



83rd INTERIM KURODA ELECTRIC REPORT

To Our Shareholders and Investors

83rd INTERIM KURODA ELECTRIC REPORT

April 1, 2017 >>> September 30, 2017

KURODA ELECTRIC Co., Ltd.

Securities code: 7517

TO OUR SHAREHOLDERS

Greeting

I would like to express our sincere gratitude for your continued support.

Upon the conclusion of the first half of the 8^{3rd} term (from April 1, 2017 to September 30, 2017), we hereby report on our business results.

I would like to take this opportunity to once again extend our sincerest appreciation to our shareholders who are important stakeholders in the Company for your constant support to date.

On October 31, 2017, the Company expressed its opinion in favor of the proposal by the MBK Partners Group for the Company to privatize its shares, and passed a resolution at the meeting of the Board of Directors recommending that our shareholders tender their shares in the tender offer. For details, please refer to “Execution of a Tender Offer for the Company’s Share Certificates by the MBK Partners Group” on page 8.

Following the completion of a series of transactions, the Company will become a privately owned company. We would like to offer our sincere thanks for your continued support and patronage.



Koichi Hosokawa

President
CEO and COO

Consolidated Results for the First Half of the Fiscal Year

During the six months ended September 30, 2017, the Japanese economy remained steady amid continued improvements in the domestic employment and income environment, despite uncertainties in the international situation.

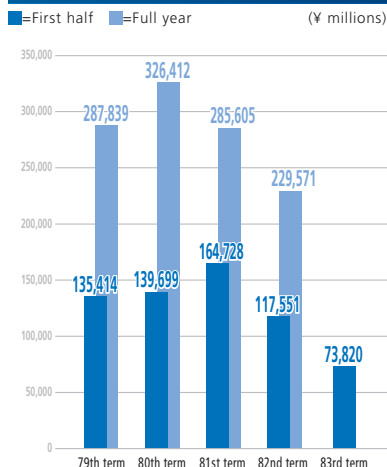
The business environment surrounding the Group changed significantly due to a change in business policy of a client company in the LCD-related business. In order to respond to the changes in this business environment, the Group is working to improve our existing business model and to create new business with the

aim of “increasing operating profit by improving operating profit margin” as our new management policy.

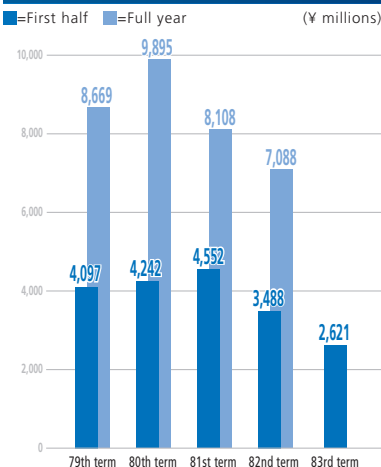
As a result, for the six months ended September 30, 2017, net sales amounted to ¥73,820 million (a year-on-year decrease of 37.2%), operating profit amounted to ¥2,621 million (a year-on-year decrease of 24.8%), ordinary profit amounted to ¥2,623 million (a year-on-year decrease of 22.8%), and profit attributable to owners of parent amounted to ¥1,615 million (a year-on-year decrease of 32.2%).

