

# Financial Results for the 2<sup>nd</sup> Quarter of Fiscal Year Ending March 31, 2018

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November 2017

***MARUBUN CORPORATION***

# **1H FY3/18 Summary of Consolidated Financial Results**

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# 1H FY3/18 Summary of Consolidated Financial Results

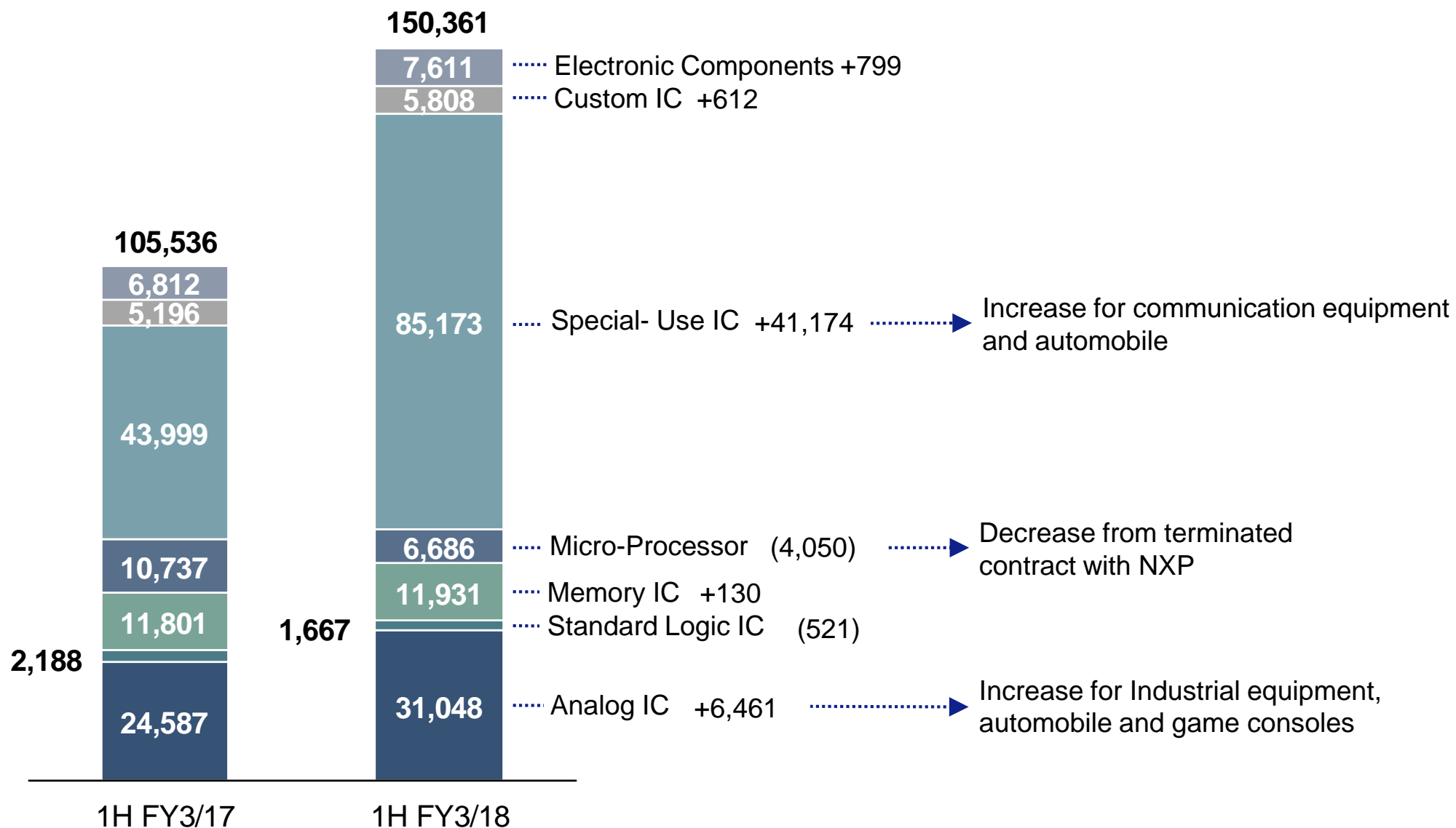
<b>Net sales</b>	<b>: ¥169.8 billion (+¥42.1 billion YoY)</b>
■ <b>Electronic Devices Business</b>	Increase for communication equipment and industrial equipment, automobile, game consoles
■ <b>Electronic Systems Business</b>	Decrease in electronic components assembly and inspection equipment, medical equipment
<b>Operating income</b>	<b>: ¥1.7 billion (+¥2.1 billion YoY)</b>
■ <b>SG&amp;A expenses</b>	Decrease of retirement benefit expenses
<b>Ordinary income</b>	<b>: ¥1.3 billion (+¥1.5 billion YoY)</b>
■ <b>Non-operating expenses</b>	Provision of allowance for doubtful accounts
<b>Net income</b>	<b>: ¥0.3 billion (+¥0.7 billion YoY)</b>
■ <b>Extraordinary loss</b>	Loss on valuation of investment securities

# 1H FY3/18 Summary of Financial Results

(Millions of Yen)	1H FY3/17		1H FY3/18			YoY Changes		Initial Forecasts vs Actual
	Actual	Composition Ratio	Initial Forecasts	Actual	Composition Ratio	Amount	%	
<b>Net sales</b>	<b>127,741</b>	<b>100.0%</b>	<b>125,000</b>	<b>169,875</b>	<b>100.0%</b>	<b>42,134</b>	<b>33.0%</b>	<b>44,875</b>
Electronic Devices	105,536	82.6%	104,500	150,361	88.5%	44,825	42.5%	45,861
Electronic Systems	22,205	17.4%	20,500	19,513	11.5%	(2,692)	-12.1%	(987)
<b>Gross profit</b>	<b>8,333</b>	<b>6.5%</b>	<b>9,500</b>	<b>10,272</b>	<b>6.0%</b>	<b>1,939</b>	<b>23.3%</b>	<b>772</b>
SG&A expenses	8,768	6.9%	8,700	8,518	5.0%	(250)	-2.9%	(182)
Personal expenses	5,464	4.3%	-	5,159	3.0%	(305)	-5.6%	-
Other	3,304	2.6%	-	3,358	2.0%	54	1.6%	-
<b>Operating income</b>	<b>(435)</b>	<b>-0.3%</b>	<b>800</b>	<b>1,753</b>	<b>1.0%</b>	<b>2,188</b>	<b>-</b>	<b>953</b>
Non-operating income	462	0.4%	250	319	0.2%	(143)	-31.0%	69
Non-operating expenses	221	0.2%	250	757	0.4%	536	242.5%	507
<b>Ordinary income</b>	<b>(194)</b>	<b>-0.2%</b>	<b>800</b>	<b>1,314</b>	<b>0.8%</b>	<b>1,508</b>	<b>-</b>	<b>514</b>
Extraordinary income	0	0.0%	0	0	0.0%	0	-	0
Extraordinary loss	17	0.0%	50	211	0.1%	194	1141.2%	161
<b>Profit attributable to owners of parent</b>	<b>(379)</b>	<b>-0.3%</b>	<b>400</b>	<b>390</b>	<b>0.2%</b>	<b>769</b>	<b>-</b>	<b>(10)</b>
<b>No. of employees</b>	<b>1,438</b>	<b>-</b>	<b>-</b>	<b>1,408</b>	<b>-</b>	<b>(30)</b>	<b>-2.1%</b>	<b>-</b>

