

Translation

**MARUBUN CORPORATION**

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Preparation of supplementary material : Yes  
 Holding of investor meeting : Yes

October 31, 2016

**Summary of Consolidated Financial Results for the Six Months Ended September 30, 2016  
 <under Japanese GAAP>**

**1. Consolidated Financial Results for the Six Months Ended September 30, 2016 (April 1, 2016 - September 30, 2016)**

(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 Three months ended								
September 30, 2016	127,741	(13.6)	(435)	-	(194)	-	(379)	-
September 30, 2015	147,803	19.9	1,415	53.3	1,492	162.6	827	206.5

	Earnings per Share -Basic-	Earnings Per Share -Diluted-
	Yen	Yen
For the Three months ended		
September 30, 2016	(14.52)	-
September 30, 2015	31.65	-

(2) Financial Position

	Total Assets	Total Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of September 30, 2016	109,385	43,596	35.1
As of March 31, 2016	106,513	46,338	37.9

**2. Dividends**

	Dividend Per Share				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2016	-	12.00	-	18.00	30.00
Year ending March 31, 2017	-	10.00			
Year ending March 31, 2017 (Forecast)			-	15.00	25.00

**3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2017**

	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, 2017	270,000	(3.4)	1,900	(40.9)	2,000	(39.8)	900	(50.3)

	Earnings per Share -Basic-
	Yen
Year ending March 31, 2017	34.44

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**

During the first half of the consolidated fiscal year under review (April 1, 2016 to September 30, 2016), the Japanese economy continued its gradual recovery against a background of improved employment and income conditions and steady consumer spending. In the meantime, moves toward corporate earnings improvement and capital expenditure recovery stalled. Uncertainty about overseas economies also increased under the effects of factors including the risk of their downturn and the issue of Brexit in the UK. The future of the Japanese economy remained uncertain due to these developments.

In the electronics industry to which the Marubun Group belongs, sales remained strong for automobile and datacenter servers. Markets for smartphones expanded in emerging nations, and their advanced functions caused demand for memories to grow. However, sales of TV sets and PCs remained sluggish.

In this environment, the Group posted net sales of 127,741 million yen for the first half under review, down 13.6% from the same period of the previous fiscal year, due mainly to decreased demand for semiconductors for communication modules. Looking at profits, the Group posted an operating loss of 435 million yen (compared with operating income of 1,415 million yen posted for the same period of the previous fiscal year), an ordinary loss of 194 million yen (compared with ordinary income of 1,492 million yen posted for the same period of the previous fiscal year) and a loss attributable to owners of parent of 379 million yen (compared with profit attributable to owners of parent of 827 million yen posted for the same period of the previous fiscal year). These results reflected a gross profit decline caused by different exchange rates at the points of purchase and sales registration for transactions denominated in US dollars due to the rapid appreciation of the yen and an increase in retirement benefit expenses.

Operating results by business segment are as follows:

(Electronic Devices business)

In the Electronic Devices business, sales increased for industrial equipment and semiconductors for automobiles thanks to contributions made by KTL Corporation, which joined the scope of consolidation in April 2016. In the meantime, sales decreased substantially for semiconductors for communication modules due to a fall in reaction to strong performance in the same period of the previous fiscal year. Sales also fell for LCD panels for TV sets and PCs. As a result, net sales for the segment decreased 18.6% from the same period of the previous fiscal year, to 105,536 million yen. The segment loss came to 983 million yen (compared with segment income of 1,086 million yen posted for the same period of the previous fiscal year) owing to the gross profit decline caused by the advanced appreciation of the yen.

(Electronic Systems business)

In the Electronic Systems business, sales expanded substantially for electronic component assembly and inspection equipment classified under measurement and inspection equipment. Demand also rose for laser equipment, such as diode lasers to be embedded in industrial equipment and LED light sources for medical equipment. Sales also remained strong for medical equipment. As a result, net sales for the segment grew 22.0% from the same period of the previous fiscal year, to 22,205 million yen. Segment income amounted to 553 million yen, up 65.5% from the same period of the previous fiscal year.

## **2. Qualitative information relating to the consolidated financial position**

(Assets)

Current assets stood at 98,418 million yen at the end of the first half under review, rising 2,207 million yen from the end of the previous fiscal year. This result was mainly attributable to an increase in notes and accounts receivable-trade of 7,171 million yen, which offset a decrease in cash and deposits of 3,130 million yen and a fall in merchandise and finished goods of 1,171 million yen. Non-current assets amounted to 10,966 million yen, increasing 664 million yen from the end of the previous fiscal year. This figure mainly reflected growth in goodwill of 504 million yen.

As a result, total assets came to 109,385 million yen, an increase of 2,871 million yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities amounted to 54,453 million yen at the end of the first half under review, climbing 4,971 million yen from the end of the previous fiscal year. This figure chiefly reflected an increase in short-term loans payable of 11,136 million yen, which offset a fall in notes and accounts payable-trade of 6,519 million yen and a decline in income taxes payable of 341 million yen. Non-current liabilities were 11,335 million yen, a rise of 641 million yen from the end of the previous fiscal year. This outcome was primarily due to an increase in long-term loans payable of 545 million yen.

