

MARUWA CO., LTD.

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Consolidated financial results for the third quarter of Fiscal 2011

MARUWA CO., LTD. today announced its consolidated financial results for the third quarter of Fiscal 2011 <1 April 2010 - 31 December 2010> as follows;

I. Summary of Consolidated Financial Results

(1) Summary of consolidated operating results

	JPY million	
	3rd Quarter	3rd Quarter
	1 April - 31 Dec.	1 April - 31 Dec.
	2009	2010
Net sales	10,560	14,470
Operating income	643	2,231
Income before income taxes	745	2,167
Net income	619	1,409
Net income per share:	JPY	
Basic	57.69	131.08
Diluted	-	--

(2) Summary of consolidated financial condition

	JPY million	
	As of 31 March	As of 31 Dec.
	2010	2010
Total assets	30,689	31,623
Total net assets	26,560	27,230
Equity ratio	86.5%	86.0%
Total net assets per share	2,470.94	2,530.80

II. Dividends

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

*Cautionary statements: the above forecasts are forward-looking statements involving risks and

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

The forecast figures for business results and dividends announced in 28 October 2010 are not changed.

*The financial statements are prepared in conformity with the accounting principles generally accepted in Japan.

*Consolidated subsidiaries: 11 companies.

Review of Operations

1. Review of Operations

In this Third Quarter, though newly financial crisis of euro zone nation triggered credit impairment, world economy recovered more than originally expected. 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.

Though demand recovered strongly in emerging country, there is growing risk for future and remained some uncertainty in the outlook of Japanese economy due to sluggish personal consumption, and decline in auto sales due to reduction of consumer incentives by governments

In these circumstances, the electronic component market in this Third Quarter persisted strongly. This was due in part to a recovering demand for digital service items, such as handheld terminal, Smartphones and 3D TV in China and other Asian countries. This was also due to activation of capital expenditure for semiconductors influenced recovering demand of semiconductor.

Because of these factors, Maruwa's turnover for the Third Quarter was 14,470 million yen, an increase of 37.0% from the same period last year. Similarly, our operating profit was 2,231 million yen, an increase of 247.2% from the same period last year. This improvement has been due to sales increase and to cost reduction. Net income was 1,409 million yen, and increase of 127.7% from the same period last year.

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 Third Quarter sales total for the Ceramic Components Division was 13,605 million yen. This is a 40.7% increase from the same period last year, a sign of upward momentum. The operating profit increased 155.0% to 2,694 million yen. This exceeded prior period level, 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 Third Quarter were 865 million yen, with an operating loss of 32 million yen.

Quarterly sales results of Ceramic Components segment by product division

Review of Operations

Review of operating results by segment

	JPY	
	3rd Quarter	3rd Quarter
	1 Apr. - 31 Dec.	1 Apr. - 31 Dec.
	2009	2010
Ceramic Components:		
Net sales	9,673	13,605
Operating income	1,057	2,694
Lighting Equipment:		
Net sales	887	865
Operating income	(33)	(32)
Total:		
Net sales	10,560	14,470
Operating income	1,024	2,662
Elimination:		
Net sales	--	--
Operating income	(381)	(430)
Consolidated:		
Net sales	10,560	14,470
Operating income	643	2,232

3. Financial Condition

Total assets as of the end of this Third Quarter were 31,623 million yen, up 3.0% from the end of the previous quarter due to a 874 million yen increase in trade notes and accounts receivable.

Total liabilities increased 6.4% to 4,393 million yen from the end of previous quarter and this was due to a increase in trade notes and accounts payable.

Total net assets increased 2.5% to 27,230 million yen due to an increase in retained earnings.

As a result, equity ratio was 86.0%.

Cash and cash equivalents at the end of this Third Quarter were 8,971 million yen.

Cash provided by operating activities were 1,394 million yen. This is a 506 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 848 million yen due in particular to payments for purchase of property. There was a 31 million yen increase from the same period last year.

Net cash used in financing activities was 306 million yen. This was 63 million yen increase from the same period last year.

The forecast figures for business results announced in 28 October 2010 were not changed with current trend.

