

MARUWA CO., LTD.

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

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

### I. Summary of Consolidated Financial Results

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

	JPY million		Change %
	2nd Quarter	2nd Quarter	
	1 April - 30 Sept. 2007	1 April - 30 Sept. 2008	
Net sales	9,837	<b>9,841</b>	0.0%
Operating income	776	<b>533</b>	-31.3%
Income before income taxes	857	<b>689</b>	-19.6%
Net income	567	<b>370</b>	-34.7%
Net income per share:	JPY		
Basic	52.40	<b>34.40</b>	-34.4%
Diluted	52.25	--	--

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

	JPY million	
	As of 30 Sept. 2008	(Reference) As of 31 March 2008
Total net assets	<b>27,567</b>	27,774
Total assets	<b>31,379</b>	32,850
Equity ratio	<b>87.9%</b>	84.5%
	JPY	
Shareholders' equity per share	<b>2,565.84</b>	2,571.59

### 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>

	JPY million	
	Full year	Change (%)
Net sales	19,450	-5.7%
Operating income	1,490	-5.5%
Net income	946	-14.0%
	JPY	
Net income per share	88.05	

\*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.

## **I. Review of Operations**

### **(1) Review of Operations**

Japanese economy in this second quarter apparently slowed down, showing weak consumer spending and a cut in capital investment along with decreasing corporate revenues, influenced by soaring oil prices, the U.S. economy downturn started from the sub-prime loan issue, and the appreciation of the yen.

Our electronic components industry enjoyed rather solid demands except for the semiconductor equipment-related products; however, we are now in the growing influence of the economic downturn due to the deteriorating markets of housing or automobiles in the U.S. and the global financial crisis.

Under these circumstances, we have actively expanded our sales operations for our existing products in addition to focusing on commencing mass-production of new products in which we have invested up-front. Also, we have promptly taken appropriate countermeasures against changing market conditions.

As a result, our consolidated net sales for this second quarter (6-month period) were 9,841 million yen, almost the same as the second quarter last year, due to an increase in sales of new products despite an adverse effect from the slowing semiconductor industry. Operating income was 533 million yen, down 31.3% from the same period last year due mainly to costs and expenses incurred for commencing new mass production. Net income was 370 million yen, down 34.7%.

### **(2) Operating results by business segment**

#### **Ceramic Components segment**

Total sales of this business segment were 9,412 million yen, up 1.4% from the same period last year, and operating income was 891 million yen, down 24.9%. Although sales increased due to new products, costs and expenses to commence the mass production and the semiconductor equipment market downturn adversely affected the profits.

#### **Circuit Ceramics**

Total sales of the Circuit Ceramics division for this second quarter increased 6.0% to 3,775 million yen from the same 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 and glazed substrates.

#### **Machinery Ceramics**

Total sales of the Machinery Ceramics division were 2,280 million yen, down 14.1% from the same period last year.

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

#### **Radio Frequency Products**

Total sales from the Radio Frequency Products division increased 5.2% to 1,016 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 year.

#### **EMC Components**

Total sales of the EMC Components division were 2,341 million yen, up 11.2% from the second quarter of the previous year.

The main factor for the sales increase was new mass production of ferrite sheets, in addition to a sales

increase of ceramic chip varistors.

### Lighting Equipment segment

Total sales from the Lighting Equipment segment decreased 22.1% to 429 million yen compared to the second quarter last year. On the other hand, operating loss was 109 million yen, improved by 21 million yen compared to the same period last year.

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

### Operating results by business segment

	JPY million	
	2nd Quarter 1 April - 30 Sept. 2007	2nd Quarter 1 April - 30 Sept. 2008
<b>Ceramic Components:</b>		
Net sales	9,286	<b>9,412</b>
Operating income	1,186	<b>891</b>
<b>Lighting Equipment:</b>		
Net sales	551	<b>429</b>
Operating income	(131)	<b>(109)</b>
<b>Total:</b>		
Net sales	9,837	<b>9,841</b>
Operating income	1,055	<b>782</b>
<b>Elimination:</b>		
Net sales	--	--
Operating income	(279)	<b>(249)</b>
<b>Consolidated:</b>		
Net sales	9,837	<b>9,841</b>
Operating income	776	<b>533</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	2Q
Circuit Ceramics	1,692	1,868	1,936	1,673	<b>1,869</b>	<b>1,906</b>
Machinery Ceramics	1,325	1,330	1,258	1,186	<b>1,164</b>	<b>1,116</b>
RF Products	474	492	500	456	<b>487</b>	<b>529</b>
EMC Components	1,041	1,064	1,138	1,046	<b>1,087</b>	<b>1,254</b>
Total	4,532	4,754	4,832	4,361	<b>4,607</b>	<b>4,805</b>

