

Financial Results for the 2nd Quarter of Fiscal Year Ending March 31, 2017

November 2016

MARUBUN CORPORATION

© 2016 MARUBUN CORPORATION

1H FY3/17 Summary of Consolidated Financial Results

1H FY3/17 Summary of Consolidated Financial Results

Net sales income : ¥127.7 billion (-20 billion YoY)

- **Electronic Devices Business** Decrease in semiconductors for communication modules and LCD panels for TVs and PCs.
Decrease in yen-denominated value of dollar-based transactions due to the strong yen.
- **Electronic Systems Business** Increased in electronic component assembly and inspection equipment and embedded semiconductor lasers.

Operating loss : ¥435 million (-1,850 million YoY)

- **Gross profit** Decrease in net sales and yen-denominated value due to the strong yen.
Reduction due to the rapid appreciation of the yen that caused exchange rate gaps at the time of recording purchases and sales.
- **SG&A expenses** Increase in retirement benefit expenses and consolidated subsidiaries.

Ordinary loss : ¥194 million (-1,686 million YoY)

- **Foreign exchange gain** Increase from a loss of ¥50 million to a gain of ¥120 million.

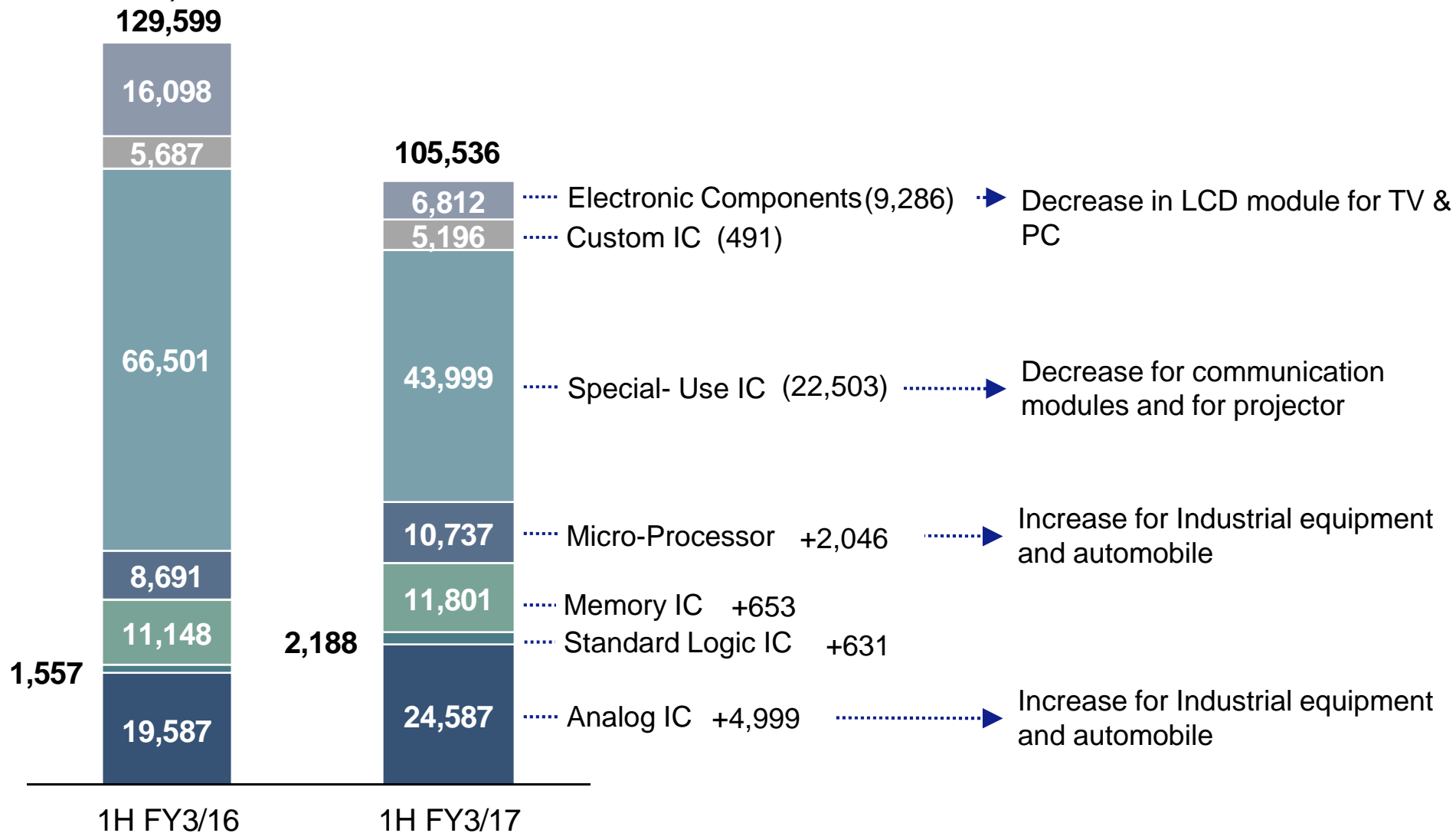
Net loss : ¥379 million (-1,206 million YoY)

1H FY3/17 Summary of Financial Results

(Millions of Yen)	1H FY3/16		1H FY3/17		YoY Changes		1H FY3/17 Initial Forecasts	
	Actual	Composition Ratio	Actual	Composition Ratio	Amount	%	Initial Forecasts	Composition Ratio
Net sales	147,803	100.0%	127,741	100.0%	(20,062)	-13.6%	125,000	100.0%
Electronic Devices	129,599	87.7%	105,536	82.6%	(24,063)	-18.6%	104,000	83.2%
Electronic Systems	18,203	12.3%	22,205	17.4%	4,002	22.0%	21,000	16.8%
Gross profit	8,948	6.1%	8,333	6.5%	(615)	-6.9%	9,200	7.4%
SG&A expenses	7,533	5.1%	8,768	6.9%	1,235	16.4%	9,150	7.3%
Personal expenses	4,615	3.1%	5,464	4.3%	849	18.4%	-	-
Other	2,917	2.0%	3,304	2.6%	387	13.3%	-	-
Operating income	1,415	1.0%	(435)	-0.3%	(1,850)	-130.7%	50	0.0%
Non-operating income	374	0.3%	462	0.4%	88	23.5%	300	0.2%
Non-operating expenses	297	0.2%	221	0.2%	(76)	-25.6%	300	0.2%
Ordinary income	1,492	1.0%	(194)	-0.2%	(1,686)	-113.0%	50	0.0%
Extraordinary income	693	0.5%	0	0.0%	(693)	-100.0%	-	-
Extraordinary loss	755	0.5%	17	0.0%	(738)	-97.7%	-	-
Profit attributable to owners of parent	827	0.6%	(379)	-0.3%	(1,206)	-145.8%	(150)	-0.1%
No. of employees	1,282	-	1,438	-	156	12.2%	-	-

