

Translation

MARUBUN CORPORATION

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

October 31, 2018

**Summary of Consolidated Financial Results for the Six Months Ended September 30, 2018
 <under Japanese GAAP>**

1. Consolidated Financial Results for the Six Months Ended September 30, 2018 (April 1, 2018 - September 30, 2018)

(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, 2018	166,434	(2.0)	2,575	46.8	617	(53.0)	133	(65.7)
September 30, 2017	169,875	33.0	1,753	-	1,314	-	390	-

	Earnings per Share -Basic-	Earnings Per Share -Diluted-
	Yen	Yen
For the Six months ended		
September 30, 2018	5.12	-
September 30, 2017	14.93	-

(2) Financial Position

	Total Assets	Total Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of September 30, 2018	137,315	48,646	31.0
As of March 31, 2018	135,706	49,177	31.7

2. Dividends

	Dividend Per Share				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2018	-	10.00	-	20.00	30.00
Year ending March 31, 2019	-	10.00			
Year ending March 31, 2019 (Forecast)			-	20.00	30.00

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2019

	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, 2019	325,000	(6.5)	5,800	53.8	3,450	(18.2)	1,800	(13.4)

	Earnings per Share -Basic-
	Yen
Year ending March 31, 2019	68.87

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. Summary of operating results for the fiscal year under review

During the first half of the consolidated fiscal year under review (April 1, 2018 to September 30, 2018), the Japanese economy saw continued improvements in corporate earnings and employment conditions, reflecting increased capital expenditure and production. Nonetheless, future uncertainty remained, mainly due to the risk of a global economic downturn arising from trade friction between the U.S. and China and the impact of natural disasters that occurred in various parts of Japan.

In the electronics industry, where the Marubun Group is positioned, the market continued to expand for applications in the fields of automobiles and data centers; however, demand for factory automation equipment decreased, particularly in the Chinese market. In addition, while the supply and demand of MLCC and other electronic components remained tight, demand for DRAM and NAND flashes decreased. The operating results varied according to the markets and items as before.

In this environment, net sales of the Group during the first half of the consolidated fiscal year under review fell 2.0% year on year, to 166,434 million yen. On the profit front, consolidated operating income increased 46.8% year on year, to 2,575 million yen, as gross profit rose partly due to the reversal in the fiscal year under review of inventory valuation losses of the goods purchased in foreign currency for sale recorded at the end of the previous fiscal year because of the continuing strong yen. On the other hand, foreign exchange losses of 1,612 million yen were recorded, primarily due to settlement and valuation of debts in foreign currency as a result of the weakening yen from the beginning of the fiscal year under review. Consequently, consolidated ordinary income decreased 53.0% year on year, to 617 million yen and consolidated profit attributable to owners of parent decreased 65.7% year on year, to 133 million yen.

Operating results by business segment are as follows.

(Electronic Devices business)

In the Electronic Devices business, demand for semiconductors for industrial equipment increased, and semiconductors for automobiles and communication equipment also remained strong, but sales of memory ICs for TVs and PCs declined. Consequently, net sales decreased 3.3% year on year, to 145,394 million yen, but because gross profit increased partly due to the reversal in the fiscal year under review of inventory valuation losses of goods purchased in foreign currency for sale recorded at the end of the previous fiscal year because of the continued strength of the yen, segment income grew 125.9% year on year, to 2,187 million yen.

(Electronic Systems business)

In the Electronic Systems business, sales of image diagnostic equipment remained strong and demand for electronic component mounting machines, computers embedded in industrial equipment and high reliability components for artificial satellites increased. Accordingly, net sales increased 7.8% year on year, to 21,040 million yen, but segment profit decreased 50.4% year on year, to 392 million yen, due to increased selling, general and administrative expenses.

2. Summary of consolidated financial conditions for the fiscal year under review

(Assets)

Current assets at the end of the second quarter of the consolidated fiscal year under review stood at 123,569 million yen, increasing 1,271 million yen from the end of the previous fiscal year. This is mainly because notes and accounts receivable-trade increased 4,921 million yen and other (short-term loans receivable) increased 2,271 million yen, although merchandise and finished goods decreased by 6,942 million yen. Non-current assets stood at 13,746 million yen, rising 337 million yen from the end of the previous consolidated fiscal year. This is mainly attributable to a decrease in goodwill of 56 million yen, while investment securities increased 401 million yen.

As a result, total assets increased 1,609 million yen from the end of the previous consolidated fiscal year, to 137,315 million yen.