FINANCIAL HIGHLIGHTS

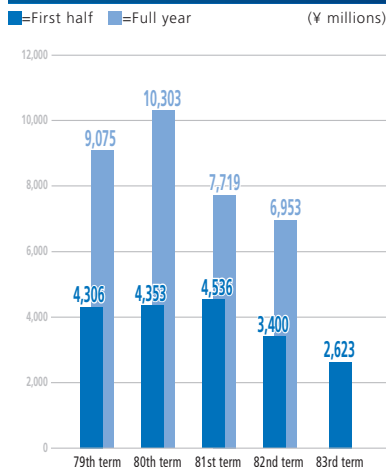
Net sales



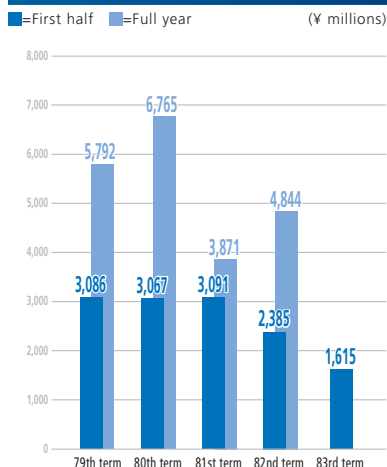
Operating profit



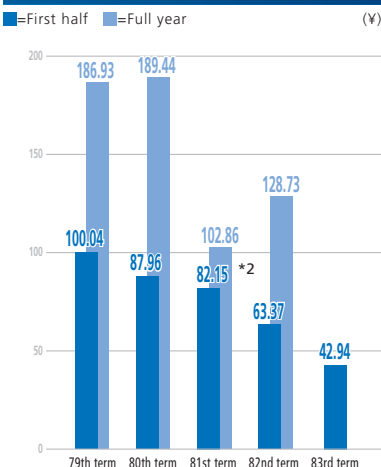
Ordinary profit



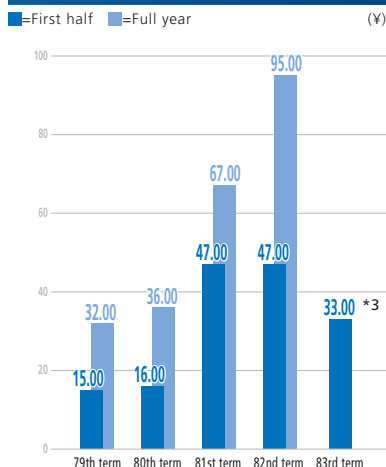
Profit attributable to owners of parent



Earnings per share



Dividend per share



Full-Year Forecast ^{*1}

Net sales	¥160,000 million (year-on-year decrease of 30.3%)	Operating profit	¥5,700 million (year-on-year decrease of 19.6%)	Ordinary profit	¥5,600 million (year-on-year decrease of 19.5%)	Profit attributable to owners of parent	¥3,600 million (year-on-year decrease of 25.7%)
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^{*1} Should any revision of the full-year consolidated business forecasts become necessary in light of future trends, an announcement will be made promptly.

^{*2} The decrease in earnings per share for the first half of the 81st term was due to the increase in the average number of outstanding shares during the period resulting from the exercise of subscription rights to shares.

^{*3} Concerning the year-end dividends for the 83rd term, the Company decided not to pay dividends, subject to a successful conclusion of the tender offer outlined on page 8 of this report. For details, please refer to the "Notice concerning Revision of Dividend Forecast for the Fiscal Year ending March 2018" (available only in Japanese) issued on October 31, 2017.

CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Balance Sheets (¥ millions)

Account	As of September 30, 2017	As of March 31, 2017
Assets		
Current assets	92,200	93,380
Cash and deposits	30,602	29,055
Notes and accounts receivable – trade	47,620	50,789
Inventories	11,071	10,844
Other	2,905	2,689
Non-current assets	25,512	24,144
Total assets	117,712	117,525
Liabilities		
Current liabilities	36,794	36,706
Notes and accounts payable – trade	27,556	28,652
Electronically recorded obligations – operating	4,190	2,899
Short-term loans payable	1,042	894
Other	4,004	4,258
Non-current liabilities	2,993	2,911
Total liabilities	39,787	39,617
Net assets		
Shareholders' equity	72,393	72,584
Capital stock	10,045	10,045
Capital surplus	9,918	9,918
Retained earnings	54,337	54,527
Treasury shares	(1,907)	(1,907)
Accumulated other comprehensive income	2,751	2,654
Non-controlling interests	2,779	2,669
Total net assets	77,925	77,908
Total liabilities and net assets	117,712	117,525

(Figures are rounded down to the nearest million yen.)

