

MARUWA CO., LTD.

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

Final Results for Fiscal Year 2013

MARUWA CO., LTD. has announced its consolidated business results for the full fiscal year ended 31th March, 2014 as follows;

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

*US dollar amounts are converted by USD1 = JPY99.99 for your convenience only

*Number of consolidated subsidiaries: 14 companies (Maruwa (Malaysia) Sdn. Bhd., MARUWA MELAKA SDN.BHD., MARUWA LIGHTINHGS SDN.BHD., Taiwan Maruwa Co., Ltd., MARUWA Electronics (Taiwan) Co., Ltd., Maruwa Europe Ltd., Maruwa America Corp., Maruwa Korea Co.,Ltd.

I. Summary of Consolidated Results**(1) Summary of consolidated statement of income**

	million JPY			thousand USD
	For year ended	For year ended	Change %	For year ended
	31th March	31th March		31th March
	2013	2014		2014
Net sales	24,399	33,475	37.2%	334,783
Operating income	2,287	3,350	46.5%	33,503
Income before income taxes	3,119	3,614	15.9%	36,143
Net income	2,040	2,586	26.8%	25,862
		JPY		USD
Net income per share (Basic)	165.76	209.60	26.4%	2.10
(Diluted)	165.70	209.50	--	--

*Average number of issued shares 12,308,175 **12,336,985****(2) Summary of consolidated financial condition**

	million JPY			thousand USD
	As of 31th March	As of 31th March	Change %	As of 31th March
	2013	2014		2014
Total Assets	45,610	49,569	8.7%	480,738
Total net assets	37,141	40,016	7.7%	400,190
Equity ratio	81.4%	80.7%	-0.7%	
		JPY		USD
Total net assets per share	3,014.90	3,239.88	7.5%	32.40
*Number of issued shares at the year end	12,308,327	12,350,117		

(3) Summary of consolidated statement of cash flows

	million JPY		USD thousand
	For year ended	For year ended	For year ended
	31th March	31th March	31th March
	2013	2014	2014
Net cash provided by operating activities	4,147	4,056	40,563
Net cash used in investing activities	(3,438)	(1,927)	(19,272)
Net cash used in financing activities	(947)	170	1,701
Cash and cash equivalents at end of term	10,010	12,507	125,082

II. Dividends

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

III. Outlook for FY 2014 ending 31th March 2015

	million JPY	
	Half year	Full year
Net sales	16,000	36,500
Operating income	1,680	4,300
Net income	1,100	2,700
Net income per share	89.07	218.62

*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 and Financial Condition

I. Operating Results

	million							
	JPY							
	FY2012				FY2013			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	5,310	5,393	5,146	8,551	7,713	7,633	8,811	9,318
Operating income	625	618	467	578	828	487	1,007	1,029
Net income	334	322	578	807	679	402	809	696

	million			
	JPY			
	Previous	Current		
	For year ended	For year ended		variance
31th March	31th March 2014			
2013	amount	%		
Net sales	24,399	33,475	9,076	37.2%
Operating income	2,287	3,350	1,063	46.5%
Net income	2,040	2,586	546	26.8%

(1) Review of Operations

In this fiscal year, the United States economy has gradually recovered due to a steady recovery of employment environment, a rising trend of share prices and an improvement of personal consumption. European financial market has also regained stability. Meanwhile, in Asian economy including China, its prospects have been uncertain by the slowdown in the growth rate and unstable political situation.

In the Japanese economy, signs of upturn from the long deflationary trend are gradually shown by economic and fiscal policy of ‘Abenomics’. However, the economic condition has still been uncertain because of a stagnation of personal consumption by the raising of the consumption tax.

Under the uncertain market condition, the MARUWA Group’s business results during this fiscal year has stayed firm especially in the field of ceramic products for power modules. In the lighting equipment field, YAMAGIWA Corporation (called as YAMAGIWA hereafter) contributed to the sales. In addition, MARUWA and YAMAGIWA have developed and released new products together with their both technologies.

