

Consolidated Financial Results for the Six Months Ended September 30, 2016 [Japanese GAAP]

November 28, 2016

MARUHAN Corporation

(Amounts of less than one million yen are rounded down.)

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

(1) Consolidated Operating Results (% indicates changes from the previous interim period.)

	Net sales		Operating income		Ordinary income		Interim net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Six Months Ended September 30, 2016	865,951	Δ11.1	29,522	38.7	29,553	34.3	20,367	43.4
Six Months Ended September 30, 2015	973,981	Δ4.6	21,283	Δ37.7	22,003	Δ37.3	14,203	Δ36.9

(Note) Comprehensive income: Six Months Ended September 30, 2016: 16,132 million yen (11.3%)
Six Months Ended September 30, 2015: 14,492 million yen (Δ32.7%)

	Interim net income per share	Diluted interim net income per share
	Yen	Yen
Six Months Ended September 30, 2016	1,330.64	—
Six Months Ended September 30, 2015	927.89	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
Six months ending September 30, 2016	478,052	258,723	54.1
Fiscal year ended March 31, 2016	466,578	244,177	52.3

(Reference) Shareholders' equity: Six months ended September 30, 2016: 258,707 million yen
Fiscal year ended March 31, 2016: 244,109 million yen

2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2016	—	—	—	120.0	120.0
Fiscal year ended March 31, 2017	—	—	—	—	—
Fiscal year ending March 31, 2017 (Forecast)	—	—	—	—	—

(Note) Revision of dividend forecasts from recently announced figures: Not applicable

The year-end dividend amount for the fiscal year ending March 31, 2017 has not been determined yet at this point.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(% indicates changes from the previous period.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Full year	1,666,500	Δ12.2	26,700	Δ32.7	30,300	Δ25.0	14,400	Δ17.2	940.75

(Note) Revision of forecast of financial results from recently announced figures: Not applicable

* Notes:

(1) Changes to principal subsidiaries during the interim period (Status changes of specified subsidiaries due to changes in the scope of consolidation): Yes

1 company excluded (Company name) MARUHAN JAPAN BANK PLC.

(Note) Please see “1. Matters Regarding Summary Information (Notes) (1) Changes to principal subsidiaries during the interim period” on page 2 of the appendix for details.

(2) Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Errors

- 1) Changes in accounting policies due to the revision of accounting standards, etc. : Yes
- 2) Changes in accounting policies other than 1) : No
- 3) Changes in accounting estimates : No
- 4) Corrections of errors : No

(3) Total number of issued shares (common stock)

1) Number of shares issued at the end of the period

(Including treasury stock, nonvoting stock and super voting stock)

Six Months Ended September 30, 2016	15,464,400 shares	Fiscal year ended March 31, 2016	15,464,400 shares
Six Months Ended September 30, 2016	158,484 shares	Fiscal year ended March 31, 2016	157,416 shares
Six Months Ended September 30, 2016	15,306,505 shares	Six Months Ended September 30, 2015	15,307,804 shares

2) Total number of treasury stock at the end of the period

3) Average number of shares outstanding during the interim period:

*Explanation for the appropriate use of financial forecasts and other special notes

Forward-looking statements such as performance forecasts in this document are predictions determined based on the information available at the time of preparation of the document, and the actual performance may differ significantly from the forecast values shown due to potential risks and destabilizing factors.

Contents of Appendix

1. Matters Regarding Summary Information (Notes)	
(1) Changes to principal subsidiaries during the interim period	2
(2) Changes in Accounting Policies	2
2. Interim Consolidated Financial Statements	3
(1) Interim Consolidated Balance Sheets	3
(2) Interim Consolidated Statements of Income and Interim Consolidated Statements of Comprehensive Income	5
(Interim Consolidated Statements of Income)	5
(Interim Consolidated Statements of Comprehensive Income)	6
(3) Interim Consolidated Statements of Cash Flows	7
(4) Notes to the Interim Consolidated Financial Statements	9
(Notes on Going Concern Assumption)	9
(Notes to Significant Changes in the Amount of Shareholders' Equity)	9
(Segment Information, etc.)	9

1. Matters Regarding Summary Information (Notes)

(1) Changes to principal subsidiaries during the interim period

On April 1, 2016, MARUHAN JAPAN BANK PLC. merged with SATHAPANA LIMITED, and MARUHAN JAPAN BANK PLC. has been excluded from the scope of consolidation from the interim period because SATHAPANA LIMITED was the surviving company in the merger.

