

MARUWA CO., LTD.

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

MARUWA CO., LTD. today announced its consolidated financial results for the third quarter of Fiscal 2009 <1 April 2008 - 31 December 2008> as follows;

#### I. Summary of Consolidated Financial Results

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

	JPY million		
	3rd Quarter 1 April - 31 Dec. 2007	3rd Quarter 1 April - 31 Dec. 2008	Change %
Net sales	15,102	<b>13,493</b>	-10.7%
Operating income	1,227	<b>617</b>	-49.7%
Income before income taxes	1,342	<b>863</b>	-35.7%
Net income	896	<b>476</b>	-46.9%
Net income per share:	JPY		
Basic	82.87	<b>44.28</b>	-46.6%
Diluted	82.62	--	--

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

	JPY million	
	As of 31 Dec. 2008	(Reference) As of 31 March 2008
Total net assets	<b>26,369</b>	27,774
Total assets	<b>29,971</b>	32,850
Equity ratio	<b>88.0%</b>	84.5%
Shareholders' equity per share	JPY	
	<b>2,459.72</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		
	Fiscal 2008	Fiscal 2009 Forecast	Change (%)
Net sales	20,635	<b>17,200</b>	-16.6%
Operating income	1,576	<b>622</b>	-60.5%
Net income	1,100	<b>479</b>	-56.5%
Net income per share	JPY		
	101.80	<b>44.68</b>	

\*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 third quarter sharply 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.

Looking at the global economy, amid the turmoil in the financial markets, real economy plunged into its worst recession of the century with a sharp decline in the U.S and Europe's automobile markets and the shrinkage of the housing markets in addition to continuously, significantly decreasing exports in China, which had enjoyed high economic growth.

Our electronic components industry had rather solid demands except for the semiconductor equipment-related products; however, we are now in the growing influence of recession both in the world and in Japan.

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.

However, we could hardly avoid the impact of drastic changes in the economic environment; our consolidated net sales for this third quarter (9-month period) were 13,493 million yen, down 10.7% from the third quarter last year. Operating income was 617 million yen, down 49.7% from the same period last year. Net income was 476 million yen, down 46.9%.

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

#### **Ceramic Components segment**

Total sales of this business segment were 12,730 million yen, down 9.8% from the same period last year, and operating income was 1,125 million yen, down 36.7%. Although sales increased due to new products, a sharp decline in demands from the third quarter adversely affected our sales and profits.

#### **Circuit Ceramics**

Total sales of the Circuit Ceramics division for this quarter decreased 8.8% to 5,013 million yen from the same quarter of the previous year.

While new mass-produced Aluminum Nitride substrates for automotive use and glazed substrates had an increase in demand, our mainstay Alumina substrates for chip resistors greatly declined particularly in the markets of China and East Asia.

#### **Machinery Ceramics**

Total sales of the Machinery Ceramics division were 3,145 million yen, down 19.6% 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 3.8% to 1,522 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 from this year.

#### **EMC Components**

Total sales of the EMC Components division were 3,050 million yen, down 6.0% from the third quarter

of the previous year.

Since the third quarter, demands greatly declined in every market including PCs, LCD televisions or automotive components due to inventory adjustments, significantly influencing the revenue of this division.

### Lighting Equipment segment

Total sales from the Lighting Equipment segment decreased 22.5% to 763 million yen compared to the third quarter last year, and operating loss was 127 million yen.

LED lighting devices have been growing due to our efforts to enhance new product-lineups and expand sales while the market of conventional lighting fixtures is continuously in a decreasing trend.

### Operating results by business segment

	JPY million	
	3rd Quarter 1 April - 31 Dec. 2007	3rd Quarter 1 April - 31 Dec. 2008
Ceramic Components:		
Net sales	14,118	<b>12,730</b>
Operating income	1,777	<b>1,125</b>
Lighting Equipment:		
Net sales	984	<b>763</b>
Operating income	(148)	<b>(127)</b>
Total:		
Net sales	15,102	<b>13,493</b>
Operating income	1,629	<b>998</b>
Elimination:		
Net sales	--	--
Operating income	(402)	<b>(381)</b>
Consolidated:		
Net sales	15,102	<b>13,493</b>
Operating income	1,227	<b>617</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	3Q
Circuit Ceramics	1,692	1,868	1,936	1,673	<b>1,869</b>	<b>1,906</b>	<b>1,238</b>
Machinery Ceramics	1,325	1,330	1,258	1,186	<b>1,164</b>	<b>1,116</b>	<b>865</b>
RF* Products	474	492	500	456	<b>487</b>	<b>529</b>	<b>506</b>
EMC Components	1,041	1,064	1,138	1,046	<b>1,087</b>	<b>1,254</b>	<b>709</b>
Total	4,532	4,754	4,832	4,361	<b>4,607</b>	<b>4,805</b>	<b>3,318</b>

