

Translation

MARUBUN CORPORATION

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Preparation of supplementary material : Yes
 Holding of investor meeting : No

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**Summary of Consolidated Financial Results for the Three Months Ended June 30, 2016
 <under Japanese GAAP>**

1. Consolidated Financial Results for Fiscal Year Ended June 30, 2016 (April 1, 2015 - June 30, 2016)

(1) Consolidated Operating Results

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For the Three months ended								
June 30, 2016	56,755	(17.9)	(1,050)	-	(796)	-	(664)	-
June 30, 2015	69,169	27.4	501	207.6	452	54.4	74	(41.6)

	Earnings per Share -Basic-		Earnings Per Share -Diluted-	
	Yen		Yen	
For the Three months ended				
June 30, 2016	(25.42)		-	
June 30, 2015	2.86		-	

(2) Financial Position

	Total Assets	Total Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of June 30, 2016	106,927	44,167	36.1
As of March 31, 2016	106,513	46,338	37.9

2. Dividends

	Dividend Per Share				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2016	-	12.00	-	18.00	30.00
Year ended March 31, 2017					
Year ending March 31, 2017 (Forecast)		10.00	-	15.00	25.00

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2017

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Six months ending September 30, 2016	125,000	(15.4)	50	(96.5)	50	(96.7)	(150)	-
Year ending March 31, 2017	290,000	3.7	3,250	1.2	3,250	(2.2)	1,750	(3.3)

	Earnings per Share -Basic-	
	Yen	
Six months ending September 30, 2016	(5.74)	
Year ending March 31, 2017	66.96	

Note: These Financial Forecasts are based on management's assumptions and beliefs in light of the information currently available to it and therefore you should not place undue reliance on them. Marubun Corporation cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements.

1. Qualitative information relating to consolidated operating results

During the first quarter of the consolidated fiscal year under review (April 1, 2016-June 30, 2016), the Japanese economy saw stagnant growth in corporate earnings and the recovery of consumer spending, despite some improvement made in employment and capital expenditures. The risk of decline in the overseas economies and the issue of Brexit in the U.K. caused the yen to soar and stock prices to tumble, creating ongoing uncertainty about the future.

In the electronics industry, where the Marubun Group is positioned, sales of automobile and datacenter servers remained strong, and the smartphone market continued its recovery, thanks largely to Chinese-made products. Demand for digital cameras and PCs, however, continued to decline.

In this environment, net sales of the Group during the first quarter of the consolidated fiscal year under review fell 17.9% year on year, to 56,755 million yen. On the profit front, consolidated operating income posted a loss of 1,050 million yen (as opposed to operating income of 501 million yen in the same period of the previous year), consolidated ordinary income posted a loss of 796 million yen (as opposed to ordinary income of 452 million yen in the same period of the previous year), and consolidated profit attributable to owners of parent posted a loss of 664 million yen (as opposed to a profit of 74 million yen in the same period of the previous year). These results reflected reduced net sales, a valuation loss on inventory purchased in foreign currencies and to be sold in foreign currencies caused by the rapid appreciation of the yen, and an increase in retirement benefit expenses.

Operating results by business segment are as follows:

(Electronic Devices business)

In the Electronic Devices business, while sales of industrial equipment and semiconductors for automobiles increased as a result of the consolidation of KTL Corporation as a subsidiary, semiconductors for communication modules suffered a substantial setback due to the reactionary fall from growth in the same period of the previous year. Demand for LCD panels for TV sets also decreased. As a result, net sales in this segment fell 21.5% year on year, to 47,991 million yen. The segment posted a loss of 993 million yen (as opposed to a segment profit of 552 million yen in the same period of the previous fiscal year) due to the recognition of the valuation loss on inventory caused by the sharp rise of the yen in addition to the reduced net sales.

(Electronic Systems business)

In the Electronic Systems business, demand for measurement and inspection equipment and electronic component assembly and inspection equipment grew significantly, while that for medical equipment such as diagnostic imaging equipment declined. At the same time, the sales of space and defense electronics, such as flight simulators and power measuring instruments for power generation facilities, also increased. As a result, sales rose by 9.1% year on year, to 8,764 million yen, and the segment posted a loss of 54 million yen (compared to a segment loss of 48 million yen in the same period of the previous fiscal year).

2. Qualitative information relating to the consolidated financial position

(Assets)

Current assets at the end of the first quarter of the consolidated fiscal year under review stood at 95,941 million yen, a decrease of 269 million yen from the end of the previous consolidated fiscal year. This was mainly attributable to decreases in notes and accounts receivable-trade of 3,543 million yen and cash and deposits of 2,098 million yen, which were partially offset by an increase in merchandise and finished goods of 5,394 million yen. Non-current assets were 10,985 million yen, rising 683 million yen from the end of the previous fiscal year. This primarily reflected an increase in goodwill of 532 million yen.

