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MARUWA CO., LTD.

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Consolidated financial results for the third quarter of Fiscal 2014

MARUWA CO., LTD. today announced its consolidated financial results for the third quarter of Fiscal 2014<1 April 2014 - 31 Dec 2014> as follows;

I. Summary of Consolidated Financial Results

(1) Summary of consolidated operating results

| | JPY million | | |
|----------------------------|------------------|------------------|----------|
| | 3rd Quarter | 3rd Quarter | Change % |
| | 1 April - 31 Dec | 1 April - 31 Dec | |
| | 2013 | 2014 | |
| Net sales | 24,157 | 24,227 | 0.3% |
| Operating income | 2,321 | 2,002 | -13.8% |
| Income before income taxes | 2,663 | 2,197 | -17.5% |
| Net income | 1,890 | 1,390 | -26.4% |
| Net income per share: | | JPY | |
| Basic | 153.23 | 112.57 | -26.5% |
| Diluted | 153.15 | 112.56 | -26.5% |

(2) Summary of consolidated financial condition

| | As of 31 March | As of 31 Dec | Change % |
|----------------------------|----------------|-----------------|----------|
| | 2014 | 2014 | |
| Total assets | 49,569 | 50,453 | 1.8% |
| Total net assets | 40,016 | 41,991 | 4.9% |
| Equity ratio | 80.7% | 83.2% | 2.5% |
| Total net assets per share | 3,239.88 | 3,399.84 | |

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 – 31 Mar 2015>

The forecast figures for business results and dividends announced in 30 Jly 2014 are changed on full year.

| | million JPY |
|----------------------|------------------|
| | Full year |
| Net sales | 32,000 |
| Operating income | 2,400 |
| Net income | 1,800 |
| Net income per share | 145.75 |

Review of Operations

1. Review of Operations

In this consolidated cumulative third 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, momentum of recovery and slow improvement of debt problem has become a weak standstill. 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 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 24,227 million yen (increase 0.3% year on year). Our operating income was 2,002 million yen (decrease 13.8% year on year). Ordinary profit was 2,494 million yen (decrease 6.9% year on year). Net income was 1,390 million yen (decrease 26.4% year on year).

2. Operating Results by Business Division

The Ceramic Components Division

The total sales for this business segment was 16,328 million yen (increase 2.9% 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.

About the profit side, we perform reviews of stock for the profitability improvement and the production facility with business withdrawal or a decrease in production of the communication terminal business in the main customer. Operating income was 2,748 million yen (decrease 7.1% year on year).

Lighting Equipment Division

The total sales for this business segment was 7,900 million yen (decrease 4.6% year on year).

We released new LED road lights and pushed forward active sales activities, but the high value-added illumination of YAMAGIWA decreased by having been behind the original order plan.

The profit, we push forward constitution reinforcement of YAMAGIWA and result comes out smoothly.

An operating loss was 72 million yen.

We will make efforts in the rebuilding of the sales strategy which kept the strength of development, release and the product of the new illumination apparatus using ceramic LED module and them which let a ceramic technology cultivated in our group fuse alive in future.

Review of Operations

Review of operating results by segment

| | JPY million | |
|----------------------------|---|---|
| | 3rd Quarter 1 April - 31 Dec 2013 | 3rd Quarter 1 April - 31 Dec 2014 |
| Ceramic Components: | | |
| Net sales | 15,873 | 16,328 |
| Operating income | 2,959 | 2,748 |
| Lighting Equipment: | | |
| Net sales | 8,284 | 7,900 |
| Operating income | 64 | (72) |
| Total: | | |
| Net sales | 24,157 | 24,227 |
| Operating income | 3,023 | 2,676 |
| Elimination: | | |
| Net sales | -- | -- |
| Operating income | (702) | (674) |
| Consolidated: | | |
| Net sales | 24,157 | 24,227 |
| Operating income | 2,321 | 2,002 |

3. Financial Condition

Total assets as of the end of this second quarter were 50,453 million yen, increase 1.8% from the end of last fiscal year. Total liabilities were 8,462 million yen, decrease 11.4% from the end of last fiscal year. Total net assets were 41,991 million yen, increase 4.9% from the end of last fiscal year.

The forecast figures for business results and dividends announced in 30 July 2014 are changed on full year.

