including 2 outside auditors. They attend every meeting of the board of directors to audit the directors. In addition, they work with internal audit officers who directly belong to the management to audit the directors who are responsible on a practical level and to propose improvement measures.

ii. Interest and personal relationship with outside auditors

No special interest between MARUWA and outside auditors.

3. Measures for enhancement of corporate governance

MARUWA believes that excellent corporate governance would be realized when measures are well implemented not only on directors and auditors but also on all employees. Based on this view, on 1 April every year, virtually all employees in Japan and overseas gather in a hall to hear the speech of the president about management and business policies and instructions for being a MARUWA's employee. At a quarterly management meeting, officers on and above manager class

in the whole group attend to hear corporate strategies explained directly by the president to improve the integrity.

Taking advantage of our small corporate size, every each production division was reorganized as a "mini-mini company" to strengthen each production system and to clarify the locus of responsibility. At the same time, we are making an effort to realizing swift communication of the management's decisions to every division and open and transparent management including divisional evaluation system.

4. Financial audit

MARUWA appoints ChuoAoyama PricewaterhouseCoopers as our financial auditor pursuant to the Commercial Code and Securities and Exchange Law of Japan. The managing partners who engage in auditing of MARUWA are as follows;

- Certified public accountants (audit years)

Kazunori Tajima (12)

Morio Ichiyonagi (12)

Hitoshi Kiuchi (3)

- Assistants who engage in auditing

6 certified public accountants / 9 assistant accountants

5. Compensation and audit fee

Compensation for the directors and the auditors and audit fee for the financial auditor paid in fiscal 2005 are as follows;
(Compensation for)

- Directors 67 million yen

- Auditors 8 million yen

Total 75 million yen

(Audit fee)

- Audit fee 18 million yen (Fee based on the audit contract)

-Other fee 5 million yen

Total 23 million yen

(6) Parent company

1. Corporate name and other matters of parent company

Parent company	Attribute	Ratio of shareholder voting right held by the parent company	Stock exchange on which the shares the parent company issues are listed
K Maruwa Co., Ltd.	In case the listed company is a related company of other companies, one of such other companies	29.51%	None

2. Position of the listed company in the corporate group including the parent company and relationship between other listed companies and the parent company

K Maruwa Co., Ltd. ("K Maruwa"), a related company, holds the 29.51% of the entire shareholder voting rights of MARUWA CO., LTD. ("MARUWA ") and 2 directors and 3 employees of MARUWA double as directors.

K Maruwa mainly supports a foundation for promoting arts and culture, and conducts loan business on real property, having no relation with business operations of MARUWA.

3. Trading with the parent company

To K Maruwa, MARUWA counts a negligible amount of rent on real estate (less than 1 million yen a year.)

Review of Operations and Financial Condition

I. Operating Results

	Fiscal 2004				Fiscal 2005				JPY million
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
Net sales	2,852	2,871	3,057	3,223	4,176	3,981	3,757	3,615	
Operating income	43	84	234	325	308	380	378	291	
Net income	54	60	249	112	156	599	352	118	

	Previous	Current		JPY million	
	For year ended	For year ended		change	
	31st March 2004	31st March 2005		amount	%
Net sales	12,003	15,529		3,526	29.4%
Operating income	686	1,357		671	97.8%
Net income	475	1,225		750	157.9%

(1) Review of operations

In this term, electronic components market showed a strong and swift recovery led by digital home appliances in the first quarter, but from the late second quarter, stagnant sales of mobile phones in the Chinese and the other Asian markets put components manufacturers into the period of adjustment for the balance of supply and demand. From the third quarter, also in Japan, the semiconductors equipment market slowed down, and a moderate deceleration period generally prolonged due to a kickback from the rapid growth in the first half. In the latter half of the fourth quarter, materials-related business moved onto a recovery, and components-related became active in domestic markets.

At MARUWA, we expanded our quartz glass business through the M&A of MARUWA QUARTZ CO., LTD., former "Kimmon Quartz Co.,Ltd.", especially for the purpose of acquiring a synergetic effect in sales, following the start of this business at MARUWA TFG Co., Ltd. in the previous year. This M&A contributed to increasing both sales and profits in this year, placing the quartz glass business as a new prop of MARUWA.

Also, we continuously endeavored to earn more cash by reducing stocks between the production lines. Regarding profits, our profit-earning structure was improved as intensive efforts to reduce inventories in the first half of this term had effect on profit gains in the second half despite of a negative factor of order decrease.