As a result, our consolidated net sales were 33,475 million yen (this is up 37.2% compared to the same period last fiscal year). Our operating income was 3,350 million yen (this is up 46.4% compared to the same period last fiscal year). Ordinary profit was 3,645 million yen (this is up 16.2% compared to the same period last fiscal year). Net income was 2,586 million yen (this is up 26.7% compared to the same period last fiscal year).

(2) Operating Results by Business Division

million

JPY

	Current	
	For year ended 31th March 2013	For year ended 31th March 2014
Ceramic		
Components:		
Net sales	19,250	21,279
Operating income	2,963	3,939
Lighting Equipment:		
Net sales	5,150	12,196
Operating income	190	426
Total:		
Net sales	24,399	33,475
Operating income	3,153	4,365
Elimination:		
Net sales	--	--
Operating income	(866)	(1,015)
Consolidated:		
Net sales	24,399	33,475
Operating income	2,287	3,350

1. The Ceramic Components Division

The total sales for this business segment was 21,279 million yen (this is up 10.5% compared to the same period last fiscal year). Operating profit was 3,939 million yen (this is up 32.9% compared to the same period last fiscal year).

Energy saving market and environment-related products market are still brisk and the sales of ceramic products for HEV and LED remained strong. Moreover, general electronic parts for digital home appliances and products for semiconductor manufacturing equipment have generally recovered.

2. Lighting Equipment Division

The total sales for this business segment was 12,196 million yen (this is up 136.8% compared to the same period last fiscal year). Operating profit was 426 million yen (this is up 124.3% compared to the same period last fiscal year).

Reported sharply higher revenues because YAMAGIWA became a consolidated subsidiary in 2012. However, in profit, expenses contemporarily increased by rationalization of YAMAGIWA.

(3) Outlook for the next fiscal year

	million JPY		
	For year	For year	variance
	ended	ended	
	31th March	31th March	%
	2014	2015	
Net sales	33,475	36,500	9.0%
Operating income	3,350	4,300	28.4%
Net income	2,586	2,700	4.4%

Sales by segment	million JPY		
	For year	For year	variance
	ended	ended	
	31th March	31th March	%
	2014	2015	
Ceramic	21,279	23,200	9.0%
Components			
Lighting	12,196	13,300	9.1%
Equipment			
Total	33,475	36,500	9.0%

*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.

The outlook of the world economy is still uncertain because of economic slowdown of emerging markets including China and Ukraine crisis. It is anticipated that Japanese economy would still be under uncertain condition.

It is expected that an environment-related product market, which is identified as our growth strategy, would continue strong. Continuous expansion of LED lighting market and increasing demand in a luxury properties market, which is the most respective areas for YAMAGIWA, are also expected. We will continue to focus on development of new products and sales expansion by combining material and component technologies from MARUWA with brand power and solution providing from YAMAGIWA.

We forecast that consolidated net sales for the next fiscal year will be 36,500 million yen (up 9.0% compared to last fiscal year). In terms of operating income is expected to be 4,300 million yen (up 28.4% compared to last fiscal year), net income 2,700 million yen (up 4.4% compared to last fiscal year).

For capital investment, we will continue to invest energy saving, environmental-related, information, communication, medical and optical communication business to meet customers' needs. In addition, we have a plan to strengthen R&D with human resources and development of new value-added products.

MARUWA Group will strengthen the corporate structure and improve profitability, which will benefit all stakeholders, including shareholders.

(Cautionary statements about forecast)

The above forecasts are based on the present business environment and currently-available information, and including forward-looking statements involving risks and uncertainties. The reader is cautioned not to place reliance entirely on the above forecast for making investment decisions. Due to a number of factors, such as future economic situations and market environment changes, actual results may differ significantly from these estimates.

	million		million	
	JPY		JPY	
	As of 31th March 2013	As of 31th March 2014	Change Amount %	
Total assets	45,610	49,569	3,959	8.7%
Total liabilities	8,469	9,554	1,085	12.8%
Total net assets	37,141	40,016	2,874	7.7%
Equity ratio	81.4%	80.7%	-0.7%	

	million		million	
	JPY		JPY	
	For year ended 31th March 2013	For year ended 31th March 2014	Change Amount %	
Net cash provided by operating activities	4,147	4,056	-91	-2.2%
Net cash used in investing activities	(3,438)	(1,927)	1,512	43.9%
Net cash used in financing activities	(947)	170	1,117	118.0%
Cash and cash equivalents at end of year	10,010	12,507	2,497	24.9%

