

# Financial Results for the 2<sup>nd</sup> Quarter of Fiscal Year Ending March 31, 2014



November 2013

**MARUBUN CORPORATION**

(Securities Code : 7537 / TSE1st Section)

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# 1H FY3/14

## Summary of Consolidated Financial Results

### Net sales increased by ¥16,335 million (+15.9% YoY)

- **Electronic Devices Business** Increased 17.8% as a result of robust sales of Special-Use ICs for communication modules and Memory ICs for PCs and computer peripherals
- **Electronic Systems Business** Increased 3.4% as a result of increase in semiconductor non-destructive testing equipment in Measurement & Inspection Equipment, and inclusion of an equity method affiliate as a consolidated subsidiary

### Operating income increased by ¥657 million (+126.7% YoY)

- **SG&A expenses** Decreased 2.8% as a result of personnel downsizing

### Ordinary income increased by ¥796 million (+210.9% YoY)

- Increase in equity in net income of affiliates
- Decrease in interest expenses

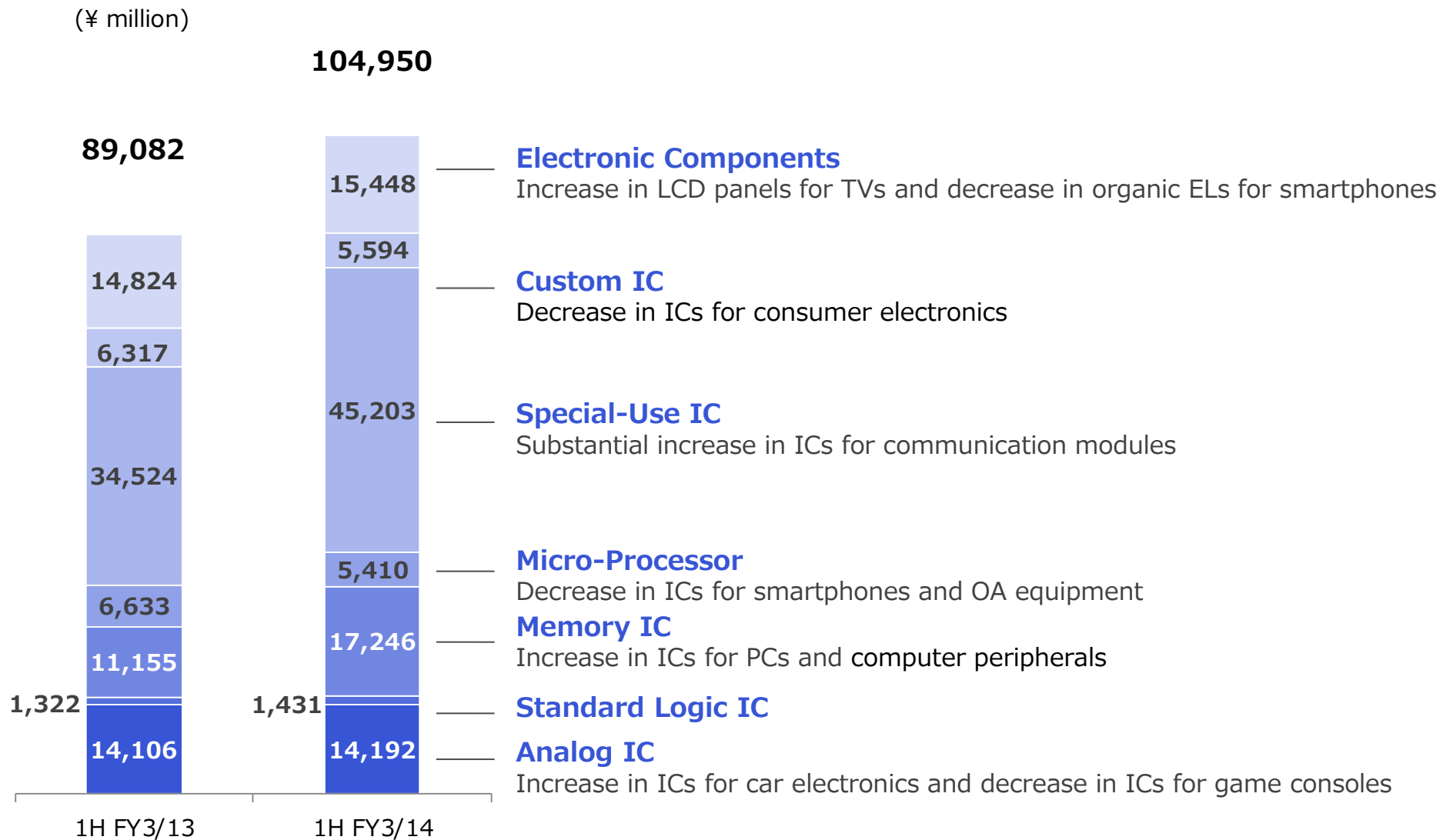
### Net income recorded a surplus with an increase of ¥691 million YoY

- Decrease in extraordinary loss posted during the previous term (¥349 million)






# 1H FY3/14 Summary of Financial Results

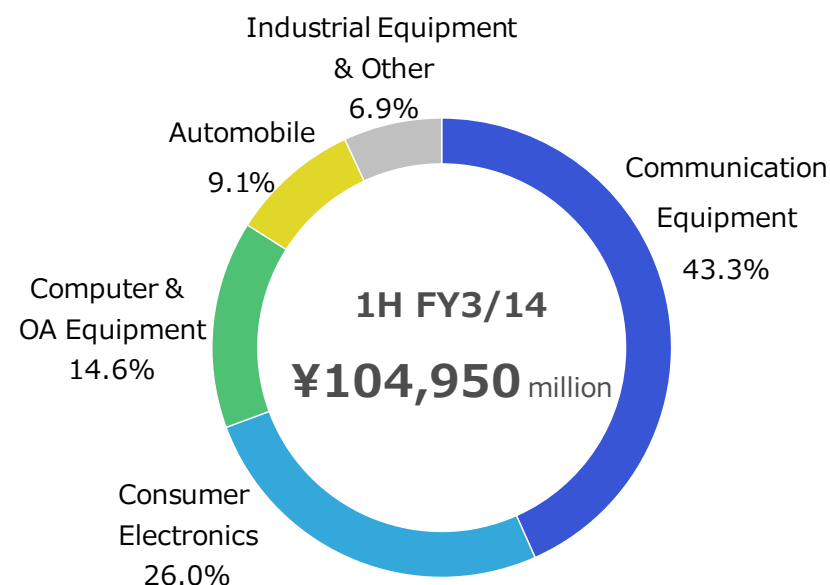
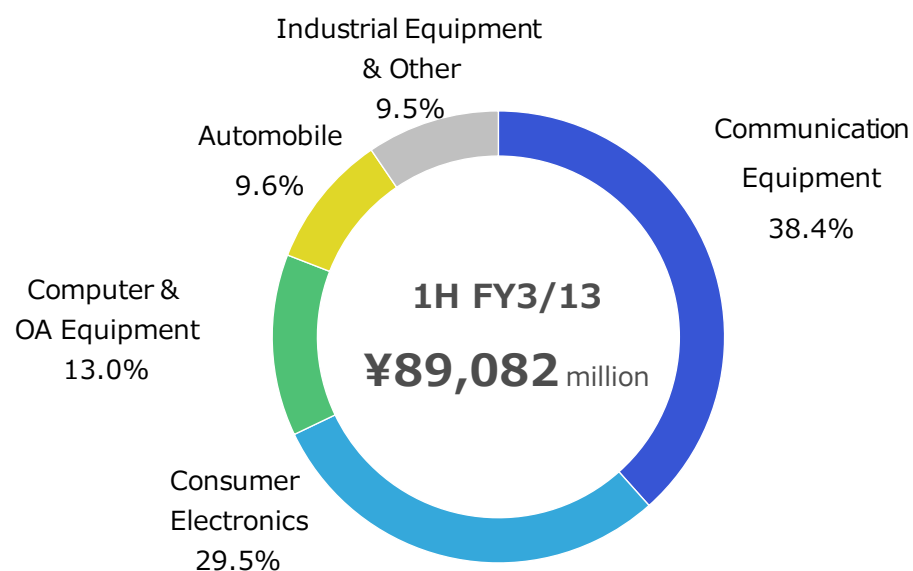
(¥ million)	1H FY3/13		1H FY3/14		YoY Changes		[Reference] FY/14 Initial Forecasts	
	Actual	Composition Ratio	Actual	Composition Ratio	Amount	%	1H	Composition Ratio
<b>Net sales</b>	<b>103,038</b>	<b>100.0%</b>	<b>119,373</b>	<b>100.0%</b>	<b>16,335</b>	<b>15.9%</b>	<b>99,000</b>	<b>100.0%</b>
Electronic Devices	89,082	86.5%	104,950	87.9%	15,868	17.8%	84,650	85.5%
Electronic Systems	13,955	13.5%	14,423	12.1%	468	3.4%	14,350	14.5%
<b>Gross profit</b>	<b>8,005</b>	<b>7.8%</b>	<b>8,448</b>	<b>7.1%</b>	<b>443</b>	<b>5.5%</b>	<b>7,700</b>	<b>7.8%</b>
SG&A expenses	7,487	7.3%	7,274	6.1%	(213)	-2.8%	7,200	7.3%
Personal expenses	4,754	4.6%	4,557	3.8%	(197)	-4.2%	-	-
Other	2,732	2.7%	2,717	2.3%	(15)	-0.6%	-	-
<b>Operating income</b>	<b>517</b>	<b>0.5%</b>	<b>1,174</b>	<b>1.0%</b>	<b>657</b>	<b>126.7%</b>	<b>500</b>	<b>0.5%</b>
Non-operating income	284	0.3%	359	0.3%	75	26.6%	-	-
Non-operating expenses	424	0.4%	360	0.3%	(64)	-15.1%	-	-
<b>Ordinary income</b>	<b>377</b>	<b>0.4%</b>	<b>1,173</b>	<b>1.0%</b>	<b>796</b>	<b>210.9%</b>	<b>500</b>	<b>0.5%</b>
Extraordinary income	2	0.0%	3	0.0%	1	18.2%	-	-
Extraordinary loss	386	0.4%	37	0.0%	(349)	-90.2%	-	-
<b>Net income</b>	<b>(106)</b>	<b>-0.1%</b>	<b>585</b>	<b>0.5%</b>	<b>691</b>	<b>surplus</b>	<b>250</b>	<b>0.3%</b>
No. of employees at term-end	1,348	—	1,271	—	—	—	—	—