Consolidated Balance Sheet

| | JPY million | |
|---|---------------|----------------|
| | 3rd Quarter | (Reference) |
| | As of 31 Dec | As of 31 March |
| | 2014 | 2014 |
| ASSETS | | |
| Current assets: | | |
| Cash & deposits | 13,561 | 13,362 |
| Trade notes and accounts receivable | 8,610 | 8,870 |
| Electronically recorded monetary claims-operating | 317 | 374 |
| Inventories: | 7,408 | 6,025 |
| Deferred tax assets | 385 | 439 |
| Other current assets | 783 | 727 |
| Allowance for doubtful accounts | (15) | (15) |
| Total current assets | <u>31,049</u> | <u>29,782</u> |
| Property, plant & equipment: | | |
| Land | 3,527 | 3,512 |
| Buildings & structures | 4,818 | 4,981 |
| Machinery & equipment | 6,198 | 6,169 |
| Other | 594 | 543 |
| Construction in progress | 1,195 | 1,539 |
| Total property, plant & equipment | <u>16,332</u> | <u>16,744</u> |
| Goodwill | 499 | 716 |
| Other | 449 | 410 |
| Total Intangible assets | <u>948</u> | <u>1,126</u> |
| Investment & other assets: | | |
| Total investments & other assets | <u>2,124</u> | <u>1,917</u> |
| Total assets | <u>50,453</u> | <u>49,569</u> |

LIABILITIES**Current liabilities:**

| | | |
|---|-------|-------|
| Trade notes & accounts payable | 3,333 | 3,639 |
| Current portion of long-term debt | 1,072 | 445 |
| Accrued income taxes | 124 | 896 |
| Accrued bonus | 265 | 436 |
| Accrued bonus to directors | 2 | 10 |
| Notes payable for property acquisitions | 309 | 453 |
| Other | 2,392 | 1,726 |
| Total current liabilities | 7,497 | 7,605 |

Long-term liabilities:

| | | |
|--------------------------------------|-----|-------|
| Long-term debt | 295 | 1,159 |
| Diferrred tax liabilities | 190 | 175 |
| Provision for environmental measures | 26 | 26 |
| Other | 454 | 589 |
| Total long-term liabilities | 965 | 1,948 |

| | | |
|-------------------|-------|-------|
| Total liabilities | 8,462 | 9,554 |
|-------------------|-------|-------|

NET ASSETS**Shareholders' equity:**

| | | |
|----------------------------|--------|--------|
| Common stock | 8,647 | 8,647 |
| Capital surplus | 11,947 | 11,947 |
| Retained earnings | 20,330 | 19,372 |
| Treasury stock, at cost | (47) | (47) |
| Total shareholders' equity | 40,877 | 39,919 |

Valuation and translation adjustments:

| | | |
|--|-------|----|
| Net unrealized gains(losses)on available-for-sale securities | 113 | 48 |
| Foreign currency translation adjustments | 998 | 46 |
| Total valuation and translation adjustments | 1,111 | 94 |

| | | |
|--|--------|--------|
| A subscription warrant and Minority stockholders share | 3 | 3 |
| Total shareholders' equity | 3 | 3 |
| Total net assets | 41,991 | 40,016 |
| Total liabilities and net assets | 50,453 | 49,569 |

Consolidated Statements of Income

| | JPY million | |
|--|------------------|------------------|
| | 3rd Quarter | 3rd Quarter |
| | 1 April - 31 Dec | 1 April - 31 Dec |
| | 2013 | 2014 |
| Net sales | 24,157 | 24,227 |
| Cost of sales | 15,997 | 16,527 |
| Gross profit | 8,160 | 7,700 |
| Selling, general & administrative expenses | 5,839 | 5,698 |
| Operating income | 2,321 | 2,002 |
| Interest & dividend income | 37 | 28 |
| Interest expenses | (6) | (10) |
| Rent income | 87 | 73 |
| Rent expenses on real estates for investments | (43) | (28) |
| Foreign exchange gain (loss), net | 258 | 402 |
| Gain on sales of noncurrent assets | 1 | 3 |
| Compensation income | 65 | - |
| Subsidy income | - | 755 |
| Non operating expenses | (19) | - |
| Loss on disposal or sales of property, plant and equipment | (51) | (15) |
| Loss on reduction of noncurrent assets | - | (738) |
| Provision for environmental measures | (26) | - |
| Loss on abandonment of inventories | - | (91) |
| Gain on redemption of securities | 7 | 21 |
| Impairment loss | (12) | (192) |
| Other, net | 44 | (13) |
| Other income (expenses), net | 342 | 195 |
| Income before income taxes | 2,663 | 2,197 |
| Income taxes: | | |
| Current | 840 | 765 |
| Deferred | (67) | 41 |
| Total income taxes | 773 | 806 |
| Minority interests in income | 0 | 0 |
| Net income | 1,890 | 1,390 |