Net sales	24,399	33,475	9,076	37.2%
Capital expenditure	3,237	3,032	-205	-6.3%
Depreciation	1,958	2,308	350	17.9%

Total assets as of this fiscal year were 49,569 million yen, up 8.7% compared to the end of last fiscal year. The main factor is the increase of cash and deposit. Total liabilities were 9,554 million yen, up 12.8% compared to the end of last fiscal year. The main factor is the increase of notes payable and accounts amount payable. Total net assets were 40,016 million yen, up 7.7% compared to the end of last fiscal year. The main factor is the increase of earned surplus.

As a result, capital ratio of this fiscal year were 80.7%, down 0.7 compared to the end of last fiscal year.

Cash from operating activities was 4,056 million yen, down 91 million yen compared to the end of last fiscal year.

Cash for investing activities was 1,927 million yen, down 1,512 million yen compared to the end of last fiscal year. The main factor is the decrease of purchase of tangible and fixed assets.

Cash from financing activities was 170 million yen (947 million yen purchase last fiscal year). The main factor is the increase of proceeds from sales of treasury stock.

As a result, the total cash from operating activities and investing activities exceeded cash for investing activities. Cash and cash equivalents by the end of fiscal year was 12,507 million yen, up 2,497 million yen compared to the end of last fiscal year.

Trends of cash-flows indices

million

JPY

	For year ended 31th March 2012	For year ended 31th March 2013	For year ended 31th March 2014
Equity ratio	84.2%	81.4%	80.7%
Equity ratio at market value	110.8%	71.4%	100.2%
Interest-bearing debt to cash flows ratio (year)	0.1	0.2	0.4
Interest coverage ratio	1,141.9	925.1	368.7

Consolidated Balance Sheets

	million JPY	million JPY		thousand USD
	As of 31th March	As of 31th March	variance	As of 31th March
	2013	2014		2014
ASSETS				
Current assets:				
Cash & deposits	11,312	13,362	2,050	133,633
Trade notes and accounts receivable	8,560	8,870	310	88,709
Electronically recorded monetary claims-operating	32	374	342	0
Inventories	5,493	6,025	532	60,256
Deferred tax assets	260	439	179	4,390
Other current assets	620	727	107	7,271
Allowance for doubtful accounts	(23)	(15)	8	(150)
Total current assets	26,254	29,782	3,528	294,109
Property, plant & equipment:				
Land	3,625	3,512	(113)	35,124
Buildings & structures	4,039	4,981	942	49,815
Machinery & equipment	6,447	6,169	(278)	61,696
Other	622	543	(79)	5,431
Construction in progress	1,792	1,539	(253)	15,392
Total property, plant & equipment	16,525	16,744	219	167,458
Intangible assets:				
Goodwill	1,006	716		
Other	368	410		
Total Intangible assets	1,374	1,126		
Investments & other assets:				
Investment securities	243	264	21	2,640
Deferred tax assets	73	218	145	2,180
Property & equipment for investments	900	1,021	121	10,211
Other	282	434	152	4,340
Allowance for doubtful accounts	(41)	(20)	21	(200)
Total investments & other assets	1,457	1,917	460	19,171
Total noncurrent assets	19,356	19,788		
Total assets	45,610	49,569	3,959	480,738

LIABILITIES

Current liabilities:

Trade notes & accounts payable	3,086	3,639	553	36,394
Current portion of long-term debt	339	445	106	4,450
Accrued income taxes	607	896	289	8,961
Accrued bonus	391	436	45	4,360
Accrued bonus for directors	5	10	--	100
Notes payable for property acquisitions	315	453	138	4,530
Other current liabilities	1,718	1,727	9	17,272
Total current liabilities	6,461	7,606	1,145	76,067

Long-term liabilities:

Long-term debt	789	1,160	371	11,601
Deferred tax liabilities	104	175	71	1,750
Provision for retirement benefits	876	-	--	-
Provision for environmental measures	-	26	--	260
Other	239	587	348	5,871
Total long-term liabilities	2,008	1,948	(60)	19,482
Total liabilities	8,469	9,554	1,085	95,549