# 1H FY3/14 Electronic Devices Business Net Sales Breakdown by Product

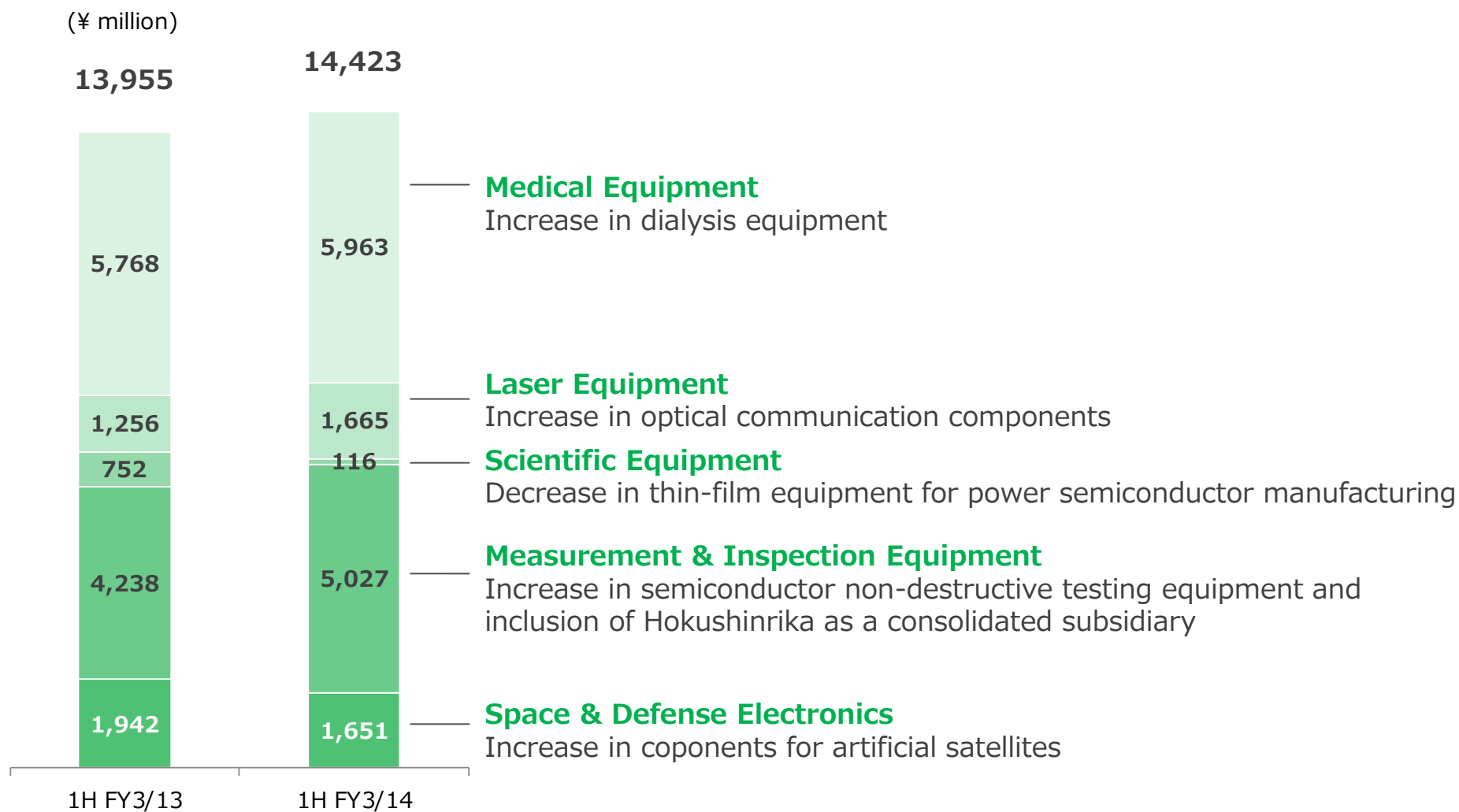


# 1H FY3/14 Electronic Devices Business Market Trend by Application

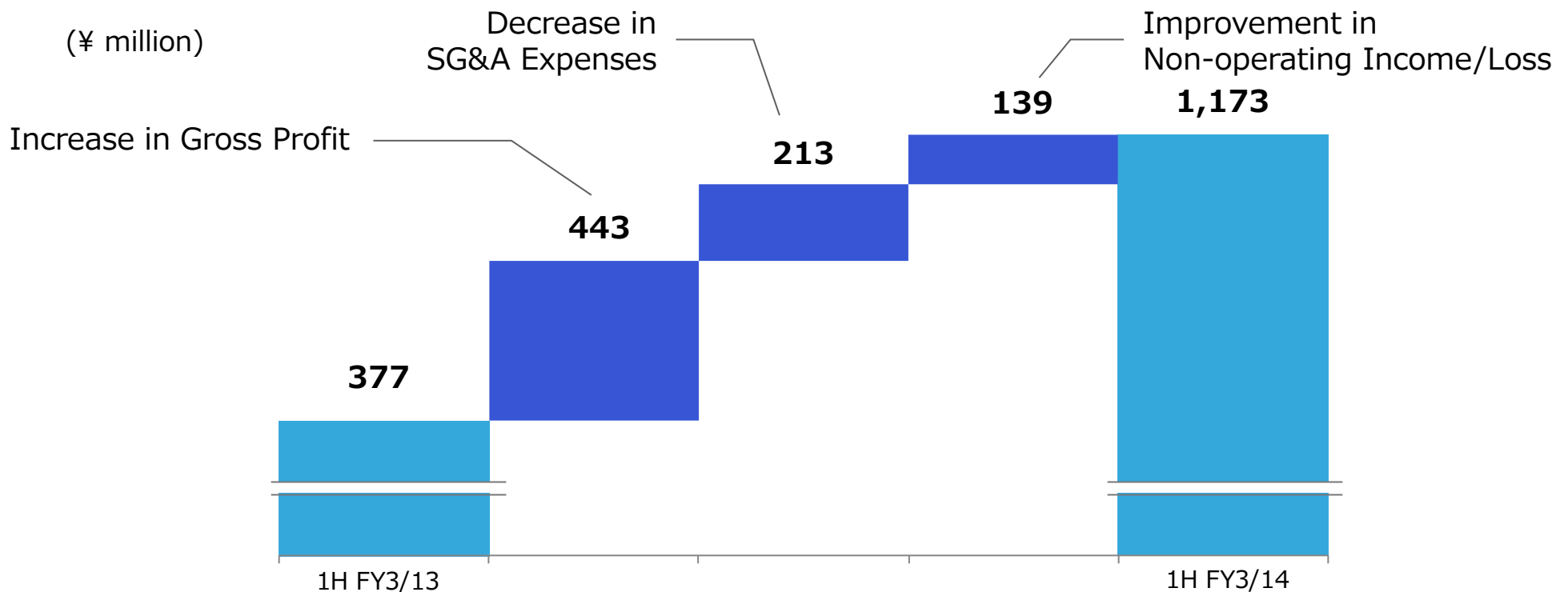
Application		Market Trend
Communication Equipment		Increase in ICs for communication modules and smartphones
Consumer Electronics		Increase in ICs for game consoles and increase in ICs for AVs
Computers & OA Equipment		Increase in ICs for PCs and computer peripherals
Automobile		Increase in ICs for car navigation systems and engine controls
Industrial Equipment & Other		Decrease in ICs for industrial monitors



# 1H FY3/14 Electronic Systems Business Net Sales Breakdown by Product



# 1H FY3/14 Factors Affecting Ordinary Income



Gross Profit

**Increase due to net sales increase**

1H FY3/13: ¥8 billion ⇒ 1H FY3/14: ¥8.4 billion

SG&A Expenses

**Decrease in personnel expenses as a result of personnel downsizing**

Personnel expenses -¥197 million; General expenses -¥15 million

Non-operating Income/Loss

**Increase in equity in net income of affiliates, and decrease in interest expenses**

Equity in net income of affiliates +¥63 million; Interest expenses -¥45 million



## 1H End FY3/14 Summary of Balance Sheets

(¥ million)	FY3/13 End Actual	1H FY3/14 End Actual	Changes in 6 m/s Amount
Current assets	93,799	101,968	8,169
Cash and deposits	17,440	19,942	2,502
Notes and accounts receivable-trade	48,299	53,046	4,747
Inventories	25,425	25,945	520
Other	2,633	3,033	400
Noncurrent assets	10,943	11,285	342
Property, plant and equipment	4,302	4,320	18
Intangible assets	406	414	8
Investments and other assets	6,234	6,550	316
<b>Total assets</b>	<b>104,743</b>	<b>113,254</b>	<b>8,511</b>
Current liabilities	49,042	55,562	6,520
Notes and accounts payable-trade	33,523	40,081	6,558
Short-term loans payable and other (*1)	11,743	12,023	280
Other	3,775	3,458	(317)
Noncurrent liabilities	18,153	18,249	96
Long-term loans payable and other (*2)	16,037	16,072	35
Other	2,115	2,177	62
<b>Total liabilities</b>	<b>67,195</b>	<b>73,812</b>	<b>6,617</b>
<b>Total net assets</b>	<b>37,547</b>	<b>39,441</b>	<b>1,894</b>
<b>Total liabilities and net assets</b>	<b>104,743</b>	<b>113,254</b>	<b>8,511</b>

Increase mainly due to sales increase in Electronic Devices Business

Increase mainly due to purchase increase in Electronic Devices Business

\*1 Short-term loans payable + Current portion of long-term loans payable + Current portion of bonds

\*2 Bonds + Long-term loans payable

## 1H FY3/14 Summary of Statements of Cash Flows

(¥ million)	1H FY13/3 Actual	1H FY3/14 Actual
Net cash provided by (used in) operating activities	8,378	2,114
Income before income taxes	(6)	1,139
Decrease (increase) in notes and accounts receivable-trade	13,898	(3,179)
Decrease (increase) in inventories	(1,387)	(146)
Increase (decrease) in notes and accounts payable-trade	(3,914)	5,219
Other	(211)	(918)
Net cash provided by (used in) investing activities	(92)	(94)
Free cash flow	8,286	2,020
Net cash provided by (used in) financing activities	(10,228)	(205)
Net increase (decrease) in cash and cash equivalents	(2,017)	2,364
Cash and cash equivalents at end of period	15,905	19,774

Increase in notes and accounts receivable-trade mainly in Electronic Devices Business

Increase in notes and accounts payable-trade mainly in Electronic Devices Business

# Progress of Business Strategies and Key Initiatives

# Strategies for Electronic Devices Business

## Expand the base business

- Introduce Key Performance Indicators (KPIs) representing the indices valued by suppliers
- Strengthen sales for car electronics and industrial equipment
- Enhance global services
- Accelerate efforts to acquire new commercial rights

## Enhance the Demand Creation (DC) function

- Separate account sales from DC functions
- Rearrange FAE (by application and technology)

## Promote development of new products

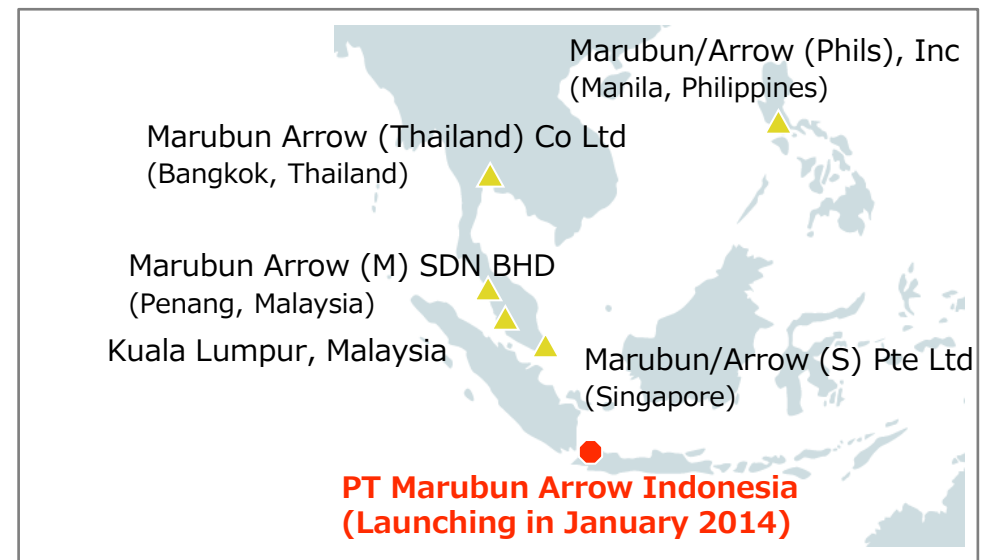
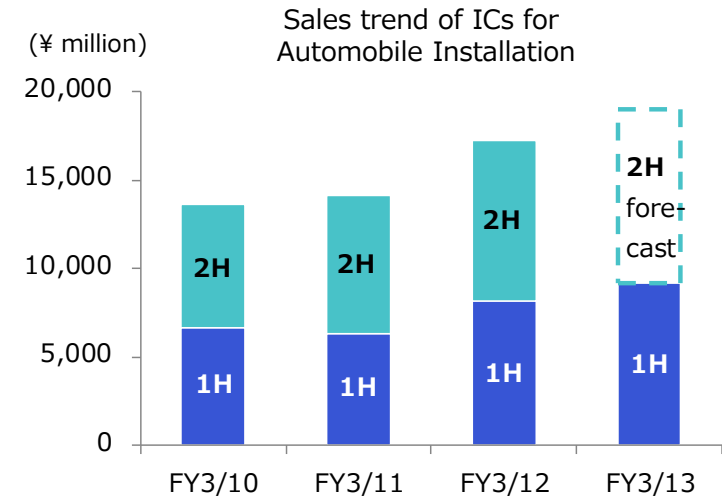
- Semiconductors: Custom ICs and ICs for networks
- Environment: Crystal-type solar panels, and batteries
- PCBs and electronic components: Single-layer and multilayer boards, and connectors