## II. Financial Condition

Total assets as of the end of this second quarter were 31,379 million yen, down 1,471 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 1,264 million yen to 3,812 million yen from the previous year-end. Total net assets decreased 208 million yen to 27,567 million yen because of a decrease in foreign currency translation adjustments.

Capital expenditure in this quarter amounted to 786 million yen. Depreciation costs were 970 million yen.

Cash and cash equivalents at the end of this second quarter were 5,798 million yen.

Net income before income taxes was 689 million yen, and depreciation was 970 million yen. As a result, net cash provided from operating activities was 1,258 million yen.

Net cash used in investing activities was 1,379 million yen due especially to payments for purchase of property, plant and equipment, 1,210 million yen.

Net cash used in financing activities was 210 million yen, mainly used for cash dividends paid, 130 million yen.

## III. Outlook for the full fiscal 2009

Our business in the first half of this fiscal year resulted almost as expected. For the second half of this year, however, we expect an impact on the profitability of a part of our products due to the yen appreciation trend such as the more-than-expected significant euro depreciation amid the global financial instability. We are currently negotiating with our customers about product-price revision, but this will come into effect from next term. Therefore, we revise business forecast as below compared to the forecast previously announced on 9 May 2008.

			JPY million	JPY
	Net sales	Operating income	Net income	Net income per share
Previously announced forecast (A)	20,650	1,760	1,140	105.55
Revised forecast (B)	19,450	1,490	946	88.05
Change (B-A)	(1,200)	(270)	(194)	--
Change (%)	-5.8%	-15.3%	-17.0%	--
Previous fiscal year ended 31 March 2008	20,635	1,576	1,100	101.80

## Consolidated Balance Sheet

	JPY million	
	2nd Quarter	(Reference)
	As of 30 Sept.	As of 31st
	2008	March
	<hr/>	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash & deposits	6,083	6,263
Trade notes and accounts receivable	6,023	6,649
Inventories:		
Merchandise and finished goods	1,406	1,354
Work-in-process	1,364	1,547
Raw materials	1,063	969
Supplies	335	267
Total inventories	4,168	4,137
Other current assets	473	650
Allowance for doubtful accounts	(13)	(2)
Total current assets	<hr/> 16,734	<hr/> 17,697
<b>Property, plant &amp; equipment:</b>		
Land	3,313	3,215
Buildings & structures	7,664	7,550
Machinery & equipment	12,315	11,966
Other	3,267	3,366
Construction in progress	309	423
Total property, plant & equipment	<hr/> 26,868	<hr/> 26,520
Less, accumulated depreciation	(14,073)	(13,537)
Net property, plant & equipment	12,795	12,983
<b>Investment &amp; other assets:</b>		
Total investments & other assets	<hr/> 1,850	<hr/> 2,170
Total assets	<hr/> 31,379	<hr/> 32,850

	2nd Quarter	JPY million (Reference) As of 31st March 2008
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Trade notes & accounts payable	1,192	1,708
Current portion of long-term debt	5	5
Accrued income taxes	210	110
Accrued bonus	378	357
Accrued bonus to directors	3	--
Other	1,315	2,088
Total current liabilities	<u>3,103</u>	<u>4,268</u>
<b>Long-term liabilities:</b>		
Long-term debt	127	130
Negative goodwill	71	112
Other	511	566
Total long-term liabilities	<u>709</u>	<u>808</u>
Total liabilities	<u>3,812</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	12,541	12,324
Treasury stock, at cost	(717)	(639)
Total shareholders' equity	<u>28,281</u>	<u>28,142</u>
<b>Valuation and translation adjustments:</b>		
Net unrealized gains on available-for-sale securities	(78)	(72)
Foreign currency translation adjustments	(636)	(296)
Total valuation and translation adjustments	<u>(714)</u>	<u>(368)</u>
Total net assets	<u>27,567</u>	<u>27,774</u>
Total liabilities and net assets	<u>31,379</u>	<u>32,850</u>