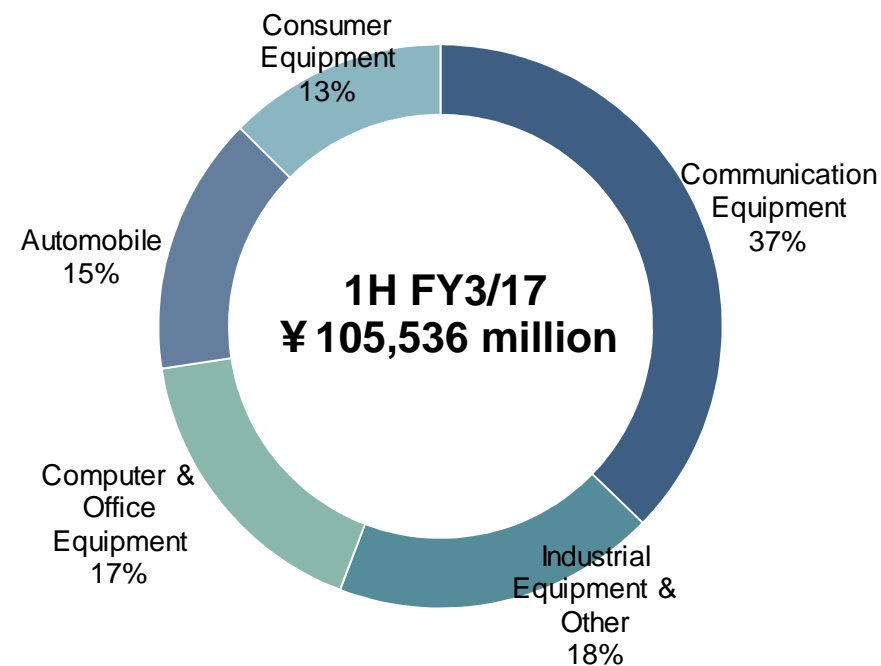
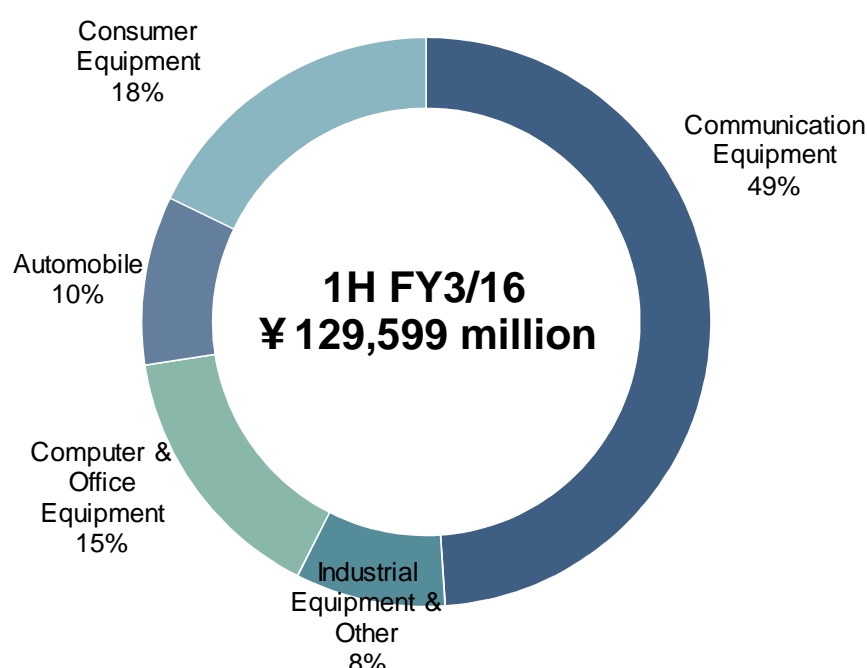
1H FY3/17 Electronic Devices Business Net Sales Breakdown by Product

(Millions of Yen)

