

MARUWA CO., LTD.

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Consolidated financial results for the second quarter of Fiscal 2011

MARUWA CO., LTD. today announced its consolidated financial results for the second quarter of Fiscal 2011<1 April 2010 - 30 September 2010> as follows;

I. Summary of Consolidated Financial Results

(1) Summary of consolidated operating results

	JPY million	
	2nd Quarter 1 April - 30 Sep. 2009	2nd Quarter 1 April - 30 Sep. 2010
Net sales	6,607	9,576
Operating income	199	1,475
Income before income taxes	295	1,353
Net income	290	913
Net income per share:		JPY
Basic	27.07	84.98
Diluted	-	--

(2) Summary of consolidated financial condition

	JPY million	
	As of 31 March 2009	As of 30 Sep. 2010
Total assets	30,689	30,938
Total net assets	26,561	27,049
Equity ratio	86.5%	87.4%
Total net assets per share	2,470.94	2,514.37

II. Dividends

	JPY per share	
	Fiscal 2010	Fiscal 2011 (forecast)
Interim	14	15
Year-end	14	15
Annual	28	30

III. Outlook for the fiscal 2011 <1 April 2010 - 31 March 2011>

The forecast figures for business results announced in 27 April 2010 were changed with current trend.

*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

In this Second Quarter, though the appreciation of yen progressed rapidly due to credit impairment in the EU area, there are strong indications that the world economy is recovering from the global recession. This recovery is in part due to the strong market expansion in emerging countries, including China, as well as to individual governments having implemented strong economic stimulus measures. However, because of sluggish personal consumption, the appreciation of the yen, and reduction of consumer incentives by governments there is still some uncertainty in the outlook of the both the Japanese and the world economy.

In these circumstances, the electronic component market in this Second Quarter was better than expected. This was due in part to a recovering demand for digital service items, such as Smartphones and LED televisions in China and other Asian countries. This was also due to activation of capital expenditure for semiconductors, and the expansion of the environment-related market, including domestic hybrid cars and LED lighting devices.

Because of these factors, Maruwa's turnover for the Second Quarter was 9,576 million yen, an increase of 44.9% from the same period last year. Similarly, our operating profit was 1,475 million yen, compared to a 199 million yen at same period last year. This improvement has been due to increased demand and to cost reduction. Net income was 913 million yen.

2. Operating Results by Business Division

The Ceramic Components Division

There is strong demand from China for ceramic substrates, EMC components and thin film circuit substrates, and from Asia for digital consumer products. There is also a large demand for hybrid cars, which use ceramic substrate for power modules.

The Second Quarter sales total for the Ceramic Components Division was 9,081 million yen. This is a 47.8% increase from the same period last year, a sign of upward momentum. The operating profit increased 260.0% to 1,808 million yen. This exceeded expectations, and was due to improved productivity, cost reduction measures and to the contribution of new product offerings with high added value.

Lighting Equipment Division

Turnover for LED lighting devices has increased consistently in the public utilities markets, and Maruwa is continuing to press forward with the development of new LED lighting products. The total sales for the Lighting Equipment Division for this second quarter were 495 million yen, with an operating loss of 39 million yen.

Operating results by business segment

	JPY	
	2nd Quarter 1 April - 30 Sept. 2009	2nd Quarter 1 April - 30 Sept. 2010
Ceramic		
Net sales	6,144	9,082
Operating income	502	1,808
Lighting		
Net sales	463	495
Operating income	(53)	(39)
Total:		
Net sales	6,607	9,577
Operating income	449	1,769
Elimination:		
Net sales	--	--
Operating income	(250)	(293)
Consolidated:		
Net sales	6,607	9,577
Operating income	199	1,476

Quarterly sales results of Ceramic Components segment by product division

3. Financial Condition

Total assets as of the end of this Second Quarter were 30,938 million yen, up 0.8% from the end of the previous quarter due to a 421 million yen increase in trade notes and accounts receivable.

Total liabilities decreased 5.8% to 3,889 million yen from the end of previous quarter and this was due to a decrease in trade notes and accounts payable.

Total net assets increased 1.8% to 27,049 million yen due to an increase in retained earnings.

As a result, equity ratio was 87.4%.

Cash and cash equivalents at the end of this Second Quarter were 8,712 million yen.

Cash provided by operating activities were 614 million yen. This is a 733 million yen decrease from the same period last year. The main factor in the cash decrease is due to an increase in trade receivables.

Net cash used in investing activities was 533 million yen due in particular to payments for purchase of property. There was a 127 million yen decrease from the same period last year.

Net cash used in financing activities was 143 million yen. This was a million yen increase from the same period last year.

