

MARUWA CO., LTD.

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Consolidated financial results for the third quarter of Fiscal 2010

MARUWA CO., LTD. today announced its consolidated financial results for the second quarter of Fiscal 2010 <1 April 2009 - 31 December 2009> as follows;

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

	JPY million		Change %
	3rd Quarter 2008	3rd Quarter 2009	
Net sales	13,493	10,560	-21.7%
Operating income	617	643	-62.6%
Income before income taxes	863	745	-13.7%
Net income	476	619	-21.5%
Net income per share:		JPY	
Basic	44.28	57.69	
Diluted	-	--	

(2) Summary of consolidated financial condition

	JPY million	
	As of 31 Dec. 2009	As of 31st March 2009
Total assets	29,009	28,749
Total net assets	25,699	25,284
Equity ratio	88.6%	87.9%
Shareholders' equity per share	JPY 2,391.68	JPY 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 2010 <1 April 2009 - 31 March 2010>

The forecast figures for business results and dividends announced in 8 May 2009 are changed as bellow. Net sales are increased because of an increase in orders much more than we had expected. Incomes are also increased due to restructuring countermeasures, including closing and merging factories and offices and reducing costs and inventory,

	JPY million
	Full year
Net sales	15,000
Operating income	1,100
Net income	900
Net income per share	83.78

Review of Operations

1. Review of Operations

The Japanese economy in the third quarter has been recovering from the world-wide recession. The world economy, also, is beginning to show signs of improvement.

However, it is still difficult to foresee the situation for the both the Japanese economy and 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 products market in Asian countries, including China, and for environmentally friendly hybrid cars has increased in Japan. Because of this, our turnover for these three quarters was 10,560 million yen, which is much more than we had expected. Similarly, operating profit was improved by 643 million yen, which is also much more than we had anticipated. These results were due to an increase in orders 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 9,672 million yen, and our operating profit was 1,057 million yen, with sales increasing every month. Strong sales results, together with cost-cutting measures, resulted in an overall increase in profit.

Circuit Ceramics

Total sales of the Circuit Ceramics division for these three quarters was 4,078 million yen, and this third quarter increased 7.9% from the second 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 these three quarters was 1,924 million yen. The upturn of the semiconductor equipment market, including LED products and Memory for PCs influenced the sales of quartz glass products.

Radio Frequency Products

Total sales of the Radio Frequency Products division for these three quarters was remained stable as 1,408 million yen. The new 3G mobile system market in China influenced the good turnover of these products.

EMC Components

Total sales of the EMC Components Division for these three quarters was 2,262 million yen, and this third quarter increased by 11.3% from the second 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 these three quarters was 887 million yen and operating loss was 33 million yen. Turnover for LED lighting devices has increased consistently in the public utilities markets in Japan. We are continuing to press forward with the development of new LED lighting products.

	JPY million	
	3rd Quarter 1 April- 31 Dec. 2008	3rd Quarter 1 April- 31 Dec. 2009
Ceramic Components:		
Net sales	12,730	9,673
Operating income	1,125	1,057
Lighting Equipment:		
Net sales	763	887
Operating income	(127)	(33)
Total:		
Net sales	13,493	10,560
Operating income	998	1,024
Elimination:		
Net sales	--	--
Operating income	(381)	(381)
Consolidated:		
Net sales	13,493	10,560
Operating income	617	643

Quarterly sales results of Ceramic Components segment by product division

	For year ended 31 March						
	2008				2009		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Circuit Ceramics	1,868	1,907	1,239	813	1,201	1,384	1,493
Machinery Ceramics	1,164	1,116	865	473	471	753	700
RF Products	487	529	506	355	405	506	497
EMC Components	1,087	1,254	708	545	671	753	838
Total	4,606	4,806	3,318	2,186	2,748	3,396	3,528

3. Financial Condition

Total assets as of the end of this third quarter were 29,009 million yen, up 0.9 percent from the end of last fiscal year due especially to an increase in current assets. Inventory assets decrease 357 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 109 million yen to 3,310 million yen from the previous year-end.

Total net assets increased 415 million yen to 25,699 million yen. As a result, capital asset ratio became 88.6 percent

Cash and cash equivalents at the end of this third quarter were 7,899 million yen.

Cash flow from operating activities was 1,900 million yen, a decrease of 338 million yen compared to the last fiscal year. The main reason for the decreased cash flow was the increase of accounts receivable, which was due to an increase in orders. Cash flow from investment activities was 817 million yen. This was due primarily to payment for the acquisition of tangible fixed assets. Cash flow financing activities were 243 million yen.

Consolidated Balance Sheet

	JPY million	
	3rd Quarter	(Reference)
	As of 31 Dec.	As of 31st March
	2009	2009
ASSETS		
Current assets:		
Cash & deposits	8,404	7,505
Trade notes and accounts receivable	4,655	4,304
Inventories:		
Merchandise and finished goods	972	1,105
Work-in-process	789	746
Raw materials	951	1,218
Deferred tax assets	147	156
Other current assets	138	264
Allowance for doubtful accounts	(10)	(8)
Total current assets	16,046	15,290
Property, plant & equipment:		
Land	3,165	3,161
Buildings & structures	7,464	7,370
Machinery & equipment	12,007	11,944
Other	2,770	2,826
Construction in progress	707	443
Total property, plant & equipment	26,113	25,744
Less, accumulated depreciation	(14,826)	(14,035)
Net property, plant & equipment	11,287	11,709
Investment & other assets:		
Total investments & other assets	1,676	1,750
Total assets	29,009	28,749