In addition, there is another positive factor for profit that new product units, which had moved from R&D stage to mass production in the last year, now became profitable, stepping out of deficit with the burden of R&D expenses.

As results, net sales in the first half of this year ended in 15,529 million yen, an increase of 3,526 million yen (29.4%) compared with the previous interim result. Operating income increased 671 million yen (97.8%) to 1,357 million yen compared to the previous interim result due to such three factors stated above, posted nearly the same figure forecasted and announced on 7 February 2005. Net income was 1,225 million yen (up 157.9%) with the loss on disposal/write-down of inventories of 336 million yen was reported.

As for dividend at year-end, our proposal at the 32nd shareholders' meeting will be to pay out 7.50 yen per share. As a result, annual dividend will be 15.00 yen with the interim dividend 7.50 yen, an increase of 1.00 yen from the last year's annual dividend.

(2) Review of operating results by product divisions

Consolidated sales results by product divisions

	JPY million							
	Fiscal 2004				Fiscal 2005			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Circuit Ceramics	1,239	1,306	1,396	1,492	1,746	1,566	1,479	1,421
Machinery Ceramics	637	671	682	718	1,363	1,376	1,257	1,256
RF Products	253	209	271	255	259	270	302	265
EMC Components	723	685	708	758	808	768	720	673
Total	2,852	2,871	3,057	3,223	4,176	3,980	3,758	3,615

	Previous	Current	JPY million	
	For year ended	For year ended	change	
	31st March 2004	31st March 2005	amount	%
Circuit Ceramics	5,433	6,212	779	14.3%
Machinery Ceramics	2,708	5,252	2,544	93.9%
RF Products	988	1,096	108	10.9%
EMC Components	2,874	2,969	95	3.3%
Total	12,003	15,529	3,526	29.4%

Circuit Ceramics

Circuit Ceramics include ceramic substrates for chip resistors which are essential for a wide range of electronic appliances, Aluminium Nitride for power modules and automobiles, glazed ceramic substrates for thermal printer head (TPH), and large ceramic substrates for hybrid ICs.

Total sales of this division were 6,212 million yen, an increase of 779 million yen (14.3%) compared with the last year. About the substrates for chip resistors, markets both in Asia and in Japan were strongly led by a brisk demand for digital home devices in the first quarter as well as solid demands for other home electronic appliances. Since the second quarter, however, components markets in China and Taiwan have been forced into an adjustment phase. In the second half of the year, we had relatively solid orders from Japanese manufacturers while orders from Taiwanese makers decreased. From the latter half of the fourth quarter, orders from overseas began to recover, hoping moderate increases of sales.

The sales of Aluminum Nitride are solid for power modules. As for large substrates, we aim to expand product lineups for markets in Europe as well as firm Asian markets.

Machinery Ceramics

Machinery Ceramics include quartz glass products mainly for semiconductors equipment, magnetic lead-supporting blocks for personal computers, and ceramic facet valves. The products in this division require high precision process techniques.

Total sales for this year were 5,252 million yen, an increase of 2,544 million yen (93.9%) compared with the previous year's result. Quartz glass products, including those manufactured at MARUWA QUARTZ CO., LTD., a new consolidated subsidiary since April 2004, held favorable orders from domestic semiconductor manufacturing markets until the third quarter. In the fourth quarter, however, orders decreased due to market adjustments. In this term, we focused on the

reorganization of factories and the improvement of manufacturing lines after another M&A, laying foundation for future sales expansion.

Radio Frequency Products

Radio Frequency Products include device products such as VCO (voltage controlled oscillator) for mobile phones and other wireless communication appliances, dielectric ceramics for filters used in mobile communications or antennas, and thin film substrates for optical information devices and communications. The products in this group largely contain R&D elements. Those end products in which our products are used are particularly characterized with highly speedy development and remarkably short life cycles.

Device products sales were inactive for Chinese communication markets which had been unclear throughout the year. From the fourth quarter, sales are increasing month by month thanks to enhancing applications in new areas. Dielectric ceramics, being in a long-term slump, acquired stable orders from overseas markets for LNB (low noise box) products and GPS products, and are expected to grow in the future while a flexible manufacturing system was established to respond high mix/low volume orders. Thin film products gained variable new orders especially for DVD devices. As a result, total sales were 1,096 million yen (up 10.9%) compared to the previous result.