Consolidated Balance Sheet

	JPY million	
	2nd Quarter	(Reference)
	As of 30 Sep.	As of 31st March
	2010	2010
ASSETS		
Current assets:		
Cash & deposits	9,239	9,305
Trade notes and accounts receivable	5,735	5,314
Inventories:	3,097	2,728
Deferred tax assets	263	294
Other current assets	171	114
Allowance for doubtful accounts	(11)	(12)
Total current assets	18,494	17,743
Property, plant & equipment:		
Land	3,154	3,161
Buildings & structures	3,809	3,941
Machinery & equipment	3,321	3,488
Other	333	280
Construction in progress	186	314
Total property, plant & equipment	10,803	11,184
Less, accumulated depreciation		
Net property, plant & equipment	10,803	11,184
Investment & other assets:		
Total investments & other assets	1,641	1,762
Total assets	30,938	30,689

LIABILITIES**Current liabilities:**

Trade notes & accounts payable	1,291	1,727
Current portion of long-term debt	5	5
Accrued income taxes	407	265
Accrued bonus	307	313
Accrued bonus to directors	5	11
Notes payable for property acquisitions	444	352
Other	892	918
Total current liabilities	3,351	3,591

Long-term liabilities:

Long-term debt	118	120
Deferred tax liabilities	161	158
Other	259	259
Total long-term liabilities	538	537

Total liabilities	3,889	4,128
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NET ASSETS**Shareholders' equity:**

Common stock	6,710	6,710
Capital surplus	9,747	9,747
Retained earnings	12,814	12,051
Treasury stock, at cost	(679)	(689)
Total shareholders' equity	28,592	27,819

Valuation and translation adjustments:

Net unrealized gains(losses)on available-for-sale securities	(54)	(128)
Foreign currency translation adjustments	(1,508)	(1,140)
Total valuation and translation adjustments	(1,562)	(1,268)

A subscription warrant and Minority stockholders share	19	10
Total shareholders' equity	19	10
Total net assets	27,049	26,561
Total liabilities and net assets	30,938	30,689

Consolidated Statement of Income

	JPY million	
	2nd Quarter	2nd Quarter
	1 April - 30 Sep.	1 April - 30 Sep.
	2009	2010
Net sales	6,607	9,576
Cost of sales	4,950	6,281
Gross profit	1,657	3,295
Selling, general & administrative expenses	1,458	1,820
Operating income	199	1,475
Other income (expenses):		
Interest & dividend income	33	26
Interest expenses	(1)	(1)
Rent income	58	56
Rent expenses on real estates for investments	(34)	(27)
Securities operation profit	1	-
Foreign exchange gain (loss), net	1	(41)
Amortization of negative goodwill	29	-
Gain on sales of property, plant and equipment	3	0
Loss on disposal or sales of property, plant and equipment	(21)	(13)
Loss on valuation of inventories securities	-	(150)
Investment securities clearance profit and loss	14	0
Other, net	13	28
Other income (expenses), net	96	(122)
Income before income taxes	295	1,353
Income taxes:		
Current	69	393
Deferred	(64)	47
Total income taxes	5	440
Net income	290	913

Consolidated Statement of Cash Flows

	JPY million	
	For year ended 30th Sep. 2009	For year ended 30th Sep. 2010
Cash flows from operating activities:		
Income before income taxes	295	1,353
Adjustments for:		
Depreciation	792	750
Amortization of negative goodwill	(29)	-
Decrease in allowance for doubtful accounts	(6)	(9)
Gain (Loss) on Valuation investment securities	(16)	150
Gain on disposal or sales of property, plant & equipment	17	13
Interest & dividend income	(33)	(26)
Foreign exchange (gain) loss	11	8
Decrease (increase) in trade notes & accounts receivable	370	(492)
Increase in inventories	451	(416)
Decrease in trade notes & accounts payable	(557)	(404)
Other	43	(58)
Sub-total	1338	869
Interest & dividend income received	36	27
Interest expenses paid	(1)	(1)
Income taxes paid	(26)	(281)
Net cash provided by operating activities	1347	614
Cash flows from investment activities:		
Payments into time deposits	(53)	(131)
Payments for purchase of property, plant & equipment	(830)	(438)
Proceeds from sales of property, plant & equipment	81	12
Payments for purchase of investment securities	(165)	(134)
Proceeds from sales of investment securities	311	155
Payments for purchase of intangible assets	(16)	(7)
Other	12	10
Net cash used in investing activities	(660)	(533)
Cash flows from financing activities:		
Payments of long-term debt	-2	-2
Proceeds from clearance of treasury stock	10	9
Cash dividends paid	-150	-150
Net cash used in financing activities	(142)	(143)
Effect of exchange rate changes on cash & cash equivalents	-38	-90
Net increase (decrease) in cash & cash equivalents	507	(152)
Cash and cash equivalents at beginning of year	7062	8864
Increase in cash and cash equivalents from newly consolidated subsidiary	-	-
Cash and cash equivalents at end of year	7,569	8,712