Consolidated Balance Sheet

	JPY million	
	3rd Quarter	(Reference)
	As of 31 Dec.	As of 31 March
	2010	2010
ASSETS		
Current assets:		
Cash & deposits	9,383	9,305
Trade notes and accounts receivable	6,187	5,314
Inventories:	-	2728
Merchandise and finished goods	960	-
Work-in-process	886	-
Raw materials	1,478	-
Deferred tax assets	134	294
Other current assets	213	114
Allowance for doubtful accounts	(12)	(12)
Total current assets	19,229	17,743
Property, plant & equipment:		
Land	3,148	3,161
Buildings & structures	7,824	3,941
Machinery & equipment	12,513	3,488
Other	2,959	280
Construction in progress	209	314
Total property, plant & equipment	26,653	11,184
Less, accumulated depreciation	(15,909)	-
Net property, plant & equipment	10,744	11,184
Investment & other assets:		
Total investments & other assets	1,650	1,762
Total assets	31,623	30,689

LIABILITIES

Current liabilities:

Trade notes & accounts payable	1,577	1,727
Current portion of long-term debt	5	5
Accrued income taxes	380	265
Accrued bonus	156	313
Accrued bonus to directors	3	11
Notes payable for property acquisitions	430	352
Other	1,262	918
Total current liabilities	<u>3,813</u>	<u>3,591</u>

Long-term liabilities:

Long-term debt	117	120
Deferred tax liabilities	209	158
Other	254	259
Total long-term liabilities	<u>580</u>	<u>537</u>

Total liabilities	<u>4,393</u>	<u>4,128</u>
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NET ASSETS

Shareholders' equity:

Common stock	6,710	6,710
Capital surplus	9,747	9,747
Retained earnings	13,147	12,051
Treasury stock, at cost	(679)	(689)
Total shareholders' equity	<u>28,925</u>	<u>27,819</u>

Valuation and translation adjustments:

Net unrealized gains(losses) on available-for-sale securities	(35)	(128)
Foreign currency translation adjustments	(1,684)	(1,140)
Total valuation and translation adjustments	<u>(1,719)</u>	<u>(1,268)</u>

A subscription warrant and Minority stockholders share	24	10
Total shareholders' equity	<u>24</u>	<u>10</u>
Total net assets	<u>27,230</u>	<u>26,561</u>
Total liabilities and net assets	<u>31,623</u>	<u>30,689</u>

Consolidated Statements of Income

	JPY million	
	3rd Quarter	3rd Quarter
	1 April - 31 Dec.	1 April - 31 Dec.
	2009	2010
Net sales	10,560	14,470
Cost of sales	7,660	9,501
Gross profit	2,900	4,969
Selling, general & administrative expenses	2,257	2,738
Operating income	643	2,231
Other income (expenses):		
Interest & dividend income	45	38
Interest expenses	(2)	(1)
Rent income	86	83
Rent expenses on real estates for investments	(48)	(43)
Securities operation profit	1	-
Foreign exchange gain (loss), net	(19)	(26)
Amortization of negative goodwill	43	-
Gain on sales of property, plant and equipment	3	4
Loss on valuation of inventories securities	-	(150)
Loss on disposal or sales of property, plant and equipment	(46)	(21)
Investment securities clearance profit and loss	23	0
Extra retirement benefits	(16)	-
Other, net	32	52
Other income (expenses), net	102	(64)
Income before income taxes	745	2,167
Income taxes:		
Current	171	529
Deferred	(45)	229
Total income taxes	126	758
Net income	619	1,409

Consolidated Statement of Cash Flows

	JPY million	
	3rd Quarter 1 April - 31 Dec. 2009	3rd Quarter 1 April - 31 Dec. 2010
Cash flows from operating activities:		
Income before income taxes	745	2,167
Adjustments for:		
Depreciation	1211	1151
Amortization of negative goodwill	(43)	-
Decrease in allowance for doubtful accounts	(6)	(10)
Gain (Loss) on Valuation investment securities	(24)	149
Gain on disposal or sales of property, plant & equipment	43	17
Interest & dividend income	(44)	(38)
Foreign exchange (gain) loss	6	10
Decrease (increase) in trade notes & accounts receivable	(347)	(984)
Increase in inventories	355	(674)
Decrease in trade notes & accounts payable	(116)	(107)
Other	138	129
Sub-total	1918	1810
Interest & dividend income received	48	39
Interest expenses paid	(2)	(1)
Income taxes paid	(64)	(454)
Net cash provided by operating activities	1900	1394
Cash flows from investment activities:		
Payments into time deposits	(55)	(135)
Proceeds from withdrawal of time deposits		128
Payments for purchase of property, plant & equipment	(995)	(892)
Proceeds from sales of property, plant & equipment	81	22
Payments for purchase of investment securities	(226)	(153)
Proceeds from sales of investment securities	380	174
Payments for purchase of intangible assets	(20)	(7)
Other	17	15
Net cash used in investing activities	(818)	(848)
Cash flows from financing activities:		
Payments of long-term debt	(4)	(4)
Proceeds from clearance of treasury stock	45	9
Cash dividends paid	(283)	(311)
Net cash used in financing activities	(242)	(306)
Effect of exchange rate changes on cash & cash equivalents	(3)	(133)
Net increase (decrease) in cash & cash equivalents	837	107
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	7899	8971