Condensed Consolidated Income Statements (¥ millions)

Account	Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)	Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)
Net sales	73,820	117,551
Cost of sales	63,680	106,683
Gross profit	10,140	10,867
Selling, general and administrative expenses	7,518	7,379
Operating profit	2,621	3,488
Non-operating income	223	202
Non-operating expenses	221	290
Ordinary profit	2,623	3,400
Extraordinary losses	259	10
Profit before income taxes	2,364	3,390
Income taxes	645	917
Profit	1,719	2,472
Profit attributable to non-controlling interests	103	87
Profit attributable to owners of parent	1,615	2,385

(Figures are rounded down to the nearest million yen.)

Condensed Consolidated Statements of Cash Flows (¥ millions)

Account	Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)	Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)
Cash flows from operating activities	5,514	14,565
Cash flows from investing activities	(1,822)	(272)
Cash flows from financing activities	(1,939)	(483)
Effect of exchange rate change on cash and cash equivalents	(177)	(997)
Net increase (decrease) in cash and cash equivalents	1,575	12,811
Cash and cash equivalents at beginning of period	28,236	16,836
Cash and cash equivalents at end of period	29,812	29,647

(Figures are rounded down to the nearest million yen.)

REVIEW OF OPERATIONS

	Category	Line of business/initiatives	Operating profit goals			
Existing businesses	Trading business	Focus on key accounts <ul style="list-style-type: none"> Sales of electric materials, general electronic components and LCD panels 	(¥ billions) 			83rd term 85th term (target)
	Development/manufacturing	R&D into new technologies <ul style="list-style-type: none"> Special printing plates and printing presses for LCD Automated machines, special solder Circuit design, development of electronic devices and CAD software 	(¥ billions) 			83rd term 85th term (target)
	Manufacturing/processing (data storage)	Scale out to SSD business field <ul style="list-style-type: none"> Precision metal pressed parts, precision molded products, surface treatment 	(¥ billions) 			83rd term 85th term (target)
	Manufacturing/processing (automotive)	Improve productivity through capital investment <ul style="list-style-type: none"> Aluminum die-casting products Metal molds and pressed parts Metal molds for large-size plastic products Metal-pressed parts and welding-processed products Plastic molded products 	(¥ billions) 			83rd term 85th term (target)
	Manufacturing/processing (others)	Ensure stable profits <ul style="list-style-type: none"> Materials for electric facilities and electric power plants Plastic molded products and processed film products 	(¥ billions) 			83rd term 85th term (target)
New business	Next core business (new business)	Create new demand through cross-industrial collaboration <ul style="list-style-type: none"> Establish a new subsidiary in Vietnam 	(¥ billions) 			83rd term 85th term (target)

WORLDWIDE NETWORK

The global business environment is continuing to undergo complex and intensifying changes. Customers' needs have become diverse, and we must deal with all such needs in the areas of development, manufacturing, procurement and logistics. KURODA ELECTRIC's global network will flexibly cater to various business models and continue to increase customer satisfaction.

Net Sales by Region (destination basis)

Japan >>>

Net sales decreased year-on-year due to a significant decrease in orders in the large-size LCD-related business for TVs and the small- and medium-size LCD-related business for smartphones.

Asia >>>

The automotive-related business remained steady. Net sales decreased year-on-year due to the ceased sales of large-size LCD panels, affected by a change in business policy of a client company.

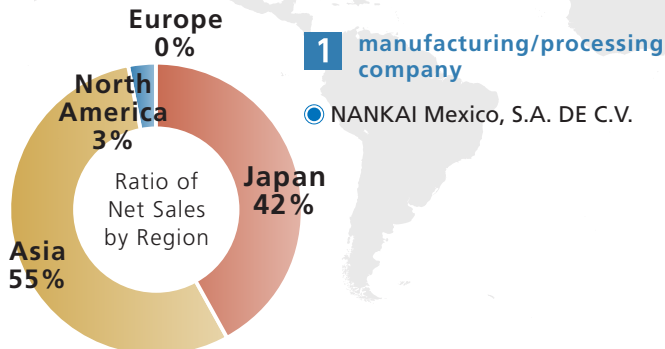
North America and Europe >>>

Net sales decreased year-on-year due to the ceased sales of large-size LCD panels, affected by change in business policy of a client company.