EMC Components

EMC Components include EMI filters of chip-type, feed through-type, or complex type as countermeasures against electromagnetic waves, chip varistors as a solution for abnormal voltages such as noise/surge, and multi-layer ceramic capacitors of high-voltage high-capacitance.

EMI filters, especially feed-through types, were sold well mainly for base stations of mobile phones. Both EMI filters and chip varistors have been firmly growing especially for automobile components markets, which MARUWA group as a whole focused on breaking into. As a result, total sales in this year were 2,969 million yen (up 3.3%) compared to the previous result.

II. Outlook for the Full Fiscal 2005

	JPY million			
	For year ended	For year ending	Change	
	31st March 2005	31st March 2006	Amount	%
Net sales	15,529	21,230	5,701	36.7%
Operating income	1,357	1,630	273	20.1%
Net income	1,225	930	-295	-24.1%
Dividend per share (yen)	15.00	18.00	3.00	

Surveying the markets on which we play, the electronic components market is expected to slowly step into a recovery trend after inventory adjustments particularly marked in Asian markets hit the bottom in the second half of this term. On the other hand, although the semiconductor equipment market slowed down in the latter half of the year, uncertainty over the future has been eased. In the electronic components market, as end products have been constantly enhanced in higher functions and smaller sizes, expectations for ceramic products are being raised, including for automotive parts which have been rapidly shifted to electronics. In next term, MARUWA group will focus on developing more effective strategies based on growth state/operation size of each business.

As for Circuit Ceramics, we aim to win more stable market shares especially in recovering markets of China/Asia as a leading company of Al₂O₃ (alumina) substrates while in Europe and U.S. we promote expansion in size as cash-cow products through sales promotion of newly developed AlN products with high thermal conductivity or market cultivation for large substrates.

Machinery Ceramics increased weight of quartz glass in the division through the M&A of MARUWA QUARTZ Co., Ltd. We prepared for business expansion in next year, making efforts on reorganization of factories and restructuring of manufacturing processes after the M&A. The next year's theme of this division is to enhance markets shares in the quartz glass industry by reconsidering domestic management strategies and improving technologies for custom-made products and response to 12-inch sized wafers.

About Radio Frequency Products, every item in this division has been on an upward sales trend since the fourth quarter of this term. We will aim to increase product variation targeting the future and to enhance continuous R&D capacity.

EMC Components division anticipates an order increase in automotive markets. MARUWA plans to launch differentiation strategies at a material level, facing increasing demands on components for electromagnetic compatibility or components as countermeasures against abnormal surge, along with multi-functioning of end products. Also, from next year, new products as a solution against noise acquired through M&A will contribute to increase sales.

In addition, we add new business segment, a lighting business, from next term, expecting annual sales increase of 3.2 billion yen in consideration of adjustment or integration of deficit products.

Based on the outlook stated above, we forecast net sales of 21,320 million yen, up 5,701 million yen (36.7%) compared with this fiscal year, operating income of 1,630 million yen, up 20.1%, and net income of 930 million yen, down 24.1%. Net income of fiscal 2005 includes tax effect thanks to the merger of a subsidiary. For net income forecast for fiscal 2006, we take account of settlements along with transition to 401K (defined-contribution pension scheme), payment of retirement benefits for directors for termination and retirement of equipment following the reorganization of the factories.

Annual dividend per share will be 18.00 yen, up 3.0 yen in anticipation of leading products on development including acquired products through M&A out of deficit and establishment of a profitable system.

*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. Financial Condition

	JPY million		JPY million	
	As of 31st March 2004	As of 31st March 2005	Change Amount %	
Total assets	26,664	28,466	1,802	6.8%
Total liabilities	3,235	4,138	903	27.9%
Total shareholders' equity	23,429	24,328	899	3.8%
Shareholders' equity ratio	87.9%	85.5%		

	JPY million		JPY million	
	For year ended 31st March 2004	For year ended 31st March 2005	Change Amount %	
Net cash provided by operating activities (+)	2,102	3,319	1,217	57.9%
Net cash used in investing activities (-)	708	2,062	1,354	191.2%
Net cash used in financing activities (-)	406	583	177	43.6%
Cash and cash equivalents at end of term	6,202	6,935	733	11.8%
Net sales	12,003	15,529	3,526	29.4%
Capital investment	742	1,253	511	68.9%
Depreciation	1,466	1,481	15	1.0%