As a result, total liabilities stood at 65,788 million yen, an increase of 5,613 million yen from the end of the previous fiscal year.

(Net assets)

Net assets totaled 43,596 million yen at the end of the first half under review, declining 2,741 million yen from the end of the previous fiscal year. This result mainly reflected a decrease in foreign currency translation adjustment of 1,253 million yen, a fall in retained earnings of 849 million yen and a plunge in non-controlling interest of 756 million yen.

As a result, the equity ratio came to 35.1% (compared with 37.9% at the end of the previous fiscal year).

### **3. Qualitative information relating to consolidated financial forecasts**

The Company announced consolidated financial results forecasts in the Notice of Revision to Forecasts of Financial Results dated October 25, 2016.

The Company forecasts that it will achieve consolidated net sales of 270,000 million yen in the fiscal year ending March 2017, down 3.4% from the previous fiscal year, anticipating lower sales for semiconductors for communication modules and LCD panels for TV sets. The Company expects consolidated operating income to fall 40.9% from the previous fiscal year, to 1,900 million yen, consolidated ordinary income to drop 39.8% year on year, to 2,000 million yen, and consolidated profit attributable to owners of parent to sink 50.3% year on year, to 900 million yen, under the effects of the net sales decline, the yen's further appreciation in the first half and a rise in retirement benefit expenses.

**Consolidated Financial Statements**  
**(1) Consolidated Balance Sheet**

(Millions of Yen)

	As of March 31, 2016	As of September 30, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	14,096	10,966
Notes and accounts receivable - trade	53,539	60,710
Merchandise and finished goods	24,765	23,594
Work in process	150	193
Deferred tax assets	857	812
Other	2,819	2,218
Allowance for doubtful accounts	(17)	(77)
Total current assets	<u>96,211</u>	<u>98,418</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,558	3,654
Accumulated depreciation	(2,537)	(2,580)
Buildings and structures, net	<u>1,021</u>	<u>1,073</u>
Machinery, equipment and vehicles	21	21
Accumulated depreciation	(21)	(20)
Machinery, equipment and vehicles, net	<u>0</u>	<u>0</u>
Tools, furniture and fixtures	2,069	2,064
Accumulated depreciation	(1,710)	(1,665)
Tools, furniture and fixtures, net	<u>358</u>	<u>398</u>
Land	1,633	1,633
Leased assets	141	141
Accumulated depreciation	(75)	(88)
Leased assets, net	<u>65</u>	<u>53</u>
Construction in progress	0	18
Total property, plant and equipment	<u>3,079</u>	<u>3,177</u>
Intangible assets		
Goodwill	—	504
Other	342	392
Total intangible assets	<u>342</u>	<u>897</u>
Investments and other assets		
Investment securities	3,014	2,978
Deferred tax assets	644	849
Other	3,221	3,063
Total investments and other assets	<u>6,880</u>	<u>6,891</u>
Total non-current assets	<u>10,302</u>	<u>10,966</u>
Total assets	<u>106,513</u>	<u>109,385</u>

(Millions of Yen)

	As of March 31, 2016	As of September 30, 2016
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	35,921	29,401
Short-term loans payable	9,732	20,868
Current portion of long-term loans payable	2	113
Lease obligations	48	41
Income taxes payable	448	106
Provision for bonuses	860	970
Other	2,468	2,951
Total current liabilities	49,481	54,453
Non-current liabilities		
Long-term loans payable	8,500	9,045
Lease obligations	83	70
Net defined benefit liability	1,718	1,773
Provision for directors' retirement benefits	147	88
Asset retirement obligations	149	197
Other	94	160
Total non-current liabilities	10,693	11,335
Total liabilities	60,175	65,788
Net assets		
Shareholders' equity		
Capital stock	6,214	6,214
Capital surplus	6,353	6,353
Retained earnings	28,287	27,438
Treasury shares	(1,630)	(1,630)
Total shareholders' equity	39,225	38,375
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	465	415
Deferred gains or losses on hedges	(16)	(54)
Foreign currency translation adjustment	1,096	(157)
Remeasurements of defined benefit plans	(409)	(204)
Total accumulated other comprehensive income	1,135	(0)
Non-controlling interests	5,977	5,220
Total net assets	46,338	43,596
Total liabilities and net assets	106,513	109,385

