

MARUBUN CORPORATION

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Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2014 <under Japanese GAAP>

(Millions of yen with fractional amounts discarded, under otherwise noted)

1. Consolidated Financial Results for Fiscal Year Ended March 31, 2014 (April 1,2013 - March 31,2014)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Year ended March 31, 2014	260,424	18.3	3,912	30.8	3,944	57.8	2,008	134.2
Year ended March 31, 2013	220,200	(9.3)	2,991	5.3	2,500	5.2	857	(15.7)

	Net Income Per Share	Diluted Net Income Per Share	Return on Equity	Ordinary Income to Total Assets ratio	Operating Income on Net Sales
	Yen	Yen	%	%	%
Year ended March 31, 2014	76.85	-	5.6	3.7	1.5
Year ended March 31, 2013	32.82	-	2.5	2.4	1.4

(2) Financial Position

	Total Assets	Total Net Assets	Equity Ratio	Net Assets Per Share
	Millions of Yen	Millions of Yen	%	Yen
As of March 31, 2014	110,635	42,469	34.0	1,438.90
As of March 31, 2013	104,743	37,547	32.2	1,291.94

(3) Cash Flows

	Net Cash flow from Operating Activities	Net Cash flow from Investing Activities	Net Cash flow from Financing Activities	Cash and Cash Equivalents at End of Fiscal Year
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Year ended March 31, 2014	5,999	(162)	(5,382)	18,976
Year ended March 31, 2013	8,301	(406)	(9,261)	17,410

2. Dividends

	Dividend Per Share					Dividends in Total (Fiscal Year)	Dividends Payout ratio (Consolidated)	Dividends on Net Assets (Consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual			
Year ended March 31, 2013	-	6.00	-	9.00	15.00	392	45.7	1.2
Year ended March 31, 2014	-	6.00	-	13.00	19.00	496	24.7	1.4
Year ending March 31, 2015 (Forecast)	-	7.00	-	13.00	20.00		24.9	

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2015

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Six months ending September 30, 2014	114,000	(4.5)	300	(74.4)	350	(70.2)	100	(82.9)
Year ending March 31, 2015	263,000	1.0	4,100	4.8	4,000	1.4	2,100	4.5

	Net Income Per Share
	Yen
Six months ending September 30, 2014	3.83
Year ending March 31, 2015	80.35

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 consolidated fiscal year under review (from April 1, 2013 to March 31, 2014), amid the emerging effects of the economic stimulus measures and monetary policies initiated by the Japanese government, the Japanese economy continued to show signs of moderate recovery, such as improved corporate earnings and the recovery of capital spending, as well as signs of improvement in consumer spending and the employment and income situations.

In the electronics industry, where the Marubun Group is positioned, although the digital camera market continued to shrink, demand for some consumer equipment including TV sets began to recover, and demand for smartphones and tablet PCs continued to grow. Demand for automobile and industrial equipment products also increased. In the semiconductor market, demand for microprocessors and communication ICs for mobile terminal devices expanded. However, with respect to semiconductor manufacturing equipment, back-end equipment was slow to recover, although demand for front-end equipment remained solid.

In this environment, net sales of the Group in the consolidated fiscal year under review climbed 18.3% year on year, to 260,424 million yen. Consolidated operating income increased 30.8% year on year, to 3,912 million yen, and consolidated ordinary income was up 57.8% year on year, to 3,944 million yen. Consolidated net income was up 134.2% year on year, to 2,008 million yen.

Operating results by business segment are as follows.

(Electronic Devices business)

In the Electronic Devices business, sales of semiconductors for digital cameras, game consoles, and smartphones for the Japanese market declined, while sales of semiconductors for communication modules remained strong. Sales of semiconductors for tablet PCs, notebook PCs, and automobile equipment rose. Sales of LCD panels for TV sets also increased. As a result, net sales in this segment increased 17.7% year on year, to 220,325 million yen, and segment income rose 52.9% year on year, to 2,475 million yen.

(Electronic Systems business)

In the Electronic Systems business, in scientific equipment, sales of thin-film manufacturing equipment declined, while in medical equipment, sales increased significantly as the business of diagnostic imaging equipment remained firm. Sales of measurement and inspection equipment increased, reflecting higher demand for non-destructive testing equipment for semiconductors and the conversion of an affiliate that had been an equity-method company into a subsidiary. As a result, net sales in this segment climbed 21.7% year on year, to 40,098 million yen. Segment income rose 5.0% year on year, to 1,450 million yen, despite an increase in SG&A expenses as a result of additional subsidiaries.