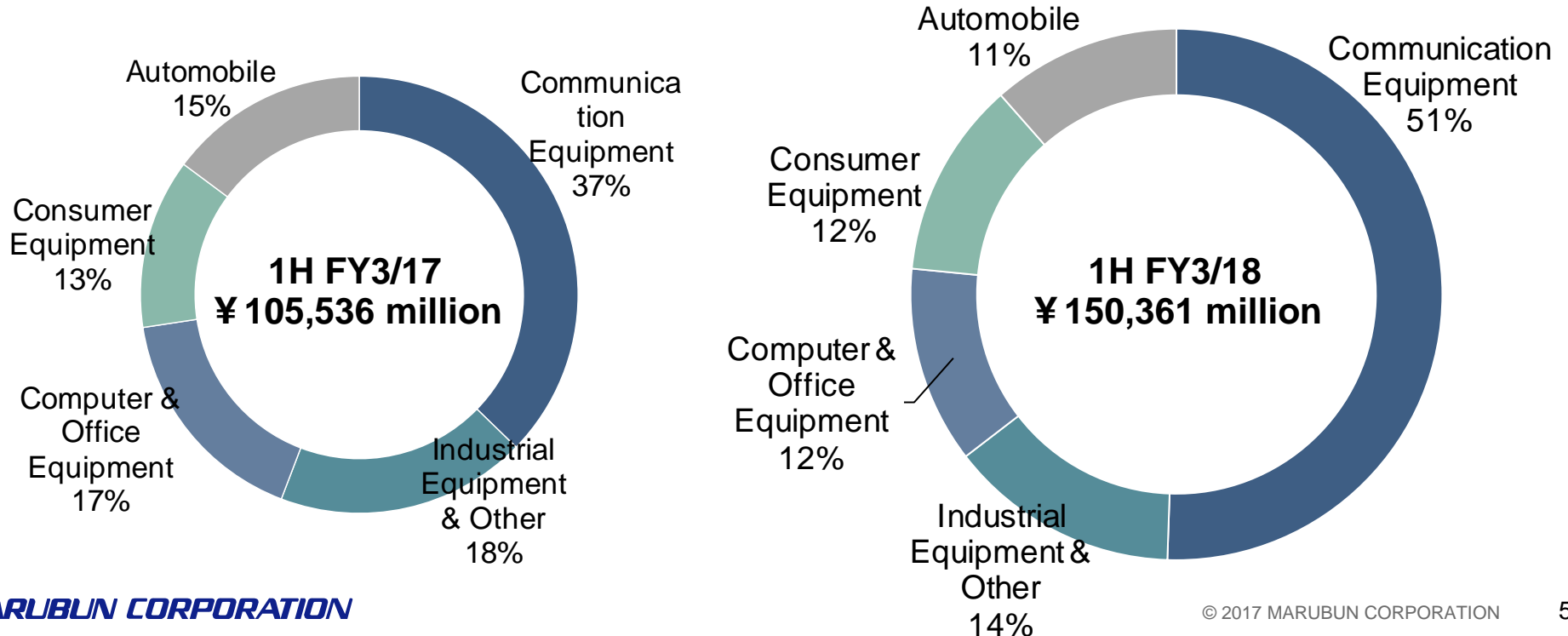
# 1H FY3/18 “Electronic Devices Business” Net Sales Breakdown by Product

(Millions of Yen)