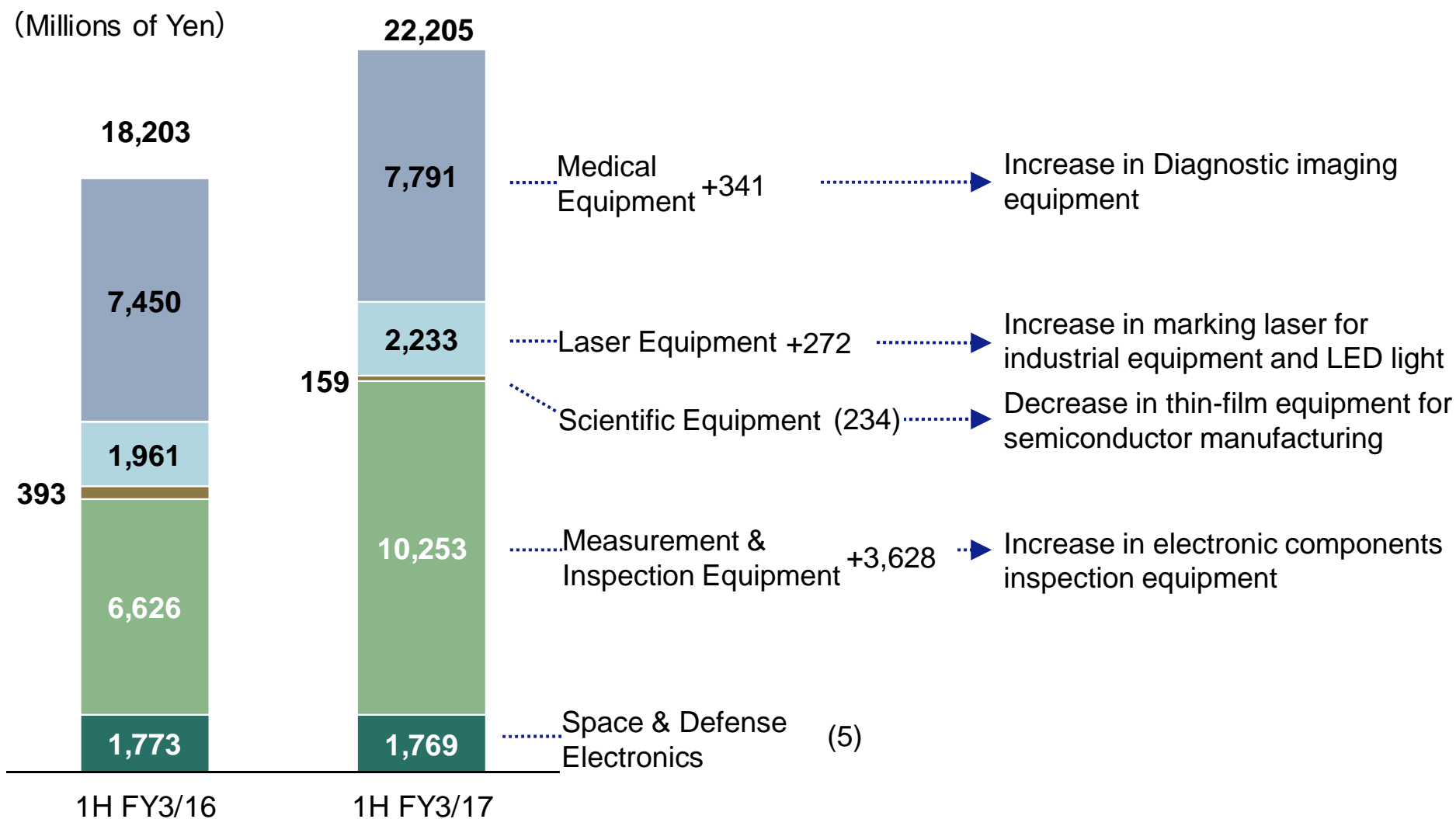


1H FY3/17 Electronic Devices Business Market Trend by Application

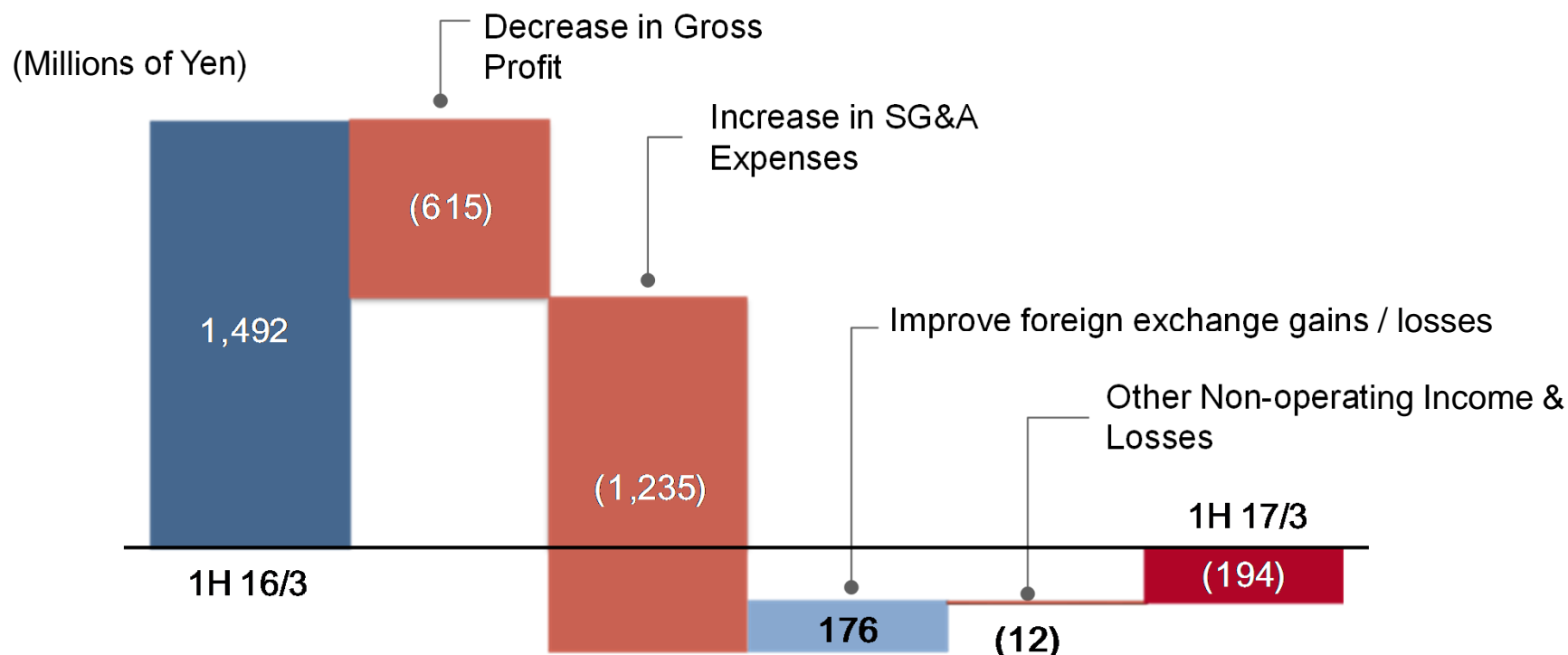
Application	Market trend
Industrial Equipment & Other	↑ Increase for factory automation
Automobile	↑ Increase for car navigation , network in car , ECU
Communication Equipment	↓ Decrease for communication modules
Computer & Office Equipment	↓ Decrease for PC
Consumer Equipment	↓ Decrease for TV and game consoles



1H FY3/17 Electronic Systems Business Net Sales Breakdown by Product



1H FY3/17 Factors Affecting Ordinary Income



Gross Profit	<p>Decrease in net sales and yen-denominated value due to the stronger yen Decrease due to exchange rate gaps at the time of recording purchases and sales in dollar-based transactions</p> <p>1H FY3/2016 : ¥8.9 billion (6.1%) => 1H FY3/2017: ¥ 8.3 billion (6.5%)</p>
SG & A Expenses	<p>Increase in subsidiaries and retirement benefit expenses</p> <p>1H FY3/16: ¥7.5 billion => 1H FY3/17: ¥ 8.7 billion</p>
Non-operating Income/Loss	<p>Increase from foreign exchange loss to gain</p> <p>1H FY3/16: loss of ¥50 million => 1H FY3/17: gain of ¥120 million</p>