\*Radio Frequency

## II. Financial Condition

Total assets as of the end of this third quarter were 29,971 million yen, down 2,879 million yen from the end of last fiscal year due especially to a decrease in trade notes and accounts receivable. Also, this reflected that sales from the Lighting Equipment segment tend to be posted at fiscal year-end. Total liabilities decreased 1,474 million yen to 3,602 million yen from the previous year-end. Total net assets decreased 1,405 million yen to 26,369 million yen due mainly to a decrease in foreign currency translation adjustments.

Capital expenditure in this quarter amounted to 1,166 million yen. Depreciation costs were 1,469 million yen.

Cash and cash equivalents at the end of this third quarter were 5,861 million yen.

Net income before income taxes was 863 million yen, and depreciation was 1,469 million yen. As a result, net cash provided from operating activities was 2,238 million yen.

Net cash used in investing activities was 1,762 million yen due especially to payments for purchase of property, plant and equipment, 1,545 million yen.

Net cash used in financing activities was 361 million yen, mainly used for cash dividends paid, 255 million yen.

## III. Outlook for the full fiscal 2009

We revise our business forecast from the forecast previously announced on 7 November 2008 as below, based on the operating results for this third quarter and outlook for an increasingly severe business environment.

			JPY million	JPY
	Net sales	Operating income	Net income	Net income per share
Previously announced forecast (A)	19,450	1,490	946	88.05
Revised forecast (B)	17,200	622	479	44.68
Change (B-A)	(2,250)	(868)	(467)	--
Change (%)	-11.6%	-58.3%	-49.4%	--
Previous fiscal year ended 31 March 2008	20,635	1,576	1,100	101.80

## Consolidated Balance Sheet

	JPY million	
	3rd Quarter	(Reference)
	As of 31 Dec.	As of 31 March
	2008	2008
<b>ASSETS</b>		
Current assets:		
Cash and deposits	6,242	6,263
Trade notes and accounts receivable	5,151	6,649
Inventories:		
Merchandise and finished goods	1,539	1,354
Work-in-process	1,242	1,547
Raw materials	1,137	969
Supplies	352	267
Total inventories	4,270	4,137
Other current assets	553	650
Allowance for doubtful accounts	(11)	(2)
Total current assets	<u>16,205</u>	<u>17,697</u>
Property, plant & equipment:		
Land	3,156	3,215
Buildings and structures	7,341	7,550
Machinery and equipment	11,757	11,966
Other	2,802	3,366
Construction in progress	403	423
Total property, plant & equipment	<u>25,459</u>	<u>26,520</u>
Less, accumulated depreciation	(13,542)	(13,537)
Net property, plant & equipment	11,917	12,983
Investment and other assets:		
Total investments and other assets	<u>1,849</u>	<u>2,170</u>
Total assets	<u>29,971</u>	<u>32,850</u>

	<b>3rd Quarter</b> <b>As of 31 Dec.</b> <b>2008</b>	(Reference) As of 31 March 2008
<b>LIABILITIES</b>		
Current liabilities:		
Trade notes & accounts payable	<b>1,179</b>	1,708
Current portion of long-term debt	<b>5</b>	5
Accrued income taxes	<b>64</b>	110
Accrued bonus	<b>190</b>	357
Accrued bonus to directors	<b>2</b>	--
Other	<b>1,493</b>	2,088
Total current liabilities	<b>2,933</b>	4,268
Long-term liabilities:		
Long-term debt	<b>127</b>	130
Negative goodwill	<b>50</b>	112
Other	<b>492</b>	566
Total long-term liabilities	<b>669</b>	808
Total liabilities	<b>3,602</b>	5,076
<b>NET ASSETS</b>		
Shareholders' equity:		
Common stock	<b>6,710</b>	6,710
Capital surplus	<b>9,747</b>	9,747
Retained earnings	<b>12,497</b>	12,324
Treasury stock, at cost	<b>(742)</b>	(639)
Total shareholders' equity	<b>28,212</b>	28,142
Valuation and translation adjustments:		
Net unrealized gains on available-for-sale securities	<b>(129)</b>	(72)
Foreign currency translation adjustments	<b>(1,714)</b>	(296)
Total valuation and translation adjustments	<b>(1,843)</b>	(368)
Total net assets	<b>26,369</b>	27,774
Total liabilities and net assets	<b>29,971</b>	32,850

