

Translation

**MARUBUN CORPORATION**

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

October 31, 2017

**Summary of Consolidated Financial Results for the Six Months Ended September 30, 2017**  
**<under Japanese GAAP>**

**1. Consolidated Financial Results for Fiscal Year Ended September 30, 2017 (April 1, 2017 - September 30, 2017)**

(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 six months ended September 30, 2017	169,875	33.0	1,753	-	1,314	-	390	-
September 30, 2016	127,741	(13.6)	(435)	-	(194)	-	(379)	-

	Earnings per Share -Basic-	Earnings Per Share -Diluted-
	Yen	Yen
For the six months ended September 30, 2017	14.93	-
September 30, 2016	(14.52)	-

(2) Financial Position

	Total Assets	Total Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of September 30, 2017	144,773	47,406	28.7
As of March 31, 2017	125,984	47,550	33.1

**2. Dividends**

	Dividend Per Share				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	-	10.00	-	15.00	25.00
Year ending March 31, 2018		10.00			
Year ending March 31, 2018 (Forecast)			-	20.00	30.00

**3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2018**

	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, 2018	326,000	20.4	4,500	56.1	4,000	50.9	2,050	24.2

	Earnings per Share -Basic-
	Yen
Year ending March 31, 2018	78.44

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 for the first half of the fiscal year under review**

### **(1) Management discussions of operating results**

During the first half of the consolidated fiscal year under review (April 1, 2017 to September 30, 2017), the Japanese economy continued its gradual recovery against a background of improved corporate earnings and employment, and the recovery of capital expenditures and consumer spending. The gradual recovery of the economy also continued overseas.

In addition, stock markets were firm, mainly in Japan and the United States.

In the electronics industry, where the Marubun Group is positioned, sales remained strong for data center servers and automobiles, and sales for game consoles, AV and other consumer products also rebounded steadily. In addition, demand for DRAM and NAND flash memories embedded in these devices and demand for semiconductor manufacturing equipment both grew continuously.

In this environment, net sales of the Group during the first half of the consolidated fiscal year under review rose 33.0% year on year, to 169,875 million yen. In addition to increased sales, because of the Group's efforts for reducing selling, general and administrative expenses, consolidated operating income amounted to 1,753 million yen (an operating loss of 435 million yen in the same period of the previous year), consolidated ordinary income came to 1,314 million yen (an ordinary loss of 194 million yen), and consolidated profit attributable to owners of parent was 390 million yen (a consolidated loss attributable to owners of parent of 379 million yen).

Operating results by business segment are as follows:

#### **(Electronic Devices business)**

In the Electronic Devices business, despite a decrease in sales due to the dissolution of an agency contract with NXP Semiconductors N.V., demand for semiconductors for communication equipment increased substantially and sales for industrial equipment and game consoles also grew. As a result, net sales for the segment increased 42.5% year on year, to 150,361 million yen, and segment income grew to 968 million yen (segment loss of 983 million yen in the same period of the previous year).

#### **(Electronic Systems business)**

In the Electronic Systems business, demand for semiconductor lasers and computers embedded in industrial equipment was strong and sales of high reliability components for artificial satellites and laser micro processing equipment increased, while those of electronic component assembly and inspection equipment, which were strong in the same period of the previous year, declined and demand for medical equipment also decreased. As a result, net sales in this segment declined 12.1% year on year, to 19,513 million yen, but segment income increased 42.8%, to 790 million yen attributable to the improved gross profit margin.

### **(2) Management discussions of consolidated financial position**

#### **(Assets)**

Current assets stood at 132,509 million yen at the end of the second quarter of the fiscal year under review, rising 18,798 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 14,005 million yen, merchandise and finished goods of 3,708 million yen and cash and deposits of 3,256 million yen, respectively, which offset a decrease of 1,074 million yen in electronically recorded monetary claims. Non-current assets amounted to 12,263 million yen, decreasing 9 million yen from the end of the previous fiscal year. This figure mainly reflected a decrease in goodwill of 56 million yen, while investment securities increased 50 million yen.

As a result, total assets increased 18,789 million yen from the end of the previous consolidated fiscal year, to 144,773 million yen.

#### **(Liabilities)**

Current liabilities amounted to 86,334 million yen at the end of the second quarter of the fiscal year under review, climbing 19,061 million yen from the end of the previous fiscal year. This figure chiefly reflected increases in short-term loans payable of 17,494 million yen and notes and accounts payable-trade of 2,184 million yen, which offset a decline in income taxes payable of 130 million yen. Non-current liabilities were 11,032 million yen, decreasing 128 million yen from the end of the previous consolidated fiscal year. This was mainly attributable to decreases of 76 million yen in net defined benefit liability and 56 million yen in long-term loans payable.