## Consolidated Statement of Income

	JPY million	
	2nd Quarter	2nd Quarter
	1 April - 30 Sept.	1 April - 30 Sept.
	2007	2008
Net sales	9,837	<b>9,841</b>
Cost of sales	7,011	<b>7,465</b>
Gross profit	2,826	<b>2,376</b>
Selling, general & administrative expenses	2,050	<b>1,843</b>
Operating income	776	<b>533</b>
Other income (expenses):		
Interest & dividend income	40	<b>31</b>
Interest expenses	(1)	<b>(2)</b>
Rent income	55	<b>58</b>
Rent expenses on real estates for investments	(27)	<b>(28)</b>
Foreign exchange gain (loss), net	11	<b>71</b>
Amortization of negative goodwill	101	<b>41</b>
Gain on sales of property, plant and equipment	19	<b>27</b>
Loss on disposal or sales of property, plant and equipment	(193)	<b>(17)</b>
Loss on valuation of inventories	--	<b>(28)</b>
Other, net	76	<b>3</b>
Other income (expenses), net	81	<b>156</b>
Income before income taxes	857	<b>689</b>
Income taxes:		
Current	252	<b>217</b>
Deferred	38	<b>102</b>
Total income taxes	290	<b>319</b>
Net income	567	<b>370</b>

## Consolidated Statement of Cash Flows

	JPY million
	<b>2nd Quarter</b>
	<b>1 April - 30 Sept.</b>
	<b>2008</b>
<b>Cash flows from operating activities:</b>	
Income before income taxes	689
Adjustments for:	
Depreciation	970
Amortization of negative goodwill	(41)
Decrease in allowance for doubtful accounts	40
Loss on sales of investment securities	3
Gain on disposal or sales of property, plant & equipment	(10)
Interest & dividend income	(31)
Foreign exchange (gain) loss	2
Decrease (increase) in trade notes & accounts receivable	560
Increase in inventories	(59)
Decrease in trade notes & accounts payable	(511)
Other	(307)
Sub-total	<u>1,305</u>
Interest & dividend income received	32
Interest expenses paid	(2)
Income taxes paid	(77)
Net cash provided by operating activities	<u>1,258</u>
<b>Cash flows from investment activities:</b>	
Payments into time deposits	(197)
Proceeds from withdrawal of time deposits	22
Payments for purchase of property, plant & equipment	(1,210)
Proceeds from sales of property, plant & equipment	56
Payments for purchase of investment securities	(53)
Proceeds from sales of investment securities	21
Increase in intangible assets	(6)
Other	(12)
Net cash used in investing activities	<u>(1,379)</u>
<b>Cash flows from financing activities:</b>	
Payments of long-term debt	(2)
Cash dividends paid	(130)
Payments for purchase of treasury stock	(78)
Net cash used in financing activities	<u>(210)</u>
Effect of exchange rate changes on cash & cash equivalents	<u>(27)</u>
Net increase (decrease) in cash & cash equivalents	<u>(358)</u>
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>5,798</u>



## Segment information

### (1) Business segments

	JPY million				
	2nd Quarter <1 April - 30 September 2008>				
	Ceramic Components	Lighting Equipment	Total	Eliminations or corporate	Consolidated
Net sales:					
External customers	9,412	429	9,841	--	9,841
Inter-segment	12	--	12	(12)	--
Total net sales	9,424	429	9,853	(12)	9,841
Operating income (loss)	891	(109)	782	(249)	533

### (2) Geographical segments

	JPY million					
	2nd Quarter <1 April - 30 September 2008>					
	Japan	Asia	Europe & America	Total	Eliminations or corporate	Consolidated
Net sales:						
External customers	7,196	1,930	715	9,841	--	9,841
Inter-segment	617	854	1	1,472	(1,472)	--
Total net sales	7,813	2,784	716	11,313	(1,472)	9,841
Operating income	537	264	36	837	(304)	533

### (3) Overseas sales

	JPY million			
	2nd Quarter <1 April - 30 September 2008>			
	Asia	Europe	Other	Total
Overseas sales	3,882	432	296	4,610
Consolidated net sales				9,841
Percentage (%)	39.4%	4.4%	3.0%	46.8%

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

Asia: Malaysia, Taiwan, South Korea, and China

Europe: Germany and UK

Other: US