NET ASSETS

Shareholders' equity:

Common stock	8,647	8,647	--	86,479
Capital surplus	11,909	11,947	--	119,482
Retained earnings	17,181	19,372	2,191	193,739
Treasury stock, at cost	(134)	(47)	87	(470)
Total shareholders' equity	37,603	39,919	2,316	399,230

Valuation and translation adjustments:

Net unrealized gains (losses)	16	48	32	480
Foreign currency translation adjustment	(511)	46	557	460
Total valuation and translation adjustments	(495)	94	589	940

A subscription warrant and Minority stockholders share	33	2	-	20
Total shareholders' equity	33	2	(31)	20
Total net assets	37,141	40,016	2,874	400,190
Total liabilities & net assets	45,610	49,569	3,959	495,739

Consolidated Statements of Income

	million JPY	million JPY		thousand USD
	For year ended	For year ended	variance	For year ended
	31th March	31th March		31th March
	2013	2014		2014
Net sales	24,399	33,475	9,076	334,783
Cost of sales	17,418	22,492	5,074	224,942
Gross profit	6,981	10,983	4,002	109,841
Selling, general & administrative expenses	4,694	7,634	2,939	76,338
Operating income	2,287	3,350	1,063	33,503
Other income (expenses):				
Interest and dividend income	45	60	15	600
Interest expenses	(4)	(12)	(8)	(120)
Rent income	93	104	11	1,040
Rent expenses on real estates for investments	(53)	(56)	(3)	(560)
Environmental expenses	(23)	-	--	-
Settlement package	-	(19)		(190)
Foreign exchange gain (loss), net	703	166	(537)	1,660
Gain on sales of property, plant and equipment	1	2	1	20
Loss on disposal or sales of property, plant and equipment	(137)	(54)	83	(540)
Gain on sales or valuation of investment securities	18	7	(11)	70
Pension plan change benefit	128	-	--	-
Gain on reduction of noncurrent assets	207	-	--	-
Loss on reduction of noncurrent assets	(207)	-	--	-
Compensation income	-	65	--	650
Impairment loss	-	(12)	--	(120)
Provision for environmental measures	-	(26)	--	(260)
cancellation penalty	-	(12)	--	(120)
Other, net	61	51	(10)	510
Other income (expenses), net	832	264	(568)	2,640
Income before income taxes	3,119	3,614	495	36,143
Income tax expenses:				
Current	892	1,273	381	12,731
Deferred	187	(245)	(432)	(2,450)
Total income taxes	1,079	1,027	(51)	10,281
Net income	2,040	2,586	546	25,862

Consolidated Statement of Cash Flows

	million JPY	million JPY		thousand USD
	For year ended	For year ended	variance	For year ended
	31th March	31th March		31th March
	2013	2014		2014
Cash flows from operating activities:				
Income before income taxes	3,119	3,614	495	36,143
Adjustments for:				
Depreciation	1,958	2,308	350	23,082
Amortization of negative goodwill	73	290	0	2,900
Increase (decrease) in provision for retirement benefits	(181)	(877)	0	(8,771)
Decrease in allowance for doubtful accounts	2	(28)	(30)	(280)
Loss on disposal of property, plant & equipment	135	52	(83)	520
Interest & dividend income	(51)	(63)	(12)	(630)
Foreign exchange (gain) loss	(25)	(19)	6	(190)
Gain on sales of investment securities	3	-	--	
Loss on valuation of inventories	(18)	(7)	11	(70)
Decrease (increase) in trade notes & accounts receivable	(327)	(580)	(253)	(5,801)
Increase in inventories	873	(454)	(1,327)	(4,540)
Decrease in trade notes & accounts payable	101	519	418	5,191
Increase (decrease) in provision for environmental measures	-	26		260
Impairment loss	-	12		120
Other	(426)	135	561	1,350
Sub-total	5,236	4,928	(308)	49,284
Interest & dividend income received	53	64	11	640
Interest expenses paid	(5)	(11)	(6)	(110)
Income taxes paid	(1,137)	(925)	212	(9,251)
The amount of corporation tax return	-	-	-	0
Net cash provided by operating activities	4,147	4,056	(91)	40,563