2. Qualitative information relating to consolidated financial forecasts

With respect to the economic outlook for fiscal 2014, there are concerns over the reaction to the last-minute surge in demand that occurred ahead of the increase in the consumption tax rate as well as downside risks in overseas economies including, among other things, the slowdown of growth in emerging countries. However, increased exports and improved corporate earnings are expected, reflecting the moderate economic recovery in the United States and Europe and the effects of government policy in Japan.

In the semiconductor and electronic components markets, although a significant improvement is not expected for consumer equipment products, sales of products for automobile and industrial equipment are expected to increase. Demand for smartphones and tablet PCs is also expected to continue.

In this environment, for fiscal 2014, the Group expects a decline in medical equipment in the Electronic Systems business, but an increase in sales of semiconductors and electronic components for automobile and industrial equipment and tablet PCs in the Electronic Devices business. As a result, the Group forecasts net sales of 263,000 million yen, up 1.0% year on year. It anticipates operating income of 4,100 million yen, rising 4.8% year on year, ordinary income of 4,000 million yen, up 1.4% year on year, and net income of 2,100 million yen, an increase of 4.5% year on year.

3. Qualitative information relating to the consolidated financial position

(1) Assets, liabilities and net assets

Current assets at the end of the consolidated fiscal year under review stood at 99,510 million yen, increasing 5,710 million yen from the end of the previous fiscal year. This was mainly attributable to increases in notes and accounts receivable-trade of 12,644 million yen and cash and deposits of 1,710 million yen, which was partially offset by a decrease in merchandise and finished goods of 8,517 million yen. Noncurrent assets were 11,124 million yen, an increase of 181 million yen from the end of the previous fiscal year, primarily reflecting an increase in investment securities of 427 million yen.

As a result, total assets stood at 110,635 million yen, an increase of 5,891 million yen from the end of the previous fiscal year.

Current liabilities at the end of the consolidated fiscal year under review were 65,114 million yen, a rise of 16,072 million yen from the end of the previous fiscal year, chiefly reflecting increases in current portion of long-term loans payable of 15,008 million yen and notes and accounts payable-trade of 6,386 million yen. This was partially offset by a decrease in short-term loans payable of 4,587 million yen. Noncurrent liabilities were 3,050 million yen, a decrease of 15,102 million yen from the end of the previous fiscal year. This is mainly attributable to a decrease in long-term loans payable of 15,023 million yen.

As a result, total liabilities stood at 68,165 million yen, an increase of 969 million yen from the end of the previous fiscal year.

Total net assets at the end of the consolidated fiscal year under review were 42,469 million yen, a rise of 4,922 million yen from the end of the previous fiscal year. The increase was primarily attributable to rises in retained earnings of 1,616 million yen, minority interests of 1,081 million yen, and foreign currency translation adjustments of 1,073 million yen.

As a result, the equity ratio increased 1.8 percentage points, standing at 34.0% compared to 32.2% at the end of the previous fiscal year.

(2) Consolidated cash flows

Cash and cash equivalents (referred to below as “cash”) at the end of the consolidated fiscal year under review were 18,976 million yen, up 1,565 million yen, or 9.0%, from the end of the previous consolidated fiscal year. This result reflected a decrease in inventories and other factors, despite an increase in notes and accounts receivable-trade and other factors.

The cash flow statement and its components at the end of the consolidated fiscal year are as follows.

(Cash flows from operating activities)

Cash generated from operating activities was 5,999 million yen (compared with cash generated of 8,301 million yen for the same period of the previous fiscal year). The main factors include an increase in notes and accounts receivable-trade of 10,445 million yen, a decline in inventories of 9,089 million yen, an increase in notes and accounts payable-trade of 4,604 million yen, and income before income taxes and minority interests of 3,886 million yen.

(Cash flows from investing activities)

Cash used for investing activities was 162 million yen (compared with cash used of 406 million yen for the same period of the previous fiscal year). This result was principally attributable to proceeds from rental of real estate for investment of 149 million yen, purchase of property, plant and equipment of 148 million yen and purchase of intangible assets of 147 million yen.

(Cash flows from financing activities)

Cash used for financing activities came to 5,382 million yen (compared with cash used of 9,261 million yen for the same period of the previous fiscal year). This was mainly attributable to a net decrease of 4,726 million yen in short-term loans payable and cash dividends paid of 391 million yen.