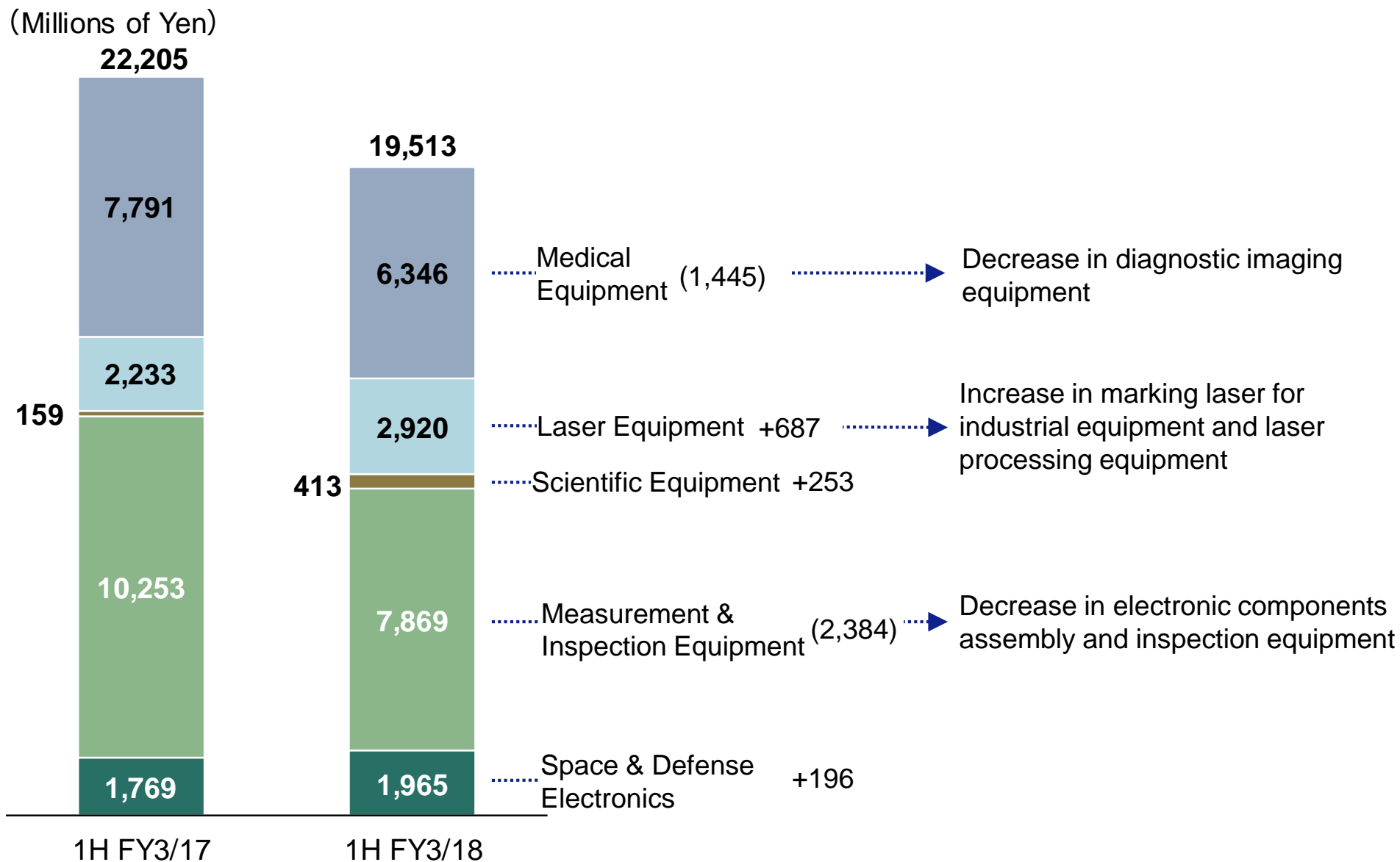


# 1H FY3/18 “Electronic Devices Business” Market Trend by Application

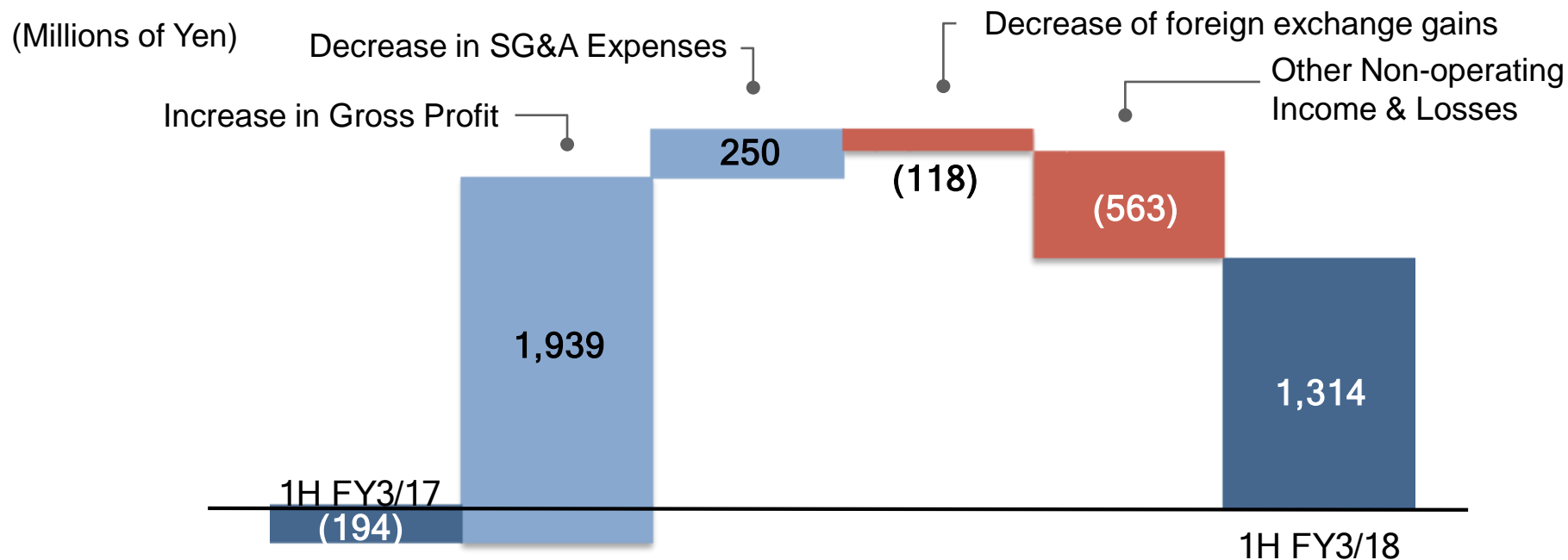
Application	Market Trend
Communication Equipment	Increase
Industrial Equipment & Other	Increase for factory automation
Computer & Office Equipment	Increase for HDD
Automobile	Decrease from terminated contract with NXP; Increase of other suppliers' business
Consumer Equipment	Increase for game consoles



# 1H FY3/18 “Electronic Systems Business” Net Sales Breakdown by Product



# 1H FY3/18 Factors Affecting Ordinary Income



<b>Gross Profit</b>	<p><b>Increase in gross profit</b>            1H FY3/17: ¥8.3 billion (6.5%) =&gt; 1H FY3/18: ¥10.2 billion (6.0%)</p>
<b>SG&amp;A Expenses</b>	<p><b>Decrease of retirement benefit expenses</b>            1H FY3/17: ¥8.7 billion =&gt; 1H FY3/18: ¥8.5 billion</p>
<b>Non-operating Income/Loss</b>	<p><b>Decrease of foreign exchange gains</b>            1H FY3/17: gain of ¥120 million =&gt; 1H FY3/18: gain of ¥6 million</p> <p><b>Increase in interest expense</b>      1H FY3/17: ¥120 million =&gt; 1H FY3/18: ¥280 million</p> <p><b>Provision of allowance for doubtful accounts</b>            1H FY3/17: ¥0 million =&gt; 1H FY3/18: ¥360 million</p>



# 1H FY3/18 Summary of Balance Sheets

(Millions of Yen)	FY3/17 Actual	1H FY3/18 Actual	Changes Amount	Reason for change	
<b>Total assets</b>	<b>125,984</b>	<b>144,773</b>	<b>18,789</b>	Cash and deposits	3,256
Current assets	113,711	132,509	18,798	Notes and accounts receivable-trade	12,930
Noncurrent assets	12,273	12,263	(10)	Merchandise and finished goods	3,709
<b>Total liabilities</b>	<b>78,434</b>	<b>97,367</b>	<b>18,933</b>	Notes and accounts payable-trade	2,184
Current liabilities	67,272	86,334	19,062	Short-term loans payable	17,495
Noncurrent liabilities	11,161	11,032	(129)		
				Shareholders' equity	27
<b>Total net assets</b>	<b>47,550</b>	<b>47,406</b>	<b>(144)</b>	Accumulated other comprehensive income	(135)
				Non-controlling interests	(36)

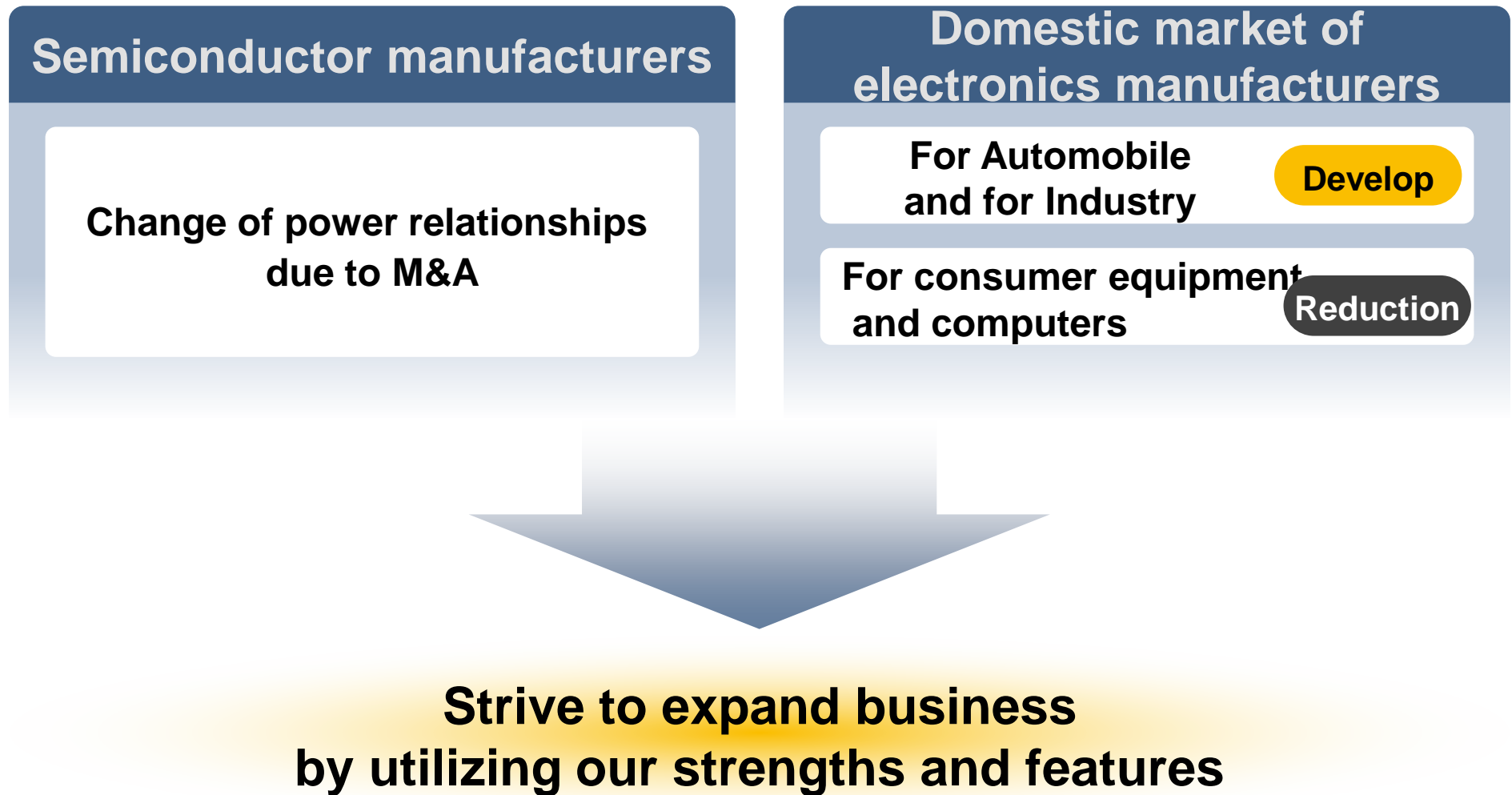
# 1H FY3/18 Summary of Statements of Cash Flows