(Liabilities)

Current liabilities at the end of the second quarter of the consolidated fiscal year under review were 78,220 million yen, rising 2,455 million yen from the end of the previous fiscal year. This was mainly attributable to increases of 1,886 million yen in notes and accounts payable-trade and of 810 million yen in short-term loans payable. Non-current liabilities were 10,448 million yen, decreasing 315 million yen from the end of the previous consolidated fiscal year. This was mainly attributable to decreases of 175 million yen in long-term loans payable and of 113 million yen in the net defined benefit liability.

As a result, total liabilities stood at 88,669 million yen, an increase of 2,140 million yen from the end of the previous fiscal year.

(Net assets)

Total net assets at the end of the second quarter of the consolidated fiscal year under review were 48,646 million yen, a decline of 530 million yen from the end of the previous fiscal year. This result is mainly attributable to a decrease of 384 million yen in retained earnings and a decrease of 227 million yen in foreign currency translation adjustment.

As a result, the equity ratio stood at 31.0% (compared to 31.7% at the end of the previous fiscal year).

3. Summary of consolidated financial forecasts and other forward-looking statements

The Company has revised its consolidated financial forecasts for the fiscal year ending March 31, 2019, which were announced on May 8, 2018.

The Company forecasts that its net sales for the fiscal year ending March 31, 2019 will decrease 6.5% year on year, to 325,000 million yen, anticipating a fall in sales of memory ICs for TVs/PCs and analog semiconductors for industrial equipment. The Company expects consolidated operating income to rise 53.8% year on year, to 5,800 million yen, anticipating an increase in gross profit partly due to the reversal in the fiscal year under review of inventory valuation losses of the goods purchased in foreign currency for sale recorded at the end of the previous fiscal year because of the continued strength of the yen. Meanwhile, the Company expects consolidated ordinary income to fall 18.2% year on year, to 3,450 million yen, mainly because foreign exchange losses of 1,612 million yen were recorded during the first half period, and also expects consolidated profit attributable to owners of parent to decrease 13.4% year on year, to 1,800 million yen.

Please refer to "Notice of Differences Between Forecast and Actual Results for the First Half of the Fiscal Year Ending March 2019 and Revision of Full-Year Financial Results Forecast" released separately today (October 31, 2018) for details of the revisions.

Consolidated Financial Statements
(1) Consolidated Balance Sheet

(Millions of Yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	13,989	14,196
Notes and accounts receivable - trade	54,593	59,514
Electronically recorded monetary claims - operating	6,227	6,659
Merchandise and finished goods	44,987	38,044
Work in process	126	310
Other	2,386	4,860
Allowance for doubtful accounts	(13)	(17)
Total current assets	122,297	123,569
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,603	3,604
Accumulated depreciation	(2,252)	(2,297)
Buildings and structures, net	1,351	1,307
Machinery, equipment and vehicles	10	10
Accumulated depreciation	(10)	(10)
Machinery, equipment and vehicles, net	0	0
Tools, furniture and fixtures	2,105	2,079
Accumulated depreciation	(1,645)	(1,560)
Tools, furniture and fixtures, net	459	518
Land	1,618	1,618
Leased assets	142	99
Accumulated depreciation	(94)	(60)
Leased assets, net	48	38
Construction in progress	52	66
Total property, plant and equipment	3,529	3,549
Intangible assets		
Goodwill	336	280
Other	1,264	1,416
Total intangible assets	1,601	1,696
Investments and other assets		
Investment securities	3,634	4,035
Deferred tax assets	1,019	798
Other	4,080	4,105
Allowance for doubtful accounts	(457)	(439)
Total investments and other assets	8,277	8,499
Total non-current assets	13,408	13,746
Total assets	135,706	137,315

(Millions of Yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	37,247	39,133
Short-term loans payable	34,687	35,498
Current portion of long-term loans payable	112	50
Lease obligations	34	32
Income taxes payable	495	157
Provision for bonuses	1,044	1,040
Asset retirement obligations	27	25
Other	2,114	2,282
Total current liabilities	<u>75,765</u>	<u>78,220</u>
Non-current liabilities		
Long-term loans payable	8,875	8,700
Lease obligations	62	47
Net defined benefit liability	1,388	1,274
Provision for directors' retirement benefits	108	115
Asset retirement obligations	175	177
Other	153	134
Total non-current liabilities	<u>10,763</u>	<u>10,448</u>
Total liabilities	<u>86,529</u>	<u>88,669</u>
Net assets		
Shareholders' equity		
Capital stock	6,214	6,214
Capital surplus	6,353	6,353
Retained earnings	30,659	30,274
Treasury shares	(1,630)	(1,630)
Total shareholders' equity	<u>41,596</u>	<u>41,212</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	726	825
Deferred gains or losses on hedges	(29)	28
Foreign currency translation adjustment	678	451
Remeasurements of defined benefit plans	63	31
Total accumulated other comprehensive income	<u>1,439</u>	<u>1,337</u>
Non-controlling interests	6,140	6,096
Total net assets	<u>49,177</u>	<u>48,646</u>
Total liabilities and net assets	<u>135,706</u>	<u>137,315</u>