4. Basic policy regarding earnings appropriation and dividends for fiscal 2013 and 2014

The distribution of profits to shareholders is determined with an emphasis on the dividend payout ratio, based on a performance-based dividend method of actively returning profits to shareholders in line with the Group's business results, with sustained shareholder returns as the basic policy. The amount of dividends will be determined with 25% or more on a consolidated basis or 30% or more on a non-consolidated basis, whichever is greater, as a benchmark for the payout ratio.

The Group will use internal reserves to make generate profits for shareholders over the long term, for instance by investing in the start-up of new business, investing in information and logistics systems to improve customer services and streamline operations, appropriating them for the working capital required in association with sales expansion, and improving its financial position.

The Group plans to pay a year-end dividend per share of 13 yen (an annual dividend combined with an interim dividend will be 19 yen) for the consolidated fiscal year under review.

For the next fiscal year, the Group plans to pay an annual dividend per share of 20 yen (including an interim dividend of 7 yen).

5. Medium-term management strategies and issues for the fiscal year ahead

Although the electronics industry, where the Group is positioned, is expected to grow on the back of such developments as market expansion in emerging countries and increasing demand for products for smartphones, tablet PCs, and automobile and industrial equipment, structural change has become prominent as price competition in the market for finished goods gathers momentum, the transfer to overseas production or the consignment of production to EMS and ODM companies expands, and business restructuring accelerates.

In this environment, the Group is seeking to differentiate its businesses in its own fashion and create a lean and streamlined company that can achieve sustainable growth. At the same time, it will focus its efforts on expanding its base businesses through a stronger demand creation function, a more robust approach to growth markets such as automobiles, medical care, and industrial equipment, greater global responsiveness, as well as better organizational responsiveness by collaborating with Group companies and leveraging human resources.

Consolidated Financial Statements
(1) Consolidated Balance Sheet

(Millions of Yen)

	As of March 31, 2013	As of March 31, 2014
Assets		
Current assets		
Cash and deposits	17,440	19,151
Notes and accounts receivable-trade	48,299	60,944
Lease receivables	29	27
Merchandise and finished goods	25,378	16,860
Work in process	47	70
Deferred tax assets	1,567	1,070
Other-CA	1,068	1,403
Allowance for doubtful accounts	(31)	(17)
Current assets	93,799	99,510
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,062	4,125
Accumulated depreciation-buildings and structures	(2,666)	(2,782)
Buildings and structures, net	1,396	1,343
Machinery, equipment and vehicles	26	26
Accumulated depreciation-machinery, equipment and vehicles	(23)	(18)
Machinery, equipment and vehicles, net	3	8
Tools, furniture and fixtures	2,048	2,053
Accumulated depreciation-tools, furniture and fixtures	(1,643)	(1,705)
Tools, furniture and fixtures, net	405	348
Land	2,466	2,510
Leased assets	41	79
Accumulated depreciation-lease assets	(11)	(24)
Leased assets, net	29	54
Construction in progress	0	12
Property, plant and equipment	4,302	4,277
Intangible assets		
Goodwill	4	2
Other	401	399
Intangible assets	406	402
Investments and other assets		
Investment securities	1,744	2,171
Long-term loans receivable	4	3
Lease receivables	79	78
Deferred tax assets	1,617	990
Real estate for investment	3,059	3,019
Accumulated depreciation-real estate for investment	(2,048)	(2,068)
Real estate for investment, net	1,010	950
Net defined benefit asset	-	48
Other	1,777	2,202
Investments and other assets	6,234	6,445
Non-current assets	10,943	11,124
Assets	104,743	110,635

(Millions of Yen)

	As of March 31, 2013	As of March 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	33,523	39,910
Short-term loans payable	11,687	7,100
Current portion of long-term loans payable	34	15,043
Current portion of bonds	21	-
Lease obligations	38	44
Income taxes payable	109	504
Provision for bonuses	808	789
Asset retirement obligations	12	5
Other	2,806	1,717
Current liabilities	49,042	65,114
Non-current liabilities		
Long-term loans payable	16,037	1,013
Lease obligations	102	122
Provision for retirement benefits	1,461	-
Net defined benefit liability	-	1,330
Provision for directors' retirement benefits	244	225
Asset retirement obligations	111	114
Other	196	243
Non-current liabilities	18,153	3,050
Liabilities	67,195	68,165
Net assets [abstract]		
Shareholders' equity		
Capital stock	6,214	6,214
Capital surplus	6,353	6,353
Retained earnings	24,097	25,713
Treasury shares	(1,630)	(1,630)
Shareholders' equity	35,035	36,652
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	213	490
Deferred gains or losses on hedges	(656)	13
Foreign currency translation adjustment	(826)	246
Remeasurements of defined benefit plans	-	204
Valuation and translation adjustments	(1,269)	955
Minority interests	3,781	4,862
Net assets	37,547	42,469
Liabilities and net assets	104,743	110,635

