

MARUWA CO., LTD.

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### Consolidated financial results for the first quarter of Fiscal 2009

MARUWA CO., LTD. today announced its consolidated financial results for the first quarter of Fiscal 2009 <1 April 2008 - 30 June 2008> as follows;

#### I. Summary of Consolidated Financial Results

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

	JPY million		Change %
	1st Quarter 1 April - 30 June 2007	1st Quarter 1 April - 30 June 2008	
Net sales	4,719	<b>4,764</b>	1.0%
Operating income	359	<b>195</b>	-45.7%
Income before income taxes	411	<b>244</b>	-40.6%
Net income	272	<b>132</b>	-51.5%
Net income per share:	JPY		
Basic	25.12	<b>12.25</b>	-51.2%
Diluted	25.03	--	--

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

	JPY million	
	As of 30 June 2008	As of 31 March 2008 (Reference)
Total net assets	<b>28,007</b>	27,774
Total assets	<b>32,127</b>	32,850
Equity ratio	<b>87.2%</b>	84.5%
Shareholders' equity per share	<b>2,606.88</b>	2,571.59 JPY

#### II. Dividends

	JPY per share	
	Fiscal 2008	Fiscal 2009 (forecast)
Interim	12	14
Year-end	12	14
Annual	24	28

#### III. Outlook for the fiscal 2009 <1 April 2008 - 31 March 2009>

The forecast figures for business results and dividends announced in 9 May 2008 were not changed.

\*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.

## **Review of Operations**

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

Japanese economy in this first quarter slowed affected by soaring oil and raw material prices and decreasing corporate revenues and consumer spending due to the slowing U.S. economy.

In these circumstances, demands in the electronic components market have recovered from the inventory adjustments which had started in early 2008; however, the semiconductor equipment market has suffered low demands.

Our consolidated net sales for this first quarter were 4,764 million yen, up 1.0% from the same period last year due to a revenue increase in the Ceramic Components business. Operating income decreased 45.7% to 195 million yen compared to the same period last year, due mainly to costs and expenses incurred for commencing new mass production in the Ceramic Components business and the weak semiconductor equipment market. Net income was 132 million yen, down 51.5% from the same quarter of the previous year.

### **2. Operating results by business segment**

#### **Ceramic Components segment**

Total sales of this business segment were 4,607 million yen, up 1.7% from the same period last year, and operating income was 385 million yen, down 35.4%. Although sales increased due to the new mass production, its costs and expenses and the semiconductor equipment market downturn adversely affected the profits.

#### **Circuit Ceramics**

Total sales of the Circuit Ceramics division for this first quarter increased 10.5% to 1,869 million yen from the first quarter of the previous year.

This was due to new mass production of Aluminum Nitride substrates for automotive use and an order increase of Alumina large substrates.

#### **Machinery Ceramics**

Total sales of the Machinery Ceramics division were 1,164 million yen, down 12.2% from the same period last year.

The downturn of the semiconductor equipment market influenced the sales of quartz glass products.

#### **Radio Frequency Products**

Total sales from the Radio Frequency Products division increased 2.7% to 487 million yen compared to the same period last year due mainly to a sales increase of thin-film products and the mass production of multi-layer ceramic substrates for automobiles, which has started in this period.

#### **EMC Components**

Total sales of the EMC Components division were 1,087 million yen, up 4.4% from the first quarter of the previous year.

The main factor for the sales increase was the new mass-produced ferrite sheets which are used for RFID.

#### **Lighting Equipment segment**

Total sales from the Lighting Equipment segment decreased 16.0% to 157 million yen compared to the same period last year; operating loss was 63 million yen.

We are striving to expand sales of LED lighting devices while the market of conventional lighting fixtures is continuously in a decreasing trend.