(Millions of Yen)	1H FY3/17 Actual	1H FY3/18 Actual	Reason for change	
			Income before income taxes and minority interests	1,104
Net cash provided by (used in) operating activities	(6,505)	(12,672)	Increase in notes and accounts receivable-trade	(13,240)
			Increase in inventories	(4,000)
			Increase in notes and accounts payable-trade	2,340
Net cash provided by (used in) investing activities	(607)	(557)	Purchase of noncurrent assets (Propaty,plant and equipment)	(118)
			Purchase of noncurrent assets (Intangible assets)	(386)
Free cash flow	(7,112)	(13,229)		
Net cash provided by (used in) financing activities	5,143	16,564	Increase in short-term loans payable	17,158
Net increase (decrease) in cash and cash equivalents	(3,072)	3,316		
Cash and cash equivalents at end of period	10,629	15,489		

# **Medium-Term Vision Business Strategies and Key Initiatives**

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# Management Environment and Business Outlook



## Medium-Term Vision(2016-2018)

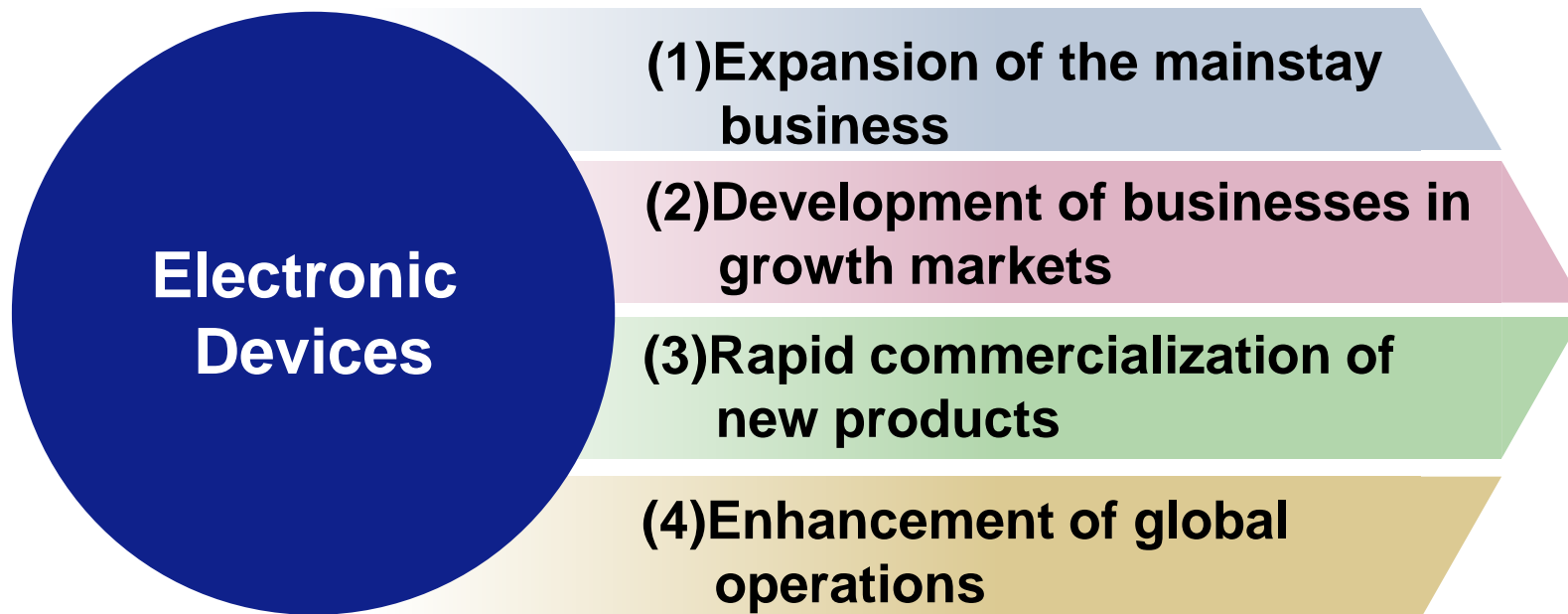
**Catching up  
with industry  
reorganization**

**Creating new  
businesses through  
active investment**

**Improving  
capital efficiency**

**ROE 8.0% or above**

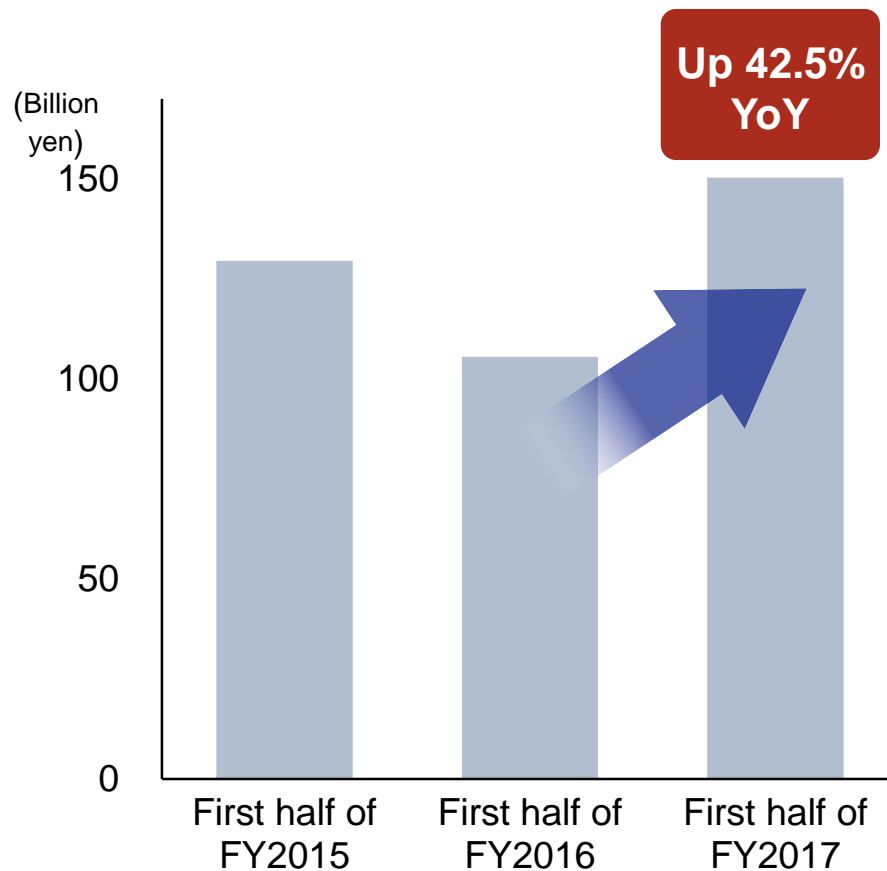
# Four initiatives for “Electronic Devices Business”