North America

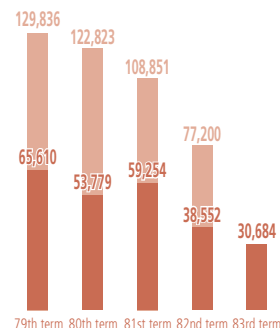
6 sales bases

- KURODA ELECTRIC U.S.A. INC.
- KURODA ELECTRIC U.S.A. INC. Tennessee Branch
- KURODA ELECTRIC U.S.A. INC. San Diego Branch
- KURODA ELECTRIC U.S.A. INC. Michigan Branch
- NANKAI Enviro-Tech Corporation
- Kuroda Electric Mexico S.A. de C.V. *1



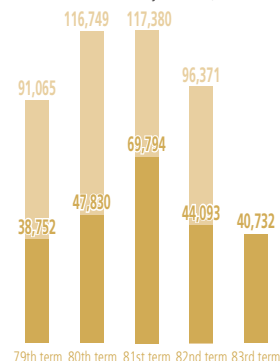
Japan

■=First half ■=Full year (¥ millions)



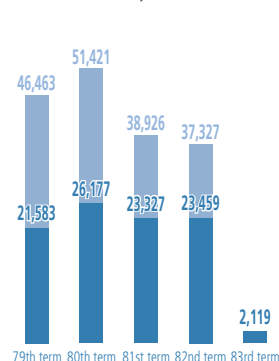
Asia

■=First half ■=Full year (¥ millions)



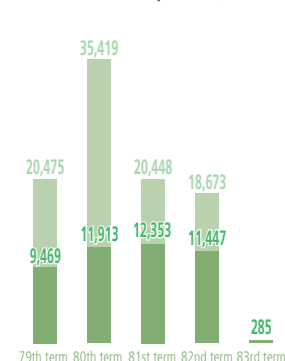
North America

■=First half ■=Full year (¥ millions)



Europe

■=First half ■=Full year (¥ millions)





Europe

1 sales base

- KURODA ELECTRIC CZECH s.r.o.

Asia

16 sales bases

- Z. KURODA (SINGAPORE) PTE. LTD.
- KURODA ELECTRIC (MALAYSIA) SDN.BHD.
- P.T. KURODA ELECTRIC INDONESIA
- Z. KURODA (THAILAND) CO., LTD. Bangkok Branch
- Z. KURODA (THAILAND) CO., LTD. Hanoi Branch
- KURODA ELECTRIC PHILIPPINES, INC.
- KURODA ELECTRIC KOREA INC.
- KURODA ELECTRIC INDIA PVT. LTD.
- Z. KURODA (HONG KONG) CO., LTD.
- KURODA ELECTRIC (SHENZHEN) CO., LTD.
- Kuroda GKM Co., Ltd.
- SHANGHAI KURODA TRADING CO., LTD.
- SHANGHAI KURODA TRADING CO., LTD. Nanjing Branch
- SHANGHAI KURODA TRADING CO., LTD. WUXI Branch
- TIANJIN KURODA TRADING CO., LTD.
- TAIWAN KURODA ELECTRIC CO., LTD.

Japan

11 sales bases

5 main logistics bases

4 manufacturing/processing companies

- KURODA TECHNO CO., LTD.
- KOMURA-TECH CO., LTD.
- SOHWA & SOPHIA TECHNOLOGIES CO., LTD.
- NICHIDO-DENKO CO., LTD.

1 holding company

- Tenma-trust Co., Ltd.