Total assets at the end of this year were 28,466 million yen, an increase of 1,802 million yen as a result of operating activities in this term, compared to the end of the previous year, including 2,311 million yen due to the acquisition of consolidated subsidiaries such as MARUWA QUARTZ CO., LTD. from this year and NEC TOKIN Electronics (Taiwan) Co., Ltd. from the end of this fiscal year, respectively. With an increase of new customers, trade notes and accounts receivable increased 972 million yen while inventories reduced 726 million yen due to our efforts to cut inventories at the existing productions. Also, net property, plant and equipment increased 600 million yen due mainly to the acquisition of MARUWA QUARTZ.

Comparing with the operating results, we keep relatively large amount of internal reserve and consequently high shareholders' ratio since the company aims to pursue high proactiveness and timely M&A strategies as important corporate growth strategies.

Net cash provided from operating activities rose 3,319 million yen to 1,217 million yen from the previous year. The principal factors of cash increase are income before income taxes of 1,180 million yen, and 1,089 million yen in reduction of inventories as a result of our company-wide efforts. Depreciation was 1,481 million yen, and cash flows are adjusted due to amortization of consolidated adjustment account of 156 million yen to decrease. On the other hand, the major factor of cash decrease is an increase of 331 million yen in trade notes and accounts. Taxes paid were 155 million yen.

Net cash used in investing activities totaled 2,062 million yen. We invested mainly in facilities such as 1,236 million yen

for the purchase of property, plant and equipment, and 644 million yen for the purchase of stocks of MARUWA QUARTZ CO., LTD., a new consolidated subsidiary. At the same time, since cash assets of MARUWA QUARTZ were also transferred, actual cash-out amount was 497 million yen.

Net cash used in financing activities amounted to 583 million yen, including payments for the long-term debt of 147 million yen, the purchase of treasury stocks of 279 million yen, and cash dividends paid of 157 million yen.

Consequently, cash and cash equivalents at the end of the first half period of this year increased 733 million yen to 6,935 million yen compared to the end of the previous year since net cash provided from operating activities were larger than net cash used in investing activities and financing activities.

IV. Risks for business operations

MARUWA considers following issues as risks which may have influence on operating results, share price, and financial conditions of MARUWA group.

Forward-looking statements contained in this document are due to discussion by MARUWA group as of the date this document was released.

1. Reliance on the electronic components market

MARUWA group engage in sales and manufacturing mainly of ceramics for electronic devices, and has wide-ranged product lineups including ceramics for resistors used in electronic circuit boards of various electric appliances, wireless communications, base stations of mobile phones, antenna-related products, radio frequency products or EMC components. In 2003, we acquired semiconductor equipment glass business through M&A to diversify our products.

Our major customers are electronic components makers which are influenced by the semiconductor market. The semiconductor market has been fluctuating cyclically by the influence of the market's distinctive "silicon cycle" due to market prices and technological innovation progress in addition to general economic influence.

In the past, our operations were impacted by plunge in orders when the electronics and semiconductor markets declined. Even though we expect the electronics market will expand in the medium-term led by smaller sized products with multi-functions and rapidly developing automotive components, our operations may be adversely affected in case that the growth of the electronics market slows down due to influences of general economy or cyclical slump of the semiconductor market.

2. Response to technological innovation

Amid the rapidly changing market requiring quick adjustment and sustainable growth, MARUWA group aims to increase our corporate values by enhancing profitability and growth, promoting product development in new areas with integration of our developed core technologies. For this purpose, we believe it is important to recruit necessary personnel and train employees.

In principle, MARUWA group conducts technological development in response to market needs, and will keep developing new products in the future. In case, however, we fail to catch up with development speed the market requires and to enhance production capacity, our operations may be affected along with the drop of our market shares

3. Product cycle in the electronic components market (risks of inventories at the market)

In electronics markets, new products are constantly supplied supported by continuous technological innovation. Especially, when demands for new products with non-conventional functions are heightened in a full scale, orders rush temporarily due to competition for components among set makers. However, overestimation for demands among those set makers may cause an excess of inventories supply in the markets and saturation of the markets. In such market environment, our group business operations may be affected.

