

**MARUWA CO., LTD.**

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**FOR IMMEDIATE RELEASE**

Nagoya- MARUWA CO., LTD. today announced its consolidated business results for the first quarter of fiscal 2006, the three-month period ended 30th June 2005 as follows; -

Note1) Statements of income are unaudited.

Note2) MARUWA acquired the entire shares of Kimmon Electric Co.,Ltd. as a new consolidated subsidiary on 1 April 2005, and changed its name to MARUWA SHOMEI Co., Ltd.

**Consolidated operating results and financial conditions for the first quarter of fiscal 2006**  
**<1 April 2005 - 30 June 2005>**

**1. Summary of operating results**

	JPY million			
	<b>Current 1st Qt</b>	Previous 1st Qt		(Reference)
	<b>from 1 April 2005</b>	from 1 April 2004		For fiscal 2005
	<b>to 30 June 2005</b>	to 30 June 2004		ended 31 March 2005
	Change%	Change%		
Net sales	<b>4,481</b>	7.3%	4,176	46.4%
Operating income	<b>398</b>	29.2%	308	633.3%
Net income	<b>51</b>	-67.3%	156	188.9%
Net income per share :	JPY			
(Basic)	4.69		14.32	112.40
(Diluted)	4.67		14.32	112.18

Note) Change figures indicate increases (decreases) percentages compared to the 1st quarter results in the previous fiscal year, respectively.

**Review of operations**

MARUWA group started a new business of lighting equipment from April, which we acquired through M&A. There is a big difference between the operations of our existing electronic ceramics business and of the lighting equipment business, of which main products are involved for public enterprises. To make MARUWA's entire business condition understood accurately, we here report the results of each sector: the ceramic components sector consisting of circuit ceramics division, machinery ceramics division, radio frequency products division, and EMC components division, and the lighting equipment sector.

Net sales increased 7.3% compared to the first quarter of the previous year to 4,481 million yen. The inventory adjustments in the electronic components market had prolonged since second quarter of the last year, but it has shown a recovery trend, while it is moderate, since fourth quarter of the previous year. Thanks to the situation mentioned above and the new entry of multi-layer beads and inductors into our product lineups by M&A, the sales of the electronic ceramics products in this first quarter remained approximately the same as the favorable sales in the first quarter of the previous year led by the brisk digital home appliances market as well as the semi-conductor equipment market. The lighting equipment sales in the first quarter were 264 million yen due to the specificity of its business structure.

The profit in the first quarter largely outweighed the forecast figures announced in May. While still facing strong demands from customers to lower the prices of electronic components, we see some effects of continued efforts to reduce inventories and lead time, and to enhance the corporate structure through the improvement of product quality and a yield rate, the restructuring of loss-making businesses acquired through M&A into profitability, and the contribution to profits of newly developed products. As a result, operating income of the ceramic components surged 91.2% to 589 million yen compared to the even favorable first quarter of the previous year.

Regarding to the newly started lighting equipment sector, we posted operating loss for the first quarter of 191 million yen as its sales are to be concentrated in March while carrying expenses throughout the year. Currently, we are promoting the integration of the sales bases with MARUWA's existing sales offices, and the restructuring of the operations including cost reduction. Due to these efforts, we observed that the deficit had been reduced, and expect an annual profit to be improved.

Meanwhile, we posted net income of 51 million yen as it was forecast in May 2005, taking into account loss of 261 million yen due to the payment of retirement benefits for directors followed by termination of the retirement benefits system.

## Sales by segment

### Ceramic Components:

	JPY million		
	Previous 1st Qt from 1 April 2004 to 30 June 2004	<b>Current 1st Qt from 1 April 2005 to 30 June 2005</b>	Change%
Net sales	4,176	<b>4,217</b>	1.0%
Operating income	308	<b>589</b>	91.2%

### Lighting Equipment:

	JPY million		
	Previous 1st Qt from 1 April 2004 to 30 June 2004	<b>Current 1st Qt from 1 April 2005 to 30 June 2005</b>	Change%
Net sales	--	<b>264</b>	--
Operating income	--	<b>(191)</b>	--

### Total:

	JPY million		
	Previous 1st Qt from 1 April 2004 to 30 June 2004	<b>Current 1st Qt from 1 April 2005 to 30 June 2005</b>	Change%
Net sales	4,176	<b>4,481</b>	7.3%
Operating income	308	<b>398</b>	29.2%

## Quarterly sales results of Ceramic Components segment by product division

	JPY million				
	For year ended 31st March				2006
	2005				1st Qt
	1st Qt	2nd Qt	3rd Qt	4th Qt	
Circuit Ceramics	1,746	1,566	1,479	1,421	<b>1,649</b>
Machinery Ceramics	1,363	1,376	1,257	1,256	<b>1,129</b>
Radio Frequency Products	259	270	302	265	<b>344</b>
EMC Components	808	768	720	673	<b>1,096</b>
Total	4,176	3,980	3,758	3,615	<b>4,218</b>

### Circuit Ceramics

Total sales of Circuit Ceramics division increased 16.0% to 1,649 million yen compared to the last quarter (the fourth quarter of the previous fiscal year.)