**Proposing  
product line-up and  
services which  
match market needs**

# Electronic Devices Business: Progress of Key Initiative ①

## Expand the base business

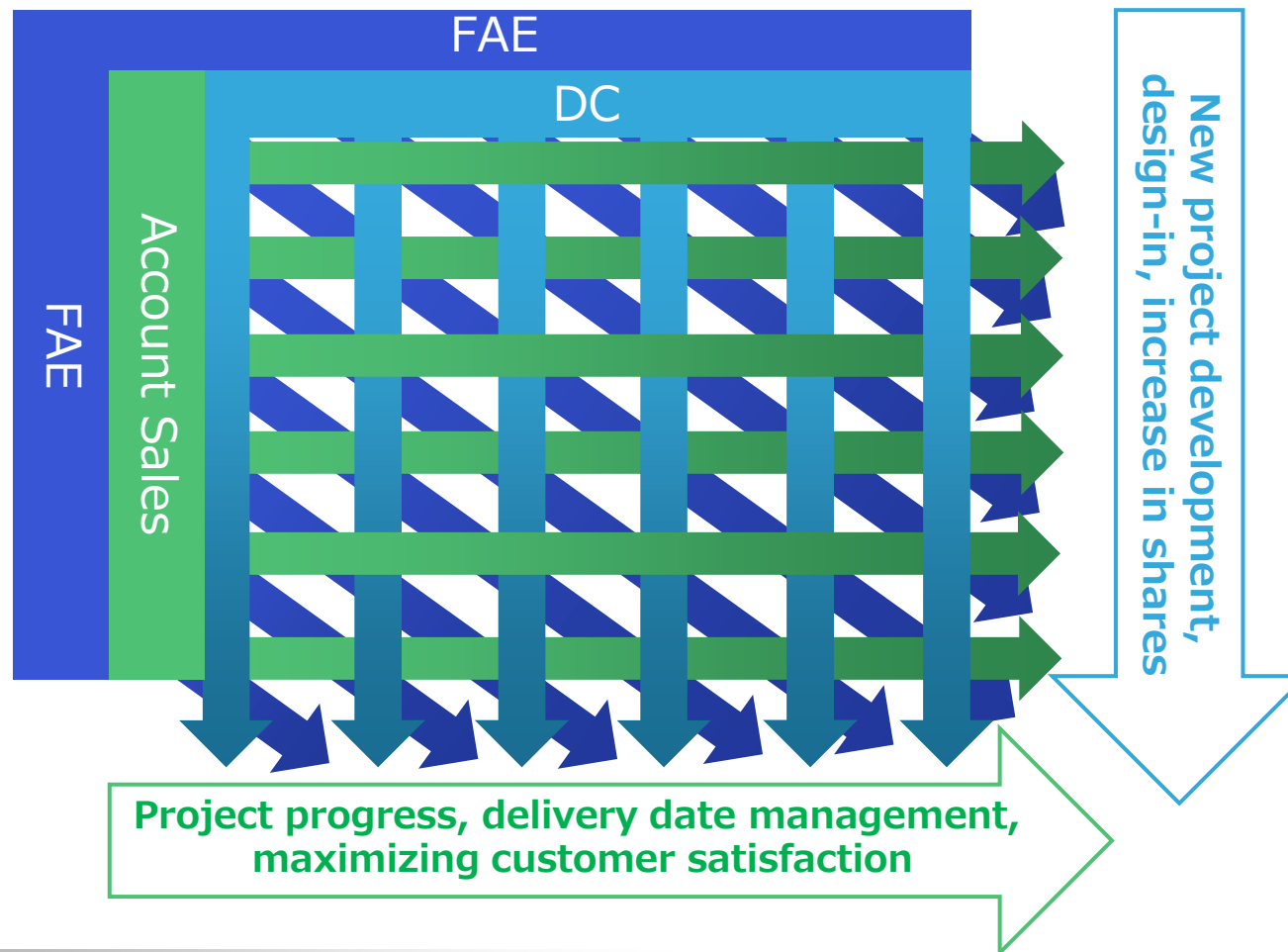
- Exploring clients' needs with a focus on Analog ICs, using our abundant products and competency in technical support
- Favorable expansion in car electronics business
  - Promoting solution proposals etc. which combine Analog ICs and Micro-Processor
- Launching PT Marubun Arrow Indonesia
  - Operations to be launched in January 2014
  - Planning to enhance support for automobile makers penetrating into the local market



## Electronic Devices Business: Progress of Key Initiative ②

### Enhance the Demand Creation (DC) Function

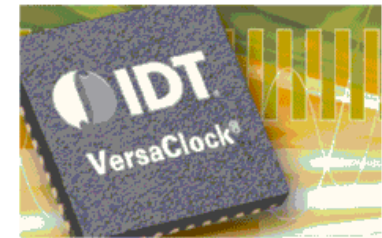
- Building a support system which links [ DC], [FAE] and [Account Sales]
- Promoting solution proposals covering all signal chain



## Electronic Devices Business: Progress of Key Initiative ③

### Promote development of new products

- Semiconductors
  - Custom ICs
    - Promoting orders received for ASICs of Open Silicon Inc.
    - Started handling custom products of Quick Logic corporation
  - ICs for networks
    - Started handling timing devices of IDT Inc.
- Environment
  - Packaging solar panels and peripheral systems
  - Expand market in solar sharing at agriculture
- PCBs and electronic components
  - Started handling connectors of Molex Inc. in Japan
  - Promoting design-in of PCBs of Unimicron Technology Corporation



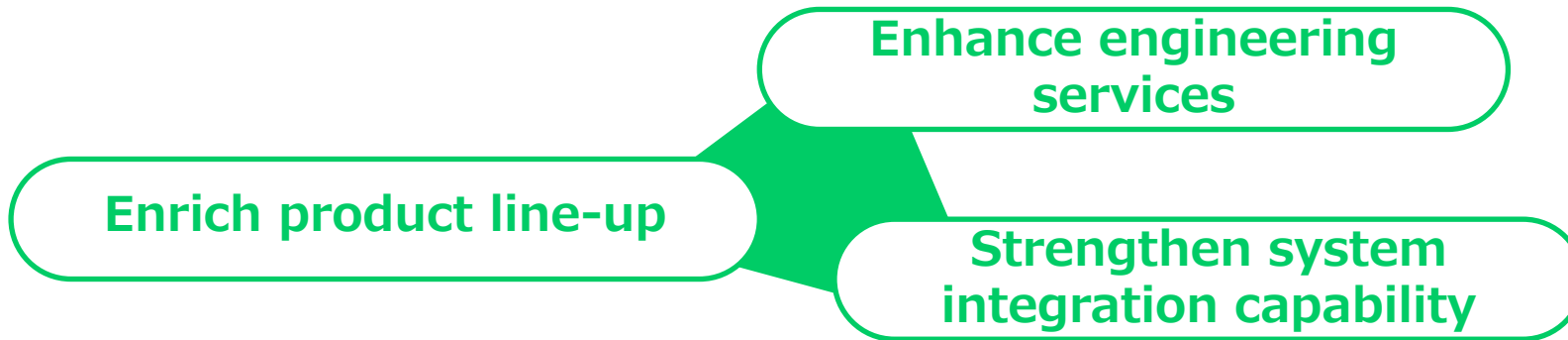
IDT Inc.  
Timing Device



Solar Cell Packages  
For Solar Power Sharing  
At agriculture

# Strategies for Electronic Systems Business

From Market-in to Customer-in



<b>Measurement &amp; Inspection and Scientific Equipment</b>	<ul style="list-style-type: none"> <li>• Secure adoptions of assembling and inspection equipment for hybrid and electric vehicles</li> <li>• Boost sales of semiconductor non-destructive testing systems</li> <li>• Include Horkushinrika as a consolidated subsidiary</li> <li>• Enhance overseas engineering support</li> </ul>
<b>Medical Equipment</b>	<ul style="list-style-type: none"> <li>• Promote local sales activities</li> <li>• Increase market shares through collaboration with companies in our capital participation portfolio</li> </ul>
<b>Laser and Telecommunication Equipment</b>	<ul style="list-style-type: none"> <li>• Cultivate the communication infrastructure, smart grids and financial markets with network equipment</li> <li>• Enhance sales of industrial OEM lasers</li> </ul>
<b>Space Defense Electronics</b>	<ul style="list-style-type: none"> <li>• Expand high-reliability space and defense devices</li> <li>• Boost sales of sensors and analyzers for satellites, aircrafts and automobiles</li> </ul>



### Acquired the ISO/IEC17025 certification for calibration services

Acquired "ISO/IEC17025" an international standard certification for calibration competence and quality, in calibration services for acceleration sensors

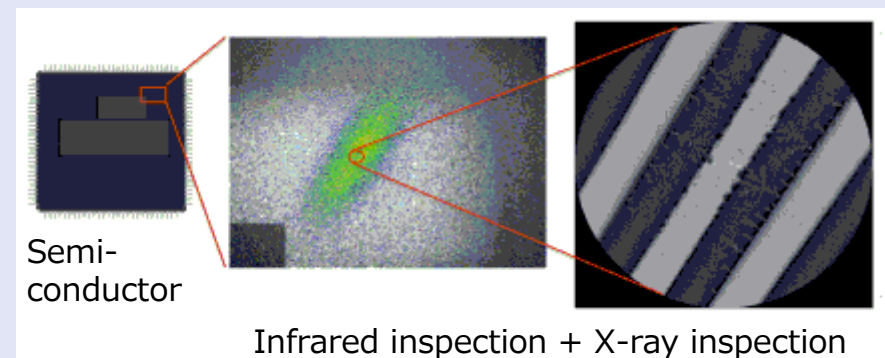
⇒ As a certified calibration institution, developed calibration certified issuing services in addition to the existing calibration service



### Boosted sales of semiconductor non-destructive testing systems

Proposed a system combining both infrared and X-ray inspection equipments for deficiency inspection purposes

⇒ Reduction of inspection time and improvement in degree of accuracy led to high evaluation with increase in orders



# FY3/14

## Summary of Consolidated Financial Forecasts

## FY3/14 Summary of Financial Forecasts (Based on Revised Forecasts)

**Net sales expected to increase ¥32,800 million (+14.9%) YoY, ¥27,500 million (+12.2%) vs. initial forecasts**

- **Electronic Devices Business** Expecting an increase in Special-Use ICs for communication modules and Memory ICs
- **Electronic Systems Business** Expecting a decrease in thin-film equipment for power semiconductor manufacturing in Scientific Equipment

**Operating income expected to increase ¥509 million (+17.0%) YoY, ¥150 million (+4.5%) vs. initial forecasts**

**Ordinary income expected to increase ¥850 million (+34.0%) YoY, ¥150 million (+4.7%) vs. initial forecasts**

**Net income expected to increase ¥818 million (+95.3%) YoY and ¥125 million (+8.1%) vs. initial forecasts**

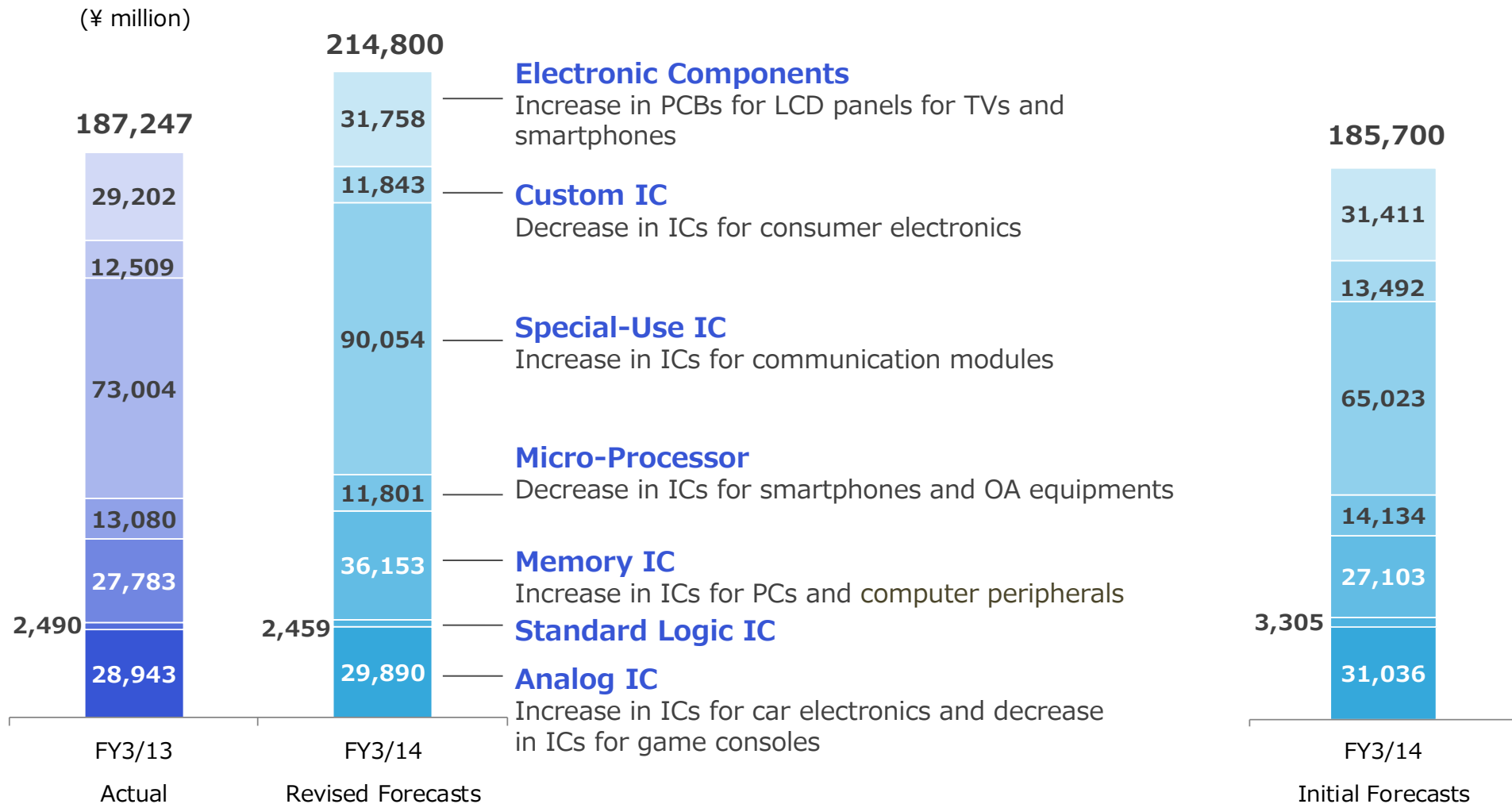
- Expecting a decrease in extraordinary loss posted during the previous term