The trade name of the surviving company, SATHAPANA LIMITED, was changed to SATHAPANA BANK PLC. on the same day.

(2) Changes in Accounting Policies

(Changes in the Method of Depreciation of Property, Plant and Equipment)

With the reform of the Corporation Tax Act, “The Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (PITF No.32 of June 17, 2016) has been applied from the current interim period, and the depreciation method for buildings and accompanying facilities and structures obtained on April 1, 2016 or later has been changed from the declining-balance method to the straight-line method.

The resulting impact on operating income, ordinary income and interim income before income taxes is minor.

Interim Consolidated Financial Statements

(1) Interim Consolidated Balance Sheets

(Unit: million yen)

	Previous Fiscal Year (As of March 31, 2016)	Current Interim Period (As of September 30, 2016)
Assets		
Current assets		
Cash and deposits	122,012	138,966
Accounts receivable-trade	1,009	1,171
Loans and bills discounted in banking business	68,752	60,777
Merchandise	1,787	2,002
Raw materials and supplies	1,360	6,114
Prepaid expenses	4,237	4,888
Deferred tax assets	18,155	18,178
Accounts receivable-other	1,432	984
Other	5,218	5,142
Allowance for doubtful accounts	△369	△462
Total current assets	223,599	237,764
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (net)	105,846	103,530
Tools, furniture and fixtures (net)	16,566	16,237
Land	56,817	56,241
Golf courses	11,648	11,682
Construction in progress	494	2,335
Other (net)	1,206	1,249
Total property, plant and equipment	192,579	191,277
Intangible assets		
Goodwill	1,293	917
Leasehold right	5,271	5,259
Software	643	1,032
Other	358	171
Total intangible assets	7,567	7,380
Investments and other assets		
Investment securities	7,029	7,100
Long-term loans receivable	834	830
Long-term prepaid expenses	1,873	1,634
Guarantee deposits	14,466	13,951
Construction assistance fund receivables	6,554	6,246
Deferred tax assets	10,990	10,578
Other	1,844	2,010
Allowance for doubtful accounts	△762	△723
Total investments and other assets	42,831	41,630
Total noncurrent assets	242,978	240,288
Total assets	466,578	478,052

(Unit: million yen)

	Previous Fiscal Year (As of March 31, 2015)	Current Interim Period (As of September 30, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,418	4,680
Electronically recorded obligations - Operating	12,400	13,680
Short-term loans payable	1,990	411
Current portion of bonds	120	102
Current portion of long-term loans payable	31,966	31,132
Lease obligations	255	276
Accounts payable-other	22,394	19,990
Accrued expenses	4,509	4,369
Income taxes payable	8,299	9,298
Accrued consumption taxes	2,505	2,216
Deferred tax liabilities	2	—
Deposits received	7,483	7,839
Provision for bonuses	2,886	3,518
Notes payable-facilities	648	3,760
Asset retirement obligations	361	165
Deposits in banking business	40,661	46,148
Other	1,260	811
Total current liabilities	142,164	148,402
Noncurrent liabilities		
Bonds payable	1,364	1,164
Long-term loans payable	51,568	42,768
Lease obligations	5,003	4,820
Deferred tax liabilities	56	59
Provision for directors' retirement benefits	4,318	4,530
Net defined benefit liability	4,343	4,310
Asset retirement obligations	7,852	7,947
Other	5,729	5,325
Total noncurrent liabilities	80,236	70,926
Total liabilities	222,400	219,329
Net assets		
Shareholders' equity		
Capital stock	10,000	10,000
Capital surplus	1,544	1,544
Retained earnings	228,340	246,871
Treasury stock	△459	△466
Total shareholders' equity	239,425	257,949
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	306	△8
Deferred gains or losses on hedges	△84	△58
Foreign currency translation adjustment	5,343	1,568
Remeasurements of defined benefit plans	△881	△743
Total accumulated other comprehensive income	4,683	758
Non-controlling interests	68	16
Total net assets	244,177	258,723
Total liabilities and net assets	466,578	478,052

