

MARUWA CO., LTD.

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## Consolidated financial results for the second quarter of Fiscal 2010

MARUWA CO., LTD. today announced its consolidated financial results for the second quarter of Fiscal 2010

&lt;1 April 2009 - 30 September 2009&gt; as follows;

### I. Summary of Consolidated Financial Results

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

	JPY million		
	2nd Quarter	2nd Quarter	Change %
	1 April - 30 Sept.2008	1 April - 30 Sept.2009	
Net sales	9,841	<b>6,607</b>	-32.9%
Operating income	533	<b>199</b>	-62.6%
Income before income taxes	689	<b>295</b>	-57.2%
Net income	370	<b>290</b>	-21.5%
Net income per share:	JPY		
Basic	34.40	<b>27.07</b>	
Diluted	-	--	

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

	JPY million	
	As of 30 Sept.	As of 31 March
	2009	2009
Total assets	27,961	28,749
Total net assets	25,287	25,284
Equity ratio	90.4%	87.9%
	JPY	JPY
Shareholders' equity per share	2,358.11	2,358.54

### II. Dividends

	JPY per share	
	Fiscal 2009	Fiscal 2010(forecast)
Interim	14	14
Year-end	14	14
Annual	28	28

### III. Outlook for the fiscal 2009 <1 April 2009 - 31 March 2010>

The forecast figures for business results announced in 8 May 2009 were 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. 2

## Review of Operations

### 1. Review of Operations

The Japanese economy in the first and second quarters has begun recovering from the world-wide recession, although it remains weaker than it was at the same period last year.

The world economy, with the exception of China, is still suffering despite governments having implemented strong economic stimulus measures. It is still difficult to foresee the situation for the world economy for the next half year due to rising unemployment rates, decreased consumer spending and other problems.

In Maruwa's business sector, demand for the digital services market and for environmentally friendly hybrid cars has increased in Asian countries, including China. Because of this, our turnover for the first and second quarters were **6,607** million yen, up from the last quarter. Similarly, operating profit was improved more than our initial plan **298%**, which is **199** million yen, due to increase demand and to restructuring countermeasures, including closing and merging factories and offices and reducing costs and inventory.

### 2. Operating Results by Business Sector

#### The Ceramic Components Sector

The total sales for this business segment was **6,144** million yen, and our operating profit was **502** million yen. There was a sign of upward momentum, though costs due to rapid increase in production caused some stress to production productivity.

#### Circuit Ceramics

Total sales of the Circuit Ceramics division for this second quarter increased **15.3%** to **2,585** million yen from the first quarter of this year. This was due to an increase in orders of Alumina substrate for the chip resistors market in China and South East Asia, as well as to an increase in orders for power module substrate for hybrid cars in Japan.

#### Machinery Ceramics

Total sales for the Machinery Ceramics division for this second quarter increased **59.7%** to **1,224** million yen from the first quarter of this year. The upturn of the semiconductor equipment market influenced the sales of quartz glass products.

#### Radio Frequency Products

Total sales of the Radio Frequency Products division for this second quarter increased **24.9%** to **911** million yen from the first quarter of this year. Upward movement of the new 3G mobile system market in China influenced the turnover of these products.

## EMC Components

Total sales of the EMC Components Division for this second quarter increased **12.2%** to **1,425** million yen from the first quarter of this year. Upward demand in the digital devices market, for example for PCs and flat screen televisions in China, Southeast Asia and Korea, influenced turnover in this area.

## Lighting Equipment segment

Total sales of the Lighting Equipment segment for this first and second quarter was **463** million yen and operating loss was **53** million yen. Turnover for LED lighting devices has increased consistently in the public utilities markets. We are continuing to press forward with the development of new LED lighting products.