## FY3/14 Revised Financial Forecasts

(¥ million)	FY3/13		FY3/14		YoY Changes		Changes vs. Initial Forecasts	
	Actual	Composition Ratio	Initial Forecasts (As of May 8, 2013)	Revised Forecasts (As of Oct xx, 2013)	Amount	%	Amount	%
<b>Net sales</b>	<b>220,200</b>	<b>100.0%</b>	<b>225,500</b>	<b>253,000</b>	<b>32,800</b>	<b>14.9%</b>	<b>27,500</b>	<b>12.2%</b>
Electronic Devices	187,247	85.0%	185,700	214,800	27,553	14.7%	29,100	15.7%
Electronic Systems	32,953	15.0%	39,800	38,200	5,247	15.9%	(1,600)	-4.0%
<b>Gross profit</b>	<b>17,763</b>	<b>8.1%</b>	<b>18,100</b>	<b>18,250</b>	<b>487</b>	<b>2.7%</b>	<b>150</b>	<b>0.8%</b>
SG&A expenses	14,771	6.7%	14,750	14,750	(21)	-0.1%	0	0.0%
<b>Operating income</b>	<b>2,991</b>	<b>1.4%</b>	<b>3,350</b>	<b>3,500</b>	<b>509</b>	<b>17.0%</b>	<b>150</b>	<b>4.5%</b>
Non-operating income	640	0.3%	-	-	-	-	-	-
Non-operating expenses	1,132	0.5%	-	-	-	-	-	-
<b>Ordinary income</b>	<b>2,500</b>	<b>1.1%</b>	<b>3,200</b>	<b>3,350</b>	<b>850</b>	<b>34.0%</b>	<b>150</b>	<b>4.7%</b>
Extraordinary income	124	0.1%	-	-	-	-	-	-
Extraordinary loss	731	0.3%	-	-	-	-	-	-
<b>Net income</b>	<b>857</b>	<b>0.4%</b>	<b>1,550</b>	<b>1,675</b>	<b>818</b>	<b>80.9%</b>	<b>125</b>	<b>8.1%</b>

# FY3/14 Electronic Devices Business Net Sales Forecasts by Product

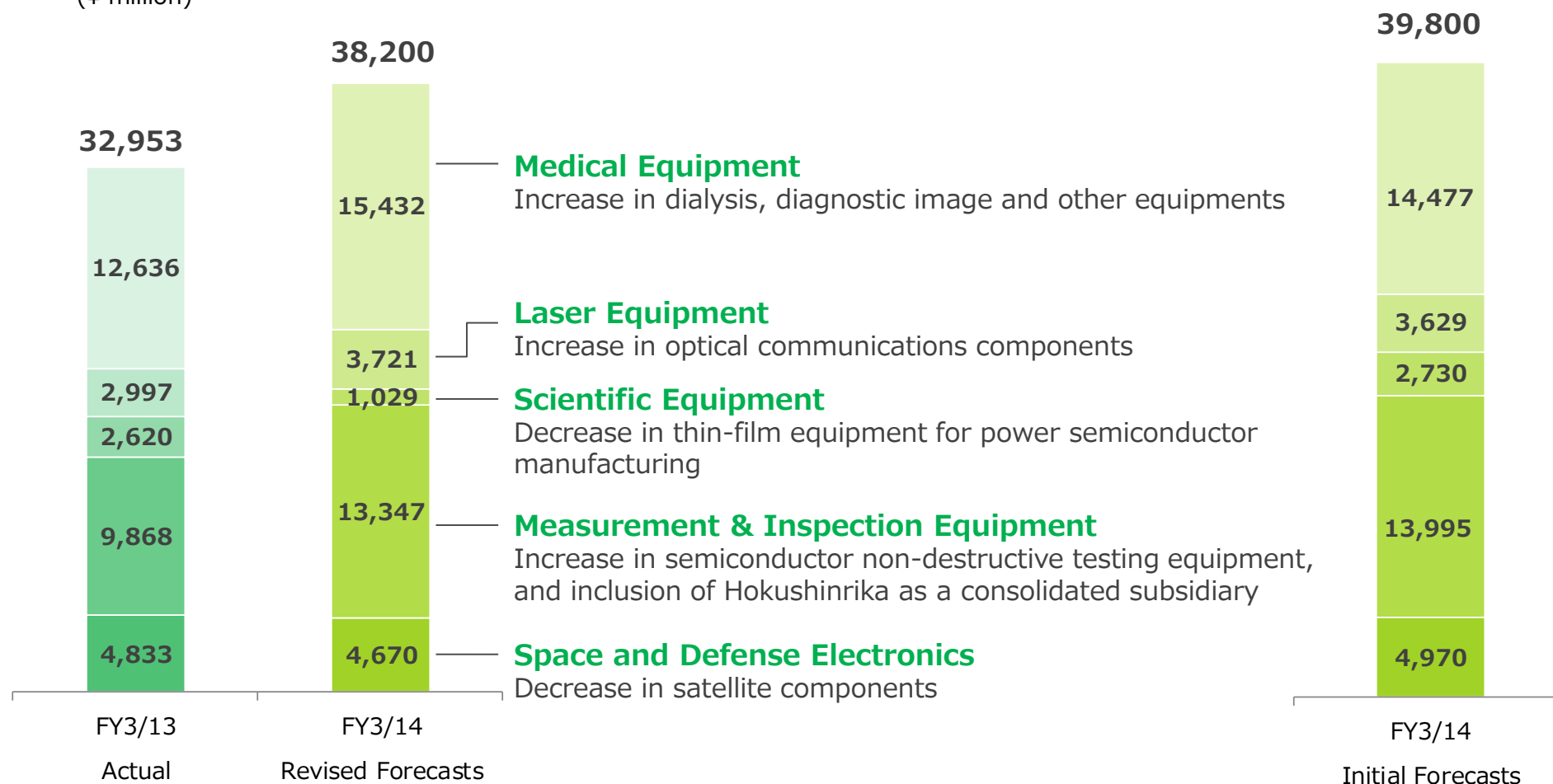
[Reference]



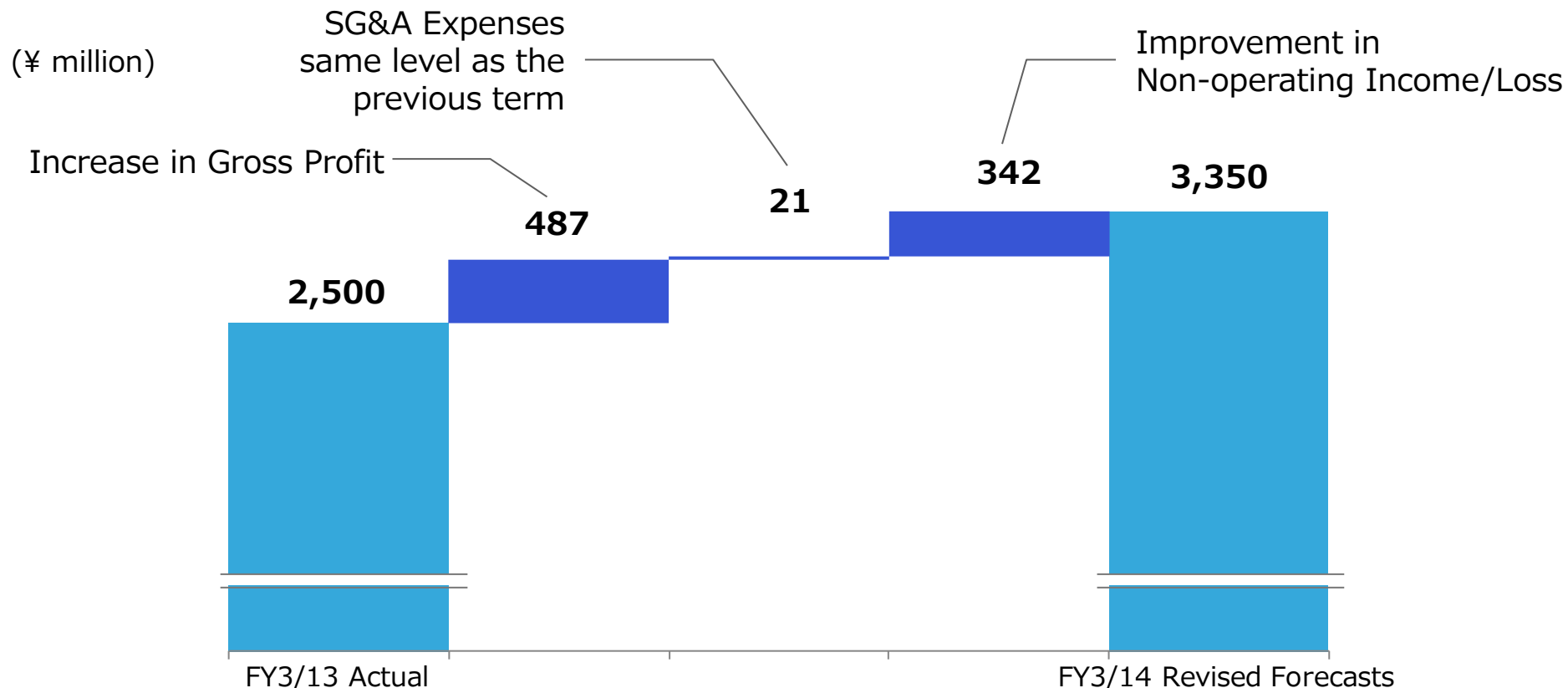
# FY3/14 Electronic Devices Business Net Sales Forecasts by Product

[Reference]

(¥ million)



## Factors Affecting Ordinary Income (1H vs. Revised Forecasts)



Gross Profit

**Increase generated by net sales increase**

FY3/13: ¥17.7 billion ⇒ FY3/14 Forecasts: ¥18.2 billion

SG&A  
Expenses

**Same level as the previous term**

FY3/13: ¥14.7 billion ⇒ FY3/14 Forecasts: ¥14.7 billion

Non-operating  
Income/Loss

**Decrease in interest expenses**

Non-operating income +¥60 million; Non-operating expense -¥282 million

## Return to Shareholders

- Dividends Forecast

(¥)	FY3/13 Actual	FY3/14 Forecasts
Annual Dividend per Share	<b>15.00</b>	<b>16.00</b>
Interim Dividend	6.00	6.00
Year-End Dividend	9.00	10.00



# Realizing sustainable growth and transforming into a robust company

## Achieve differentiation unique to Marubun Group

### Expand the base business

Enhance the DC Function  
Expand business areas

### Enhance efforts in growing markets

telecommunication, car electronics, industrial equipment, environment and medical  
Accelerate development and launch of new products