End 1H FY3/17 Summary of Balance Sheets

(Millions of Yen)	FY3/16 Actual	1H FY3/17 Actual	Changes Amount	Reason for change	
Total assets	106,513	109,385	2,872	Cash and deposits	(3,130)
Current assets	96,211	98,418	2,207	Notes and accounts receivable-trade	7,171
Noncurrent assets	10,302	10,966	664	Merchandise and finished goods	(1,171)
Total liabilities	60,175	65,788	5,613	Notes and accounts payable-trade	(6,520)
Current liabilities	49,481	54,453	4,972	Short-term loans payable	11,136
Noncurrent liabilities	10,693	11,335	642		
				Shareholders' equity	(850)
Total net assets	46,338	43,596	(2,742)	Accumulated other comprehensive income	(1,135)
				Non-controlling interests	(757)

1H FY3/17 Summary of Statements of Cash Flows

(Millions of Yen)	1H FY3/16 Actual	1H FY3/17 Actual	Reason for change	
			Income before income taxes and minority interests	(212)
Net cash provided by (used in) operating activities	(1,332)	(6,505)	Decrease (increase) in notes and accounts receivable-trade	(3387)
			Decrease (increase) in inventories	3510
			Increase (decrease) in notes and accounts payable-trade	6398
Net cash provided by (used in) investing activities	560	(607)	Acquisition of subsidiary stock	(286)
Free cash flow	(772)	(7,112)		
Net cash provided by (used in) financing activities	(6,744)	5,143	Net increase in Short-term loans payable	5759
Net increase (decrease) in cash and cash equivalents	(7,438)	(3,072)		
Cash and cash equivalents at end of period	14,074	10,629		

Medium-Term Vision Progress of Business Strategies and Key Initiatives

New Mid-Term Plan

Transforming into a robust
company that can realize
sustainable growth

Driving force for the
realignment of
industry

Creating new
businesses through
active investment

Improving capital
efficiency

Electronic Devices

- (i) Expansion of the base business
- (ii) Rapid development of new products
- (iii) Development of businesses in growth markets
- (iv) Enhancement of global operations

Electronic Systems

- (i) Enhancement of engineering services
- (ii) Strengthening of system integration capability
- (iii) Expansion of product line-up

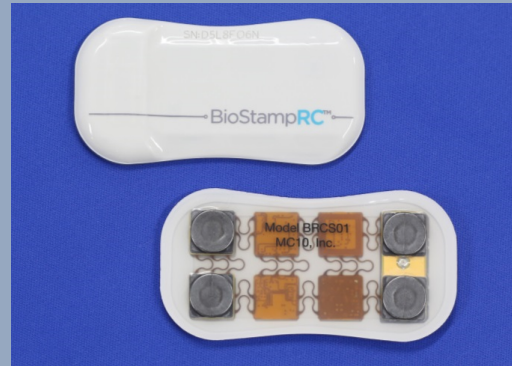
Rapid Development of New Products

Very small AC adapter from FINsix



- Projects are underway at manufacturers of consumer electronics, PCs, and OA equipment.

BioStamp from mc10



- An application for a license under the Pharmaceutical and Medical Devices Act has been submitted.
- Non-medical projects are underway.
 - Monitoring service for elderly
 - Products for physical fitness

Focusing on discovering unique products that use the latest technologies and carrying out pre-marketing activities for customers.

A number of new products will be launched in the second half of FY2017.

Development of businesses in growth markets

Focusing on automobiles, industrial equipment, medical equipment and the IoT

Acquiring all shares in KTL Corporation to form a subsidiary

■ Strengthening the customer base for automobiles and industrial equipment

Share Up in global markets

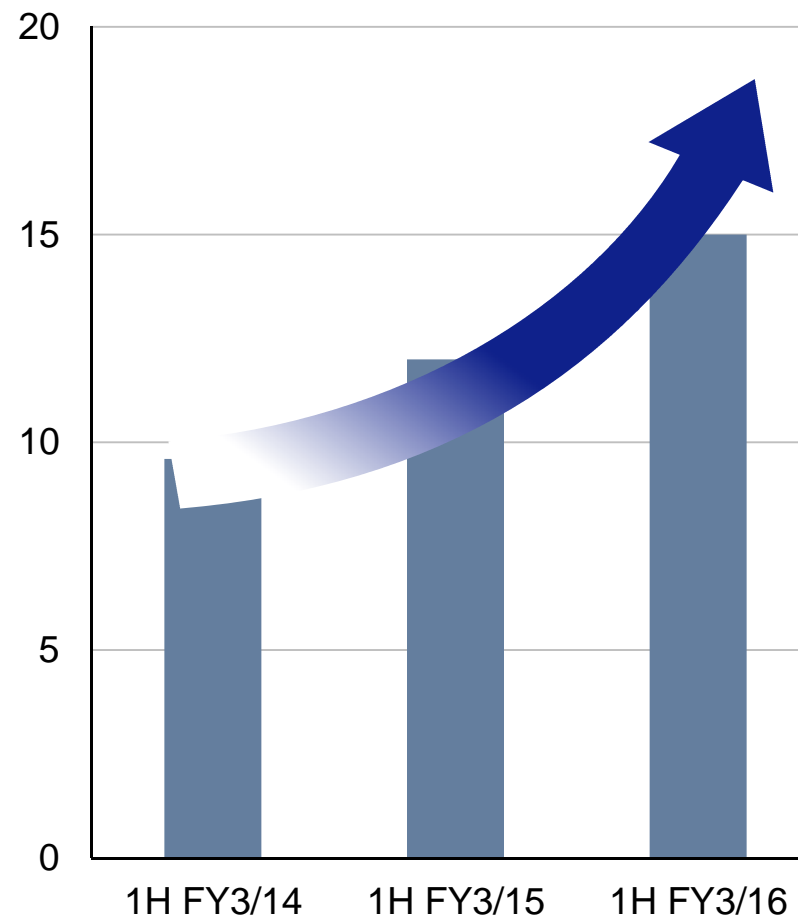
■ Strong sales for automobile applications in ASEAN and North America

IoT markets



Original sensor solution evaluation board for IoT

Trends of sales to the automotive sector
(Billion Yen)