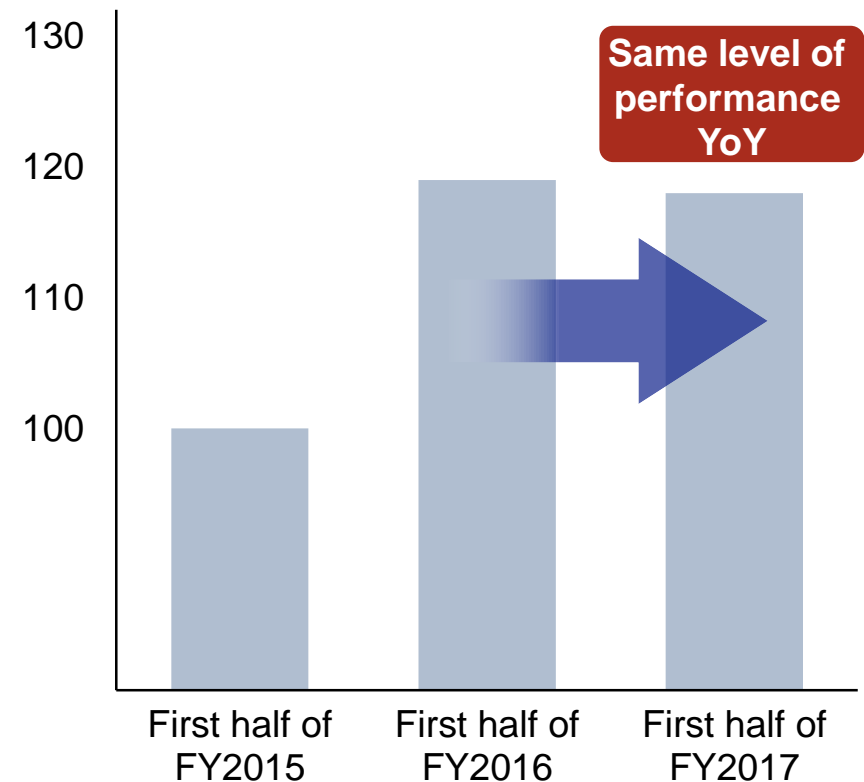
# Outlook for “Electronic Devices” in the First Half of the Year

- Sales have drastically increased, and the same level of performance as in the previous year has been secured in the number of new projects
  - While agency contracts with NXP were terminated at the end of February, other business has been growing

Trends of sales to the Electronic Devices

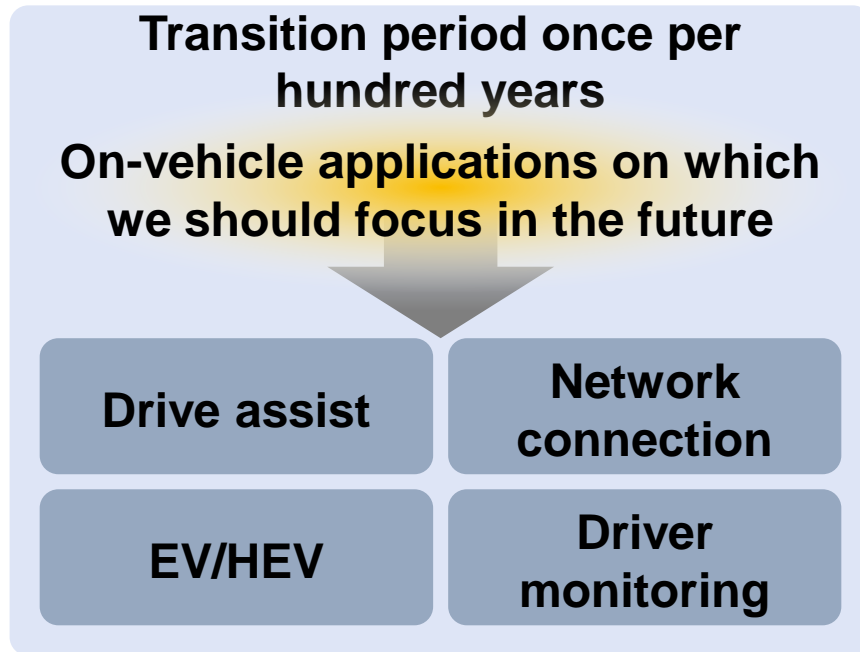


Rise in number of new projects (trends using the figures for the first half of FY2015 as 100)



# (1) Expansion of the Base Business

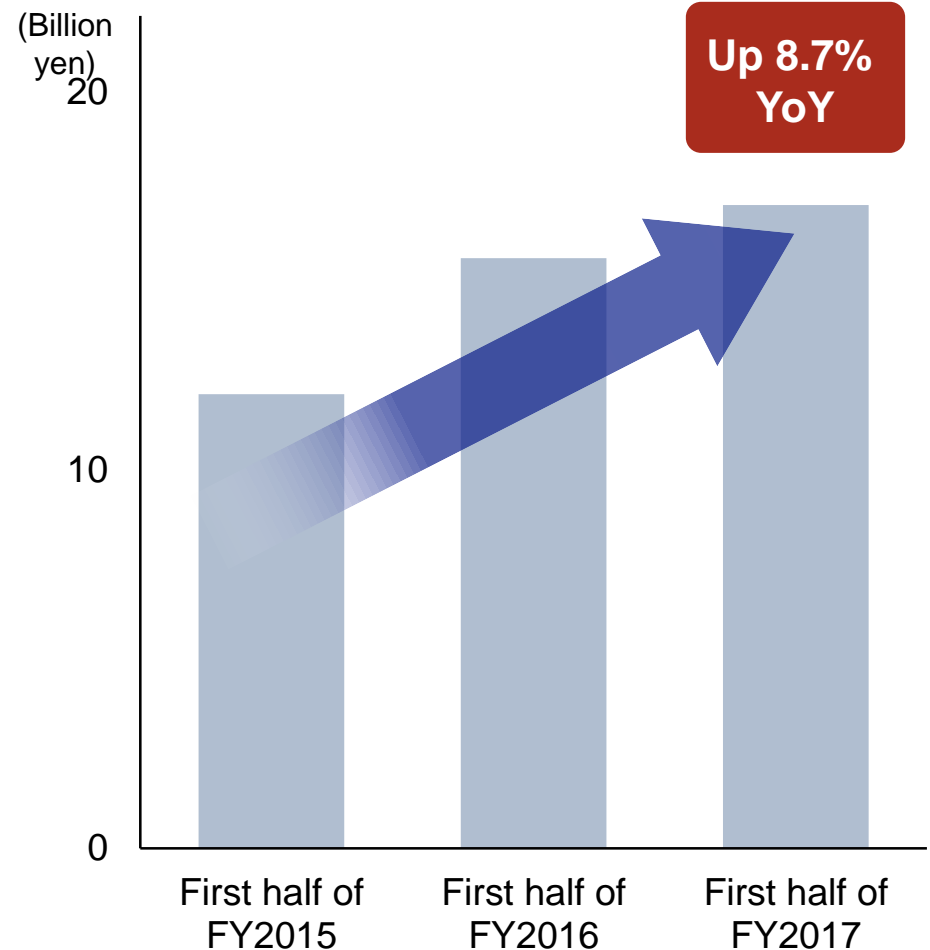
## Automobile market



## Industrial equipment market

- ▶ Changing KTL to our subsidiary  
Expand customer base and increase demand for machine tools and servo motors