	JPY million	
	2nd Quarter	2nd Quarter
	1 April - 30 Sept.2008	1 April - 30 Sept.2009
<b>Ceramic Components:</b>		
Net sales	9,412	6,144
Operating income	891	502
<b>Lighting Equipment:</b>		
Net sales	429	463
Operating income	(109)	(53)
<b>Total:</b>		
Net sales	9,841	6,607
Operating income	782	449
<b>Elimination:</b>		
Net sales	--	--
Operating income	(249)	(250)
<b>Consolidated:</b>		
Net sales	9,841	6,607
Operating income	533	199

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	1,868	1,907	1,239	813	1,201	1,384
Machinery Ceramics	1,164	1,116	865	473	471	753
RF Products	487	529	506	355	405	506
EMC Components	1,087	1,254	708	545	671	753
Total	4,606	4,806	3,318	2,186	2,748	3,396

### 3. Financial Condition

Total assets as of the end of this **second** quarter were **27,961** million yen, down **2.7** percent from the end of last fiscal year due especially to a decrease in current assets. Inventory assets decrease **490** million from the end of last fiscal year due to the improvement of production lead time. Total liabilities, especially due to a decrease in accounts payable, decreased **562** million yen to **2,674** million yen from the previous year-end. Total net assets increased **3** million yen to **25,287** million yen. As a result, capital asset ratio became **90.4** percent

Cash and cash equivalents at the end of this **second** quarter were **8,054** million yen.

Cash flows from operating activities was **1,347** million yen, increase **89** million yen compared to last fiscal year. The main reason for the increase cash was due to the decrease of accounts receivable. Cash flows from investment activities was **660** million yen. The main reason was due to the payment for the acquisition of tangible fixed assets. Cash flows financing activities was **142** million yen.

## Consolidated Balance Sheet

	JPY million	
	2st Quarter	(Reference)
	As of 30 Sept.	As of 31st March
	2009	2009
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash & deposits	8,054	7,505
Trade notes and accounts receivable	3,903	4,304
Inventories:		
Merchandise and finished goods	944	1,105
Work-in-process	756	746
Raw materials	888	1,218
Deferred tax assets	147	156
Other current assets	130	264
Allowance for doubtful accounts	(8)	(8)
Total current assets	14,814	15,290
<b>Property, plant &amp; equipment:</b>		
Land	3,163	3,161
Buildings & structures	7,406	7,370
Machinery & equipment	11,909	11,944
Other	2,746	2,826
Construction in progress	669	443
Total property, plant & equipment	25,893	25,744
Less, accumulated depreciation	(14,433)	(14,035)
Net property, plant & equipment	11,460	11,709
<b>Investment &amp; other assets:</b>		
Total investments & other assets	1,687	1,750
Total assets	27,961	28,749

**LIABILITIES****Current liabilities:**

Trade notes & accounts payable	790	1,352
Current portion of long-term debt	5	5
Accrued income taxes	103	30
Accrued bonus	271	241
Accrued bonus to directors	3	3
Other	952	1,180
Total current liabilities	2,124	2,811

**Long-term liabilities:**

Long-term debt	123	125
Negative goodwill]	29	57
Other	398	472
Total long-term liabilities	550	654

Total liabilities	2,674	3,465
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**NET ASSETS****Shareholders' equity:**

Common stock	6,710	6,710
Capital surplus	9,747	9,747
Retained earnings	11,390	11,252
Treasury stock, at cost	(730)	(742)
Total shareholders' equity	27,117	26,967

**Valuation and translation adjustments:**

Net unrealized gains(losses)on available-for-sale securities	(147)	(201)
Foreign currency translation adjustments	(1,683)	(1,482)
Total valuation and translation adjustments	(1,830)	(1,683)

Total net assets	25,287	25,284
Total liabilities and net assets	27,961	28,749

## Consolidated Statements of Income

	JPY million	
	2nd Quarter	2nd Quarter
	As of 30 Sept.	As of 30 Sept.
	2008	2009
Net sales	9,841	<b>6,607</b>
Cost of sales	7,465	<b>4,950</b>
Gross profit	<b>2,376</b>	<b>1,657</b>
Selling, general & administrative expenses	1,843	<b>1,458</b>
Operating income	<b>533</b>	<b>199</b>
Other income (expenses):		
Interest & dividend income	31	<b>33</b>
Interest expenses	(2)	<b>(1)</b>
Rent income	58	<b>58</b>
Rent expenses on real estates for investments	(28)	<b>(34)</b>
Securities operation profit	-	<b>1</b>
Foreign exchange gain (loss), net	71	<b>1</b>
Amortization of negative goodwill	41	<b>29</b>
Gain on sales of property, plant and equipment	27	<b>3</b>
Loss on disposal or sales of property, plant and equipment	(17)	<b>(21)</b>
Loss on valuation of inventories	(28)	<b>-</b>
Investment securities clearance profit and loss	-	<b>14</b>
Other, net	3	<b>13</b>
Other income (expenses), net	<b>156</b>	<b>96</b>
Income before income taxes	<b>689</b>	<b>295</b>
Income taxes:		
Current	217	<b>69</b>
Deferred	102	<b>(64)</b>
Total income taxes	<b>319</b>	<b>5</b>
Net income	<b>370</b>	<b>290</b>

