

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 Nine Months Ended December 31, 2017
<under Japanese GAAP>

1. Consolidated Financial Results for the Nine Months Ended December 31, 2017 (April 1, 2017 - December 31, 2017)

(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 Nine months ended								
December 31, 2017	269,722	38.3	3,213	302.8	2,616	-	1,193	-
December 31, 2016	194,353	(11.3)	797	(63.2)	105	(95.4)	(214)	-

	Earnings per Share -Basic-	Earnings Per Share -Diluted-
	Yen	Yen
For the Nine months ended		
December 31, 2017	45.67	-
December 31, 2016	(8.22)	-

(2) Financial Position

	Total Assets	Total Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of December 31, 2017	135,426	48,311	31.2
As of March 31, 2017	125,984	47,550	33.1

2. Dividends

	Dividend Per Share				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	-	10.00	-	15.00	25.00
Year ending March 31, 2018		10.00			
Year ending March 31, 2018 (Forecast)				20.00	30.00

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2018

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Year ending March 31, 2018	326,000	20.4	4,500	56.1	4,000	50.9	2,050	24.2

	Earnings per Share -Basic-
	Yen
Year ending March 31, 2018	78.44

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

(1) Management discussion of operating results

During the first three quarters of the consolidated fiscal year under review (from April 1, 2017 to December 31, 2017), the Japanese economy saw capital expenditures increasing, corporate earnings and employment and income conditions continuing to improve, and consumer spending showing signs of recovery. Overseas, economies in the United States and China continued to expand, and stock markets also remained firm, particularly in the United States.

In the electronics industry, where the Marubun Group is positioned, sales remained strong for industrial equipment, automobiles and game consoles. Demand for DRAM and NAND flash memories embedded in data center servers and demand for semiconductor manufacturing equipment also remained solid.

In this environment, net sales of the Group during the first three quarters of the consolidated fiscal year under review rose 38.8% year on year, to 269,722 million yen. In addition to increased sales, because of the Group's efforts to reduce selling, general and administrative expenses, consolidated operating income increased 302.8% year on year, to 3,213 million yen, consolidated ordinary income jumped 2,381.0% year on year, to 2,616 million yen, and consolidated profit attributable to owners of parent amounted to 1,193 million yen (a consolidated loss attributable to owners of parent of 214 million yen in the same period of the previous year).

Operating results by business segment are as follows:

(Electronic Devices business)

In the Electronic Devices business, despite a decrease in sales due to the dissolution of an agency contract with NXP Semiconductors N.V., demand for semiconductors for communication equipment increased substantially and sales for industrial equipment, game consoles and automobiles rose. As a result, net sales for the segment increased 47.5% year on year, to 238,587 million yen, and segment income grew to 2,004 million yen (segment loss of 111 million yen in the same period of the previous year).

(Electronic Systems business)

In the Electronic Systems business, demand for semiconductor lasers and laser micro processing equipment for industrial equipment and computers embedded in industrial equipment was strong, but sales of electronic component assembly and inspection equipment, which were strong in the year-ago period, declined due to the backlash. As a result, net sales in this segment declined 4.5% year on year, to 31,135 million yen, but segment income increased 32.6%, to 1,216 million yen attributable to the improved gross profit margin.

(2) Management discussions of consolidated financial position

(Assets)

Current assets at the end of the first three quarters of consolidated fiscal year under review stood at 122,835 million yen, up 9,124 million yen from the end of the previous fiscal year. This result was mainly attributable to increases in notes and accounts receivable-trade of 8,056 million yen and merchandise and finished goods of 4,865 million yen. Non-current assets amounted to 12,590 million yen, increasing 317 million yen from the end of the previous fiscal year. This figure mainly reflected an increase in investment securities of 198 million yen. As a result, total assets increased 9,441 million yen from the end of the previous fiscal year, to 135,426 million yen.

(Liabilities)

Current liabilities at the end of the first three quarters of consolidated fiscal year under review were 76,109 million yen, rising 8,836 million yen from the end of the previous fiscal year. This figure chiefly reflected increases in short-term loans payable of 7,413 million yen and notes and accounts payable-trade of 2,511 million yen, which offset decreases in the provision for bonuses of 470 million yen and income taxes payable of 294 million yen. Non-current liabilities were 11,005 million yen, decreasing 156 million yen from the end of the previous fiscal year. This was mainly attributable to decreases of 109 million yen in net defined benefit liability and 84 million yen in long-term loans payable.