**(2) Consolidated Statements of Income**

(Millions of Yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	147,803	127,741
Cost of sales	138,854	119,408
Gross profit	8,948	8,333
Selling, general and administrative expenses	7,533	8,768
Operating income (loss)	1,415	(435)
Non-operating income		
Interest income	9	21
Dividend income	29	21
Share of profit of entities accounted for using equity method	191	212
Foreign exchange gains	—	125
Miscellaneous income	144	81
Total non-operating income	374	462
Non-operating expenses		
Interest expenses	95	125
Sales discounts	79	52
Foreign exchange losses	50	—
Miscellaneous loss	71	44
Total non-operating expenses	297	221
Ordinary income (loss)	1,492	(194)
Extraordinary income		
Gain on sales of non-current assets	51	0
Gain on sales of investment securities	26	—
Gain on sales of real estate for investment	561	—
Gain on bargain purchase	27	—
Other	27	—
Total extraordinary income	693	0
Extraordinary losses		
Loss on sales and retirement of non-current assets	0	15
Impairment loss	739	—
Loss on step acquisitions	10	—
Other	4	2
Total extraordinary losses	755	17
Profit (loss) before income taxes	1,431	(212)
Income taxes	477	(1)
Profit (loss)	953	(210)
Profit attributable to non-controlling interests	126	168
Profit (loss) attributable to owners of parent	827	(379)

**Consolidated statements of comprehensive income**

(Millions of Yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Profit (loss)	953	(210)
Other comprehensive income		
Valuation difference on available-for-sale securities	(242)	(50)
Deferred gains or losses on hedges	(40)	(37)
Foreign currency translation adjustment	190	(2,104)
Remeasurements of defined benefit plans, net of tax	(99)	204
Total other comprehensive income	(192)	(1,986)
Comprehensive income	760	(2,197)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	567	(1,515)
Comprehensive income attributable to non-controlling	193	(682)

**(3) Consolidated Statements of Cash Flows**

(Millions of Yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	1,431	(212)
Depreciation	171	188
Impairment loss	739	—
Amortization of goodwill	—	56
Increase (decrease) in allowance for doubtful accounts	2	52
Increase (decrease) in provision for bonuses	50	(11)
Increase (decrease) in provision for directors' retirement benefits	(129)	(59)
Increase (decrease) in net defined benefit liability	(172)	221
Increase (decrease) in net defined benefit asset	(11)	—
Interest and dividend income	(38)	(43)
Interest expenses	95	125
Foreign exchange losses (gains)	231	(863)
Share of (profit) loss of entities accounted for using equity method	(191)	(212)
Loss (gain) on sales of investment securities	(26)	—
Loss (gain) on sales of real estate investment	(561)	—
Gain on bargain purchase	(27)	—
Loss (gain) on sales and retirement of non-current assets	(50)	14
Loss (gain) on step acquisitions	10	—
Decrease (increase) in notes and accounts receivable - trade	493	(3,385)
Decrease (increase) in inventories	(2,691)	3,510
Increase (decrease) in notes and accounts payable - trade	(542)	(6,398)
Other, net	279	1,013
Subtotal	(938)	(6,004)
Interest and dividend income received	86	181
Interest expenses paid	(95)	(128)
Income taxes paid	(390)	(557)
Income taxes refund	5	4
Net cash provided by (used in) operating activities	(1,332)	(6,505)
<b>Cash flows from investing activities</b>		
Payments into time deposits	(327)	(208)
Proceeds from withdrawal of time deposits	282	230
Purchase of securities	(372)	(219)
Purchase of property, plant and equipment	(85)	(109)
Purchase of intangible assets	(15)	(29)
Purchase of investment securities	(631)	(12)
Proceeds from sales of investments in real estates	1,266	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(286)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	122	—
Other, net	320	27
Net cash provided by (used in) investing activities	560	(607)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(6,235)	5,759
Proceeds from long-term loans payable	30	—
Repayments of long-term loans payable	(65)	(58)
Cash dividends paid	(339)	(470)
Dividends paid to non-controlling interests	(115)	(73)
Other, net	(18)	(13)
Net cash provided by (used in) financing activities	(6,744)	5,143
Effect of exchange rate change on cash and cash equivalents	78	(1,103)
Net increase (decrease) in cash and cash equivalents	(7,438)	(3,072)
Cash and cash equivalents at beginning of period	21,512	13,702
Cash and cash equivalents at end of period	14,074	10,629

## Consolidated Segment Information

### Business Segments

Six Months Ended September 30, 2015

(Millions of Yen)

	Business segments reported			Adjustment	Consolidated Statements of Income
	Electronic Devices	Electronic Systems	Total		
Net Sales					
(1) Outside Customers	129,599	18,203	147,803	-	147,803
(2) Inter-segment	0	108	108	(108)	-
Total Sales	129,599	18,312	147,911	(108)	147,803
Segment Income(loss)	1,086	334	1,420	(4)	1,415

Six Months Ended September 30, 2016

(Millions of Yen)

	Business segments reported			Adjustment	Consolidated Statements of Income
	Electronic Devices	Electronic Systems	Total		
Net Sales					
(1) Outside Customers	105,536	22,205	127,741	-	127,741
(2) Inter-segment	9	165	174	(174)	-
Total Sales	105,545	22,370	127,916	(174)	127,741
Segment Income(loss)	(983)	553	(430)	(5)	(435)