(2) Interim Consolidated Statements of Income and Interim Consolidated Statements of Comprehensive Income
(Interim Consolidated Statements of Income)

(Unit: million yen)

	Previous Interim Period (From April 1, 2015 to September 30, 2015)	Current Interim Period (From April 1, 2016 to September 30, 2016)
Net sales	973,981	865,951
Cost of sales	940,079	824,201
Gross profit	33,901	41,750
Selling, general and administrative expenses	12,618	12,228
Operating income	21,283	29,522
Non-operating income		
Interest and dividends income	72	80
Equity in earnings of affiliates	524	482
Rent income	669	714
Income from IC card receipts	170	179
Other	307	530
Total non-operating income	1,744	1,987
Non-operating expenses		
Interest expenses	757	635
Foreign exchange losses	10	1,022
Rent expenses	70	121
Commission fee	158	150
Other	28	25
Total non-operating expenses	1,024	1,955
Ordinary income	22,003	29,553
Extraordinary income		
Gain on sales of noncurrent assets	11	5
Other	0	0
Total extraordinary income	11	6
Extraordinary loss		
Loss on sales of noncurrent assets	0	1
Loss on abandonment of noncurrent assets	294	216
Impairment loss	133	57
Other	2	1
Total extraordinary loss	429	277
Interim income before income taxes	21,585	29,282
Income taxes-current	10,703	8,617
Income taxes-deferred	△3,915	298
Total income taxes	6,788	8,915
Interim net income	14,797	20,367
Interim net income attributable to non-controlling interests	593	—
Interim net income attributable to owners of parent	14,203	20,367

(Interim Consolidated Statements of Comprehensive Income)

(Unit: million yen)

	Previous Interim Period (From April 1, 2015 to September 30, 2015)	Current Interim Period (From April 1, 2016 to September 30, 2016)
Interim net income	14,797	20,367
Other comprehensive income		
Valuation difference on available-for-sale securities	Δ863	Δ296
Deferred gains or losses on hedges	24	26
Foreign currency translation adjustment	514	Δ4,084
Remeasurements of defined benefit plans, net of tax	35	139
Share of other comprehensive income of associates accounted for using equity method	Δ15	Δ20
Total other comprehensive income	Δ304	Δ4,234
Interim comprehensive income	14,492	16,132
Comprehensive income attributable to		
Interim comprehensive net income attributable to owners of the parent	13,832	16,184
Interim comprehensive net income attributable to minority interests	660	Δ52

(3) Interim Consolidated Statements of Cash Flows

(Unit: million yen)

	Previous Interim Period (From April 1, 2015 to September 30, 2015)	Current Interim Period (From April 1, 2016 to September 30, 2016)
Net cash provided by (used in) operating activities		
Interim income before income taxes	21,585	29,282
Depreciation	7,944	7,582
Impairment loss	133	57
Increase (decrease) in provision for bonuses	△180	665
Increase (decrease) in provision for directors' retirement benefits	523	212
Increase (decrease) in allowance for doubtful accounts	△6	142
Increase (decrease) in net defined benefit liability	131	265
Interest and dividends income	△72	△80
Interest expenses	757	635
Equity in (earnings) losses of affiliates	△524	△482
Foreign exchange losses (gains)	10	1,022
Loss (gain) on sales of noncurrent assets	△10	△4
Loss on abandonment of noncurrent assets	294	216
Net decrease (increase) in loans and bills discounted in banking business	△14,264	△2,059
Net increase (decrease) in allowance for deposits in banking business	7,057	11,830
Decrease (increase) in inventories	4,274	△4,969
Increase (decrease) in notes and accounts payable-trade	△2,915	1,799
Increase (decrease) in accounts payable-other	△1,757	△1,522
Other	△2,827	△261
Subtotal	20,151	44,331
Interest and dividends income received	111	118
Interest expenses paid	△759	△636
Income taxes paid	△11,438	△7,864
Net cash provided by (used in) operating activities	8,065	35,949
Net cash provided by (used in) investing activities		
Payments into time deposits	△958	△312
Proceeds from withdrawal of time deposits	1,203	960
Payments of loans receivable and construction assistance fund receivables	△214	△1,091
Proceeds from collection of loans receivable and construction assistance fund receivables	379	325
Purchase of property, plant and equipment	△7,226	△5,496
Proceeds from sales of property, plant and equipment	507	1,498
Purchase of intangible assets	△235	△486
Purchase of investment securities	△32	—
Payments for guarantee deposits	△336	△165
Proceeds from collection of guarantee deposits	355	663
Other	△448	△537
Net cash provided by (used in) investing activities	△7,005	△4,641