As a result, total assets came to 106,927 million yen, an increase of 413 million yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the first quarter of the consolidated fiscal year under review were 51,347 million yen, rising 1,866 million yen from the end of the previous fiscal year. This figure chiefly reflected an increase in short-term loans payable of 12,000 million yen, partially offset by a decrease in notes and accounts payable-trade of 11,216 million yen. Non-current liabilities were 11,412 million yen, rising 718 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 573 million yen in long-term loans payable and an increase of 100 million yen in net defined benefit liability.

As a result, total liabilities stood at 62,760 million yen, an increase of 2,585 million yen from the end of the previous fiscal year.

(Net assets)

Total net assets at the end of the first quarter of the consolidated fiscal year under review were 44,167 million yen, a decline of 2,171 million yen from the end of the previous fiscal year. This was primarily attributable to decreases of 1,134 million yen in retained earnings, 536 million yen in foreign currency translation adjustment, and 367 million yen in non-controlling interest.

As a result, the equity ratio stood at 36.1% (compared to 37.9% at the end of the previous fiscal year).

3. Qualitative information relating to consolidated financial forecasts

Our full-year consolidated financial results forecast for the fiscal year ending March 2017 remain unchanged from the financial results forecast announced on May 9, 2016.

Consolidated Financial Statements
(1) Consolidated Balance Sheet

(Millions of Yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	14,096	11,998
Notes and accounts receivable - trade	53,539	49,995
Merchandise and finished goods	24,765	30,160
Work in process	150	192
Deferred tax assets	857	828
Other	2,819	2,858
Allowance for doubtful accounts	(17)	(92)
Total current assets	<u>96,211</u>	<u>95,941</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,558	3,619
Accumulated depreciation	(2,537)	(2,568)
Buildings and structures, net	<u>1,021</u>	<u>1,050</u>
Machinery, equipment and vehicles	21	21
Accumulated depreciation	(21)	(21)
Machinery, equipment and vehicles, net	<u>0</u>	<u>0</u>
Tools, furniture and fixtures	2,069	2,124
Accumulated depreciation	(1,710)	(1,734)
Tools, furniture and fixtures, net	<u>358</u>	<u>390</u>
Land	1,633	1,633
Leased assets	141	141
Accumulated depreciation	(75)	(82)
Leased assets, net	<u>65</u>	<u>58</u>
Construction in progress	0	6
Total property, plant and equipment	<u>3,079</u>	<u>3,139</u>
Intangible assets		
Goodwill	—	532
Other	342	398
Total intangible assets	<u>342</u>	<u>931</u>
Investments and other assets		
Investment securities	3,014	2,733
Deferred tax assets	644	1,031
Other	3,221	3,150
Total investments and other assets	<u>6,880</u>	<u>6,915</u>
Total non-current assets	<u>10,302</u>	<u>10,985</u>
Total assets	<u>106,513</u>	<u>106,927</u>

(Millions of Yen)

	As of March 31, 2016	As of June 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	35,921	24,704
Short-term loans payable	9,732	21,733
Current portion of long-term loans payable	2	114
Lease obligations	48	45
Income taxes payable	448	72
Provision for bonuses	860	662
Other	2,468	4,014
Total current liabilities	49,481	51,347
Non-current liabilities		
Long-term loans payable	8,500	9,073
Lease obligations	83	77
Net defined benefit liability	1,718	1,818
Provision for directors' retirement benefits	147	84
Asset retirement obligations	149	196
Other	94	161
Total non-current liabilities	10,693	11,412
Total liabilities	60,175	62,760
Net assets		
Shareholders' equity		
Capital stock	6,214	6,214
Capital surplus	6,353	6,353
Retained earnings	28,287	27,153
Treasury shares	(1,630)	(1,630)
Total shareholders' equity	39,225	38,090
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	465	261
Deferred gains or losses on hedges	(16)	(47)
Foreign currency translation adjustment	1,096	559
Remeasurements of defined benefit plans	(409)	(307)
Total accumulated other comprehensive income	1,135	466
Non-controlling interests	5,977	5,610
Total net assets	46,338	44,167
Total liabilities and net assets	106,513	106,927