Trends of sales to the automotive sector






## (2) Development of Businesses in Growth Markets

### Strengthening IoT business

**Afero, Inc.**

IoT Platform



**MC10 companies**

Bio Sensor



**MARUBUN CORPORATION**

Original sensor modules, microprocessors, and wireless communications technology

Proposals for solutions

Explore new markets

### (3) Rapid Commercialization of New Products

Aiming at the next generation and the most advanced technology

#### FINsix

- Launch of sales in Japan of the small PC adapter “Dart”



#### Cypress Semiconductor

- Growth in sales of wireless products for IoT
- Expansion of business by promoting sales of other products

#### Eink

- Introducing at CEATEC, a home appliance exhibition
  - Electronic comic book, “Hokuto no Ken”
- Adopting electronic scores and expanding applications

## (4) Enhancement of Global Operations

### Europe

Opening Marubun Arrow Europe in Budapest, Hungary

Expansion of bases in Euro zone

Meeting the local needs of EU countries

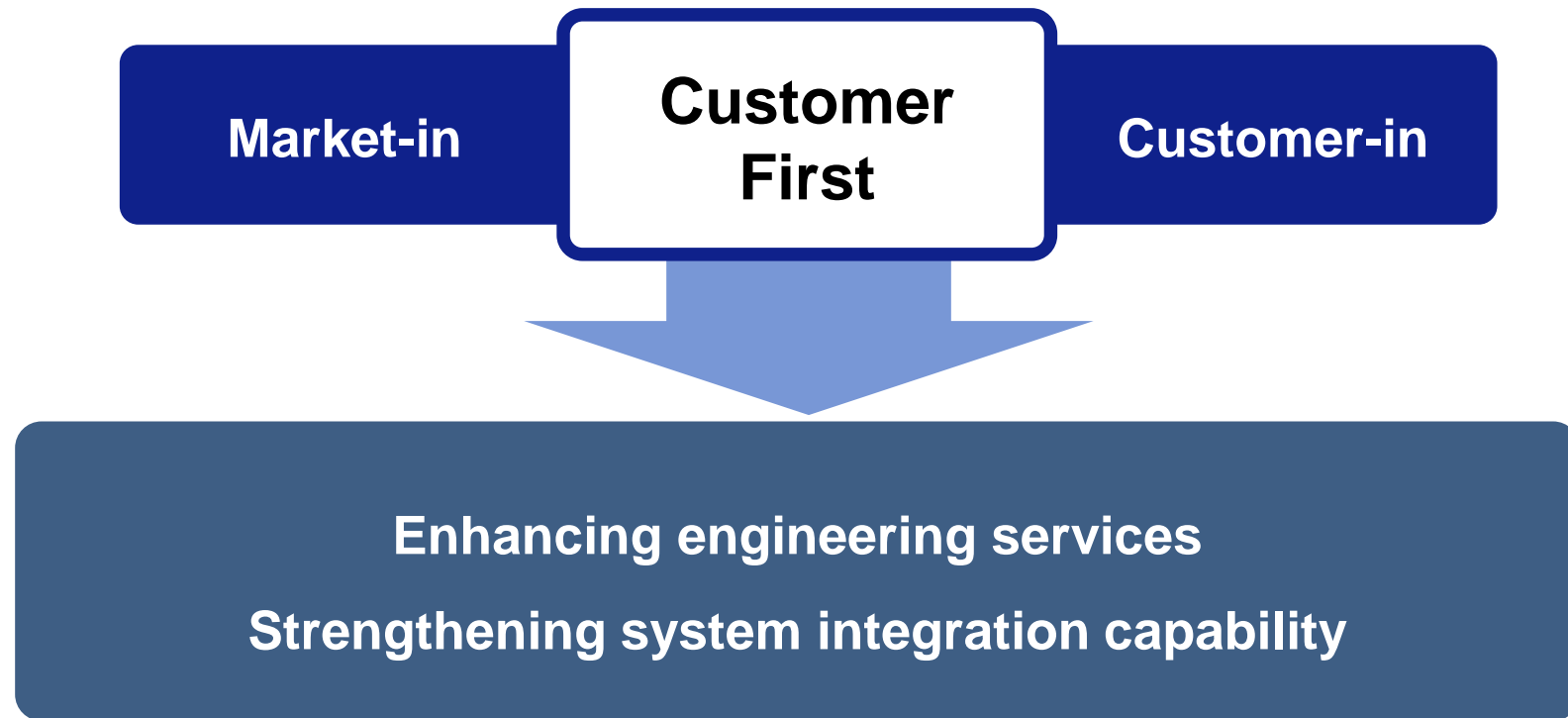
Marubun Arrow Europe

### Asia/North America

Strong sales for automobile applications  
Strengthening of relationships with customers' headquarters in Japan

Expecting steady growth

# Initiatives of “Electronic Systems”



**Expansion of customers**  
**Improvement of profitability**

# Initiatives of “Electronic Systems” by Segment

## Laser Equipment

- Manufacturing and sales of original systems
  - Micromachining equipment, hardening equipment, and others
- Expansion of demand for consumer equipment and automobiles



## Information and Communication Equipment

- Promotion of sales in the communications infrastructure market
  - Sales of equipment such as Time server and GPS simulator
- Full-fledged launch of consultation business
  - Support for construction of 5G infrastructure for major carriers



# Initiatives of “Electronic Systems” by Segment

## Space and defense electronics

- Promotion of orders for highly reliable components
- Expansion of product lineup
  - Sales of solar panels for artificial satellites

## Medical Equipment

- Merging Ikeda Iryou Denki into Marubun Tsusho
  - Strengthening sales capabilities through integrated operations
- Expansion of product lines
- Strengthening maintenance functions

# **FY3/18 Summary of Consolidated Financial Forecasts**

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# FY3/18 Summary of Consolidated Financial Forecasts

**Net sales : ¥326 billion (+ ¥55.3 billion YoY)**

- **Electronic Devices Business** Increase for communication equipment, Industrial equipment and game consoles.
- **Electronic Systems Business** Increase in laser equipment and space & defense electronics. Decrease in medical equipment.

**Operating income : ¥4.5 billion (+ ¥1.6 billion YoY)**

- **Gross profit** Increase due to increased sales.
- **SG&A expenses** Decrease in retirement benefit expenses.