### Strengthen global operations

Collaborate with Marubun/Arrow  
Strengthen support in overseas engineering

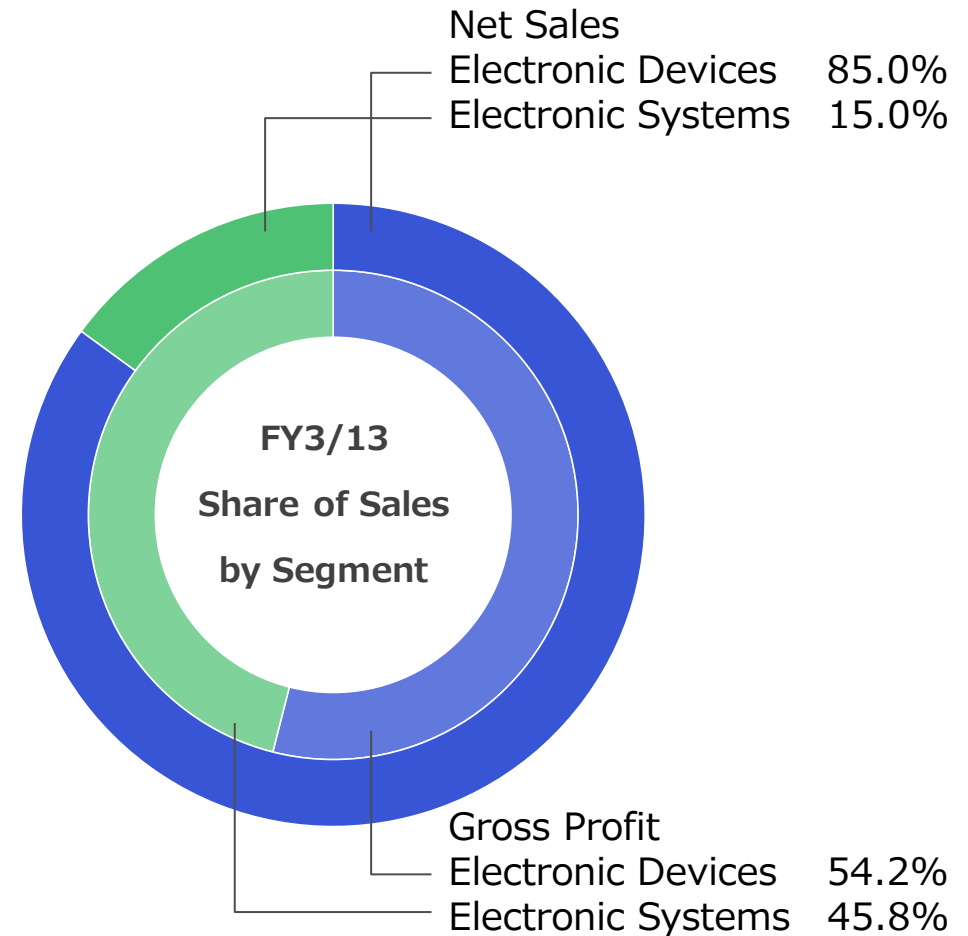
## Strengthen the Group's capability

Unify the Group; share human resources, information and know-how; create synergy effect through evolving business framework from Point-to-Plane

# Appendix

# Corporate Outline

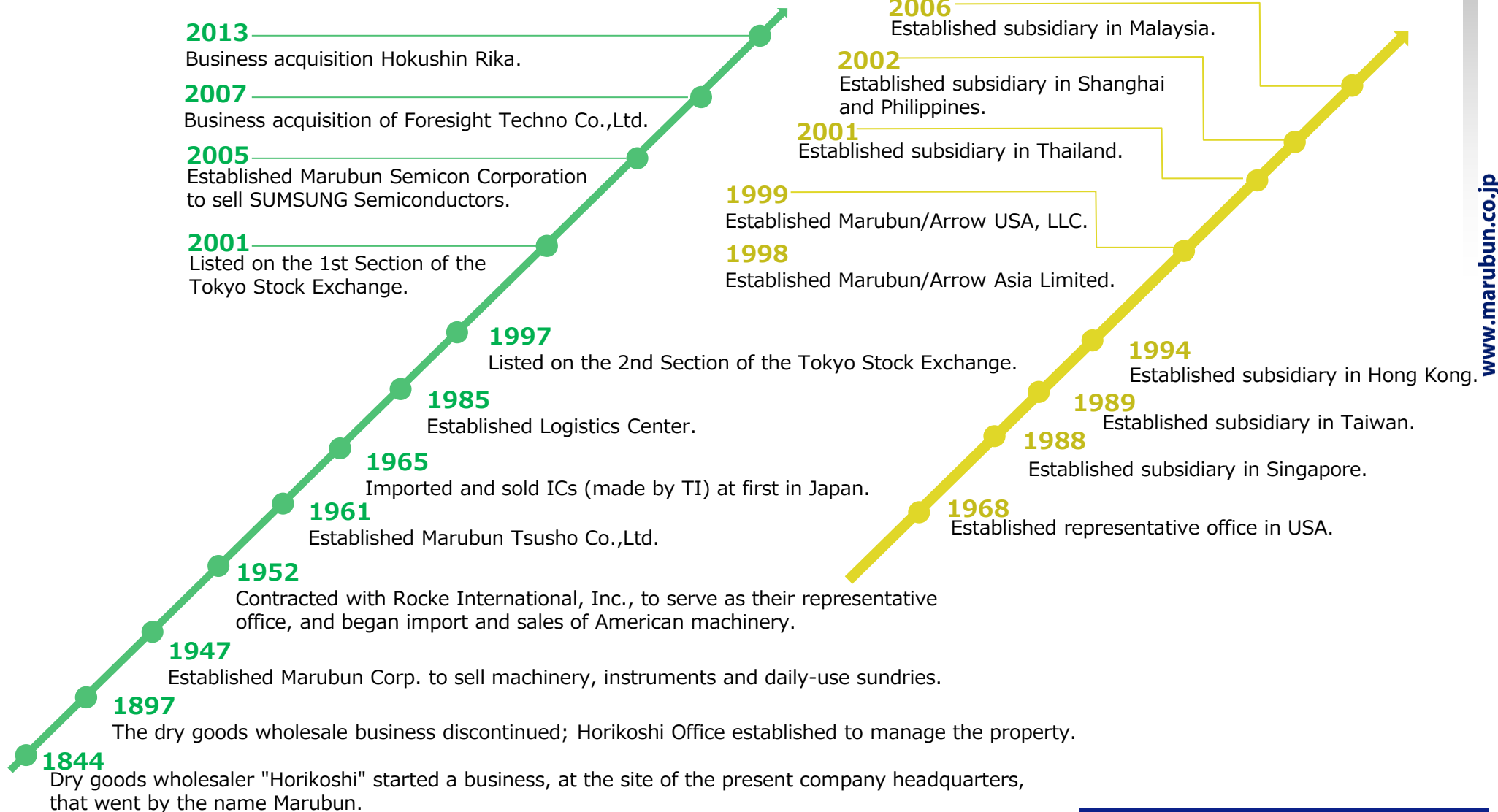
- Establishment July 1947
- Capital ¥6,214 million
- Activities Distribution of Cutting-edge Electronics Products
- Headquarters Chuo-ku, Tokyo
- Consolidated Net Sales 220,200 million yen(FY2012)
- Numbers of Employees 1,271(As of September,30 2013)



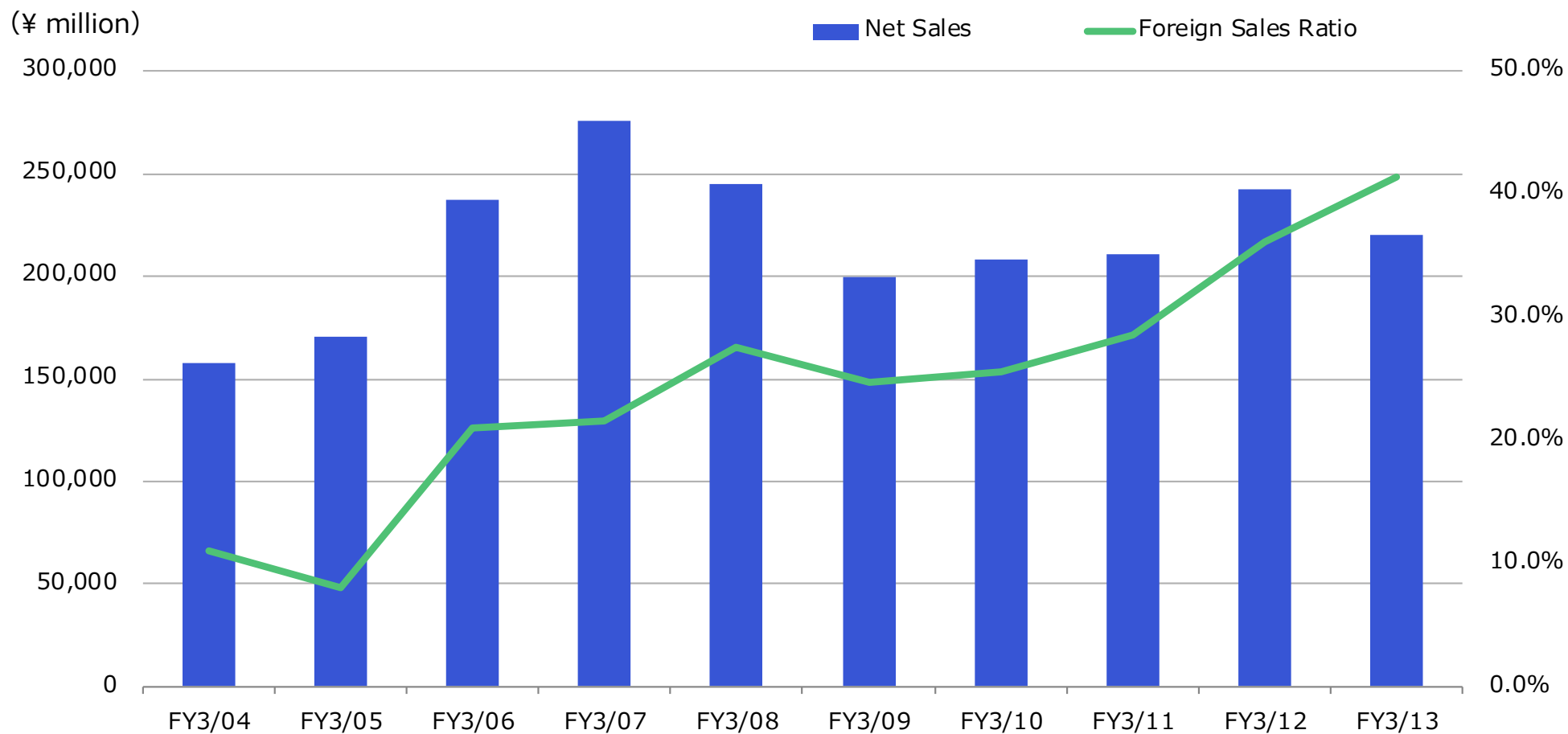
# History of Company Operations

## Japan

## Over Seas



# Trend of 10 years



# Domestic Offices

- Operations
- Branch
- Sales Office
- △ Logistics Center
- ◎ Affiliated Company

**MARUBUN TSUSHO CO., LTD.** (Head Office: Kanazawa)

Kanazawa	Nanao
Toyama	Tama
Fukui	Hakusan Center
Matsumoto	Tokyo
Nagano	Kofu

**IKEDA IRYOUDENNKI CO., LTD**  
(Head Office: Niigata)

**HOKUSHIN RIKA**  
(Head Office: Nagano)  
Matsumoto  
Kofu

Himeji Carelectronics Office

Kyushu Satellite Office (Fukuoka)

Hiroshima Satellite Office

West Japan Operations  
(Osaka)

Central Japan Operations  
(Nagoya)