4. Regulations for environmental protection

Various regulations are applied to us about the usage, storage, destruction and disposal of chemical products used in manufacturing processes. We have never been complaint regarding environmental regulations, and we believe that we

comply with currently applicable environmental law and regulations. In case, however, that we are imposed any compensation or fine regarding a delay in response to future tightening of regulations and forced to halt production or terminate businesses, that we are required a large amount of expenditure for equipment or other expenses, and that we are accused of failing to comply with regulations for the usage, control and disposal of hazardous materials, operating results of the group may be impacted.

5. Risks on a growth strategy through M&A

MARUWA group focuses on M&A (merger, acquisition and affiliation of businesses) as a part of our growth strategy. Regarding the cases which we were involved, acquired businesses were improved into revenue sources relatively in a short period with intensive investment in personnel and materials after M&A, following careful preliminary assessment. In the future, we are also planning on expanding business areas and exploring new fields, continuously carrying on M&A. Future M&A, however, may not be linked to the resources of profits unlike our past M&A cases. In case that restructuring at acquired businesses is prolonged or operating costs are mounted, the group's operating results and financial condition may be impacted.

6. Reliance on material suppliers

For ceramics production, we purchase low materials such as alumina from several low material refining companies outside MARUWA group. Although we have ensured supply by appropriately increasing a number of trading suppliers according to materials price trend or our production volume, there is no guarantee that we will never have shortage of materials. The shortage of materials may cause escalating of materials prices, slowdown of supply, or increase of materials costs at our group, consequently affecting operating results and financial condition of the group.

7. Dependence on key persons

The future growth of MARUWA group highly depends on key figures such as competent researchers or engineers since we mainly engage in manufacturing of electronic materials and components in rapid technological innovation. Therefore, it is essential for the management to ensure those core figures and to train them; otherwise, the future growth and operating results of the group may be impacted.

On the other hand, active employment of highly capable or experienced engineers may largely increase recruitment and labor costs, influencing our operating results and financial status.

8. Violations of intellectual property rights of other companies

MARUWA group aggressively promotes the development of new products, and prepare against the risks of violations at research and development with full preliminary research about intellectual property rights held by other companies. If we become an object of a suit for the fact of violations happened beyond our control, the group's business results and financial condition may be influenced.

9. Exchange rate fluctuations

MARUWA group trades in foreign currency including U.S. dollar, euro or Malaysia ringgit other than in yen. Also, we hold production and sales sites around the world, and some items on consolidated financial statements are converted into yen

from originally traded foreign currency. Consequently, at the time of consolidation of financial statements, conversion into yen may affect the results of overseas companies of the group. MARUWA uses foreign exchange forward contracts if necessary to manage exposures resulting from fluctuations in foreign currency exchange, but it is impossible to avoid all the influences of foreign currency exchange. Therefore, our operating results may be affected by the fluctuations of foreign currency exchange.

V. Consolidated Balance Sheet

	JPY million	JPY million		USD thousand
	As of 31st March 2005	As of 31st March 2004	Change %	As of 31st March 2005
ASSETS				
Current assets:				
Cash & deposits	6,935	6,202	11.8%	64,540
Notes and accounts receivable, trade	4,712	3,740	26.0%	43,853
Inventories	2,554	3,280	-22.1%	23,766
Deferred income taxes	388	81	379.0%	3,613
Other current assets	245	252	-2.8%	2,279
Allowance for doubtful accounts	(4)	(1)	--	(34)
Total current assets	14,830	13,554	9.4%	138,017
Fixed assets:				
(Property, plant & equipment)				
Land	2,988	2,548	17.3%	27,806
Building & structures	3,674	3,449	6.5%	34,191
Machinery & equipments	3,829	4,006	-4.4%	35,632
Construction in progress	242	152	59.2%	2,250
Other	577	555	4.0%	5,378
Net property, plant & equipment	11,310	10,710	5.6%	105,257
(Investment & other assets)				
Investment securities	701	662	5.9%	6,522
Deferred income taxes	184	245	-24.9%	1,714
Property & equipment for investments	977	996	-1.9%	9,092
Other	468	502	-6.8%	4,362
Allowance for doubtful accounts	(4)	(5)	--	(38)
Total investments & other assets	2,326	2,400	-3.1%	21,652
Total fixed assets	13,636	13,110	4.0%	126,909
Total assets	28,466	26,664	6.8%	264,926