Every product group in this division grew compared to the last quarterly results, enjoying solid orders in the Taiwanese market. We expect to keep such favorable sales also in the second quarter of the current year.

### Machinery Ceramics

Total sales of Machinery Ceramics division dropped 10.1% to 1,129 million yen compared to the last quarter.

Although in the prior year, the quartz glass products increased both sales and profit due to favorable orders from semiconductor equipment sector under the brisk digital home appliances market as well as the enhancement of a business structure through the restructuring of the organization, an inventory adjustment since the previous fourth quarter forced sales down at the level lower than expected without a sign of recovery yet. Although a full recovery in the second quarter is now hardly anticipated, the situation is now changing toward a possible recovery in the latter half of this year. At the same time, we will continue to strengthen the operating structure to secure profits by improving manufacturing processes and developing materials and items for large sized wafers.

The other products in this division grew steadily.

### Radio Frequency Products

Total sales of Radio Frequency Products division grew 29.8% to 344 million yen compared to the previous quarter, due to the sales expansion of VCOs (voltage controlled oscillators) for new applications, and brisk sales for dielectric ceramics for LNB (low noise box) products as well as a modest recovery of the electronic components market. Thin film substrates settled a foundation for profitability in the previous year with hopes for future growth, and has been growing for DVD-related areas, showing a sign of further growth including expansion to other areas.

### EMC Components

Total sales of EMC Components division surged 62.9% to 1,096 million yen compared to the last quarter amid a recovery trend in the electronic components market, exceeding the sales in the first quarter of the prior year, which had enjoyed an active market for digital devices.

In this division, we have steadily added product variations, developing the business in response to market needs changing at an accelerated pace, such as downsizing, speeding up, or multi-functioning of electronics devices.

## 2. Summary of consolidated financial conditions

	Current 1st Qt	Previous 1st Qt	JPY million (Reference) As of 31 March 2005
	As of 30 June 2005	As of 30 June 2004	
Total Assets	30,475	27,973	28,465
Shareholders' equity	24,492	23,652	24,328
Shareholders' equity ratio	80.4%	84.6%	85.5%
			JPY
Shareholders' equity per share	2,272.53	2,165.14	2,256.48

Total assets at the end of this first quarter were 30,475 million yen as a result of the 3-month operation, up 2,010 million yen compared to the end of the last year, including an increase of 2,022 million yen through MARUWA SHOMEI Co., Ltd., a new consolidated subsidiary from April. By category, trade notes and accounts receivable increased 1,365 million yen, including a 996 million yen increase by MARUWA SHOMEI. Although inventories increased 194 million yen totally, 73 million yen was cut in the existing business to improve the efficiency of inventory assets.

The new capital expenditure in this period amounted to 380 million yen, and depreciation was 361 million yen.

### 3. Outlook for the fiscal 2006 ending 31 March 2006

	JPY million			
	Interim		Annual	
	Net sales	Net income	Net sales	Net income
<b>Forecast (A)</b>	<b>9,360</b>	<b>300</b>	<b>21,230</b>	<b>1,120</b>
Forecast (B) announced on 10 May 2005	9,360	100	21,230	930
Changes (A)-(B)	0	200	0	190
Changes (%)	--	200%	--	20.4%
(Reference) Fiscal 2005			15,529	1,225

(Reference) Outlook by segment

#### Ceramic Components:

	JPY million					
	Net sales			Operating income		
	Apr. - Sept.	Oct.-Mar.	Total	Apr. - Sept.	Oct.-Mar.	Total
<b>Forecast</b>	<b>8,560</b>	<b>9,470</b>	<b>18,030</b>	<b>1,050</b>	<b>1,090</b>	<b>2,140</b>
Forecast announced on 10 May 2005	8,560	9,470	18,030	760	1,090	1,850
Changes (A)-(B)	0	0	0	290	0	290
Changes (%)	--	--	--	38.2%	--	15.7%

#### Lighting Equipment:

	JPY million					
	Net sales			Operating income		
	Apr. - Sept.	Oct.-Mar.	Total	Apr. - Sept.	Oct.-Mar.	Total
<b>Forecast</b>	<b>800</b>	<b>2,400</b>	<b>3,200</b>	<b>(280)</b>	<b>240</b>	<b>(40)</b>
Forecast announced on 10 May 2005	800	2,400	3,200	(330)	110	(220)
Changes (A)-(B)	0	0	0	50	130	180
Changes (%)	--	--	--	--	118.2%	--