**MARUBUN WEST CORPORATION**  
(Head Office: Kobe)  
Himeji

Hokuriku

Hamamatsu Satellite Office

Matsumoto Satellite Office

Mishima Satellite Office

Tachikawa

Omiya

**MARUBUN SEMICON CORPORATION**  
(Head Office: Minato-ku, Tokyo)  
Osaka  
Nagoya

**FORESIGHT TECHNO CO., LTD**  
(Head Office: Koto-ku, Tokyo)

**Tokyo Head Office**

Utsunomiya Carelectronics Office

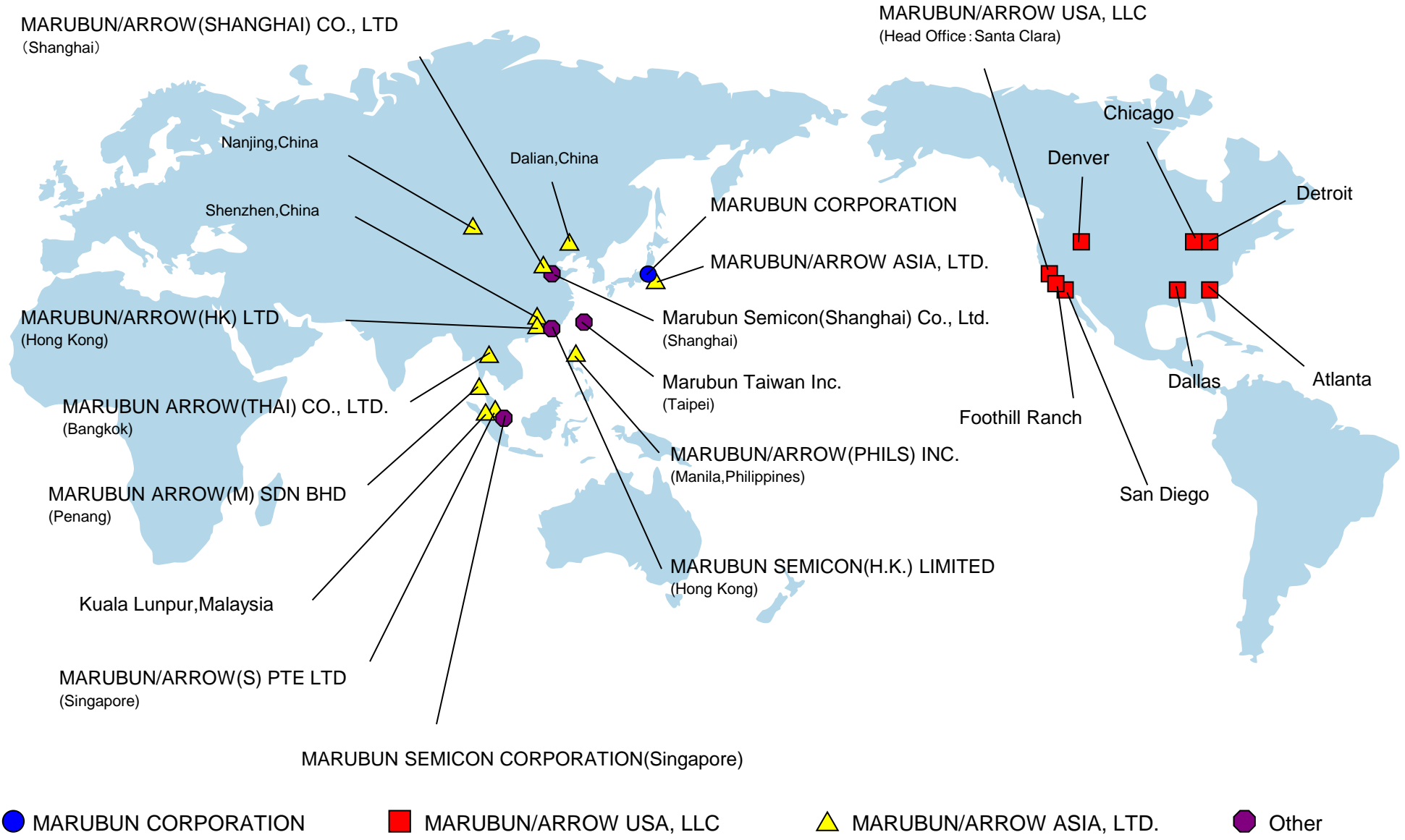
Minamisuna Technical Center

Minamisuna Logistics Center

East Japan Logistics Center

(As Of October 31, 2013)

# World-wide Sales Network



www.marubun.co.jp

(As Of September 30, 2013)

## Characteristic and Strength -Electronic Devices-



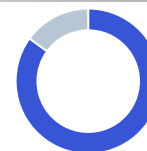
Electronic Devices

- Wide Range of Products made by Leading Semiconductor Manufacturers
- Global Sales Network in alliance with Arrow Electronics, Inc.
- Broad Customer base.





## Affiliations -Electronic Devices-



Electronic Devices

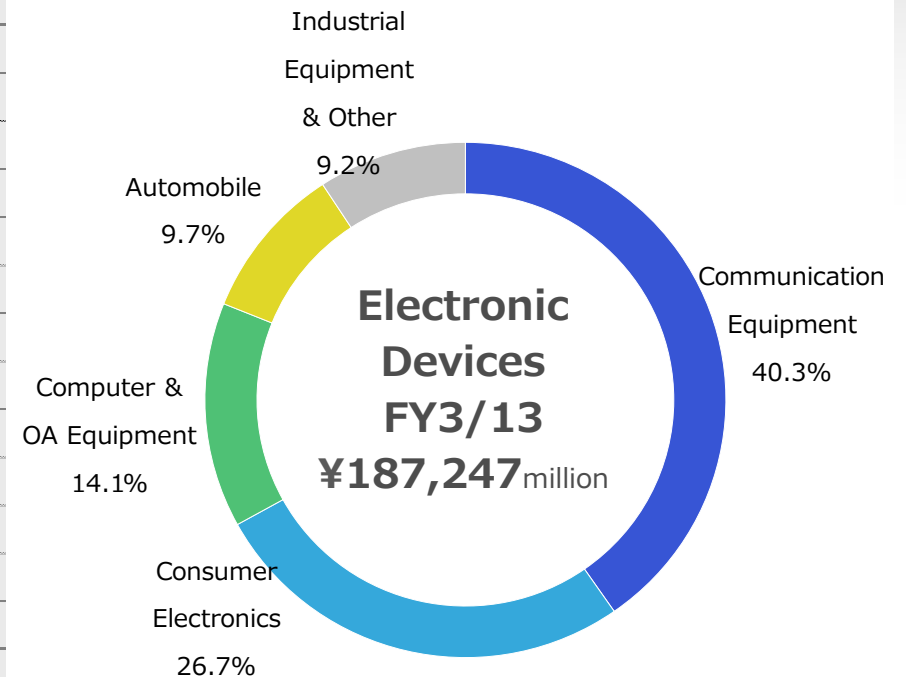
Company	Headquarters	Establishment	Shares	Principal Business
Marubun Semicon Corporation	Minato-ku, Tokyo	Mar. 2005	100.0%	
Marubun Semicon (Shanghai) Co., Ltd.	Shanghai, China	Mar. 2005	100.0%	Devices Business
Marubun Semicon (H.K.) Ltd.	Hong Kong, China	Jan. 2010	100.0%	
Marubun USA Corporation	California, U.S.A.	Oct. 1983	100.0%	Devices Business/Holding Company
Marubun Taiwan, Inc.	Taipei, Taiwan	Nov. 1989	100.0%	Devices Business
Marubun/Arrow Asia, Ltd.	Hong Kong, China	Oct. 1998	50.0%	Devices Business/Holding Company
Marubun/Arrow (S) Pte Ltd.	Anson Road, Singapore	Mar. 1988	50.0%	
Marubun/Arrow (HK) Ltd.	Hong Kong, China	Aug. 1994	50.0%	
Marubun Arrow (Thailand) Co., Ltd.	Bangkok, Thailand	Oct. 2000	50.0%	
Marubun/Arrow (Phils), Inc.	Laguna, Philippines	Oct. 2001	50.0%	Devices Business
Marubun Arrow (M) SDN BHD	Penang, Malaysia	Jun. 2006	50.0%	
Marubun/Arrow (Shanghai) Co., Ltd.	Shanghai, China	Sep. 2002	50.0%	
Marubun/Arrow USA, LLC*	California, U.S.A.	Nov. 1998	50.0%	
Future Technology & Service Co., Ltd. *	Toshima-ku, Tokyo	Nov. 2006	29.3%	Devices Business

\* Marubun/Arrow USA, Future Technology & Service Co., Ltd. :Affiliate company

# Main Products (by Application) -Electronic Devices-



		Application				
		Communication Equipment	Consumer Equipment	Computer & OA	Automobile	Industrial Equipment
<b>Semiconductor</b>						
Analog IC	Analog	●	●	●	●	●
	Discrete	●	●		●	●
Standard Logic IC		●	●	●	●	●
Memory IC	DRAM	●	●	●	●	
	Flash	●	●	●		
Micro-Processor	MPU,MCU	●	●	●	●	●
	DSP	●	●		●	●
	ASSP	●	●		●	
Special-Use IC	Display Driver	●	●	●		
	DMD		●	●		●
	LED		●			
Custom IC		●	●	●	●	
<b>Electronic Components</b>						
LCD Panel		●	●	●		●
OELD		●	●			
Crystal Device		●	●		●	●
Board Computer						●

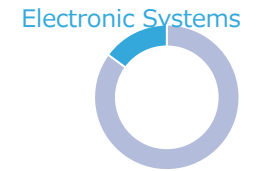


# Main Products(by Supplier) -Electronic Devices-



		Supplier										
		Asahi Kasei Microdevices	Broadcom	Emerson	Freescale	ISSI	International Rectifier	Maxim	Samsung	Seiko Epson	Texas Instruments	Triquint
<b>Semiconductor</b>												
Analog IC	Analog	●			●			●			●	●
	Discrete				●		●	●				
Standard Logic IC											●	
Memory IC	DRAM					●		●				
	Flash							●				
Micro- Processor	MPU,MCU				●				●	●		
	DSP	●			●					●		
	ASSP	●	●		●			●	●	●		●
Special-Use IC	Display Driver							●	●	●		
	DMD									●		
	LED							●				
Custom IC		●						●	●	●		
<b>Electronic Components</b>												
LCD Panel								●				
OELD								●				
Crystal Device									●			
Board Computer				●								

# Characteristic and Strength -Electronic Systems-

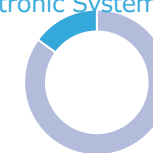


- Providing Unrivaled Products in High-end Markets
- Value-added Technical Support  
(System Integration, Installation and Maintenance Services)



# Affiliations -Electronic Systems-

Electronic Systems



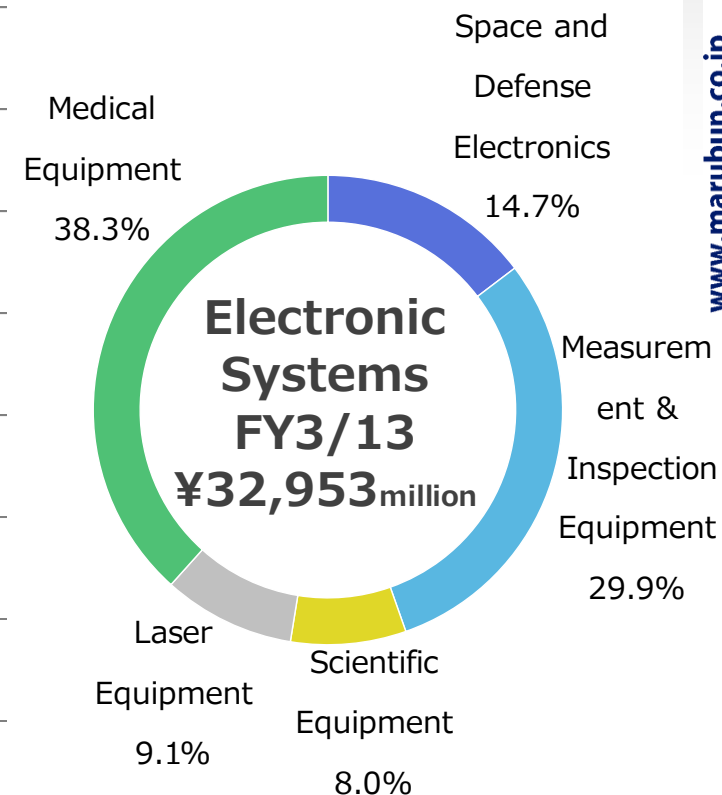
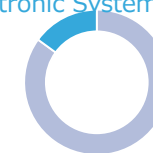
Company	Headquarters	Establishment	Shares	Principal Business
Marubun Tsusho Co.,Ltd.	Kanazawa, Ishikawa	Mar. 1961	100.0%	Systems Business
Hokushinrika	Nagano, Nagano	Nov. 1951	100.0%	Systems Business
Ikeda iryoudenki Co.,Ltd. *	Niigata, Niigata	Aug. 1961	41.0%	Systems Business
Marubun West Corporation	Kobe, Hyogo	May. 2005	100.0%	Systems Business
Foresight Techno Co.,Ltd.	Koto-ku, Tokyo	Mar. 1999	51.0%	Systems Business