### Operating results by business segment

	JPY million	
	1st Quarter 1 April - 30 June 2007	1st Quarter 1 April - 30 June 2008
<b>Ceramic Components:</b>		
Net sales	4,532	<b>4,607</b>
Operating income	596	<b>386</b>
<b>Lighting Equipment:</b>		
Net sales	187	<b>157</b>
Operating income	(71)	<b>(63)</b>
<b>Total:</b>		
Net sales	4,719	<b>4,764</b>
Operating income	525	<b>323</b>
<b>Elimination:</b>		
Net sales	--	--
Operating income	(166)	<b>(128)</b>
<b>Consolidated:</b>		
Net sales	4,719	<b>4,764</b>
Operating income	359	<b>195</b>

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

	JPY million				
	For year ended 31 March				
	2008	2009			
	1Q	2Q	3Q	4Q	1Q
Circuit Ceramics	1,692	1,868	1,936	1,673	<b>1,869</b>
Machinery Ceramics	1,325	1,330	1,258	1,186	<b>1,164</b>
RF Products	474	492	500	456	<b>487</b>
EMC Components	1,041	1,064	1,138	1,046	<b>1,087</b>
Total	4,532	4,754	4,832	4,361	<b>4,607</b>

### 3. Financial Condition

Total assets as of the end of this first quarter were 32,127 million yen, down 723 million yen from the end of last fiscal year due especially to a decrease in current assets. This reflected that sales from the Lighting Equipment segment tend to be posted at fiscal year-end. Total liabilities decreased 956 million yen to 4,120 million yen from the previous year-end. Total net assets increased 233 million yen to 28,007 million yen because of an increase in foreign currency translation adjustments.

Capital expenditure in this quarter amounted to 529 million yen. Depreciation costs were 475 million yen.

Cash and cash equivalents at the end of this first quarter were 5,425 million yen.

Net income before income taxes was 244 million yen, and depreciation was 475 million yen. As a result, net cash provided from operating activities was 366 million yen.

Net cash used in investing activities was 974 million yen due especially to payments for purchase of property, plant and equipment, 797 million yen.

Net cash used in financing activities was 187 million yen, mainly used for dividends paid by the parent company, 108 million yen.

## Consolidated Balance Sheet

	JPY million	
	1st Quarter As of 30 June 2008	(Reference) As of 31st March 2008
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash & deposits	5,706	6,263
Trade notes and accounts receivable	6,343	6,649
Inventories:		
Merchandise and finished goods	1,422	1,354
Work-in-process	1,530	1,547
Raw materials and supplies	1,446	1,236
Total inventories	4,398	4,137
Other current assets	364	650
Allowance for doubtful accounts	(13)	(2)
Total current assets	<u>16,798</u>	<u>17,697</u>
<b>Property, plant &amp; equipment:</b>		
Land	3,347	3,215
Buildings & structures	7,796	7,550
Machinery & equipment	12,447	11,966
Other	3,430	3,366
Construction in progress	528	423
Total property, plant & equipment	<u>27,548</u>	<u>26,520</u>
Less, accumulated depreciation	(14,145)	(13,537)
Net property, plant & equipment	13,403	12,983
<b>Investment &amp; other assets:</b>		
Total investments & other assets	<u>1,926</u>	<u>2,170</u>
Total assets	<u>32,127</u>	<u>32,850</u>

	JPY million	
	1st Quarter As of 30 June 2008	(Reference) As of 31st March 2008
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Trade notes & accounts payable	1,507	1,708
Current portion of long-term debt	5	5
Accrued income taxes	59	110
Accrued bonus	207	357
Accrued bonus to directors	2	--
Other	1,684	2,088
Total current liabilities	<u>3,464</u>	<u>4,268</u>
<b>Long-term liabilities:</b>		
Long-term debt	129	130
Negative goodwill	92	112
Other	435	566
Total long-term liabilities	<u>656</u>	<u>808</u>
Total liabilities	<u>4,120</u>	<u>5,076</u>
<b>NET ASSETS</b>		
<b>Shareholders' equity:</b>		
Common stock	6,710	6,710
Capital surplus	9,747	9,747
Retained earnings	12,303	12,324
Treasury stock, at cost	(717)	(639)
Total shareholders' equity	<u>28,043</u>	<u>28,142</u>
<b>Valuation and translation adjustments:</b>		
Net unrealized gains on available-for-sale securities	(59)	(72)
Foreign currency translation adjustments	23	(296)
Total valuation and translation adjustments	<u>(36)</u>	<u>(368)</u>
Total net assets	<u>28,007</u>	<u>27,774</u>
Total liabilities and net assets	<u>32,127</u>	<u>32,850</u>