(2) Consolidated Statements of Income

(Millions of Yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Net sales	220,200	260,424
Cost of sales	202,437	241,581
Gross profit (loss)	17,763	18,842
Selling, general and administrative expenses	14,771	14,930
Operating income (loss)	2,991	3,912
Non-operating income		
Interest income	12	12
Dividend income	29	32
Share of profit of entities accounted for using equity method	154	270
Purchase discounts	107	125
Rent of real estate for investment	174	151
Miscellaneous income	161	115
Non-operating income	640	708
Non-operating expenses		
Interest expenses	337	275
Sales discounts	123	111
Rent expenses on real estate for investment	105	93
Foreign exchange losses	417	140
Miscellaneous loss	148	53
Non-operating expenses	1,132	675
Ordinary income (loss)	2,500	3,944
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	111	0
Gain on sales of real estate for investment	2	10
Gain on bargain purchase	-	1
Other	9	-
Extraordinary income	124	12
Extraordinary losses		
Loss on sales and retirement of non-current assets	72	22
Loss on valuation of investment securities	21	29
Settlement package	283	-
Special extra retirement payments and so on	352	-
Loss on step acquisitions	-	17
Other	2	1
Extraordinary losses	731	70
Income (loss) before income taxes	1,892	3,886
Income taxes-current	611	918
Income taxes-deferred	(32)	505
Income taxes	578	1,423
Income (loss) before minority interests	1,313	2,463
Minority interests in income (loss)	456	454
Net income (loss)	857	2,008

(Consolidated quarterly statements of comprehensive income)

(Millions of Yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Income (loss) before minority interests	1,313	2,463
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	29	275
Deferred gains or losses on hedges, net of tax	(591)	669
Foreign currency translation adjustment, net of tax	914	1,829
Share of other comprehensive income of entities accounted for using equity method	8	1
Other comprehensive income	360	2,775
Comprehensive income	1,674	5,238
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	858	4,028
Comprehensive income attributable to minority interests	815	1,210

(3) Consolidated Statement of Changes in Shareholder's Equity
Year ended March 31, 2013

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Net assets	6,214	6,353	23,579	(1,630)	34,517
Changes of items during period					
Dividends of surplus			(339)		(339)
Net income (loss)			857		857
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	518	(0)	517
Net assets	6,214	6,353	24,097	(1,630)	35,035

	Accumulated other comprehensive income					Minority interests	Net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Valuation and translation adjustments		
Net assets	176	(64)	(1,381)	-	(1,269)	3,047	36,295
Changes of items during period							
Dividends of surplus							(339)
Net income (loss)							857
Purchase of treasury shares							(0)
Net changes of items other than shareholders' equity	37	(592)	555	-	0	733	734
Total changes of items during period	37	(592)	555	-	0	733	1,252
Net assets	213	(656)	(826)	-	(1,269)	3,781	37,547

Year ended March 31, 2014

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Net assets	6,214	6,353	24,097	(1,630)	35,035
Changes of items during period					
Dividends of surplus			(392)		(392)
Net income (loss)			2,008		2,008
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	1,616	(0)	1,616
Net assets	6,214	6,353	25,713	(1,630)	36,652

	Accumulated other comprehensive income					Minority interests	Net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Valuation and translation adjustments		
Net assets	213	(656)	(826)	-	(1,269)	3,781	37,547
Changes of items during period							
Dividends of surplus							(392)
Net income (loss)							2,008
Purchase of treasury shares							(0)
Net changes of items other than shareholders' equity	276	669	1,073	204	2,224	1,081	3,305
Total changes of items during period	276	669	1,073	204	2,224	1,081	4,922
Net assets	490	13	246	204	955	4,862	42,469