Ikeda iryoudenki :Affiliate company

# Main Products -Electronic Systems-

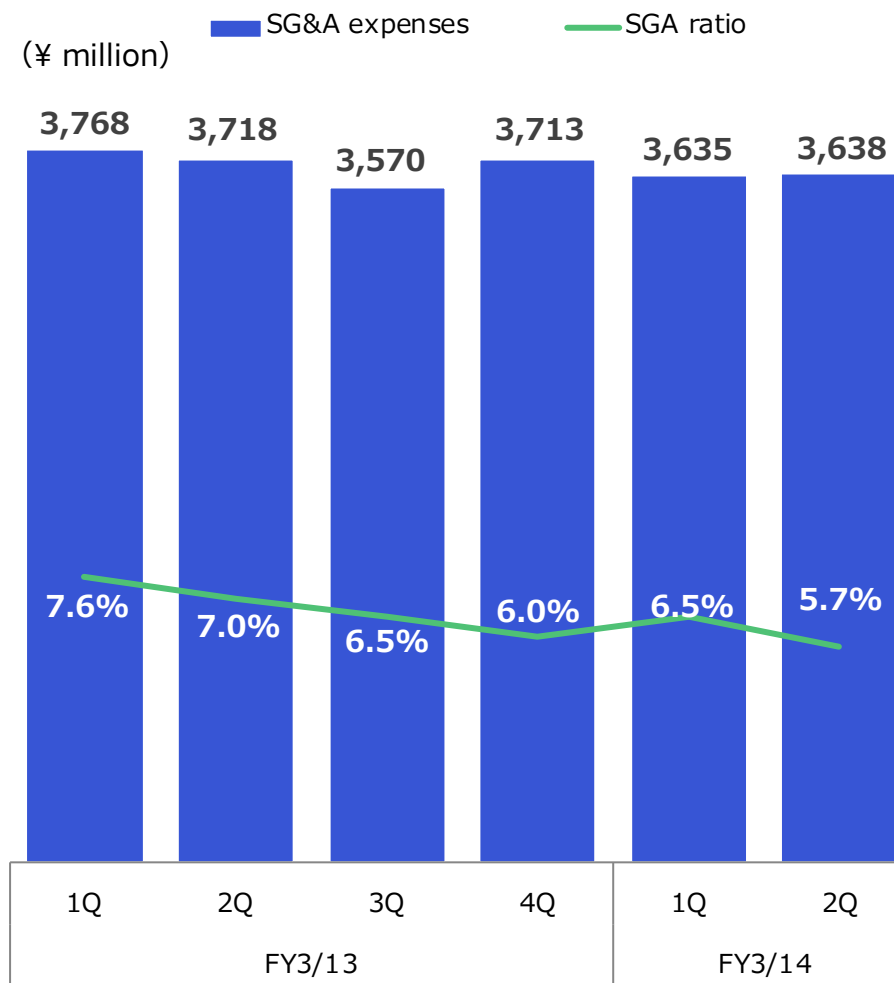
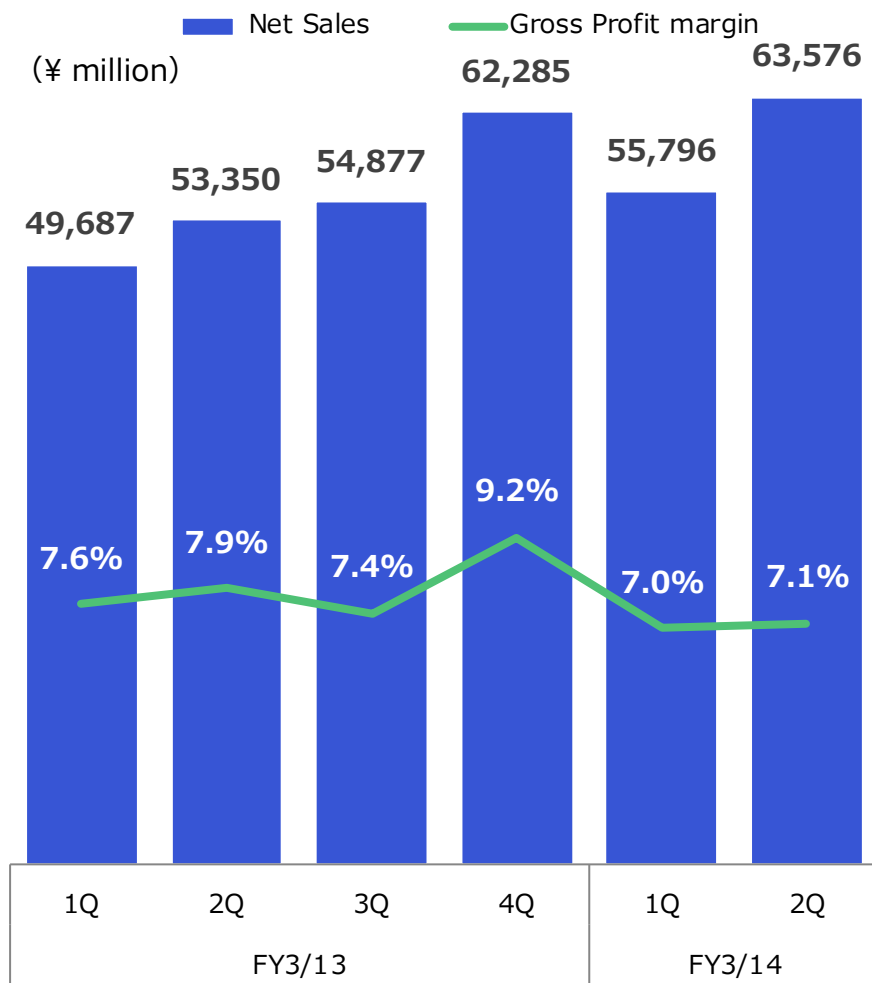
Segment	Main Products	Major Supplier
Space and Defense Electronics	High-reliability Components, Sensors	Tele Communication Systems, Plascore, Lavision
	Avionics Test System, Microwave Equipment	AAI, CPI, L3 Communications
Measurement & Inspection Equipment	Measurement & Inspection Equipment	Uni-Hite System, Akim, DCG systems, Chroma ATE
	Manufacturing Equipment	Seiko Epson, Aurigin Technology, Nippon Avionics
Scientific Equipment	MOCVD System, in-situ monitoring system	AIXTRON, LayTec
Laser Equipment	Laser Oscillators & Processing Equipment	Laserline, nLight, OSI Laser Diode
	Network Equipment, Optical Components	Symmetricom, Calnex Solutions, EXFO, Excelitas Technologies
Medical Equipment	Diagnostic Imaging Equipment	Shimadzu, Siemens Japan, Konica Minolta Healthcare
	Hemo Dialysis Equipment	Nikkiso, Asahi Kasei Medical, Kaneka Medix