(Unit: million yen)

	Previous Interim Period (From April 1, 2015 to September 30, 2015)	Current Interim Period (From April 1, 2016 to September 30, 2016)
Net cash provided by (used in) financing activities		
Proceeds from short-term loans payable	2,000	229
Proceeds from long-term loans payable	14,108	8,386
Repayment of long-term loans payable	Δ19,370	Δ16,989
Repayments of lease obligations	Δ113	Δ129
Purchase of treasury stock	Δ9	Δ6
Cash dividends paid	Δ6,123	Δ1,836
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	Δ647	—
Other	Δ15	—
Net cash provided by (used in) financing activities	Δ10,171	Δ10,346
Effect of exchange rate change on cash and cash equivalents	466	Δ3,106
Net increase (decrease) in cash and cash equivalents	Δ8,645	17,855
Cash and cash equivalents at beginning of year	133,753	120,219
Increase in cash and cash equivalents from newly consolidated subsidiary	857	—
Cash and cash equivalents at end of interim period	125,965	138,075

(4) Notes to the Interim Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not Applicable.

(Notes to Significant Changes in the Amount of Shareholders' Equity)

Not Applicable.

(Segment Information, etc.)

I. Previous Interim Period (From April 1, 2015 to September 30, 2015)

Information regarding the amounts of sales and income or losses by reportable segment.

(Unit: million yen)

	Reportable Segment			Other (Note 1)	Total	Adjustment (Note 2)	Amount Recorded in Interim Consolidated Statements of Income (Note 3)
	Pachinko Business	Financial Business	Total				
Net sales							
Net sales to external customers	958,069	5,240	963,309	10,671	973,981	—	973,981
Inter-segment sales or transfers	37	—	37	6,115	6,152	Δ6,152	—
Total	958,106	5,240	963,347	16,786	980,134	Δ6,152	973,981
Segment income	18,579	1,003	19,582	1,127	20,710	572	21,283

(Notes) 1. The “Other” segment refers to business segments not included in reportable segments, and includes the golf business, the food service business and the cleaning business.

2. The 572 million yen adjustment to segment income is due to factors such as the elimination of transactions between segments.

3. Segment income is adjusted to the operating income in the Interim Consolidated Statement of Income.

II. Current Interim Period (From April 1, 2016 to September 30, 2016)

1. Information regarding the amounts of sales and income or losses by reportable segment.

(Unit: million yen)

	Reportable Segment			Other (Note 1)	Total	Adjustment (Note 2)	Amount Recorded in Interim Consolidated Statements of Income (Note 3)
	Pachinko Business	Financial Business	Total				
Net sales							
Net sales to external customers	848,928	5,469	854,398	11,553	865,951	—	865,951
Inter-segment sales or transfers	35	—	35	6,767	6,803	Δ6,803	—
Total	848,964	5,469	854,433	18,321	872,755	Δ6,803	865,951
Segment income	25,984	693	26,677	2,194	28,872	650	29,522

(Notes) 1. The “Other” segment refers to business segments not included in reportable segments, and includes the golf business, the food service business and the cleaning business.

2. The 650 million yen adjustment to segment income is due to factors such as the elimination of transactions between segments.

3. Segment income is adjusted to the operating income in the Interim Consolidated Statement of Income.

2. Changes in Reporting Segments, etc.

Necause of a change in segments more in accordance with the actual state of business administration, MARUHAN INVESTMENT ASIA PTE.LTD., which was included in the other segment in the past, is shown as being included in the financial business from the interim period.

Segment information on the previous interim period has been restated based on the segment after the change.