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Cash flows from operating activities		
Income (loss) before income taxes	1,892	3,886
Depreciation	504	403
Increase (decrease) in allowance for doubtful accounts	(1)	(22)
Increase (decrease) in provision for bonuses	55	(38)
Increase (decrease) in provision for directors' retirement benefits	(247)	(19)
Increase (decrease) in provision for retirement benefits	(142)	(1,473)
Increase (decrease) in net defined benefit liability	-	1,584
Increase (decrease) in net defined benefit asset	-	14
Interest and dividend income	(42)	(44)
Interest expenses	337	275
Foreign exchange losses (gains)	(544)	(488)
Share of (profit) loss of entities accounted for using equity method	(154)	(270)
Rent of real estate for investment	(174)	(151)
Loss (gain) on sales of investment securities	(111)	(0)
Gain on sales of real estate for investment	(2)	(10)
Gain on bargain purchase	-	(1)
Loss (gain) on sales and retirement of non-current assets	71	22
Loss (gain) on valuation of investment securities	21	29
Settlement package	283	-
Special extra retirement payments and so on	352	-
Loss (gain) on step acquisitions	-	17
Decrease (increase) in notes and accounts receivable-trade	19,256	(10,445)
Decrease (increase) in inventories	(2,255)	9,089
Increase (decrease) in notes and accounts payable-trade	(9,678)	4,604
Other, net	477	(280)
Subtotal	9,896	6,678
Interest and dividend income received	108	159
Interest expenses paid	(351)	(282)
Income taxes paid	(751)	(730)
Income taxes refund	33	174
Settlement package paid	(283)	-
Payments for special extra retirement payments and so on	(352)	-
Net cash provided by (used in) operating activities	8,301	5,999

(Millions of Yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Cash flows from investing activities		
Payments into time deposits	(29)	(234)
Proceeds from withdrawal of time deposits	200	242
Purchase of property, plant and equipment	(268)	(148)
Proceeds from sales of property, plant and equipment	1	2
Purchase of intangible assets	(180)	(147)
Purchase of investment securities	(379)	(22)
Proceeds from sales of investment securities	235	0
Proceeds from rental of real estate for investment	172	149
Payments for asset retirement obligations	(106)	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	46
Other, net	(51)	(49)
Net cash provided by (used in) investing activities	(406)	(162)
Cash flows from financing activities [abstract]		
Net increase (decrease) in short-term loans payable	(7,248)	(4,726)
Repayments of long-term loans payable	(1,534)	(97)
Redemption of bonds	(48)	(21)
Cash dividends paid	(339)	(391)
Cash dividends paid to minority shareholders	(81)	(129)
Other, net	(8)	(15)
Net cash provided by (used in) financing activities	(9,261)	(5,382)
Effect of exchange rate change on cash and cash equivalents	854	1,110
Net increase (decrease) in cash and cash equivalents	(512)	1,565
Cash and cash equivalents	17,923	17,410
Cash and cash equivalents	17,410	18,976

Consolidated Segment Information

(Business Segments)

Year ended March 31, 2013

(Millions of Yen)

	Business segments reported			Total	Adjustment	Consolidated Statements of Income
	Electronic Devices	Electronic Systems	Total			
Net Sales						
(1) Outside Customers	187,247	32,953	220,200	220,200	-	220,200
(2) Inter-segment	0	172	172	172	(172)	-
Total Sales	187,247	33,125	220,373	220,373	(172)	220,200
Segment Income	1,619	1,381	3,001	3,001	(9)	2,991
Segment Assets	83,846	20,022	103,868	103,868	874	104,743
Other						
Depreciation	338	153	492	492	47	539
Amortization of goodwill	-	-	-	-	-	-
Investments in entities accounted for using equity method	856	75	932	932	-	932
Increase in property, plant and equipment and intangible assets	384	150	535	535	0	535

Year ended March 31, 2014

(Millions of Yen)

	Business segments reported			Total	Adjustment	Consolidated Statements of Income
	Electronic Devices	Electronic Systems	Total			
Net Sales						
(1) Outside Customers	220,325	40,098	260,424	260,424	-	260,424
(2) Inter-segment	0	29	29	29	(29)	-
Total Sales	220,326	40,127	260,453	260,453	(29)	260,424
Segment Income	2,475	1,450	3,926	3,926	(14)	3,912
Segment Assets	84,876	24,812	109,688	109,688	946	110,635
Other						
Depreciation	258	128	386	386	40	427
Amortization of goodwill	-	-	-	-	-	-
Investments in entities accounted for using equity method	1,194	32	1,226	1,226	-	1,226
Increase in property, plant and equipment and intangible assets	177	180	357	357	3	361