(2) Consolidated Statements of Income

(Millions of Yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net sales	69,169	56,755
Cost of sales	64,880	53,366
Gross profit	4,288	3,389
Selling, general and administrative expenses	3,786	4,440
Operating income (loss)	501	(1,050)
Non-operating income		
Interest income	1	7
Dividend income	24	18
Foreign exchange gains	—	173
Share of profit of entities accounted for using equity method	80	120
Miscellaneous income	71	40
Total non-operating income	178	360
Non-operating expenses		
Interest expenses	48	55
Sales discounts	35	22
Foreign exchange losses	104	—
Miscellaneous loss	39	26
Total non-operating expenses	227	105
Ordinary income (loss)	452	(796)
Extraordinary income		
Gain on bargain purchase	27	—
Total extraordinary income	27	—
Extraordinary losses		
Loss on sales and retirement of non-current assets	1	1
Impairment loss	290	—
Loss on step acquisitions	10	—
Other	—	2
Total extraordinary losses	302	4
Profit (loss) before income taxes	176	(800)
Income taxes	56	(203)
Profit (loss)	120	(597)
Profit attributable to non-controlling interests	45	66
Profit (loss) attributable to owners of parent	74	(664)

Consolidated statements of comprehensive income

(Millions of Yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Profit (loss)	120	(597)
Other comprehensive income		
Valuation difference on available-for-sale securities	133	(203)
Deferred gains or losses on hedges	(106)	(31)
Foreign currency translation adjustment	(11)	(896)
Remeasurements of defined benefit plans, net of tax	(49)	102
Total other comprehensive income	(35)	(1,029)
Comprehensive income	84	(1,626)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	48	(1,333)
Comprehensive income attributable to non-controlling interests	36	(293)

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Cash flows from operating activities		
Profit (loss) before income taxes	176	(800)
Depreciation	85	93
Impairment loss	290	—
Amortization of goodwill	—	28
Increase (decrease) in allowance for doubtful accounts	(4)	67
Increase (decrease) in provision for bonuses	(209)	(322)
Increase (decrease) in provision for directors' retirement benefits	(123)	(63)
Increase (decrease) in net defined benefit liability	(91)	117
Increase (decrease) in net defined benefit asset	(6)	—
Interest and dividend income	(26)	(25)
Interest expenses	48	55
Foreign exchange losses (gains)	185	(596)
Share of (profit) loss of entities accounted for using equity method	(80)	(120)
Loss (gain) on sales and retirement of non-current assets	1	1
Gain on bargain purchase	(27)	—
Loss (gain) on step acquisitions	10	—
Decrease (increase) in notes and accounts receivable - trade	6,510	8,043
Decrease (increase) in inventories	(5,810)	(2,844)
Increase (decrease) in notes and accounts payable - trade	1,483	(11,449)
Other, net	470	1,639
Subtotal	2,884	(6,175)
Interest and dividend income received	25	175
Interest expenses paid	(48)	(58)
Income taxes paid	(245)	(437)
Income taxes refund	0	1
Net cash provided by (used in) operating activities	2,616	(6,494)
Cash flows from investing activities		
Payments into time deposits	(62)	(62)
Proceeds from withdrawal of time deposits	60	53
Purchase of securities	—	(219)
Purchase of property, plant and equipment	(63)	(48)
Purchase of intangible assets	(9)	(12)
Purchase of investment securities	(624)	(6)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(439)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	122	—
Other, net	58	0
Net cash provided by (used in) investing activities	(517)	(734)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,515)	6,276
Proceeds from long-term loans payable	30	—
Repayments of long-term loans payable	(35)	(28)
Cash dividends paid	(324)	(451)
Dividends paid to non-controlling interests	(115)	(73)
Other, net	(7)	(7)
Net cash provided by (used in) financing activities	(2,968)	5,714
Effect of exchange rate change on cash and cash equivalents	200	(580)
Net increase (decrease) in cash and cash equivalents	(668)	(2,094)
Cash and cash equivalents at beginning of period	21,512	13,702
Cash and cash equivalents at end of period	20,843	11,607

Consolidated Segment Information

Business Segments

Three Months Ended June 30, 2015

(Millions of Yen)

	Business segments reported			Adjustment	Consolidated Statements of Income
	Electronic Devices	Electronic Systems	Total		
Net Sales					
(1) Outside Customers	61,133	8,035	69,169	-	69,169
(2) Inter-segment	0	59	59	(59)	-
Total Sales	61,133	8,094	69,228	(59)	69,169
Segment Income(loss)	552	(48)	504	(2)	501

Three Months Ended June 30, 2016

(Millions of Yen)

	Business segments reported			Adjustment	Consolidated Statements of Income
	Electronic Devices	Electronic Systems	Total		
Net Sales					
(1) Outside Customers	47,991	8,764	56,755	-	56,755
(2) Inter-segment	0	97	98	(98)	-
Total Sales	47,992	8,861	56,854	(98)	56,755
Segment Income(loss)	(993)	(54)	(1,047)	(2)	(1,050)