As a result, total liabilities stood at 87,114 million yen, an increase of 8,679 million yen from the end of the previous fiscal year.

(Net assets)

Net assets totaled 48,311 million yen at the end of the first three quarters of consolidated fiscal year under review, increasing 761 million yen from the end of the previous fiscal year. This result mainly reflected increases of 569 million yen in retained earnings and 252 million yen in valuation differences on available-for-sale securities, which offset a decrease of 173 million yen in foreign currency translation adjustment.

As a result, the equity ratio stood at 31.2% (compared to 33.1% at end of the previous fiscal year).

(3) Management discussion of consolidated financial forecasts and other forward-looking statements

Our full-year consolidated financial results forecasts for the fiscal year ending March 2018 remain unchanged from the financial results forecasts announced on October 31, 2017.

Consolidated Financial Statements
(1) Consolidated Balance Sheet

(Millions of Yen)

	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	12,584	11,813
Notes and accounts receivable - trade	59,635	67,691
Electronically recorded monetary claims - operating	5,807	4,950
Merchandise and finished goods	29,385	34,251
Work in process	291	286
Deferred tax assets	1,149	1,016
Other	4,947	2,838
Allowance for doubtful accounts	(90)	(12)
Total current assets	113,711	122,835
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,668	3,621
Accumulated depreciation	(2,301)	(2,271)
Buildings and structures, net	1,367	1,350
Machinery, equipment and vehicles	18	10
Accumulated depreciation	(17)	(10)
Machinery, equipment and vehicles, net	0	0
Tools, furniture and fixtures	2,100	2,079
Accumulated depreciation	(1,617)	(1,625)
Tools, furniture and fixtures, net	483	453
Land	1,633	1,618
Leased assets	163	161
Accumulated depreciation	(101)	(110)
Leased assets, net	62	50
Construction in progress	2	47
Total property, plant and equipment	3,549	3,521
Intangible assets		
Goodwill	448	364
Other	699	1,147
Total intangible assets	1,148	1,512
Investments and other assets		
Investment securities	3,627	3,825
Deferred tax assets	423	234
Other	3,524	3,952
Allowance for doubtful accounts	(0)	(456)
Total investments and other assets	7,575	7,557
Total non-current assets	12,273	12,590
Total assets	125,984	135,426

(Millions of Yen)

	As of March 31, 2017	As of December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	37,987	40,498
Short-term loans payable	25,077	32,491
Current portion of long-term loans payable	112	112
Lease obligations	38	34
Income taxes payable	434	139
Provision for bonuses	1,034	564
Asset retirement obligations	—	12
Other	2,588	2,255
Total current liabilities	67,272	76,109
Non-current liabilities		
Long-term loans payable	8,988	8,904
Lease obligations	73	58
Net defined benefit liability	1,586	1,477
Provision for directors' retirement benefits	96	104
Asset retirement obligations	198	182
Other	218	278
Total non-current liabilities	11,161	11,005
Total liabilities	78,434	87,114
Net assets		
Shareholders' equity		
Capital stock	6,214	6,214
Capital surplus	6,353	6,353
Retained earnings	29,206	29,775
Treasury shares	(1,630)	(1,630)
Total shareholders' equity	40,143	40,713
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	696	948
Deferred gains or losses on hedges	6	19
Foreign currency translation adjustment	792	618
Remeasurements of defined benefit plans	68	17
Total accumulated other comprehensive income	1,563	1,603
Non-controlling interests	5,843	5,995
Total net assets	47,550	48,311
Total liabilities and net assets	125,984	135,426

(2) Consolidated Statements of Income

(Millions of Yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net sales	194,353	269,722
Cost of sales	180,367	253,606
Gross profit	13,986	16,116
Selling, general and administrative expenses	13,188	12,902
Operating profit	797	3,213
Non-operating income		
Interest income	32	47
Dividend income	37	43
Share of profit of entities accounted for using equity method	331	296
Miscellaneous income	101	84
Total non-operating income	502	472
Non-operating expenses		
Interest expenses	211	472
Provision of allowance for doubtful accounts	—	365
Sales discounts	83	135
Foreign exchange losses	842	47
Miscellaneous loss	57	48
Total non-operating expenses	1,195	1,069
Ordinary profit	105	2,616
Extraordinary income		
Gain on sales of non-current assets	0	1
Gain on sales of investment securities	—	4
Gain on sales of real estate for investment	1	—
Other	1	—
Total extraordinary income	2	6
Extraordinary losses		
Loss on sales and retirement of non-current assets	41	44
Loss on valuation of investment securities	0	171
Other	4	9
Total extraordinary losses	46	225
Profit before income taxes	61	2,396
Income taxes	44	835
Profit	17	1,561
Profit attributable to non-controlling interests	231	367
Profit (loss) attributable to owners of parent	(214)	1,193