## 7. Consolidated Statement of Cash Flows

	JPY million	
	2nd Quarter 1 April-30 Sept. 2008	2nd Quarter 1 April-30 Sept. 2009
<b>Cash flows from operating activities:</b>		
Income before income taxes	689	295
Adjustments for:		
Depreciation	970	792
Amortization of negative goodwill	(41)	(29)
Decrease in allowance for doubtful accounts	40	(6)
Loss on sales of investment securities	3	(16)
Gain on disposal or sales of property, plant & equipment	(10)	17
Interest & dividend income	(31)	(33)
Foreign exchange (gain) loss	2	11
Decrease (increase) in trade notes & accounts receivable	560	370
Increase in inventories	(59)	451
Decrease in trade notes & accounts payable	(511)	(557)
Other	(307)	43
Sub-total	1,305	1338
Interest & dividend income received	32	36
Interest expenses paid	(2)	(1)
Income taxes paid	(77)	(26)
Net cash provided by operating activities	1,258	1347
<b>Cash flows from investment activities:</b>		
Payments into time deposits	(197)	(53)
Proceeds from withdrawal of time deposits	22	-
Payments for purchase of property, plant & equipment	(1,210)	(830)
Proceeds from sales of property, plant & equipment	56	81
Payments for purchase of investment securities	(53)	(165)
Proceeds from sales of investment securities	21	311
Payments for purchase of intangible assets	(6)	(16)
Other	(12)	12
Net cash used in investing activities	(1,379)	(660)
<b>Cash flows from financing activities:</b>		
Payments of long-term debt	(2)	(2)
Proceeds from clearance of treasury stock	-	10
Cash dividends paid	(130)	(150)
Payments for purchase of treasury stock	(78)	0
Net cash used in financing activities	(210)	(142)
Effect of exchange rate changes on cash & cash equivalents	(27)	(38)
Net increase (decrease) in cash & cash equivalents	(358)	507
Cash and cash equivalents at beginning of year	6,146	7,062
Increase in cash and cash equivalents from newly consolidated subsidiary	10	0
Cash and cash equivalents at end of year	5,798	7,569



**(1) business segments**

JPY million

	2nd Quarter <1 April - 30 September 2009>				
	Ceramic Components	Lighting Equipment	Total	Eliminations or corporate	Consolidated
Net sales:					
External customers	6,144	463	6,607	--	6,607
Inter-segment	17	2	19	(19)	--
Total net sales	6,161	465	6,626	(19)	6,607
Operating income (loss)	502	(53)	449	(250)	199

**(2) Geographic segments**

JPY million

	2nd Quarter <1 April - 30 September 2009>					
	Japan	Asia	Europe & America	Total	Eliminations or corporate	Consolidated
Net sales:						
External customers	5,324	1,101	182	6,607	--	6,607
Inter-segment	224	439	23	686	(686)	--
Total net sales	5,548	1,540	205	7,293	(686)	6,607
Operating income	456	18	(9)	465	(266)	199

**(3) Net overseas sales by customer's geographic location**

JPY million

	2nd Quarter <1 April - 30 September 2009>			
	Asia	Europe	Other	Total
Overseas sales	2,160	362	303	2,825
Consolidated net sales				6,607
Percentage (%)	32.7%	5.5%	4.6%	42.8%

\*Countries are divided in geographical vicinity.

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

Asia: Malaysia, Taiwan, Korea, China, and India

Europe: Germany and the United Kingdom

Other: The United States