Expansion of the base business

Introducing an in-house company system



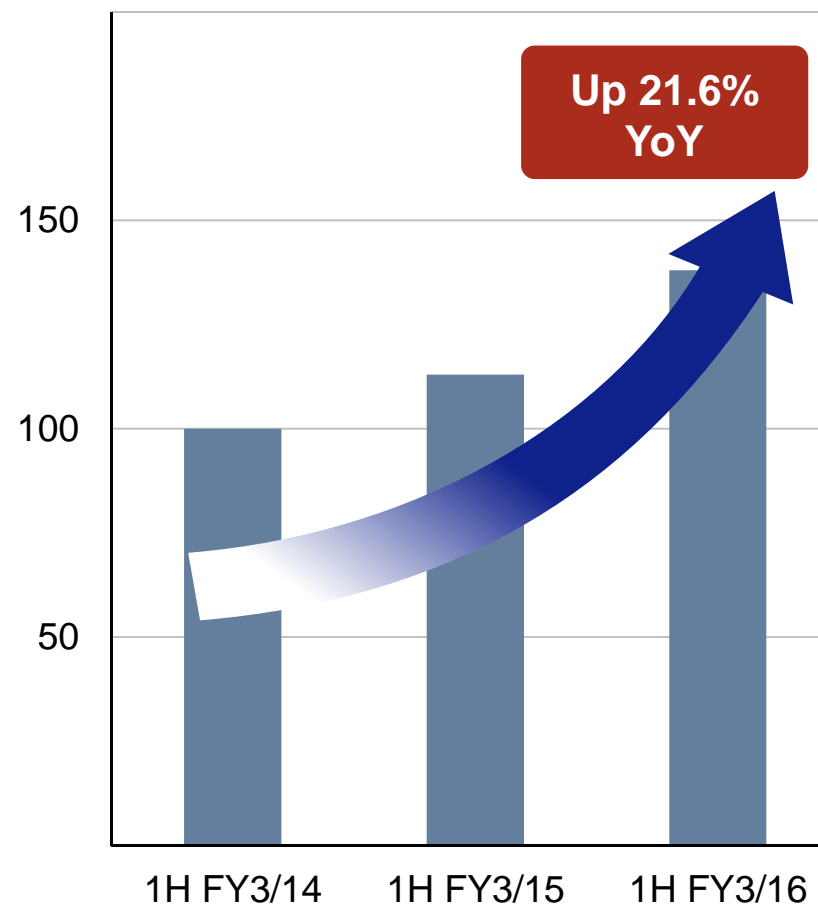
Reinforcement of a demand creation

Development of new suppliers

Cancellation of Agency Agreement with NXP Semiconductors

Rapid development of new business and new suppliers

Rise in the number of new projects (1H FY3/14=100)



Electronic Systems Efforts in Product Areas

Information and communication equipment

- Increasing products for communication infrastructure targeting the Tokyo Olympics
 - Distribution Agreement with Spirent Communications PLC, the world-leading provider of GPS simulators
 - Offer comprehensive proposals of GPS simulators, time servers, etc. to base stations and financial institutions by packaging them as a system

Industrial equipment

- Launched sales of cutting machines from Gerber Technology Inc.
 - Transferred business from Itochu Techno-Solutions Corp.
 - Sells products for apparel, aircraft, and industrial materials
 - Provides maintenance service at an engineering subsidiary

Laser equipment

- Focusing on semiconductor lasers and LED light sources for industrial and medical markets
 - Finds applications for semiconductor lasers for marking devices
 - Began contributing to sales and profit from LED light sources for the medical market

FY3/17 Summary of Consolidated Financial Forecasts

FY3/17 Summary of Consolidated Financial Forecasts

Net sales : ¥270 billion (-9.5 billion YoY)

- **Electronic Devices Business** Decrease in semiconductors for communication modules and LCD panels for TVs and PCs
- **Electronic Systems Business** Increased in electronic component assembly and inspection equipment and LED light for medical markets

Operating income : ¥1.9 billion (-1.3 billion YoY)

- **GP margin** Increase of subsidiary
- **SG&A expenses** Increase in retirement benefit expenses and consolidated subsidiaries

Ordinary income : ¥2 billion (-1.3 billion YoY)

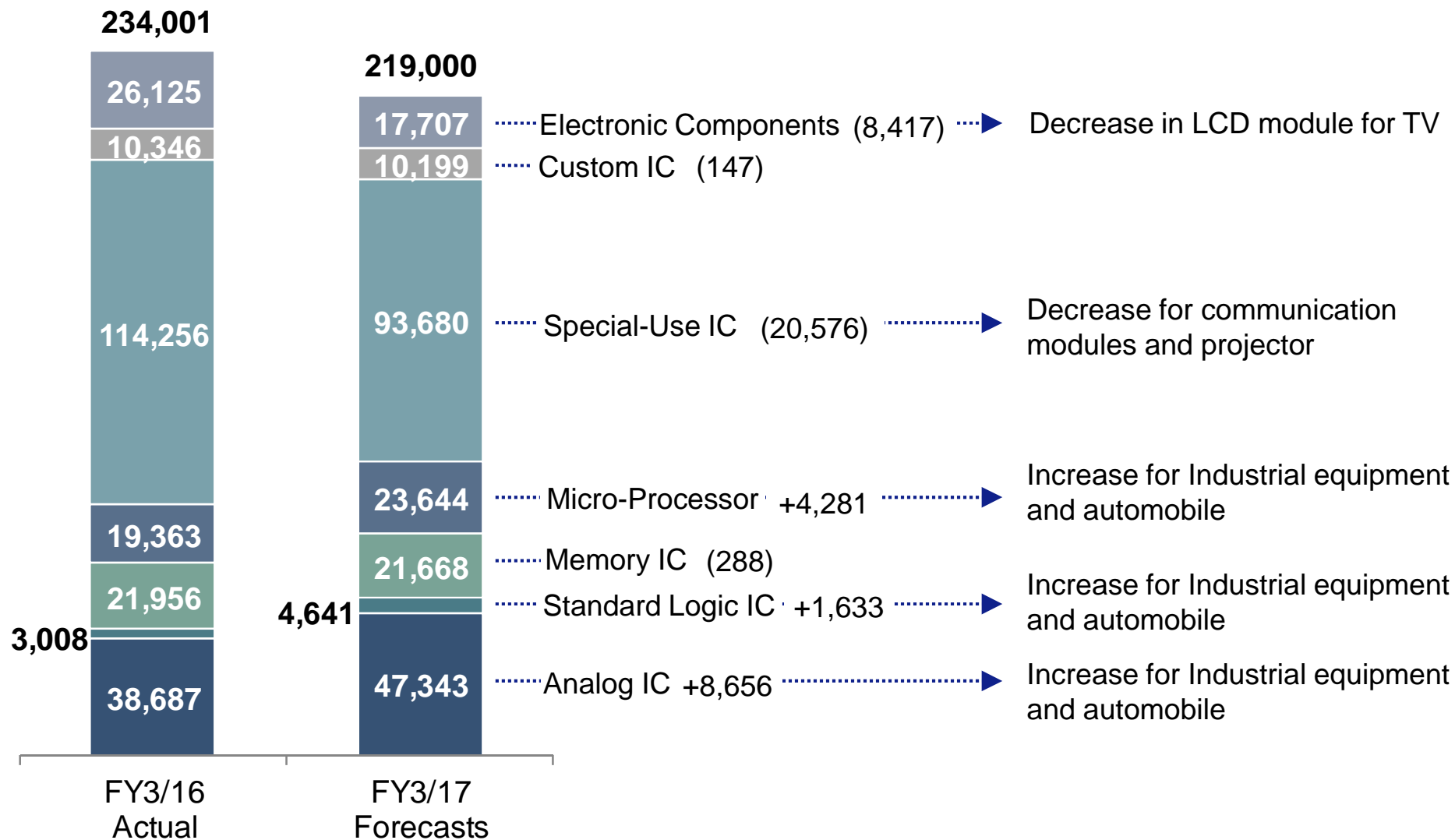
Net income : ¥900 million (-900 million YoY)