LIABILITIES**Current liabilities:**

Trade notes & accounts payable	1,242	1,352
Current portion of long-term debt	5	5
Accrued income taxes	137	30
Accrued bonus	158	241
Accrued bonus to directors	4	3
Other	1,209	1,180
Total current liabilities	2,755	2,811

Long-term liabilities:

Long-term debt	122	125
Negative goodwill]	15	57
Other	418	472
Total long-term liabilities	555	654

Total liabilities	3,310	3,465
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NET ASSETS**Shareholders' equity:**

Common stock	6,710	6,710
Capital surplus	9,747	9,747
Retained earnings	11,566	11,252
Treasury stock, at cost	(693)	(742)
Total shareholders' equity	27,330	26,967

Valuation and translation adjustments:

Net unrealized gains(losses)on available-for-sale securities	(163)	(201)
Foreign currency translation adjustments	(1,473)	(1,482)
Total valuation and translation adjustments	(1,636)	(1,683)

A subscription warrant and Minority stockholders share 5

Total net assets	25,699	25,284
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Total liabilities and net assets	29,009	28,749
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Consolidated Statements of Income

	JPY million	
	3rd Quarter	3rd Quarter
	1 April- 31 Dec.	1 April- 31 Dec.
	2008	2009
Net sales	13,493	10,560
Cost of sales	10,265	7,660
Gross profit	3,228	2,900
Selling, general & administrative expenses	2,611	2,257
Operating income	617	643
Other income (expenses):		
Interest & dividend income	50	45
Interest expenses	(3)	(2)
Rent income	86	86
Rent expenses on real estates for investments	(45)	(48)
Securities operation profit	-	1
Foreign exchange gain (loss), net	122	(19)
Amortization of negative goodwill	62	43
Gain on sales of property, plant and equipment	56	3
Loss on valuation of inventories securities	(5)	-
Loss on disposal or sales of property, plant and equipment	(53)	(46)
Loss on valuation of inventories	(28)	-
Investment securities clearance profit and loss	-	23
Extra retirement benefits	(23)	(16)
Other, net	27	32
Other income (expenses), net	246	102
Income before income taxes	863	745
Income taxes:		
Current	169	171
Deferred	218	(45)
Total income taxes	387	126
Minority stockholders profit and loss	-	0
Net income	476	619

7. Consolidated Statement of Cash Flows

	JPY million	
	3rd Quarter 1 April- 31 Dec. 2008	3rd Quarter 1 April- 31 Dec. 2009
Cash flows from operating activities:		
Income before income taxes	863	745
Adjustments for:		
Depreciation	1,469	1,211
Amortization of negative goodwill	(62)	(43)
Decrease in allowance for doubtful accounts	37	(6)
Loss on sales of investment securities	3	(24)
Gain on disposal or sales of property, plant & equipment	(3)	43
Interest & dividend income	(50)	(44)
Foreign exchange (gain) loss	111	6
Decrease (increase) in trade notes & accounts receivable	1,242	(347)
Increase in inventories	(313)	355
Decrease in trade notes & accounts payable	(451)	(116)
Other	(467)	138
Sub-total	2,379	1,918
Interest & dividend income received	52	48
Interest expenses paid	(2)	(2)
Income taxes paid	(191)	(64)
Net cash provided by operating activities	2,238	1,900
Cash flows from investment activities:		
Payments into time deposits	(347)	(55)
Proceeds from withdrawal of time deposits	20	-
Payments for purchase of property, plant & equipment	(1,545)	(995)
Proceeds from sales of property, plant & equipment	296	81
Payments for purchase of investment securities	(164)	(226)
Proceeds from sales of investment securities	21	380
Payments for purchase of intangible assets	-	(20)
Purchase of investments in subsidiaries	(10)	-
Increase in intangible fixed assets	(6)	-
Other	(27)	17
Net cash used in investing activities	(1,762)	(818)
Cash flows from financing activities:		
Payments of long-term debt	(4)	(4)
Proceeds from clearance of treasury stock	-	45
Cash dividends paid	(255)	(283)
Payments for purchase of treasury stock	(102)	0
Net cash used in financing activities	(361)	(242)
Effect of exchange rate changes on cash & cash equivalents	(410)	(3)
Net increase (decrease) in cash & cash equivalents	(295)	837
Cash and cash equivalents at beginning of year	6,146	7062
Increase in cash and cash equivalents from newly consolidated	10	0
Cash and cash equivalents at end of year	5,861	7,899

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

JPY million

3rd Quarter <1 April - 31 December 2009>					
	Ceramic Components	Lighting Equipment	Total	Eliminations or corporate	Consolidated
Net sales:					
External customers	9,673	887	10,560	--	10,560
Inter-segment	33	5	38	(38)	--
Total net sales	9,706	892	10,598	(38)	10,560
Operating income					
(loss)	1,057	(33)	1,024	(381)	643

(2) Geographic 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

3rd Quarter <1 April - 31 December 2009>						
	Japan	Asia	Europe & America	Total	Eliminations or corporate	Consolidated
Net sales:						
External customers	8,658	1,602	300	10,560	--	10,560
Inter-segment	348	795	35	1,178	(1,178)	--
Total net sales	9,006	2,397	335	11,738	(1,178)	10,560
Operating income	957	91	(9)	1,039	(396)	643

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

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%	4.2%	43.1%

JPY million				
3rd Quarter <1 April - 31 December 2009>				
	Asia	Europe	Other	Total
Overseas sales	3,531	527	430	4,488
Consolidated net sales				10,560
Percentage (%)	33.4%	5.0%	4.1%	42.5%

*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

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