Electronic Systems



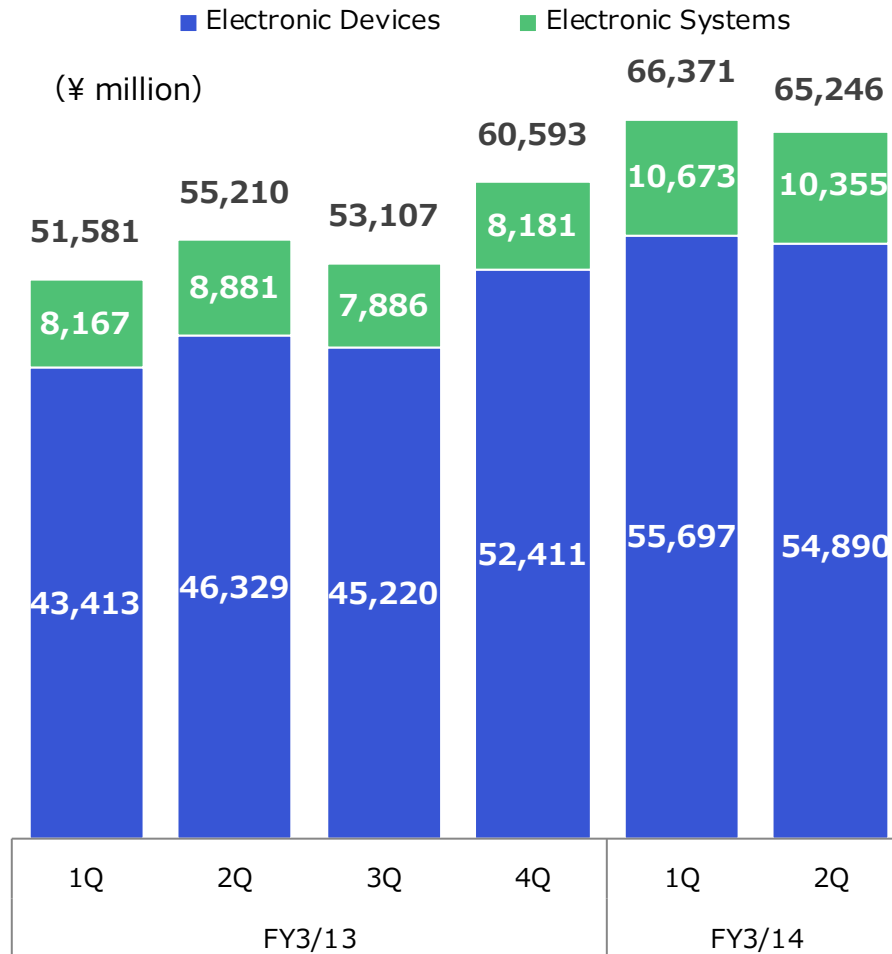
www.marubun.co.jp

# Trend in Net Sales/Gross Profit/SG&A expenses

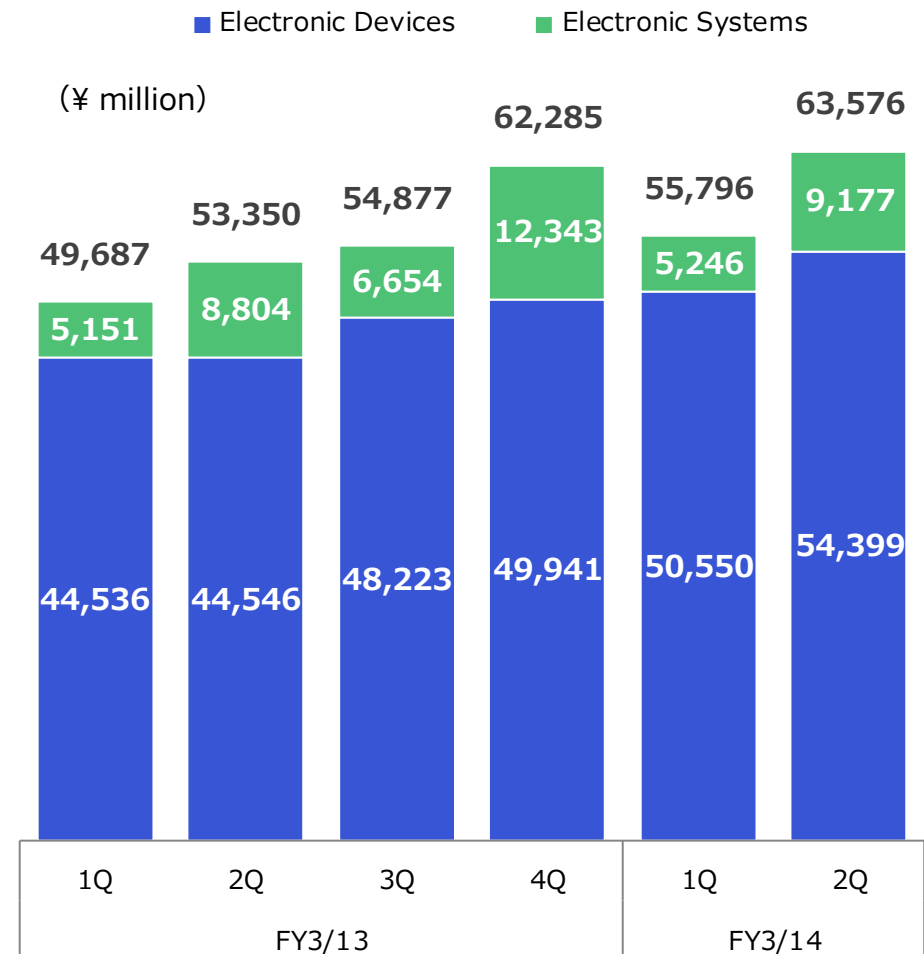


# Trend in Orders/Sales

## Orders



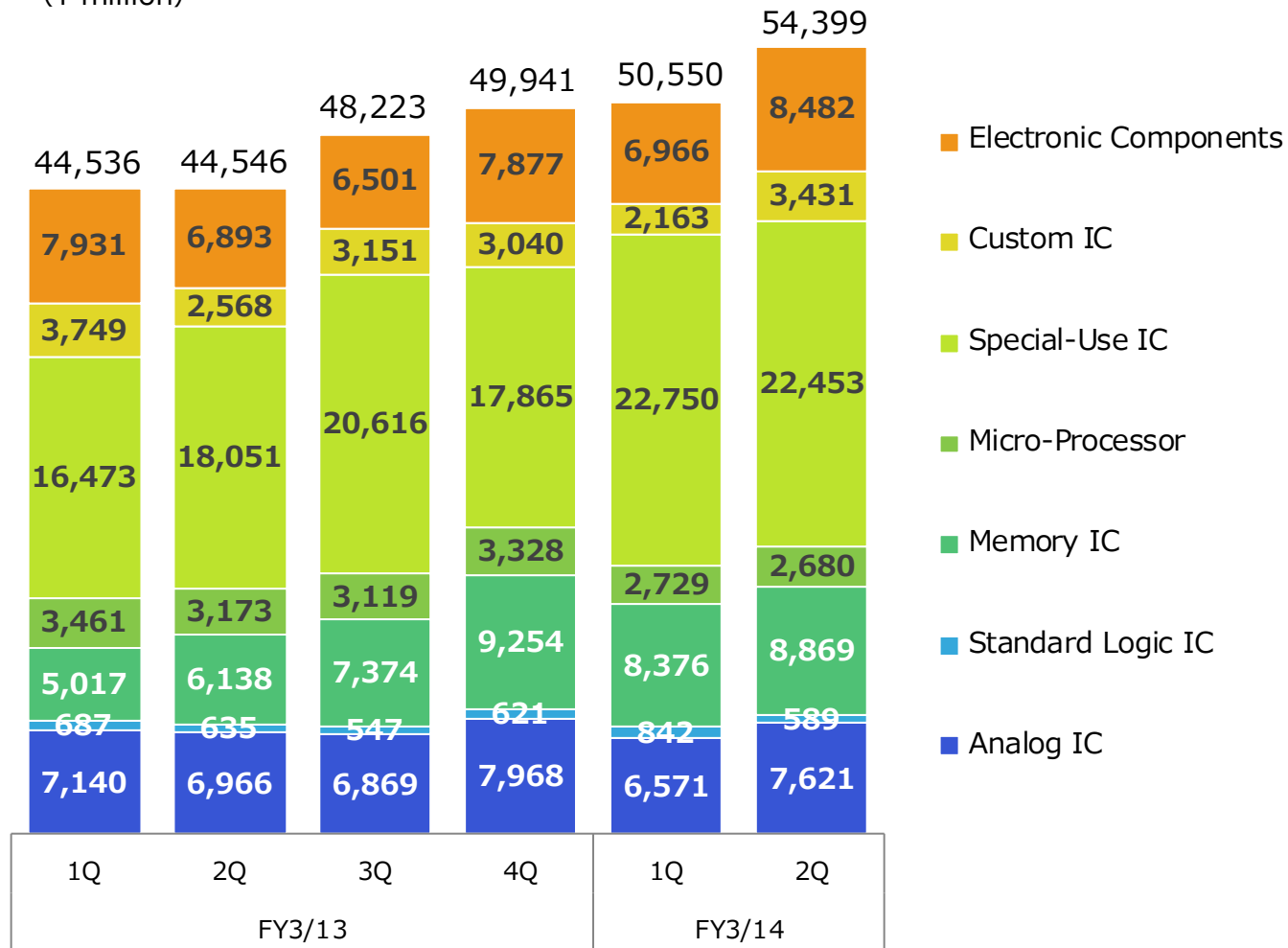
## Sales



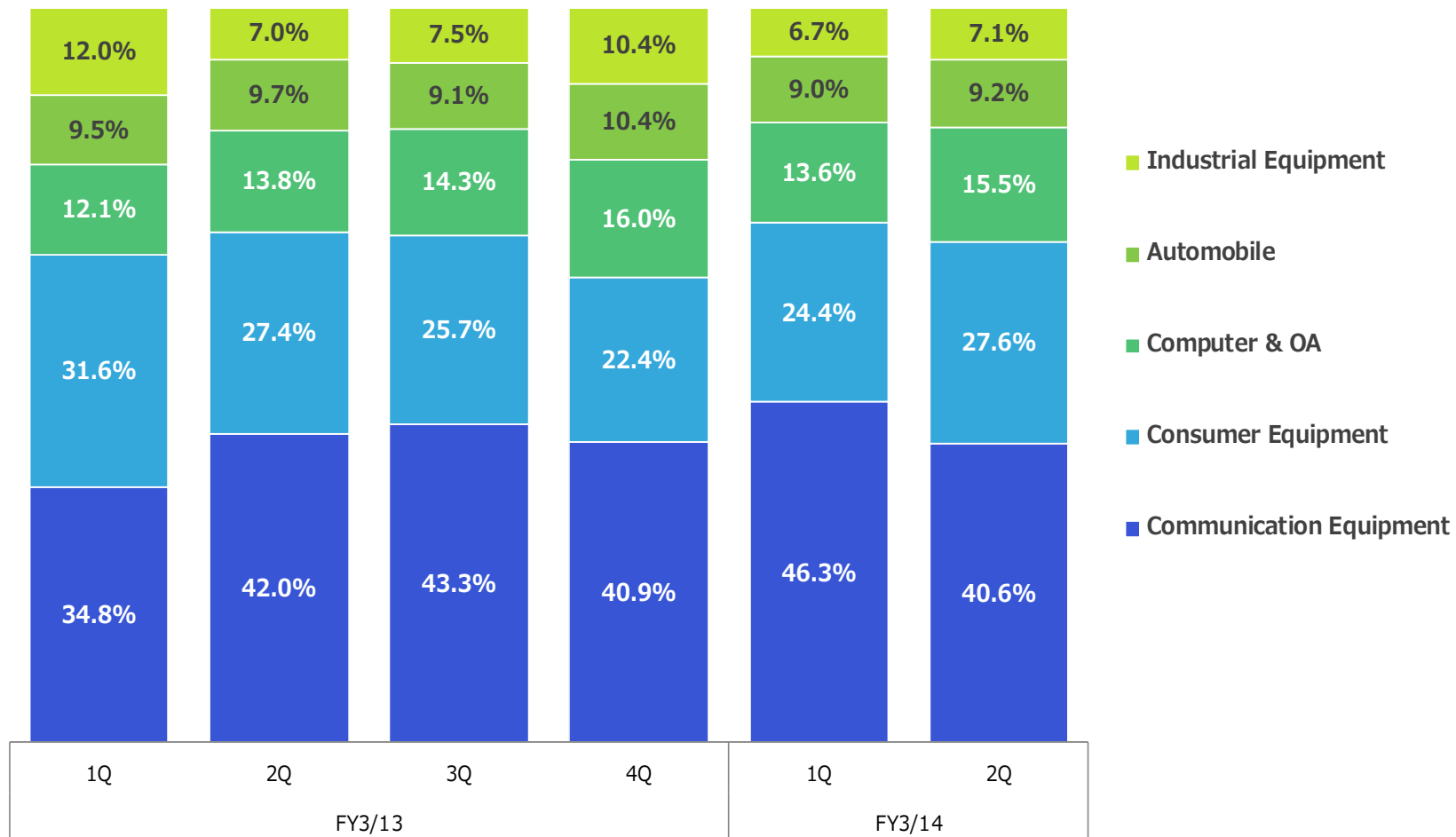


# Trend in Sales of Electronic Devices by Products

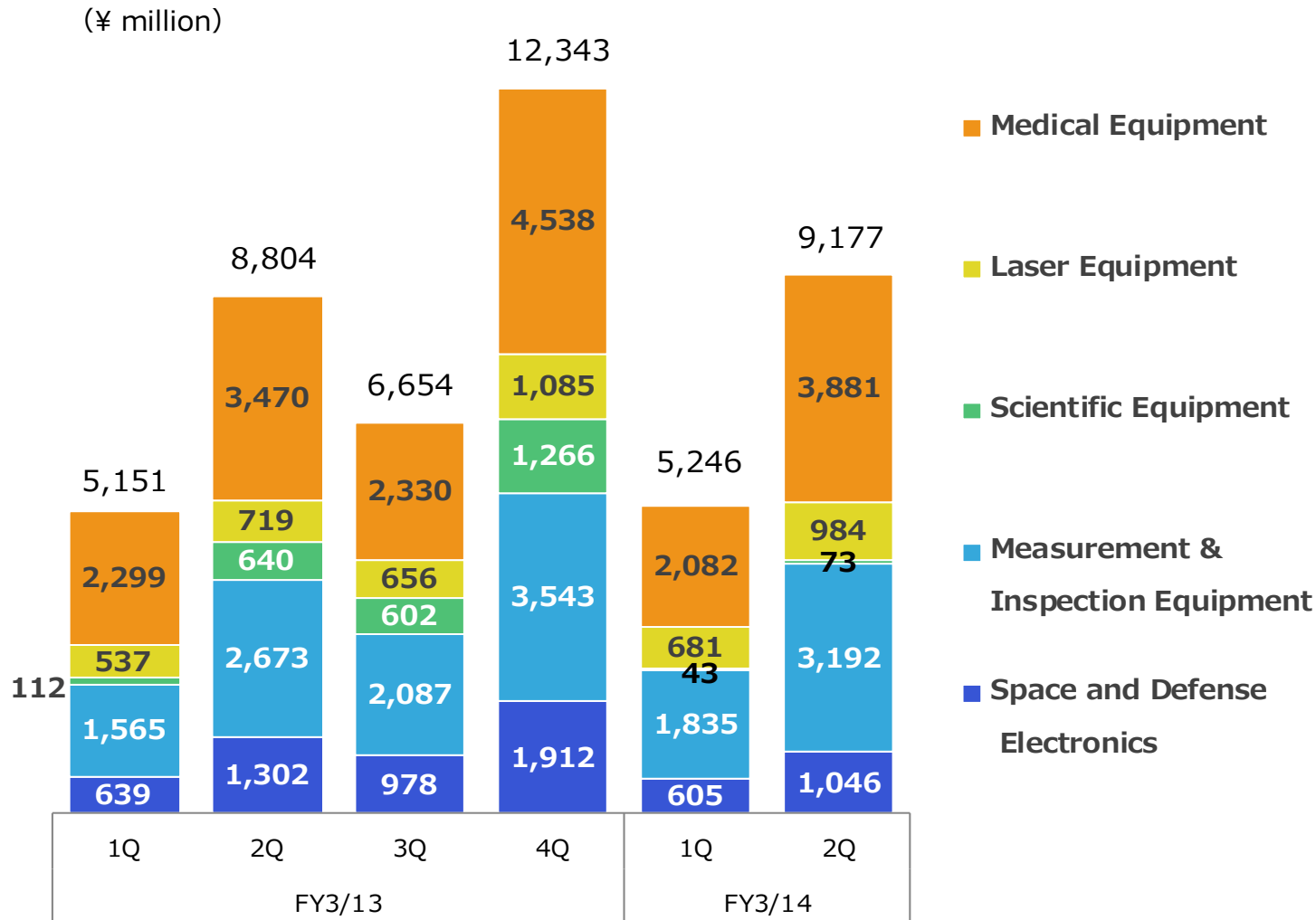
(¥ million)



# Trend in Sales of Electronic Devices by Applications



# Trend in Sales of Electronic Systems



## Cautionary Statement

Within the presentation, information on the future performance such as results forecasts is based on the data available at the time this presentation was prepared that the Company assumes reasonable. Actual performance depends on various important factors and may differ significantly from the estimates contained herein.

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