LIABILITIES AND SHAREHOLDERS' EQUITY**Current liabilities:**

Notes & accounts payable, trade	797	670	19.0%	7,413
Current portion of long-term debt	147	148	-0.7%	1,373
Accrued income taxes	65	88	-26.1%	605
Accrued bonus	195	137	42.3%	1,812
Stock purchase warrants	11	11	0.0%	101
Equipment notes payable	339	328	3.4%	3,152
Other current liabilities	858	648	32.4%	7,993
Total current liabilities	<u>2,412</u>	<u>2,030</u>	18.8%	<u>22,449</u>

Long-term liabilities:

Long-term debt	335	482	-30.5%	3,117
Accrued pension & severance costs	858	176	387.5%	7,989
Deferred tax liabilities	7	0	--	62
Consolidation goodwill	448	477	-6.1%	4,173
Other	78	70	11.4%	721
Total long-term liabilities	<u>1,726</u>	<u>1,205</u>	43.2%	<u>16,062</u>

Total liabilities	<u>4,138</u>	<u>3,235</u>	27.9%	<u>38,511</u>
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Shareholders' equity:

Common stock, authorized: 26,000,000 shares; issued & outstanding: 11,050,000 shares	6,683	6,683	0.0%	62,201
Additional paid-in capital	9,710	9,710	0.0%	90,371
Retained earnings	9,577	8,516	12.5%	89,126
Net unrealized gain (loss) on other securities	16	38	-57.9%	150
Foreign currency translation adjustment	(1,077)	(1,216)	--	(10,026)
Treasury stock, at cost	(581)	(302)	--	(5,407)
Total shareholders' equity	<u>24,328</u>	<u>23,429</u>	3.8%	<u>226,415</u>
Total liabilities & shareholders' equity	<u>28,466</u>	<u>26,664</u>	6.8%	<u>264,926</u>

VI. Consolidated Statements of Income

	JPY million	JPY million		USD thousand
	For year ended 31st March 2005	For year ended 31st March 2004	Change %	For year ended 31st March 2005
Net sales	15,529	12,003	29.4%	144,519
Cost of sales	11,187	9,022	24.0%	104,113
Gross profit	4,342	2,981	45.7%	40,406
Selling, general & administrative expenses	2,985	2,295	30.1%	27,776
Operating income	1,357	686	97.8%	12,630
Other income (expenses):				
Interest & dividend income	20	12	66.7%	183
Interest expenses	(10)	(13)	--	(98)
Foreign exchange gain (loss), net	19	30	--	175
Other, net	(206)	(4)	--	(1,908)
Other income, net	(177)	25	--	(1,648)
Income before income taxes	1,180	711	66.0%	10,982
Income taxes:				
Current	170	112	51.8%	1,582
Deferred	(215)	124	--	(2,001)
	(45)	236	--	(419)
Net income	1,225	475	157.9%	11,401

VII. Consolidated Statement of Cash Flows

	JPY million	JPY million		USD thousand
	For year ended 31st March 2005	For year ended 31st March 2004	Change %	For year ended 31st March 2005
Operating activities:				
Income before income taxes	1,180	711	66.0%	10,982
Adjustments for:				
Depreciation	1,481	1,466	1.0%	13,787
Amortization of consolidation goodwill	(156)	(119)	--	(1,449)
Increase (decrease) in allowance for doubtful accounts	1	(20)	--	12
Decrease in accrued pension & severance costs	108	36	200.0%	1,002
Loss on write-down of investment securities	3	--	--	24
Loss on disposal of property, plant & equipment	112	51	119.6%	1,042
Interest & dividends income	(22)	(13)	--	(207)
Foreign exchange (gain) loss	(29)	7	--	(270)
(Increase) decrease in notes & accounts receivable	(331)	(605)	--	(3,079)
(Increase) decrease in inventories	1,089	477	128.3%	10,131
Increase (decrease) in accounts payable	(86)	207	--	(799)
Other	112	(6)	--	1,042
Sub total	3,462	2,192	57.9%	32,218
Interest & dividend income received	22	12	83.3%	207
Interest expenses paid	(10)	(2)	--	(98)
Income taxes paid	(155)	(100)	--	(1,441)
Net cash provided by operating activities	3,319	2,102	57.9%	30,886

