

MARUWA CO., LTD.

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**Consolidated financial results for 1st quarter of Fiscal 2007**

MARUWA CO., LTD. today announced its consolidated financial results for the 1st quarter of Fiscal 2007 <1 April 2006 - 30 June 2006> as follows;

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

\*Consolidated subsidiaries: 6 companies (Maruwa (Malaysia) Sdn. Bhd., Taiwan Maruwa Co., Ltd., MARUWA Electronics (Taiwan) Co., Ltd., Maruwa Europe Ltd., MARUWA QUARTZ Co., Ltd., and MARUWA SHOMEI Co., Ltd.)

**I. Summary of Consolidated Financial Results****(1) Summary of consolidated operating results**

	<b>1st Quarter</b>	1st Quarter	Change %	JPY million (Reference)
	<b>1 April - 30 June</b>	1 April - 30 June		For year ended
	<b>2006</b>	2005		31 March 2006
Net sales	<b>4,878</b>	4,481	8.9%	20,278
Operating income	<b>420</b>	398	5.5%	1,693
Income before income taxes	<b>519</b>	112	363.4%	1,669
Net income	<b>357</b>	51	600.0%	1,135
				JPY
Net income per share:				
Basic	<b>32.55</b>	4.69	594.0%	103.82
Diluted	<b>32.36</b>	4.67	592.9%	103.21

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

	<b>As of 30 June</b>	As of 30 June	Change %	JPY million (Reference)
	<b>2006</b>	2005		As of 31 March 2006
Total Assets	<b>32,006</b>	30,475	5.0%	33,044
Shareholders' equity	<b>26,624</b>	24,492	8.7%	26,557
Shareholders' equity ratio	<b>83.2%</b>	80.4%		80.4%
				JPY
Shareholders' equity per share	<b>2,429.96</b>	2,272.53	6.9%	2,423.40

**II. Outlook for the fiscal 2007**

As for the outlook for the full fiscal 2007 ending 31 March 2007, the forecast figures announced on 16 May 2006 are unchanged.

\* The forecasts stated above are based on currently available information as of the date of announcement. Actual results may differ from these forecasts due to various factors.

## 1. Review of Operations

Net sales in the 1st quarter of the current fiscal year were 4,878 million yen, up 8.9% from a year earlier. Total sales of the Ceramic Components segment increased 3.8% compared to the substantially favorable 1st quarter of the previous year thanks to solid demand in the electronic components market and demand recovery in the semiconductor equipment-related market.

Operating income remained 420 million yen, up 5.5% from the same period last year due mainly to reorganization of production equipment in order to enhance the manufacturing system of the subsidiaries. Net income was 357 million yen, up 600.0% since MARUWA posted as a loss the payment of 261 million yen upon the abolishment of the retirement allowance system for directors last year.

## 2. Consolidated results by segment

	JPY million	
	1st Quarter 1 April - 30 June 2006	1st Quarter 1 April - 30 June 2005
<b>Ceramic Components:</b>		
Net sales	4,379	4,217
Operating income	662	714
<b>Lighting Equipment:</b>		
Net sales	499	264
Operating income	(61)	(165)
<b>Total:</b>		
Net sales	4,878	4,481
Operating income	601	549
<b>Elimination:</b>		
Net sales	--	--
Operating income	(181)	(151)
<b>Consolidated:</b>		
Net sales	4,878	4,481
Operating income	420	398

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

	JPY million				
	For year ended 31 March				
	2006		2007		
	1Q	2Q	3Q	4Q	1Q
Circuit Ceramics	1,649	1,576	1,519	1,601	1,778
Machinery Ceramics	1,129	1,117	1,135	1,063	1,148
RF Products	344	364	417	464	407
EMC Components	1,096	1,024	1,075	1,055	1,046
Total	4,218	4,081	4,146	4,183	4,379

## **Review of operations by segment**

### **Ceramic Components**

#### **Circuit Ceramics**

Total sales of the Circuit Ceramics increased 7.8% to 1,778 million yen from a year earlier. Substrate products generally enjoyed high demand; orders for Alumina large substrates for the power module-related field have been increasing as well as sales increased for our main product, ceramic substrates for chip resistors.

#### **Machinery Ceramics**

Total sales of the Machinery Ceramics were 1,148 million yen, up 1.7% compared to the same period last year.

Quartz glass products saw sales recovery thanks to expanding demand in the semiconductor equipment-related market.

#### **Radio Frequency Products**

Total sales of the Radio Frequency Products were 407 million yen, an increase of 18.3% from the same period last year.

Despite of production adjustment in the mobile phone-related field, device products including the mainstay band pass filters showed strong sales especially for base stations. Thin film substrates were affected by customers' inventory adjustments.

