

30 July 2014

MARUWA CO., LTD.

3-83, Minamihonjigahara-cho, Owariasahi-city, Aichi-pref., 488-0044 JAPAN

## Consolidated financial results for the first quarter of Fiscal 2014

MARUWA CO., LTD. today announced its consolidated financial results for the first quarter of Fiscal 2014<1 April 2014 - 30 June 2014> as follows;

### I. Summary of Consolidated Financial Results

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

	JPY million		
	1st Quarter	1st Quarter	Change %
	1 April - 30 June	1 April - 30 June	
	2013	2014	
Net sales	7,713	7,516	-2.6%
Operating income	828	450	-45.6%
Income before income taxes	977	564	-42.3%
Net income	679	358	-47.3%
Net income per share:		JPY	
Basic	55.10	28.98	-47.4%
Diluted	55.04	28.97	-47.4%

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

	As of 31 March	As of 30 June	Change %
	2013	2014	
Total assets	49,569	48,213	-2.7%
Total net assets	40,016	40,205	0.5%
Equity ratio	80.7%	83.4%	2.7%
Total net assets per share		JPY	
	3,239.88	3,255.25	

## II. Dividends

	JPY per share	
	Fiscal 2013	Fiscal 2014 (forecast)
Interim	17	18
Year-end	17	18
Total	34	36

\*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.

## III. Outlook for the fiscal 2014<1 April 2014 - 30 June 2014>

The forecast figures for business results and dividends announced in 13 May 2014 are changed on half year.

	million JPY	
	Half year	Full year
Net sales	15,600	36,500
Operating income	1,180	4,300
Net income	780	2,700
Net income per share	63.16	218.62

## **Review of Operations**

### **1. Review of Operations**

In this consolidated cumulative first quarter, it has gradually risen on growing expectations of the United States economic recovery due to a rising trend of capital investment and personal consumption. The European financial market turmoil has also regained stability and generally recovered. Meanwhile, emerging markets including China and South-East Asian countries has been under an uncertain condition because of concerns over slowdown in growth and frequent political unrest.

In the Japanese economy, market has generally recovered due to improvement of income environment by turnaround of corporate performance, depreciation of the yen and rising stock prices led by economic and fiscal policy of ‘Abenomics’. However, the economic condition has still been uncertain because of reverse effect caused by a last-minute surge in demand due to the consumption tax hike, slowdown growth of export due to a stagnation of emerging markets and a high level price of raw materials from yen depreciation.

Under the uncertain market condition, the MARUWA Group’s business results during this quarter has stayed firm especially in ceramic products for power modules related to energy-savings and environment which are one of our differentiated products in the ceramic components division. On the other hand, in the lighting equipment division, the plans of construction period will be delayed after the second half of the fiscal year and it seems to be difficult to achieve the prior forecast. This is because of soaring of personnel expense and material price due to the increase of demand for construction (i.g. reconstruction demand for Tohoku and facility maintenance for Tokyo Olympics).

The forecast of this fiscal year, however, remains unchanged from the prior forecast because it is expected to continue to steadily increase in the ceramic components division.

As a result, our consolidated sales were 7,516 million yen (decrease 2.6% year on year). Our operating income was 450 million yen (decrease 45.6% year on year). Ordinary profit was 550 million yen (decrease 42.2% year on year). Net income was 358 million yen (decrease 47.3% year on year).

### **2. Operating Results by Business Division**

#### **The Ceramic Components Division**

The total sales for this business segment was 5,637 million yen (up 10.8% year on year).

Markets related to energy-saving and environment are still brisk and the sales of ceramic products for HEV and LED remained strong.

## Lighting Equipment Division

The total sales for this business segment was 1,879 million yen (decrease 28.4% year on year).

The recording of sales and profits will be delayed after the second quarter because construction plans were delayed while orders were increased. An operating loss was 316 million yen (compared with an operating profit 37 million yen of the previous fiscal year).

Regarding profits, we are further strengthening the structure of YAMAGIWA and it steadily produces results. We will continue to develop and expand sales of ceramic LED modules and lighting equipment.

### Review of Operations

Review of operating results by segment

	JPY million	
	1st Quarter 1 April - 30 June 2013	1st Quarter 1 April - 30 June 2014
<b>Ceramic Components:</b>		
Net sales	5,088	<b>5,637</b>
Operating income	1,014	<b>1,012</b>
<b>Lighting Equipment:</b>		
Net sales	2,626	<b>1,879</b>
Operating income	37	<b>(316)</b>
<b>Total:</b>		
Net sales	7,713	<b>7,516</b>
Operating income	1,052	<b>695</b>
<b>Elimination:</b>		
Net sales	--	--
Operating income	<b>(224)</b>	<b>(245)</b>
<b>Consolidated:</b>		
Net sales	7,713	<b>7,516</b>
Operating income	828	<b>450</b>

### 3. Financial Condition

Total assets as of the end of this first quarter were 48,213million yen, decrease 2.7% from the end of last fiscal year. Total liabilities were 8,007 million yen, decrease 16.2% from the end of last fiscal year. Total net assets were 40,205 million yen ,increase 0.5% from the end of last fiscal year.