(2) Consolidated Statements of Income

(Millions of Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	169,875	166,434
Cost of sales	159,603	155,052
Gross profit	10,272	11,382
Selling, general and administrative expenses	8,518	8,807
Operating profit	1,753	2,575
Non-operating income		
Interest income	34	29
Dividend income	26	26
Share of profit of entities accounted for using equity method	193	169
Foreign exchange gains	6	—
Miscellaneous income	58	71
Total non-operating income	319	296
Non-operating expenses		
Interest expenses	283	480
Provision of allowance for doubtful accounts	365	—
Sales discounts	73	52
Foreign exchange losses	—	1,612
Miscellaneous loss	35	109
Total non-operating expenses	757	2,254
Ordinary profit	1,314	617
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	—	19
Gain on reversal of reserve for loss on dissolution of employee's pension fund	—	3
Total extraordinary income	0	23
Extraordinary losses		
Loss on sales and retirement of non-current assets	32	4
Loss on valuation of investment securities	171	—
Special retirement expenses	—	11
Other	7	0
Total extraordinary losses	211	17
Profit before income taxes	1,104	623
Income taxes	467	344
Profit	636	279
Profit attributable to non-controlling interests	246	145
Profit attributable to owners of parent	390	133

Consolidated statements of comprehensive income

(Millions of Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit	636	279
Other comprehensive income		
Valuation difference on available-for-sale securities	121	99
Deferred gains or losses on hedges	24	58
Foreign currency translation adjustment	(366)	(375)
Remeasurements of defined benefit plans, net of tax	(34)	(31)
Share of other comprehensive income of entities accounted for using equity method	—	0
Total other comprehensive income	(254)	(249)
Comprehensive income	381	29
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	285	36
Comprehensive income attributable to non-controlling interests	96	(7)

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	1,104	623
Depreciation	199	228
Amortization of goodwill	56	56
Increase (decrease) in allowance for doubtful accounts	17	4
Increase (decrease) in provision for bonuses	(5)	(3)
Increase (decrease) in provision for directors' retirement benefits	4	6
Increase (decrease) in net defined benefit liability	(126)	(158)
Interest and dividend income	(60)	(55)
Interest expenses	283	480
Provision of allowance for doubtful accounts	365	—
Foreign exchange losses (gains)	356	1,976
Share of loss (profit) of entities accounted for using equity	(193)	(169)
Loss (gain) on sales and retirement of non-current assets	31	4
Loss (gain) on valuation of investment securities	171	—
Decrease (increase) in notes and accounts receivable - trade	(13,240)	(5,135)
Decrease (increase) in inventories	(4,000)	6,695
Increase (decrease) in notes and accounts payable - trade	2,340	1,882
Other, net	520	174
Subtotal	(12,174)	6,609
Interest and dividend income received	215	109
Interest expenses paid	(280)	(456)
Income taxes paid	(441)	(499)
Income taxes refund	9	2
Net cash provided by (used in) operating activities	(12,672)	5,765
Cash flows from investing activities		
Payments into time deposits	(262)	(226)
Proceeds from withdrawal of time deposits	283	229
Purchase of securities	(116)	(22)
Purchase of property, plant and equipment	(118)	(158)
Purchase of intangible assets	(386)	(355)
Purchase of investment securities	(11)	(233)
Payments of short-term loans receivable	—	(2,221)
Other, net	52	38
Net cash provided by (used in) investing activities	(557)	(2,950)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	17,158	(1,416)
Repayments of long-term loans payable	(56)	(238)
Cash dividends paid	(391)	(522)
Dividends paid to non-controlling interests	(132)	(37)
Other, net	(12)	(9)
Net cash provided by (used in) financing activities	16,564	(2,225)
Effect of exchange rate change on cash and cash equivalents	(19)	17
Net increase (decrease) in cash and cash equivalents	3,316	607
Cash and cash equivalents at beginning of period	12,216	13,715
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(43)	(384)
Cash and cash equivalents at end of period	15,489	13,937

Consolidated Segment Information

Business Segments

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

Six Months Ended September 30, 2018

(Millions of Yen)

	Business segments reported			Adjustment	Consolidated Statements of Income
	Electronic Devices	Electronic Systems	Total		
Net Sales					
(1) Outside Customers	145,394	21,040	166,434	-	166,434
(2) Inter-segment	-	294	294	(294)	-
Total Sales	145,394	21,335	166,729	(294)	166,434
Segment Income(loss)	2,187	392	2,579	(4)	2,575