**Ordinary income : ¥4 billion (+ ¥1.3 billion YoY)**

**Net income : ¥2 billion (+ ¥0.4 billion YoY)**

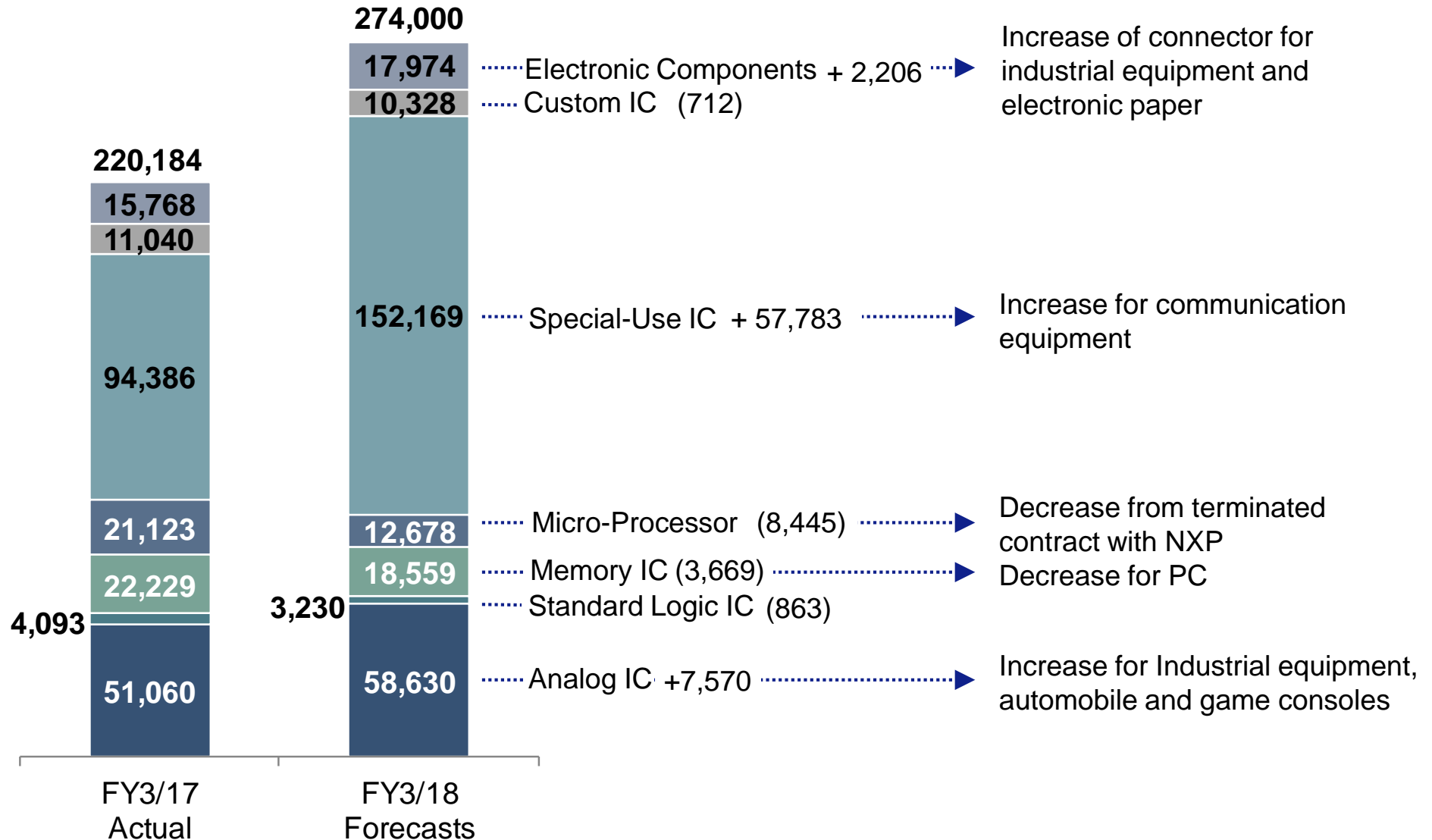


# FY3/18 Financial Forecasts

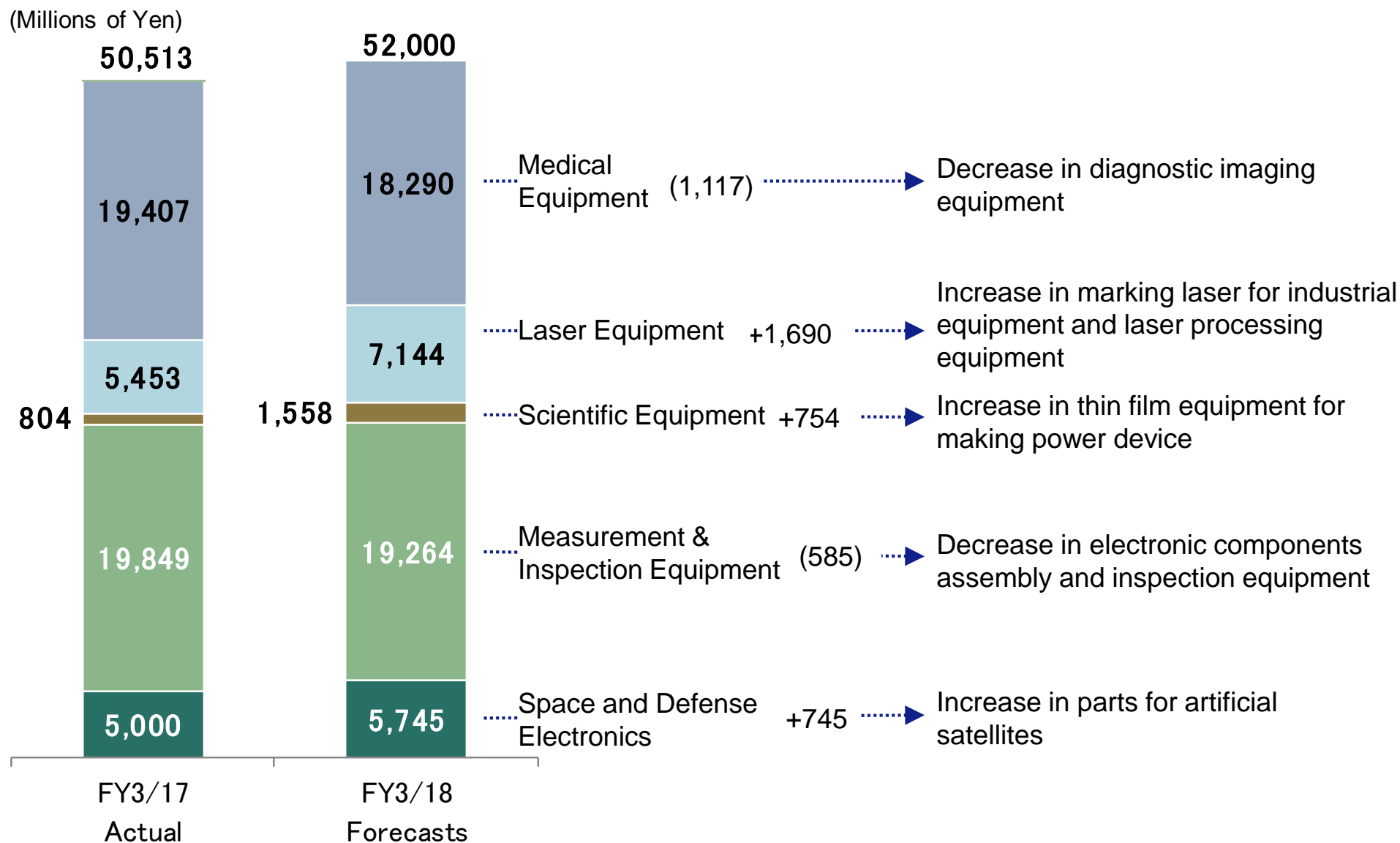
(Millions of Yen)	FY3/17		FY3/18			YoY Changes		Initial Forecasts vs Revised Forecasts
	Actual	Composition Ratio	Initial Forecasts	Revised Forecasts	Composition Ratio	Amount	%	
<b>Net sales</b>	<b>270,698</b>	<b>100.0%</b>	<b>260,000</b>	<b>326,000</b>	<b>100.0%</b>	<b>55,302</b>	<b>20.4%</b>	<b>66,000</b>
Electronic Devices	220,184	81.3%	210,000	274,000	84.0%	53,816	24.4%	<b>64,000</b>
Electronic Systems	50,513	18.7%	50,000	52,000	16.0%	1,487	2.9%	<b>2,000</b>
<b>Gross profit</b>	<b>20,612</b>	<b>7.6%</b>	<b>21,000</b>	<b>21,900</b>	<b>6.7%</b>	<b>1,288</b>	<b>6.2%</b>	<b>900</b>
SG&A expenses	17,729	6.5%	17,500	17,400	5.3%	(329)	-1.9%	<b>(100)</b>
<b>Operating income</b>	<b>2,883</b>	<b>1.1%</b>	<b>3,500</b>	<b>4,500</b>	<b>1.4%</b>	<b>1,617</b>	<b>56.1%</b>	<b>1,000</b>
Non-operating income	705	0.3%	450	700	0.2%	(5)	-0.7%	<b>250</b>
Non-operating expenses	937	0.3%	650	1,200	0.4%	263	28.1%	<b>550</b>
<b>Ordinary income</b>	<b>2,651</b>	<b>1.0%</b>	<b>3,300</b>	<b>4,000</b>	<b>1.2%</b>	<b>1,349</b>	<b>50.9%</b>	<b>700</b>
Extraordinary income	1	0.0%	0	0	0.0%	(1)	-100.0%	<b>0</b>
Extraordinary loss	65	0.0%	50	250	0.1%	185	284.6%	<b>200</b>
<b>Profit attributable to owners of parent</b>	<b>1,650</b>	<b>0.6%</b>	<b>1,850</b>	<b>2,050</b>	<b>0.6%</b>	<b>400</b>	<b>24.2%</b>	<b>200</b>