9 manufacturing/processing companies

- PT TRIMITRA CHITRAHASTA
- Z. KURODA (THAILAND) CO., LTD.
- KURODA AUTO-TECH (THAILAND) LTD.
- BORAMTEK (VIETNAM) CO., LTD.
- KURODA MANUFACTURING VIETNAM CO., LTD.
- ECOREA & KURODA ELECTRIC INDIA PVT. LTD. *2
- RAINBOW METAL TECHNOLOGIES CO., LTD.
- KC AUTOMATION (SHENZHEN) CO., LTD.
- KURODA PRECISION TECHNOLOGY CO., LTD.

3 management and administrative companies, etc.

- SHANGHAI KURODA MANAGEMENT CO., LTD.
- HiVAT Global Co., Ltd.
- Eco-Techwell Investment Inc.

*1 Non-consolidated subsidiary

*2 Equity-method affiliate

GROUP COMPANY INFORMATION



Kuroda Electric is widely known as a “manufacturing trading company,” originated from Kuroda Techno, which started as one of the divisions of Kuroda Electric.

With the innovative technologies accumulated over 50 years of experience in research and development, Kuroda Techno’s strength lies in automatization-related technologies, providing a complex set of services from design through production to installation of the finished products.

Company name:	KURODA TECHNO CO., LTD.
Foundation:	2000
Capital:	¥200 million
Number of Employees:	28 (as of September 30, 2017)
Shareholder:	Kuroda Electric Co., Ltd. (100%)
Line of business:	Design and manufacturing service of high-precision production line equipment Ultrasonic soldering technology products Design and manufacturing service of inspection and assembly line equipment
Head Office & Factory:	157, Shinyoshida-cho, Kohoku-ku, Yokohama
*KC Automation (Shenzhen) Co., Ltd.	First Floor, South 4th Building, New Century Technology Industrial Park, Export Process Zone, Pingshan, Shenzhen
Website:	http://www.kuroda-techno.com

Company History

1956	Established Kuroda Industry Co., Ltd. and entered into production division
1963	Merged with the paint division of Kuroda Electric and established Kuroda Chemicals Co., Ltd.
1977	Merged with Kuroda Electric
1980	Introduced ultrasonic soldering technology from Asahi Glass Co., Ltd.
1982	Started supplying of analog hard disc inspection tools
1992	Started supplying of solar cell electrode printing devices
1994	Started supplying of full automatic equipment for thin film solar cells production
2000	Cerasolzer business transferred from Asahi Glass Co., Ltd.
2000	Separated from Kuroda Electric Co., Ltd. and established Kuroda Techno Co., Ltd.
2003	Started supplying of assembly equipment for ultra-compact (1-inch) HDD
2006	Started supplying of fully automatic HDD assembly equipment
2010	Started sales of Ceraribbon, solar industry-related consumable material
2011	Started sales of Sunbonder, ultrasonic soldering device

Design and manufacturing service of high-precision production line equipment

Design and manufacturing of high-precision production line equipment (automotive, camera, FPD, etc.), manufacturing of measuring devices for precision parts, inspection tooling jigs and precision dies.



Ultrasonic soldering technology products

Design and development of soldering devices to solder glass, ceramic substrates, rare-earth metals and resin films by using our special solder and ultrasonic technology (soldering of lead electrodes for solar cells, electrode wires and PC CRT integrated electrodes, bonding of target materials, soldering of electrodes on highly conductive ceramic substrates).



Design and manufacturing service of inspection and assembly line equipment

Design and manufacturing service of assembly line equipment and jigs designed to steadily, swiftly and reliably assemble HDDs, which are, in terms of technology, being rapidly improved due to higher density and miniaturization.



Tender Offer of Share Certificates, etc. of the Company by the MBK Partners Group

The Company expressed its opinion in favor of the tender offer (the “Tender Offer”) with respect to the Company by KM Holdings, which is managed and operated by the MBK Partners Group, and passed a resolution at the meeting of the Board of Directors held on October 31, 2017 recommending that our shareholders tender their shares in the Tender Offer*.