FY3/17 Financial Forecasts

(Millions of Yen)	FY3/16		FY3/17		YoY Changes		FY3/17 Initial Forecasts	
	Actual	Composition Ratio	Forecasts	Composition Ratio	Amount	%	Initial Forecasts	Composition Ratio
Net sales	279,571	100.0%	270,000	100.0%	(9,571)	-3.4%	290,000	100.0%
Electronic Devices	234,001	83.7%	219,000	81.1%	(15,001)	-6.4%	240,000	82.8%
Electronic Systems	45,570	16.3%	51,000	18.9%	5,430	11.9%	50,000	17.2%
Gross profit	18,319	6.6%	20,000	7.4%	1,681	9.2%	21,800	7.5%
SG&A expenses	15,106	5.4%	18,100	6.7%	2,994	19.8%	18,550	6.4%
Operating income	3,212	1.1%	1,900	0.7%	(1,312)	-40.8%	3,250	1.1%
Non-operating income	734	0.3%	850	0.3%	116	15.8%	600	0.2%
Non-operating expenses	624	0.2%	750	0.3%	126	20.2%	600	0.2%
Ordinary income	3,321	1.2%	2,000	0.7%	(1,321)	-39.8%	3,250	1.1%
Extraordinary income	870	0.3%	10	0.0%	(860)	-98.9%	0	0.0%
Extraordinary loss	893	0.3%	60	0.0%	(833)	-93.3%	0	0.0%
Profit attributable to owners of parent	1,810	0.6%	900	0.3%	(910)	-50.3%	1,750	0.6%

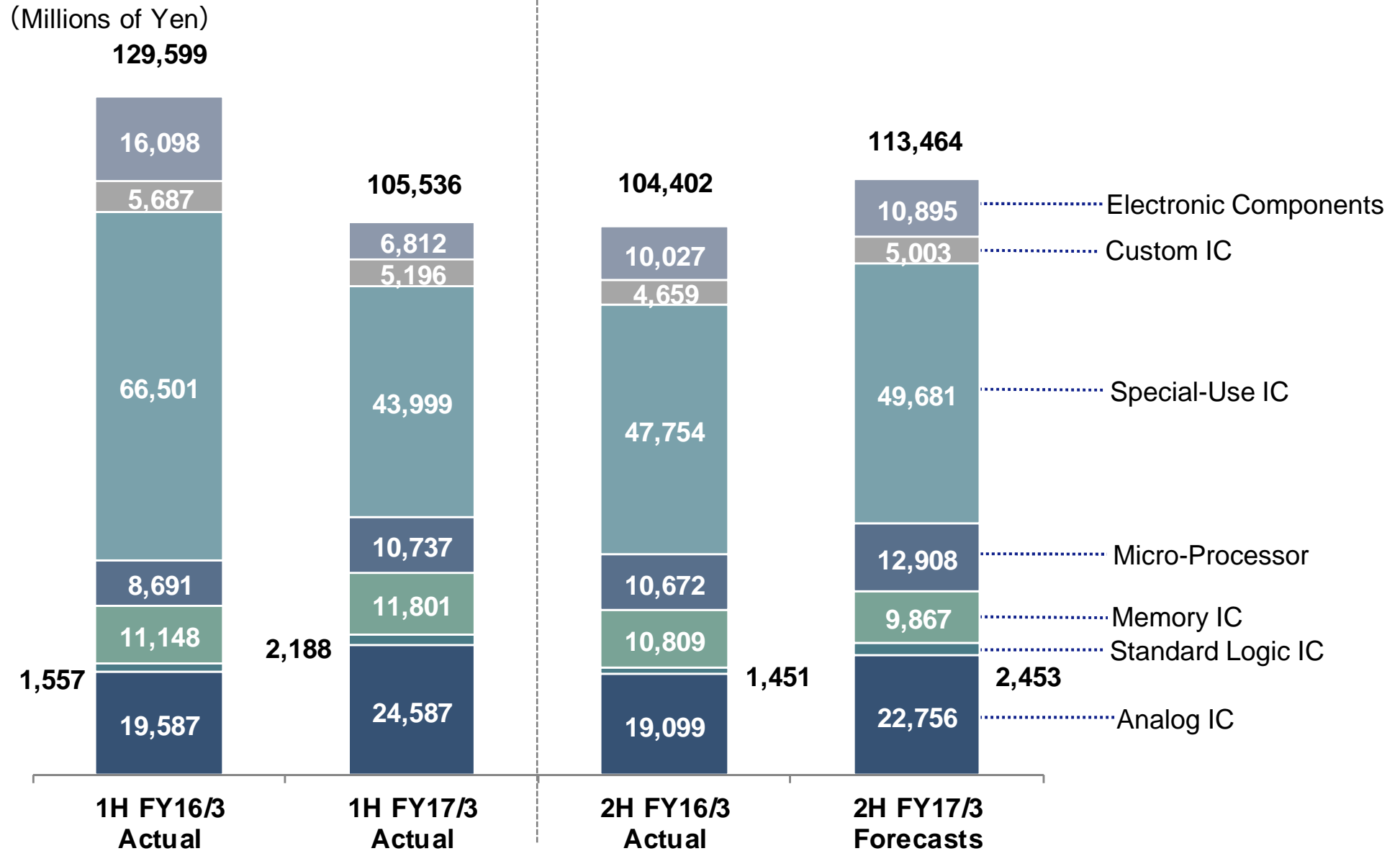
FY3/17 Electronic Devices Business Net Sales Forecasts by Product