## Consolidated Statement of Income

	JPY million	
	3rd Quarter 1 April - 31 Dec. 2007	3rd Quarter 1 April - 31 Dec. 2008
Net sales	15,102	<b>13,493</b>
Cost of sales	10,930	<b>10,265</b>
Gross profit	4,172	<b>3,228</b>
Selling, general & administrative expenses	2,945	<b>2,611</b>
Operating income	1,227	<b>617</b>
Other income (expenses):		
Interest & dividend income	59	<b>50</b>
Interest expenses	(3)	<b>(3)</b>
Rent income	79	<b>86</b>
Rent expenses on real estates for investments	(41)	<b>(45)</b>
Foreign exchange gain (loss), net	(31)	<b>122</b>
Amortization of negative goodwill	152	<b>62</b>
Gain on sales of property, plant and equipment	56	<b>56</b>
Loss on disposal or sales of property, plant and equipment	(221)	<b>(53)</b>
Loss on valuation of investment securities	--	<b>(5)</b>
Loss on valuation of inventories	--	<b>(28)</b>
Extra retirement benefits	--	<b>(23)</b>
Other, net	65	<b>27</b>
Other income (expenses), net	115	<b>246</b>
Income before income taxes	1,342	<b>863</b>
Income taxes:		
Current	293	<b>169</b>
Deferred	153	<b>218</b>
Total income taxes	446	<b>387</b>
Net income	896	<b>476</b>

## Consolidated Statement of Cash Flows

	JPY million
	<b>3rd Quarter</b>
	<b>1 April - 31 Dec.</b>
	<b>2008</b>
Cash flows from operating activities:	
Income before income taxes	863
Adjustments for:	
Depreciation	1,469
Amortization of negative goodwill	(62)
Decrease in allowance for doubtful accounts	37
Loss on sales of investment securities	3
Gain on disposal or sales of property, plant & equipment	(3)
Interest & dividend income	(50)
Foreign exchange loss	111
Decrease in trade notes & accounts receivable	1,242
Increase in inventories	(313)
Decrease in trade notes & accounts payable	(451)
Other	(467)
Sub-total	<u>2,379</u>
Interest & dividend income received	52
Interest expenses paid	(2)
Income taxes paid	<u>(191)</u>
Net cash provided by operating activities	<u>2,238</u>
Cash flows from investment activities:	
Payments into time deposits	(347)
Proceeds from withdrawal of time deposits	20
Payments for purchase of property, plant & equipment	(1,545)
Proceeds from sales of property, plant & equipment	296
Payments for purchase of investment securities	(164)
Proceeds from sales of investment securities	21
Purchase of investments in subsidiaries	(10)
Increase in intangible fixed assets	(6)
Other	(27)
Net cash used in investing activities	<u>(1,762)</u>
Cash flows from financing activities:	
Payments of long-term debt	(4)
Cash dividends paid	(255)
Payments for purchase of treasury stock	(102)
Net cash used in financing activities	<u>(361)</u>
Effect of exchange rate changes on cash & cash equivalents	(410)
Net increase (decrease) in cash & cash equivalents	(295)
Cash and cash equivalents at beginning of year	6,146
Increase in cash and cash equivalents from newly consolidated subsidiary	10
Cash and cash equivalents at end of year	<u>5,861</u>



## Segment information

### (1) Business segments

	JPY million				
	3rd Quarter <1 April - 31 December 2008>				
	Ceramic Components	Lighting Equipment	Total	Eliminations or corporate	Consolidated
Net sales:					
External customers	12,730	763	13,493	--	13,493
Inter-segment	20	--	20	(20)	--
Total net sales	12,750	763	13,513	(20)	13,493
Operating income (loss)	1,125	(127)	998	(381)	617

### (2) Geographical segments

	JPY million					
	3rd Quarter <1 April - 31 December 2008>					
	Japan	Asia	Europe & America	Total	Eliminations or corporate	Consolidated
Net sales:						
External customers	10,179	2,300	1,014	13,493	--	13,493
Inter-segment	897	1,120	1	2,018	(2,018)	--
Total net sales	11,076	3,420	1,015	15,511	(2,018)	13,493
Operating income	629	323	51	1,003	(386)	617

### (3) Overseas sales

	JPY million			
	3rd Quarter <1 April - 31 December 2008>			
	Asia	Europe	Other	Total
Overseas sales	4,774	486	560	5,820
Consolidated net sales				13,493
Percentage (%)	35.4%	3.6%	4.1%	43.1%

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

Asia: Malaysia, Taiwan, South Korea, and China

Europe: Germany and UK

Other: US