Background to the Tender Offer

In May 2017, the Company formulated and announced the New Mid-term Management Plan. We had recognized that we needed to implement measures to accomplish the important issues in the New Mid-term Management Plan and establish a stable business foundation, and also aim for further growth and increased corporate value. To achieve it, we must execute M&As and enter into capital and business alliances with a degree of urgency, as well as actively engage in strategic investments in human resources and capital.

Purpose of the Tender Offer

In the Background to the Tender Offer outlined above, we determined that accepting the proposal for privatization by the MBK Partners Group, which has indicated its policy to provide various support as an independent fund, including promoting M&As and reinforcing efforts to secure specialized human resources utilizing its solid knowledge and strong network in regions centering on Asia, will not only increase the degree of accuracy of the New Mid-term Management Plan but is also the best way for the Company to establish a stable business foundation beyond the period of the Management Plan and to achieve further growth and enhanced corporate value.

Business operations after the Tender Offer

Overall business

Based on adhering to the New Mid-term Management Plan, we will continue to reinforce our efforts to secure human resources which are our biggest management resource, provide support for the implementation of various measures, and undertake revenue management by business segment and clarify business responsibilities.

Trading business

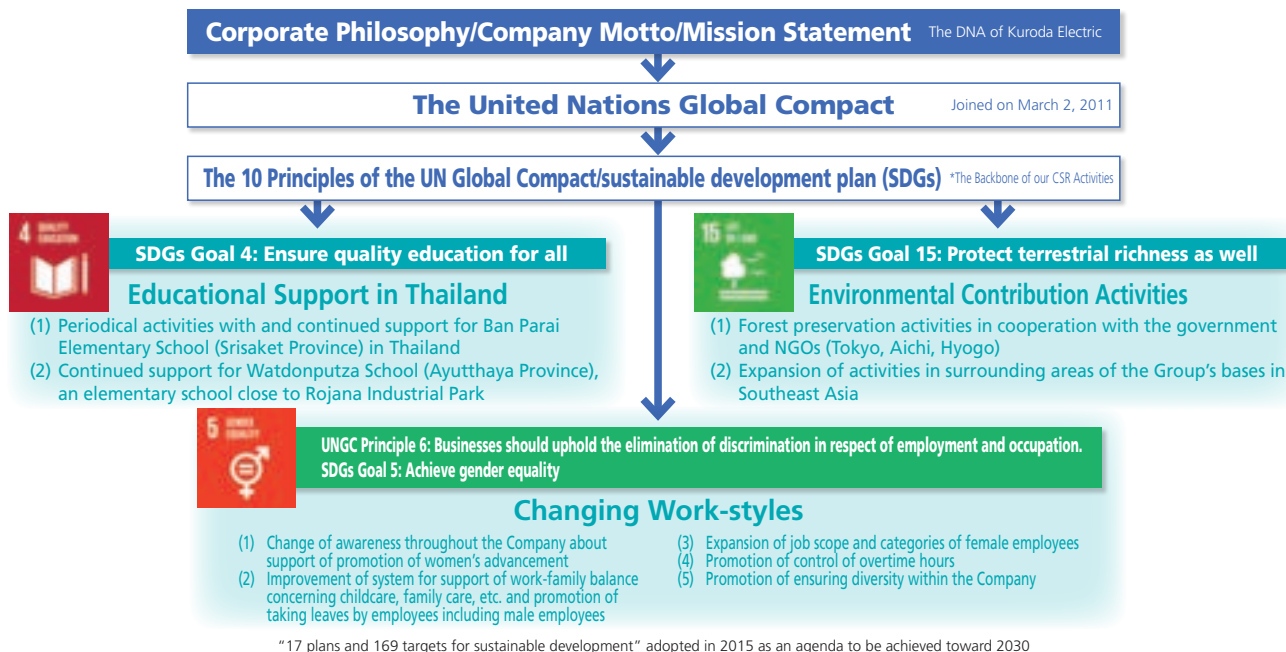
We will consider not only the business strategy we are currently pursuing, but also growth strategies taking all options into account, including the strengthening our overseas business.