(Millions of Yen)

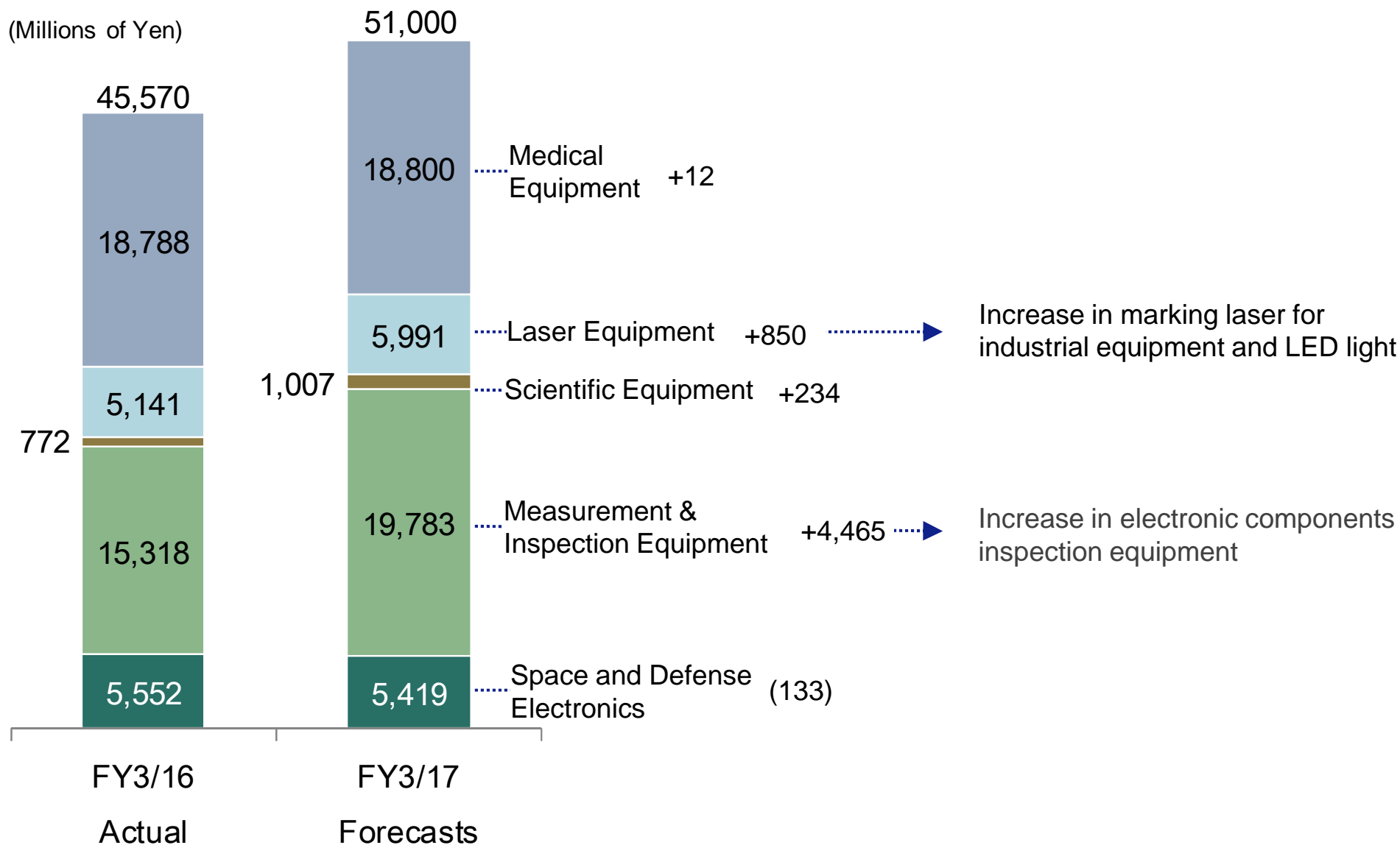


FY3/17 Electronic Devices Business

Net Sales Forecasts by Product (FY16 vs FY17 by Half term)