### 4. Outlook for FY2014 ending 31th March 2015

In the lighting equipment division, the plans of construction period will be delayed after the second half of the fiscal year and it seems to be difficult to achieve the prior forecast. This is because of soaring of personnel expense and material price due to the increase of demand for construction (i.g. reconstruction demand for Tohoku and facility maintenance for Tokyo Olympics).

The forecast of this fiscal year, however, remains unchanged from the prior forecast because it is expected to continue to steadily increase in the ceramic components division.

JPY million

	business division	First quarter	Half year		Full year	
			Before	After	Before	After
Net sales	Ceramic components	5,637	—	11,000	23,200	24,000
	Lighting equipment	1,879	—	4,600	13,300	12,500
	total	7,516	16,000	15,600	36,500	36,500
operating income	Ceramic components	1,012	—	2,020	4,400	4,700
	Lighting equipment	△316	—	△350	900	610
	total (after elimination)	450	1,680	1,180	4,300	4,300

The forecast figures for business results and dividends announced in 13 May 2014 are changed on half year.

## Consolidated Balance Sheet

	JPY million	
	1st Quarter	(Reference)
	As of 30 June	As of 31 March
	2014	2014
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash & deposits	13,425	13,362
Trade notes and accounts receivable	8,055	8,870
Electronically recorded monetary claims-operating	335	374
Inventories:	6,436	6,025
Deferred tax assets	461	439
Other current assets	617	726
Allowance for doubtful accounts	(15)	(15)
Total current assets	<u>29,314</u>	<u>29,782</u>
<b>Property, plant &amp; equipment:</b>		
Land	3,514	3,512
Buildings & structures	4,642	4,981
Machinery & equipment	6,093	6,169
Other	555	543
Construction in progress	1,050	1,539
Total property, plant & equipment	<u>15,853</u>	<u>16,744</u>
Goodwill	644	716
Other	411	410
Total Intangible assets	<u>1,055</u>	<u>1,126</u>
<b>Investment &amp; other assets:</b>		
Total investments & other assets	<u>1,990</u>	<u>1,917</u>
Total assets	<u>48,213</u>	<u>49,569</u>

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

Trade notes & accounts payable	3,038	3,639
Current portion of long-term debt	470	445
Accrued income taxes	166	896
Accrued bonus	237	436
Accrued bonus to directors	2	10
Notes payable for property acquisitions	353	453
Other	1,941	1,727
Total current liabilities	6,208	7,605

**Long-term liabilities:**

Long-term debt	1,034	1,159
Diferred tax liabilities	239	175
Provision for environmental measures	26	26
Other	500	587
Total long-term liabilities	1,799	1,948

Total liabilities	8,007	9,554
-------------------	-------	-------

**NET ASSETS****Shareholders' equity:**

Common stock	8,647	8,647
Capital surplus	11,947	11,947
Retained earnings	19,520	19,372
Treasury stock, at cost	(47)	(47)
Total shareholders' equity	40,067	39,919

**Valuation and translation adjustments:**

Net unrealized gains(losses)on available-for-sale securities	79	48
Foreign currency translation adjustments	56	45
Total valuation and translation adjustments	135	94

A subscription warrant and Minority stockholders share	3	3
--	---	---

Total shareholders' equity	3	3
----------------------------	---	---

Total net assets	40,205	40,016
------------------	--------	--------

Total liabilities and net assets	48,213	49,569
----------------------------------	--------	--------

## Consolidated Statements of Income

	JPY million	
	1st Quarter	1st Quarter
	1 April - 30 June	1 April - 30 June
	2013	2014
Net sales	7,713	7,516
Cost of sales	4,913	5,157
Gross profit	2,801	2,359
Selling, general & administrative expenses	1,973	1,909
Operating income	828	450
Other income (expenses):		
Interest & dividend income	10	8
Interest expenses	(3)	(3)
Rent income	24	22
Rent expenses on real estates for investments	(14)	(8)
Foreign exchange gain (loss), net	75	74
Gain on sales of noncurrent assets	-	0
Compensation income	65	-
Subsidy income	-	755
Loss on disposal or sales of property, plant and equipment	(12)	(2)
Loss on valuation of golf club membership	-	-
Loss on reduction of noncurrent assets	-	(738)
Provision for environmental measures	(26)	-
Other, net	31	7
Other income (expenses), net	150	114
Income before income taxes	977	564
Income taxes:		
Current	204	93
Deferred	94	113
Total income taxes	298	206
Minority interests in income	0	0
Net income	679	358