Development & manufacturing business

We will change from subsidiary-based operations to an operational structure that oversees business by segment, and will manage subsidiaries on a cross-sectional basis for each segment in order to further improve consistency. In addition, we will actively promote M&As in order to further develop the business going forward.

* For details, please refer to “Announcement of Opinions regarding the Tender Offer of the Share Certificates, etc. of the Company by KM Holdings” (available only in Japanese) dated October 31, 2017.

CORPORATE SOCIAL RESPONSIBILITY



Environmental Contribution Activities

KURODA ELECTRIC's Company Forest Activities (Kawanishi, Hyogo)

In 2008, the Group initiated our forest preservation project in Ome City, Tokyo. Additionally, since 2011, similar activities have been carried out in Kawanishi City, Hyogo Prefecture.

In the current fiscal year also, as part of the KURODA Company Forest activities, undergrowth mowing operation was carried out in July. The activity was conducted in the jointly owned forests of Mt. Oozutsu (approximately 1 ha.), which stands on the Kurokawa area referred to as "Japan's most preserved Satoyama" (a natural woodland that coexists with a nearby populated area). The area is part of a renowned production center of the high-grade "kiku-zumi" charcoal for tea ceremonies, beloved by people like Hideyoshi Toyotomi. Considering biodiversity and local sceneries of the Satoyama, we continue our environmental contribution activities such as planting sawtooth oaks and undergrowth mowing in order to contribute to the sustainable production of "kiku-zumi."

This year, undergrowth mowing was carried out under the blazing sun after the end of the rainy season. We wrestled with weeds overgrown taller than a man's height there. Although we worked in the morning, we drenched with sweat after the huge task.

On that day, a total of 72 people including employees of Kuroda Electric, Komura-Tech, Nichido-Denko and Sohwa & Sophia Technologies as well as staff from Forest Building Section of Agricultural Administration and Environment in Hyogo Prefectural Office and Hyogo Afforestation Promotion Association participated in the activity. We will continue to perform such environmental contribution activities going forward.



CORPORATE INFORMATION / STOCK INFORMATION

As of September 30, 2017

Corporate Profile

Corporate Name	Kuroda Electric Co., Ltd.
Established	March 29, 1947
Capital	¥10,045.76 million
Number of Employees	317 (230 males, 87 females) 3,709 total employees including group companies

Kuroda Group Network

Domestic Network Sales Bases: 11
Logistics Bases: 5
Manufacturing/processing Companies: 4
Holding Company: 1

Overseas Network Sales Bases: 23
Manufacturing/processing Companies: 10
Management and Administrative Companies, etc.: 3

Head Office 〒140-0013
5-17-9 Minami-Oi, Shinagawa-ku, Tokyo
TEL: 03-5764-5500 FAX: 03-5764-1500

Osaka Head Office 〒532-0012
4-11-3 Kikawahigashi, Yodogawa-ku, Osaka
TEL: 06-6303-1300 FAX: 06-6303-3078

Officers

Directors

Director	Koichi Hosokawa
Director	Yasunobu Mori
Director	Kunio Tsuneyama
Director	Shigetoshi Okada
Director	Atsushi Yamashita
Director	Shuichi Shino
Director	Shin Yasunobe

Note: Messrs. Kunio Tsuneyama, Shigetoshi Okada, Atsushi Yamashita, Shuichi Shino and Shin Yasunobe are outside directors as stipulated in Article 2, Item 15 of the Companies Act.