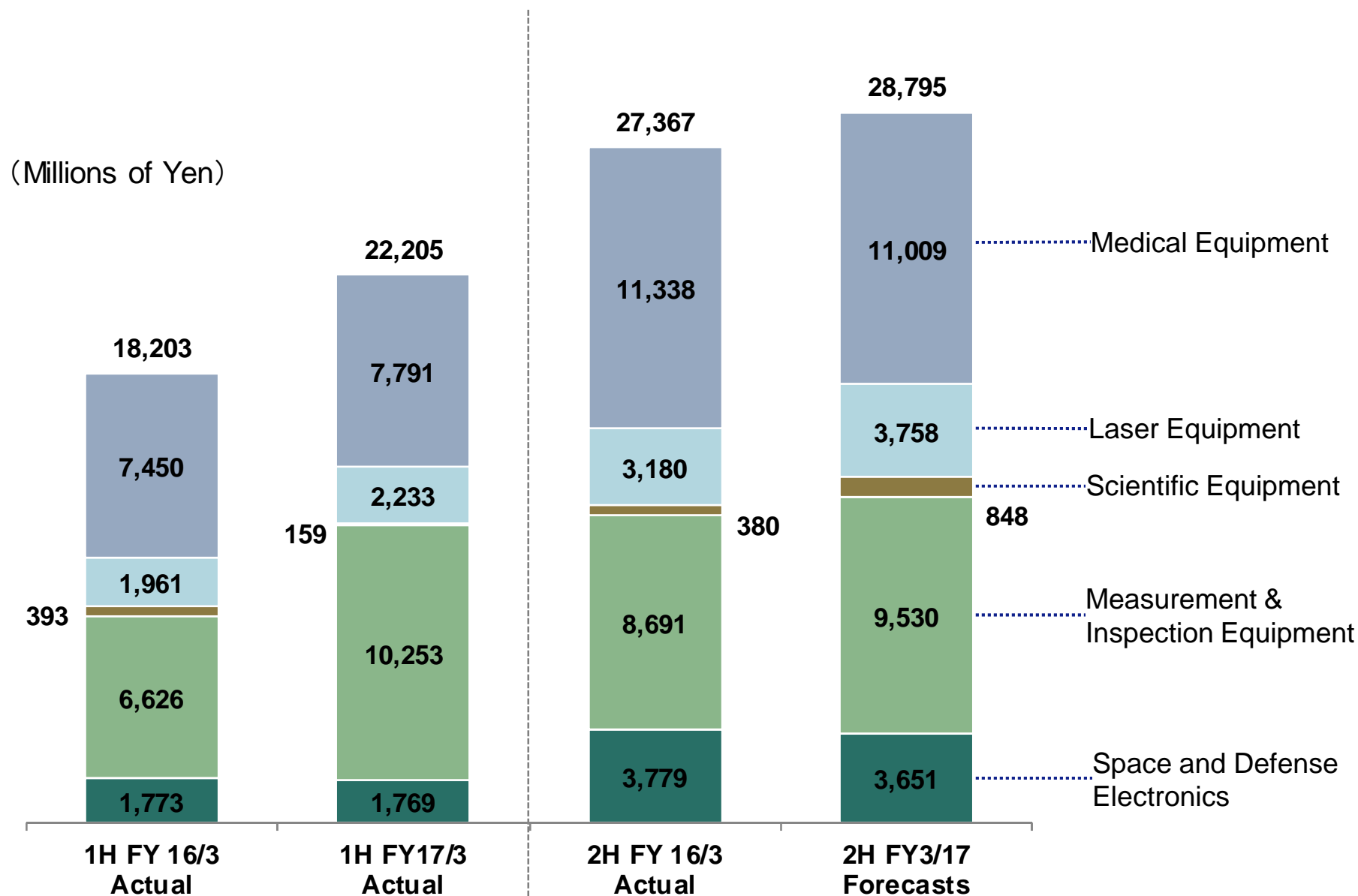


FY3/17 Electronic Systems Business Net Sales Forecasts by Product

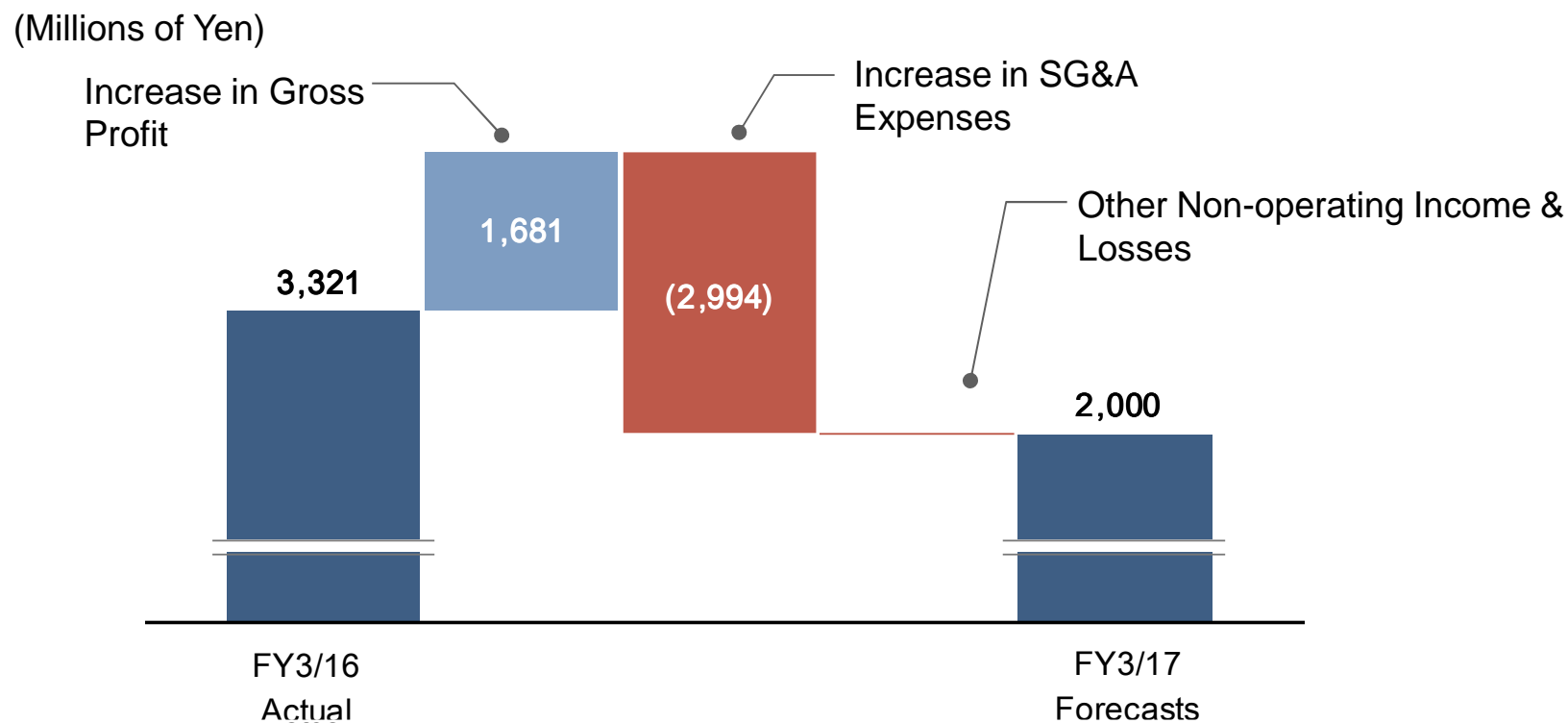


FY3/17 Electronic Systems Business

Net Sales Forecasts by Product(FY16 vs FY17 by Half term)



FY3/17 Factors Affecting Ordinary Income(Forecasts)



Gross Profit	<p>Improvement of gross profit margin ratio and increase of subsidiary company</p> <p>FY3/16:¥18.3Billion(6.6%) → FY3/17:¥21.8Billion(7.5%)</p>
SG & A Expenses	<p>Increase of subsidiary company and increase of provision for retirement benefits</p> <p>FY3/16:¥15.1Billion → FY3/17:¥18.5Billion</p>

Return to Shareholders

Return to Shareholders

Dividend policy

Dividend Payout Ratio	30% or more(consolidated)
-----------------------	---------------------------

Dividends Forecast

(Yen)	FY3/15	FY3/16	FY3/17 (Forecasts)
Annual Dividend per Share	20.00	30.00	25.00
Interim Dividend	7.00	12.00	10.00
Year-End Dividend	13.00	18.00	15.00



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.

Contact

MARUBUN CORPORATION
CORPORATE PLANNING Dept.
PHONE +81-3-3639-3010
E-mail ir@marubun.co.jp