#### **EMC Components**

For the EMC Components, total sales were 1,046 million yen, a 4.6% decline from a year earlier.

Although the digital home appliance market remains favorable and sales of EMI filters are increasing, this division was partly affected by customers' inventory adjustments.

MARUWA expects a sales increase from the second half of the year, and is now making efforts in improving the current manufacturing lines to strengthen our system for production increase.

#### **Lighting Equipment**

Total sales in the Lighting Equipment segment jumped 89.0% to 499 million yen compared to the same period last year. This business sells lighting appliances for public works including roads and bridges, and its sales tend to be posted intensively in March, the end of the fiscal term. In this 1st quarter, however, sales increased.

### **3. Consolidated financial condition**

Total assets at the end of this 1st quarter were 32,006 million yen, a decrease of 1,038 million yen from the last year end. This was particularly caused by a decrease of current assets; trade notes and accounts receivable declined, and cash and deposits decreased due to a decrease of trade notes and accounts payable, reflecting the structure of the Lighting Equipment business that sales tend to occur at the end of fiscal term.

Liabilities decreased 1,105 million yen from the last year end. Shareholder' equity increased 67 million yen due mainly to an increase of retained earnings.

Capital expenditure in this 1st quarter amounted to 578 million yen, and depreciation cost was 389 million yen.

## Consolidated Balance Sheet

	JPY million			
	1st Quarter As of 30 June 2006	1st Quarter As of 30 June 2005	Change %	(Reference) As of 31st March 2006
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash & deposits	7,180	6,910	3.9%	7,899
Trade notes & accounts receivable	6,560	6,077	7.9%	7,003
Inventories	2,940	2,748	7.0%	2,869
Other	368	539	-31.7%	817
Total current assets	<u>17,048</u>	<u>16,274</u>	4.8%	<u>18,588</u>
<b>Property, plant &amp; equipment:</b>				
Net property, plant & equipment	<u>12,192</u>	11,772	3.6%	<u>12,087</u>
<b>Investment &amp; other assets:</b>				
Total investments & other assets	<u>2,766</u>	2,429	13.9%	<u>2,369</u>
Total assets	<u>32,006</u>	<u>30,475</u>	5.0%	<u>33,044</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities:</b>				
Trade notes & accounts payable	1,880	1,948	-3.5%	2,590
Other	2,227	2,078	7.2%	2,391
Total current liabilities	<u>4,107</u>	<u>4,026</u>	2.0%	<u>4,981</u>
<b>Long-term liabilities:</b>				
Long-term debt	151	298	-49.3%	188
Accrued retirement benefits	165	837	-80.3%	300
Other	959	822	16.7%	1,018
Total long-term liabilities	<u>1,275</u>	<u>1,957</u>	-34.8%	<u>1,506</u>
<b>Shareholders' equity:</b>				
Common stock, no par value	6,710	6,683	0.4%	6,710
Capital surplus	9,747	9,710	0.4%	9,747
Retained earnings	10,743	9,537	12.6%	10,522
Net unrealized gains on available-for-sale securities	0	11	--	38
Foreign currency translation adjustment	(322)	(868)	--	(206)
Treasury stock, at cost	(254)	(581)	--	(254)
Total shareholders' equity	<u>26,624</u>	<u>24,492</u>	8.7%	<u>26,557</u>
Total liabilities & shareholders' equity	<u>32,006</u>	<u>30,475</u>	5.0%	<u>33,044</u>

## Consolidated Statements of Income

	JPY million			
	<b>1st Quarter</b>	1st Quarter	Change %	(Reference)
	<b>1 April - 30 June</b>	1 April - 30 June		For year ended
	<b>2006</b>	2005		31 March 2006
Net sales	<b>4,878</b>	4,481	8.9%	20,278
Cost of sales	<b>3,438</b>	3,091	11.2%	14,494
Gross profit	<b>1,440</b>	1,390	3.6%	5,784
Selling, general & administrative expenses	<b>1,020</b>	992	2.8%	4,091
Operating income	<b>420</b>	398	5.5%	1,693
Other income (expenses):				
Interest & dividend income	<b>10</b>	7	42.9%	39
Interest expenses	<b>(2)</b>	(2)	--	(8)
Foreign exchange gain (loss), net	<b>49</b>	(45)	--	(158)
Other, net	<b>42</b>	(246)	--	103
Other income (expenses), net	<b>99</b>	(286)	--	(24)
Income before income taxes	<b>519</b>	112	363.4%	1,669
Income tax expenses:				
Current	<b>59</b>	19		299
Deferred	<b>103</b>	42	145.2%	235
Net income	<b>357</b>	51	600.0%	1,135