# FY3/18 “Electronic Devices Business” Net Sales Forecasts by Product

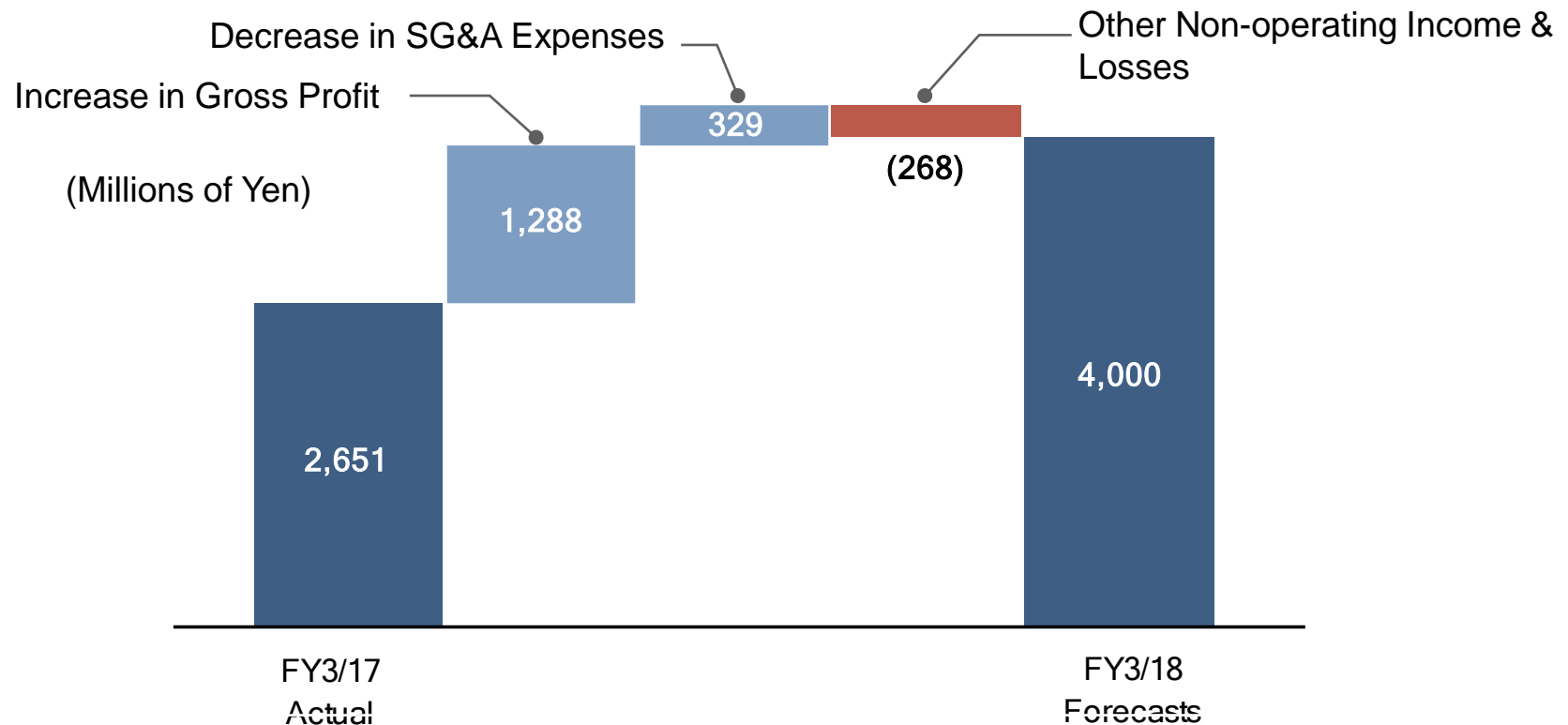
(Millions of Yen)



# FY3/18 “Electronic Systems Business” Net Sales Forecasts by Product



# FY3/18 Factors Affecting Ordinary Income (last FY vs forecasts)



<b>Gross Profit</b>	<b>Increase in gross profit</b> FY3/17:¥20.6billion(7.6%) → FY3/18:¥21.9billion(6.7%)
<b>SG&amp;A Expenses</b>	<b>Decrease of retirement benefits expenses</b> FY3/17:¥17.7billion → FY3/18:¥17.4billion
<b>Non-operating Income &amp; Losses</b>	<b>Provision of allowance for doubtful accounts</b> 1H FY3/17: 0 million => 1H FY3/18: ¥3.6 million

# Return to Shareholders

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# Return to Shareholders

## Dividend Policy

Dividend Payout Ratio	30% or more (consolidated)
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## Dividends Forecast

(Yen)	FY3/17	FY3/18 (Forecast)
Annual Dividend Per Share	25.00	30.00
Interim Dividend	10.00	10.00
Year-End Dividend	15.00	20.00 (Year-end dividend 15.00) (Commemorative dividend 5.00)

# Cautionary Statement

Information on future performance contained within this presentation material, such as the results forecasts, is based on the data available and assumptions judged to be reasonable as of when the Company prepared this presentation material.

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