## Consolidated Statement of Income

	JPY million	
	1st Quarter	1st Quarter
	1 April - 30 June	1 April - 30 June
	2007	2008
Net sales	4,719	<b>4,764</b>
Cost of sales	3,352	<b>3,592</b>
Gross profit	1,367	<b>1,172</b>
Selling, general & administrative expenses	1,008	<b>977</b>
Operating income	359	<b>195</b>
Other income (expenses):		
Interest & dividend income	17	<b>14</b>
Interest expenses	(1)	<b>(1)</b>
Rent income	29	<b>29</b>
Rent expenses on real estate for investments	(13)	<b>(13)</b>
Foreign exchange gain (loss), net	(10)	<b>8</b>
Amortization of negative goodwill	51	<b>21</b>
Gain on sales of property, plant and equipment	45	<b>12</b>
Loss on disposal or sales of property, plant and equipment	(94)	<b>(5)</b>
Loss on valuation of inventories	--	<b>(28)</b>
Other, net	28	<b>12</b>
Other income (expenses), net	52	<b>49</b>
Income before income taxes	411	<b>244</b>
Income taxes:		
Current	65	<b>54</b>
Deferred	74	<b>58</b>
Total income taxes	139	<b>112</b>
Net income	272	<b>132</b>

## Consolidated Statement of Cash Flows

	JPY million
	<b>1st Quarter</b>
	<b>1 April - 30 June</b>
	<b>2008</b>
<b>Cash flows from operating activities:</b>	
Income before income taxes	244
Adjustments for:	
Depreciation	475
Amortization of negative goodwill	(21)
Increase in allowance for doubtful accounts	40
Gain on disposal or sales of property, plant & equipment	(7)
Interest & dividend income	(17)
Foreign exchange loss	0
Decrease in trade notes & accounts receivable	384
Increase in inventories	(198)
Decrease in trade notes & accounts payable	(273)
Other	(210)
Sub-total	<u>417</u>
Interest & dividend income received	20
Interest expenses paid	(1)
Income taxes paid	<u>(70)</u>
Net cash provided by operating activities	<u>366</u>
<b>Cash flows from investment activities:</b>	
Payments into time deposits	(146)
Proceeds from withdrawal of time deposits	2
Payments for purchase of property, plant & equipment	(797)
Proceeds from sales of property, plant & equipment	30
Payments for purchase of investment securities	(51)
Payments for purchase of intangible assets	(6)
Other	(6)
Net cash used in investing activities	<u>(974)</u>
<b>Cash flows from financing activities:</b>	
Payments of long-term debt	(1)
Cash dividends paid	(108)
Payments for purchase of treasury stock	<u>(78)</u>
Net cash used in financing activities	<u>(187)</u>
Effect of exchange rate changes on cash & cash equivalents	<u>64</u>
Net decrease in cash & cash equivalents	(731)
Cash and cash equivalents at beginning of year	6,146
Increase in cash and cash equivalents	
from newly consolidated subsidiary	<u>10</u>
Cash and cash equivalents at end of year	<u>5,425</u>

## Segment information

### (1) Business segments

	JPY million				
	1st Quarter <1 April 2008 - 30 June 2008>				
	Ceramic Components	Lighting Equipment	Total	Eliminations or corporate	Consolidated
Net sales:					
External customers	4,607	157	4,764	--	4,764
Inter-segment	8	--	8	(8)	--
Total net sales	4,615	157	4,772	(8)	4,764
Operating income (loss)	386	(63)	323	(128)	195

### (2) Geographical segments

	JPY million					
	1st Quarter <1 April 2008 - 30 June 2008>					
	Japan	Asia	Europe & America	Total	Eliminations or corporate	Consolidated
Net sales:						
External customers	3,523	917	324	4,764	--	4,764
Inter-segment	262	459	1	722	(722)	--
Total net sales	3,785	1,376	325	5,486	(722)	4,764
Operating income	241	122	14	377	(182)	195

### (3) Overseas sales

	JPY million			
	1st Quarter <1 April 2008 - 30 June 2008>			
	Asia	Europe	Other	Total
Overseas sales	1,858	190	145	2,193
Consolidated net sales				4,764
Percentage (%)	39.0%	4.0%	3.0%	46.0%

\*Principal countries or jurisdictions in each geographic segment are as follows:

Asia: Malaysia, Taiwan, South Korea, and China

Europe: Germany and UK

Other: US