#### Total:

	JPY million					
	Net sales			Operating income		
	Apr. - Sept.	Oct.-Mar.	Total	Apr. - Sept.	Oct.-Mar.	Total
<b>Forecast</b>	<b>9,360</b>	<b>11,870</b>	<b>21,230</b>	<b>770</b>	<b>1,330</b>	<b>2,100</b>
Forecast announced on 10 May 2005	9,360	11,870	21,230	430	1,200	1,630
Changes (A)-(B)	0	0	0	340	130	470
Changes (%)	--	--	--	79.1%	10.8%	28.8%

Operating income of the first quarter largely exceeded the forecast due to solid sales for newly started products by M&A in EMC Components, and the successful control of expenses better than expected in the lighting equipment business started also through M&A, of which the initial budget plan was tight.

For the second quarter onwards, we revised the forecast figures announced on 10 May 2005 due to the prospects of a recovery in the quartz glass market, and tighter cost control in the lighting equipment operation even though the future is still unclear as a recovery in the semiconductor equipment market slowed down.

Note) The forecasts stated above are based on currently available information as of the date of announcement of this document. Actual performance results may differ from these forecasts due to various factors.

*I. Consolidated Balance Sheet (summary)*

	JPY million			JPY million	
	Current 1st Qt As of 30 June 2005	Previous 1st Qt As of 30 June 2004	Change	Fiscal 2005 (Reference) As of 31 Mar. 2005	Change
<b>ASSETS</b>					
Current assets					
Cash & deposits	6,910	5,922	988	6,935	(25)
Notes and accounts receivable, trade	6,077	4,802	1,275	4,712	1,365
Inventories	2,748	3,150	(402)	2,554	194
Other current assets	539	372	167	629	(90)
Total current assets	<u>16,274</u>	<u>14,246</u>	2,028	<u>14,830</u>	1,444
Property, plant & equipment	<u>11,772</u>	<u>11,360</u>	412	<u>11,308</u>	464
Investments & other assets	<u>2,429</u>	<u>2,367</u>	62	<u>2,327</u>	102
Total assets	<u>30,475</u>	<u>27,973</u>	2,502	<u>28,465</u>	2,010
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Current liabilities:</b>					
Notes & accounts payable, trade	1,948	848	1,100	797	1,151
Short term debt	--	--	--	--	--
Other current liabilities	2,078	1,581	497	1,614	464
Total current liabilities	<u>4,026</u>	<u>2,429</u>	1,597	<u>2,411</u>	1,615
<b>Long-term liabilities:</b>					
Long-term debt	298	447	(149)	335	(37)
Accrued pension & severance costs	837	754	83	858	(21)
Other	822	691	131	533	289
Total long-term liabilities	<u>1,957</u>	<u>1,892</u>	65	<u>1,726</u>	231
<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	9,537	8,589	948	9,577	(40)
Net unrealized gains (losses) on other securities	11	26	(15)	16	(5)
Foreign currency translation adjustment	(868)	(1,053)	185	(1,077)	209
Treasury stock	(581)	(303)	(278)	(581)	0
Total shareholders' equity	<u>24,492</u>	<u>23,652</u>	840	<u>24,328</u>	164
Total liabilities & shareholders' equity	<u>30,475</u>	<u>27,973</u>	2,502	<u>28,465</u>	2,010

2. Consolidated statement of income (summary)

	JPY million								
	Current 1st Qt from 1 April 2005 to 30 June 2005		Previous 1st Qt from 1 April 2004 to 30 June 2004		Change		(Reference) For fiscal 2005 ended 31 March 2005		
	to net sales		to net sales		amount	%	to net sales		
Net sales	<b>4,481</b>		4,176		305	7.3%	15,529		
Cost of sales	<b>3,091</b>	69.0%	3,120	74.7%	(29)	-0.9%	11,187	72.0%	
Gross profit	<b>1,390</b>	31.0%	1,056	25.3%	334	31.6%	4,342	28.0%	
Selling, general & administrative expenses	<b>992</b>	22.1%	748	17.9%	244	32.6%	2,985	19.2%	
Operating income	<b>398</b>	8.9%	308	7.4%	90	29.2%	1,357	8.7%	
Other income (expenses)	<b>(286)</b>	-6.4%	(39)	-0.9%	(247)	633.3%	(177)	-1.1%	
Income before income taxes	<b>112</b>	2.5%	269	6.4%	(157)	-58.4%	1,180	7.6%	
Income tax expenses	<b>61</b>	1.4%	113	2.7%	(52)	-46.0%	(45)	-0.3%	
Net income	<b>51</b>	1.1%	156	3.7%	(105)	-67.3%	1,225	7.9%	