As a result, total liabilities stood at 97,367 million yen, an increase of 18,932 million yen from the end of the previous fiscal year.

(Net assets)

Net assets totaled 47,406 million yen at the end of the second quarter of the fiscal year under review, declining 143 million yen from the end of the previous fiscal year. This result mainly reflected a decrease of 246 million yen in foreign currency translation adjustment, which offset an increase in valuation differences on available-for-sale securities of 121 million yen.

As a result, the equity ratio stood at 28.7% (compared to 33.1% at the end of the previous fiscal year).

**(3) Management discussions of consolidated financial forecasts and other forward-looking statements**

The Company has revised its consolidated financial forecasts for the year ending March 31, 2018, which were previously announced on May 9, 2017.

The Company forecasts that it will achieve consolidated net sales of 326,000 million yen in the fiscal year ending March 2018, up 20.4% year on year, anticipating substantially greater sales for semiconductors for communication equipment and larger demand related to game consoles and industrial equipment. The Company expects consolidated operating income to rise 56.1% from the previous fiscal year, to 4,500 million yen, consolidated ordinary income to climb 50.9% year on year, to 4,000 million yen, and consolidated profit attributable to owners of parent to increase 24.2% year on year, to 2,050 million yen.

Please refer to “Notice of Differences Between Operating Results Forecast and Actual Results for the First Half of the Fiscal Year Ending March 2018 and Revision to Full-Year Operating Results Forecast and Dividend Forecast” released separately today (October 31, 2017) for details.

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

(Millions of Yen)

	As of March 31, 2017	As of September 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	12,584	15,840
Notes and accounts receivable - trade	59,635	73,640
Electronically recorded monetary claims - operating	5,807	4,733
Merchandise and finished goods	29,385	33,094
Work in process	291	408
Deferred tax assets	1,149	1,156
Other	4,947	3,652
Allowance for doubtful accounts	(90)	(17)
<b>Total current assets</b>	<b>113,711</b>	<b>132,509</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,668	3,624
Accumulated depreciation	(2,301)	(2,248)
Buildings and structures, net	1,367	1,375
Machinery, equipment and vehicles	18	10
Accumulated depreciation	(17)	(10)
Machinery, equipment and vehicles, net	0	0
Tools, furniture and fixtures	2,100	2,074
Accumulated depreciation	(1,617)	(1,603)
Tools, furniture and fixtures, net	483	470
Land	1,633	1,618
Leased assets	163	165
Accumulated depreciation	(101)	(108)
Leased assets, net	62	56
Construction in progress	2	1
<b>Total property, plant and equipment</b>	<b>3,549</b>	<b>3,523</b>
Intangible assets		
Goodwill	448	392
Other	699	1,014
<b>Total intangible assets</b>	<b>1,148</b>	<b>1,407</b>
Investments and other assets		
Investment securities	3,627	3,677
Deferred tax assets	423	249
Other	3,524	3,862
Allowance for doubtful accounts	(0)	(456)
<b>Total investments and other assets</b>	<b>7,575</b>	<b>7,332</b>
<b>Total non-current assets</b>	<b>12,273</b>	<b>12,263</b>
<b>Total assets</b>	<b>125,984</b>	<b>144,773</b>

(Millions of Yen)

	As of March 31, 2017	As of September 30, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	37,987	40,171
Short-term loans payable	25,077	42,572
Current portion of long-term loans payable	112	112
Lease obligations	38	32
Income taxes payable	434	303
Provision for bonuses	1,034	1,027
Asset retirement obligations	—	15
Other	2,588	2,099
Total current liabilities	67,272	86,334
Non-current liabilities		
Long-term loans payable	8,988	8,932
Lease obligations	73	69
Net defined benefit liability	1,586	1,510
Provision for directors' retirement benefits	96	101
Asset retirement obligations	198	181
Other	218	237
Total non-current liabilities	11,161	11,032
Total liabilities	78,434	97,367
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,214	6,214
Capital surplus	6,353	6,353
Retained earnings	29,206	29,233
Treasury shares	(1,630)	(1,630)
Total shareholders' equity	40,143	40,171
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	696	817
Deferred gains or losses on hedges	6	30
Foreign currency translation adjustment	792	545
Remeasurements of defined benefit plans	68	34
Total accumulated other comprehensive income	1,563	1,427
Non-controlling interests	5,843	5,807
Total net assets	47,550	47,406
Total liabilities and net assets	125,984	144,773