Investment activities:				
Payments for purchase of property, plant & equipment	(1,236)	(733)	--	(11,503)
Proceeds from sales of property, plant & equipment	18	39	-53.8%	165
Payments for purchase of investment securities	(59)	(41)	--	(546)
Proceeds from sales of investment securities	0	133	--	4
Payments for purchase of stocks of subsidiaries	(774)	--	--	(7,206)
Collection from loan receivables	0	1	--	3
Increase in intangible fixed assets	(6)	(109)	--	(59)
Other	(5)	2	--	(47)
Net cash used in investing activities	<u>(2,062)</u>	<u>(708)</u>	--	<u>(19,189)</u>
Financing activities:				
Payments of long-term debt	(147)	(152)	--	(1,373)
Cash dividends paid	(157)	(154)	--	(1,462)
Sales of treasury stock			--	7
Purchase of treasury stock	(279)	(100)	--	(2,601)
Net cash provided by (used in) financing activities	<u>(583)</u>	<u>(406)</u>	--	<u>(5,429)</u>
Effect of exchange rate changes on cash & cash equivalents	59	(77)	--	553
Net increase (decrease) in cash & cash equivalents	<u>733</u>	<u>911</u>	-19.5%	<u>6,821</u>
Cash and cash equivalents at beginning of year	6,202	5,291	17.2%	57,719
Cash and cash equivalents at end of year	<u>6,935</u>	<u>6,202</u>	11.8%	<u>64,540</u>

VIII. 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	JPY million		USD thousand
	For year ended 31st March 2005	For year ended 31st March 2004	Change %	For year ended 31st March 2005
JAPAN				
Net sales:				
Unaffiliated customers	11,641	8,877	31.1%	108,341
Intersegment	805	567	42.0%	7,490
Total	<u>12,446</u>	<u>9,444</u>	31.8%	<u>115,831</u>
Operating cost	11,132	8,776	26.8%	103,592
Operating income (loss)	<u>1,314</u>	<u>668</u>	96.7%	<u>12,239</u>
ASIA				
Net sales:				
Unaffiliated customers	3,384	2,707	25.0%	31,492
Intersegment	1,068	1,003	6.5%	9,941
Total	<u>4,452</u>	<u>3,710</u>	20.0%	<u>41,433</u>
Operating cost	3,725	3,127	19.1%	34,668
Operating income (loss)	<u>727</u>	<u>583</u>	24.7%	<u>6,765</u>
EUROPE and AMERICA				
Net sales:				
Unaffiliated customers	503	419	20.0%	4,686
Intersegment	2	2	0.0%	18
Total	<u>505</u>	<u>421</u>	20.0%	<u>4,704</u>
Operating cost	583	508	14.8%	5,432
Operating income (loss)	<u>(78)</u>	<u>(87)</u>	--	<u>(728)</u>
TOTAL				
Net sales:				
Unaffiliated customers	15,529	12,003	29.4%	144,519
Intersegment	1,875	1,572	19.3%	17,449
Total	<u>17,404</u>	<u>13,575</u>	28.2%	<u>161,968</u>
Operating cost	15,440	12,411	24.4%	143,692
Operating income (loss)	<u>1,964</u>	<u>1,164</u>	68.7%	<u>18,276</u>
ELIMINATION				
Net sales:				
Total	1,875	1,572	19.3%	17,449
Operating cost	1,268	1,094	15.9%	11,803
Operating income (loss)	<u>607</u>	<u>478</u>	27.0%	<u>5,646</u>
CONSOLIDATED				
Net sales:				
Total	15,529	12,003	29.4%	144,519
Operating cost	14,172	11,317	25.2%	131,889
Operating income (loss)	<u>1,357</u>	<u>686</u>	97.8%	<u>12,630</u>

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

	JPY million	JPY million		JPY million
	For year ended	For year ended	Change %	For year ended
	31st March	31st March		31st March
	2005	2004		2005
Overseas sales:				
Asia	5,677	5,019	13.1%	52,835
Europe	356	287	24.0%	3,310
Others	430	376	14.4%	4,000
Total	6,463	5,682	13.7%	60,145
Consolidated net sales	15,529	12,003	29.4%	144,519
% of consolidated net sales:				
Asia	36.6%	41.8%		
Europe	2.3%	2.4%		
Others	2.8%	3.1%		
Total	41.6%	47.3%		

*Countries are divided in geographical vicinity.

*Main countries included in each are as indicated below;

Asia - Malaysia, Taiwan, Korea, Hong Kong

Europe - Germany, England

Others - United States

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

END.