Cash flows from investment activities:

Payments into time deposits	(610)	(118)	492	(1,180)
Proceeds from withdrawal of time deposits	30	627	--	6,271
Payments for purchase of	(3,721)	(2,555)	1,166	(25,553)
Proceeds from sales of	366	302	(64)	3,020
Payments for purchase of	(4)	(4)	0	(40)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	365	-		0
Proceeds from sales of	109	27	(82)	270
Purchase of intangible assets	(16)	(56)	(40)	(560)
Other	43	(150)	(193)	(1,500)
Net cash used in investing activities	<u>(3,438)</u>	<u>(1,927)</u>	1,511	<u>(19,272)</u>

Cash flows from financing activities:

Payments of long-term debt	(1,688)	(339)	1,349	(3,390)
Cash dividends paid	(369)	(394)	(25)	(3,940)
Proceeds from long-term loans payable	1,100	807	0	8,071
Payments for purchase of treasury stock	(1)	(1)	0	(10)
Proceeds from sales of treasury stock	11	97		970
Net cash used in financing activities	<u>(947)</u>	<u>170</u>	1,117	<u>1,701</u>
Effect of exchange rate changes on cash & cash equivalents	<u>174</u>	<u>198</u>	24	1,980
Net increase (decrease) in cash & cash equivalents	(64)	2,497	2,561	24,972
Cash and cash equivalents at beginning of year	10,074	10,010	(64)	100,110
Cash and cash equivalents at end of year	<u>10,010</u>	<u>12,507</u>	2,497	<u>125,082</u>

Consolidated Statements of Changes in Net Assets

	million JPY				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at 31th March 2013	8,647	11,909	17,181	(134)	37,603
Increase in legal capital					
Cash dividends			(394)		(394)
Net income			2,586		2,586
Change of scope of consolidation					0
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		37		89	126
Other changes					0
Total changes during the year	0	37	2,192	88	2,317
Balance at 31th March 2014	8,647	11,947	19,372	(47)	39,919

	million JPY				
	Valuation and translation adjustment				
	Net unrealized gains on available-for-sale securities	Foreign currency translation adjustment	Total valuation and translation adjustment	A subscription warrant and Minority stockholders share	Total net assets
Balance at 31th March 2013	16	(511)	(495)	33	37,141
Increase in legal capital					0
Cash dividends					(394)
Net income					2,586
Change of scope of consolidation					0
Purchase of treasury stock					(1)
Disposal of treasury stock					126
Other changes	32	556	588	(30)	558
Total changes during the year	32	556	588	(30)	2,875
Balance at 31th March 2014	48	46	94	2	40,015

thousand

USD

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at 31th March 2013	86,479	119,102	171,827	(1,340)	376,068
Increase in legal capital	0	0	0	0	0
Cash dividends	0	0	(3,940)	0	(3,940)
Net income	0	0	25,863	0	25,863
Change of scope of consolidation	0	0	0	0	0
Purchase of treasury stock	0	0	0	(10)	(10)
Disposal of treasury stock	0	370	0	890	1,260
Other changes	0	0	0	0	0
Total changes during the year	0	370	21,922	880	23,172
Balance at 31th March 2014	86,479	119,482	193,739	(470)	399,230

thousand

USD

	Valuation and translation adjustment			A subscription warrant and Minority stockholders share	Total net assets
	Net unrealized gains on available-for-sale securities	Foreign currency translation adjustment	Total valuation and translation adjustment		
Balance at 31th March 2013	160	(5,111)	(4,950)	330	371,447
Increase in legal capital	0	0	0	0	0
Cash dividends	0	0	0	0	(3,940)
Net income	0	0	0	0	25,863
Change of scope of consolidation	0	0	0	0	0
Purchase of treasury stock	0	0	0	0	(10)
Disposal of treasury stock	0	0	0	0	1,260
Other changes	320	5,561	5,881	(300)	5,581
Total changes during the year	320	5,561	5,881	(300)	28,753
Balance at 31th March 2014	480	460	940	20	400,190