Executive Officers

President CEO & COO	Koichi Hosokawa*
Corporate Executive Vice President	Masami Murakami
Executive Vice President	Yoshinori Nakae
Executive Vice President	Yasunobu Mori*
Executive Officer	Shigeo Yamamoto
Executive Officer	Kozo Nakayama
Executive Officer	Tetsuya Kasuga
Executive Officer	Masami Matta

* Concurrently serving as director

Status of Shares

Total number of shares authorized to be issued 120,000,000 shares
Total number of shares issued and outstanding 39,446,162 shares
(stock trading unit: 100 shares)
Number of shareholders 8,823

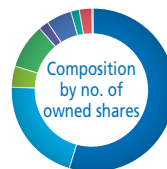
Major Shareholders

Name of shareholder	Number of shares held (1,000 shares)	Shareholding ratio (%)
RENO, INC.	3,742	9.94
AYA NOMURA	3,722	9.89
OFFICE SUPPORT CORPORATION	3,644	9.68
FUMINORI NAKASHIMA	3,562	9.46
JAPAN TRUSTEE SERVICES BANK, LTD.	3,464	9.20
THE MASTER TRUST BANK OF JAPAN, LTD.	1,061	2.81
GOVERNMENT OF NORWAY	878	2.33
CITIZEN WATCH CO., LTD.	600	1.59
STATE STREET BANK AND TRUST COMPANY	533	1.41
JP MORGAN CHASE BANK 385151	487	1.29

(Notes) 1. Shares have been rounded down to the nearest thousand shares.
2. The Company owns 1,811,331 shares of treasury stock but is excluded from the ten shareholders noted above. The shareholding ratio is calculated after the deduction of treasury stock.
3. The number of shares held (1,000 shares) is based on the shareholders register as of September 30, 2017.

Shareholder Composition

Shareholder type	Number of shareholders	Number of shares (1,000 shares)	Shareholding ratio (%)
Financial Institutions	29	5,601	14.20
Financial instruments business operators	43	564	1.43
Other entities	103	9,879	25.05
Foreign entities, etc.	179	7,522	19.07
Individuals and others	8,468	14,066	35.66
Treasury stock	1	1,811	4.59
Number of owned shares	Number of shareholders	Number of shares (1,000 shares)	Shareholding ratio (%)
5,000 units or more	12	21,588	54.73
1,000 units or more	41	8,321	21.10
500 units or more	22	1,614	4.09
100 units or more	162	3,476	8.81
50 units or more	124	812	2.06
10 units or more	1,187	1,956	4.96
5 units or more	1,035	612	1.55
1 unit or more	5,923	1,055	2.68
Less than 1 unit	317	8	0.02



Information for Shareholders

Fiscal Year	From April 1 to March 31
Shareholder Record Date for Year-end Dividend Payment	March 31
Shareholder Record Date for Interim Dividend Payment	September 30
Ordinary General Meeting of Shareholders	Annually in June
Stock Transfer Agent and Account Management Institution for Special Accounts	Mitsubishi UFJ Trust and Banking Corporation
Contact Information	Mitsubishi UFJ Trust and Banking Corporation Osaka Stock Transfer Agency 3-6-3 Fushimi-cho, Chuo-ku, Osaka 541-8502 TEL: 0120-094-777 (free dial)
Stock Exchange Listing	First Section of the Tokyo Stock Exchange
Media of Public Notice	Nihon Keizai Shimbun

Notes

1. Following the introduction of electronic share certificates, procedures for matters such as change of address of shareholders and requests for purchase are, in principle, handled by the account management institution where your account was established (such as a securities company). Please forward such related inquiries to the securities company or other institution that established the account, as these procedures are not handled by the Stock Transfer Agent (Mitsubishi UFJ Trust and Banking Corporation).
2. Regarding procedures for matters relating to shares recorded in special accounts, Mitsubishi UFJ Trust and Banking Corporation is the Account Management Institution. Please forward related inquiries to the Account Management Institution for Special Accounts (Mitsubishi UFJ Trust and Banking Corporation) through the contact information written on the left. Please be informed that nationwide branches of Mitsubishi UFJ Trust and Banking Corporation also act as agents.
3. Unclaimed dividend payments shall be paid to the head office of Mitsubishi UFJ Trust and Banking Corporation.



Corporate Profile



Information for Investors



Various information for a better understanding of the Company, including the latest news and IR information, is posted on our website.

<http://www.kuroda-electric.co.jp/>

KURODA ELECTRIC

Search