Consolidated statements of comprehensive income

(Millions of Yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Profit	17	1,561
Other comprehensive income		
Valuation difference on available-for-sale securities	299	252
Deferred gains or losses on hedges	116	13
Foreign currency translation adjustment	(2,217)	(213)
Remeasurements of defined benefit plans, net of tax	307	(51)
Share of other comprehensive income of entities accounted for using equity method	—	(12)
Total other comprehensive income	(1,494)	(12)
Comprehensive income	(1,477)	1,549
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(803)	1,264
Comprehensive income attributable to non-controlling	(673)	284

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Cash flows from operating activities		
Profit before income taxes	61	2,396
Depreciation	285	301
Amortization of goodwill	84	84
Increase (decrease) in allowance for doubtful accounts	46	12
Increase (decrease) in provision for bonuses	(441)	(468)
Increase (decrease) in provision for directors' retirement	(55)	8
Increase (decrease) in net defined benefit liability	345	(183)
Interest and dividend income	(69)	(91)
Interest expenses	211	472
Provision of allowance for doubtful accounts	—	365
Foreign exchange losses (gains)	1,680	425
Share of (profit) loss of entities accounted for using equity method	(331)	(296)
Loss (gain) on sales and retirement of non-current assets	41	42
Loss (gain) on sales of real estate investment	(1)	—
Loss (gain) on valuation of investment securities	0	171
Decrease (increase) in notes and accounts receivable - trade	(7,932)	(7,454)
Decrease (increase) in inventories	(464)	(5,008)
Increase (decrease) in notes and accounts payable - trade	(2,737)	2,652
Other, net	267	1,469
Subtotal	(9,008)	(5,100)
Interest and dividend income received	241	296
Interest expenses paid	(211)	(468)
Income taxes paid	(888)	(799)
Income taxes refund	4	11
Net cash provided by (used in) operating activities	(9,863)	(6,060)
Cash flows from investing activities		
Payments into time deposits	(256)	(275)
Proceeds from withdrawal of time deposits	284	377
Purchase of securities	(329)	(130)
Purchase of property, plant and equipment	(257)	(191)
Purchase of intangible assets	(128)	(580)
Purchase of investment securities	(229)	(17)
Proceeds from sales of investments in real estates	11	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(286)	—
Other, net	36	67
Net cash provided by (used in) investing activities	(1,155)	(749)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	10,889	7,088
Repayments of long-term loans payable	(87)	(84)
Cash dividends paid	(730)	(652)
Dividends paid to non-controlling interests	(297)	(132)
Other, net	(19)	(19)
Net cash provided by (used in) financing activities	9,754	6,199
Effect of exchange rate change on cash and cash equivalents	(210)	(20)
Net increase (decrease) in cash and cash equivalents	(1,475)	(631)
Cash and cash equivalents at beginning of period	13,702	12,216
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(43)
Cash and cash equivalents at end of period	12,226	11,541

Consolidated Segment Information

Business Segments

Nine Months Ended December 31, 2016

(Millions of Yen)

	Business segments reported			Adjustment	Consolidated Statements of Income
	Electronic Devices	Electronic Systems	Total		
Net Sales					
(1) Outside Customers	161,764	32,589	194,353	-	194,353
(2) Inter-segment	19	208	228	(228)	-
Total Sales	161,784	32,797	194,582	(228)	194,353
Segment Income(loss)	(111)	917	806	(8)	797

Nine Months Ended December 31, 2017

(Millions of Yen)

	Business segments reported			Adjustment	Consolidated Statements of Income
	Electronic Devices	Electronic Systems	Total		
Net Sales					
(1) Outside Customers	238,587	31,135	269,722	-	269,722
(2) Inter-segment	0	428	428	(428)	-
Total Sales	238,588	31,563	270,151	(428)	269,722
Segment Income(loss)	2,004	1,216	3,221	(8)	3,213