**(2) Consolidated Statements of Income**

(Millions of Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	127,741	169,875
Cost of sales	119,408	159,603
Gross profit	8,333	10,272
Selling, general and administrative expenses	8,768	8,518
Operating profit (loss)	(435)	1,753
Non-operating income		
Interest income	21	34
Dividend income	21	26
Share of profit of entities accounted for using equity method	212	193
Foreign exchange gains	125	6
Miscellaneous income	81	58
Total non-operating income	462	319
Non-operating expenses		
Interest expenses	125	283
Provision of allowance for doubtful accounts	—	365
Sales discounts	52	73
Miscellaneous loss	44	35
Total non-operating expenses	221	757
Ordinary profit (loss)	(194)	1,314
Extraordinary income		
Gain on sales of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on sales and retirement of non-current assets	15	32
Loss on valuation of investment securities	0	171
Other	1	7
Total extraordinary losses	17	211
Profit (loss) before income taxes	(212)	1,104
Income taxes	(1)	467
Profit (loss)	(210)	636
Profit attributable to non-controlling interests	168	246
Profit (loss) attributable to owners of parent	(379)	390

**Consolidated statements of comprehensive income**

(Millions of Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit (loss)	(210)	636
Other comprehensive income		
Valuation difference on available-for-sale securities	(50)	121
Deferred gains or losses on hedges	(37)	24
Foreign currency translation adjustment	(2,104)	(366)
Remeasurements of defined benefit plans, net of tax	204	(34)
Total other comprehensive income	(1,986)	(254)
Comprehensive income	(2,197)	381
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,515)	285
Comprehensive income attributable to non-controlling	(682)	96

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

(Millions of Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	(212)	1,104
Depreciation	188	199
Amortization of goodwill	56	56
Increase (decrease) in allowance for doubtful accounts	52	17
Increase (decrease) in provision for bonuses	(11)	(5)
Increase (decrease) in provision for directors' retirement	(59)	4
Increase (decrease) in net defined benefit liability	221	(126)
Interest and dividend income	(43)	(60)
Interest expenses	125	283
Provision of allowance for doubtful accounts	—	365
Foreign exchange losses (gains)	(863)	356
Share of (profit) loss of entities accounted for using equity method	(212)	(193)
Loss (gain) on sales and retirement of non-current assets	14	31
Loss (gain) on valuation of investment securities	0	171
Decrease (increase) in notes and accounts receivable - trade	(3,385)	(13,240)
Decrease (increase) in inventories	3,510	(4,000)
Increase (decrease) in notes and accounts payable - trade	(6,398)	2,340
Other, net	1,012	520
Subtotal	(6,004)	(12,174)
Interest and dividend income received	181	215
Interest expenses paid	(128)	(280)
Income taxes paid	(557)	(441)
Income taxes refund	4	9
Net cash provided by (used in) operating activities	(6,505)	(12,672)
<b>Cash flows from investing activities</b>		
Payments into time deposits	(208)	(262)
Proceeds from withdrawal of time deposits	230	283
Purchase of securities	(219)	(116)
Purchase of property, plant and equipment	(109)	(118)
Purchase of intangible assets	(29)	(386)
Purchase of investment securities	(12)	(11)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(286)	—
Other, net	27	52
Net cash provided by (used in) investing activities	(607)	(557)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	5,759	17,158
Repayments of long-term loans payable	(58)	(56)
Cash dividends paid	(470)	(391)
Dividends paid to non-controlling interests	(73)	(132)
Other, net	(13)	(12)
Net cash provided by (used in) financing activities	5,143	16,564
Effect of exchange rate change on cash and cash equivalents	(1,103)	(19)
Net increase (decrease) in cash and cash equivalents	(3,072)	3,316
Cash and cash equivalents at beginning of period	13,702	12,216
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(43)
Cash and cash equivalents at end of period	10,629	15,489

## Consolidated Segment Information

### Business Segments

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)

Six Months Ended September 30, 2017

(Millions of Yen)

	Business segments reported			Adjustment	Consolidated Statements of Income
	Electronic Devices	Electronic Systems	Total		
Net Sales					
(1) Outside Customers	150,361	19,513	169,875	-	169,875
(2) Inter-segment	0	314	314	(314)	-
Total Sales	150,362	19,827	170,189	(314)	169,875
Segment Income(loss)	968	790	1,759	(5)	1,753