



May 13, 2022

To Whom It May Concern

Company	MARUBUN CORPORATION
Representative	Toru Iino CEO and Representative Director (Securities Code:7537 TSE, Prime Market)
Contact	Toshihiro Shibuya Manager, Corporate Planning Dept. (Tel: +81-3-3639-3010)

Notice of Formulation of Medium-term Business Plan

Marubun Corporation (the “Company”) hereby announces that it has developed a new medium-term business plan “Marubun Nextage 2024” that covers the period from FY2022 to FY2024. Details are as follows.

1. Business environment

The electronics industry to which the Marubun Group (the “Group”) operates has entered the era of technological innovation called the fourth industrial revolution. In addition to the conversion of automobiles to electric vehicles (EV) and growing demand associated with speedier and larger-volume communications, there is an accelerating movement toward “Society 5.0” (Japan’s societal transformation plan) that aims to incorporate innovative technologies, such as artificial intelligence (AI), Internet of Things (IoT), robots, and big data, into all industrial facilities.

In this business environment, the Group has been working to expand its lineups of commercial products and services for medical and healthcare markets where digitalization is advancing, and to develop solutions that incorporate cutting-edge technologies. The evolution of the Group’s business portfolio is steadily taking effect, while it has become vital to respond to diversified needs and develop system integration functions for combinations of commercial products and integrated solutions that blend telecommunication and IoT technologies.

2. Review of previous medium-term business plan (FY2019 - FY2021)

Under the previous medium-term business plan, the Group established three policies of “Development of business models to create new values,” “Promotion of business development in growth markets,” and “Stronger initiatives to contribute to a sustainable society,” and sought to transform its business structure with the aim of achieving an ROE of 5%.

As a result, in the Electronic Devices Business, a shift in the business portfolio was promoted, supported mainly by growth in sales of products of new suppliers and efforts to work on new business models that involve software marketing and the introduction of autonomous AI robots. In the Electronic Systems Business, the Group worked to develop next-generation communication technology and other innovative, high-quality commercial products and services, thereby improving its foundation to differentiate it from other companies.

Despite the impact of stagnant economic activities caused by the COVID-19 pandemic, through these initiatives the Group was able to improve profitability and achieve the medium-term ROE target.

On the other hand, the initiative to create business opportunities based on ESG (environmental, social, and corporate governance) perspectives remained on track and the Group recognizes it as an important challenge in the next medium-term business plan in addition to achieving sales growth and profitability improvement.

	Actual results in FY2018 (base year)	FY2021 results
Consolidated net sales	326.7 billion yen	167.8 billion yen (*Revenue Recognition Standard)
Ordinary Income	3.0 billion yen	4.1 billion yen
Ordinary income margin	0.9 %	2.5 %
ROE	3.8 %	5.9 %

Note:

The Group has applied Accounting Standards for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) statement No. 29 issued on March 31, 2020) from the beginning of the first quarter of the consolidated fiscal year ending 2021. Accordingly, the Group now recognizes as revenue the amount receivable in exchange for a good or a service at the time when the promised good or the service is transferred to a customer.

As a result of the change, net sales in FY2021 decreased 146,021 million yen, while ordinary income increased 422 million yen from the amounts calculated using the conventional method.

3. Basic policy of new medium-term business plan (FY2022-FY2024)

Starting its history as a fabric and textile wholesaler in 1844, the Company was established in 1947 under the present name Marubun Corporation. In 2022, it celebrates the 75th year anniversary of its founding and the 25th year anniversary of its listing on the Tokyo Stock Exchange. In this auspicious year, the Group redefined its Purpose, Vision and Mission and adopted a new medium-term business plan, Marubun Nextage 2024, which covers the period from FY2022 to FY2024. To become an electronics trading company that can contribute to the Next Age of technological innovation in the Next Stage, the Group will work to promote business portfolio evolution and profitability improvement through the formulation and management of effective strategic measures (sophistication of PDCA management) on a consolidated basis. Moreover, the Group aims to achieve an ROE of 8% on a consolidated basis by FY2024, the final year of the plan.

Marubun Corporate Philosophy Structure:

Marubun Purpose (the Group's reason for being):

Contribute to a brighter future through technologies.

Marubun Vision (the Group's target state):

Be the unrivaled and most trusted electronics trading company with unique and original values.

Marubun Mission (the Group's initiatives and efforts):

Looking forward and staying ahead, address societal themes and solve customers' issues by leveraging the Group's human capital, technological strengths and service qualities.

Marubun Values (the Group's credo and principles):

“Management with integrity and accountability,” “Fair business activities and practices,” “Contribution to sustainable society,” “Contribution to environmental conservation,” “Enhancement of customer satisfaction,” “Effective enterprise risk management,” “Respect for human rights,” “Development of an employee-oriented work environment,”

Basic Policy of Marubun Nextage 2024:

(1) Promotion of sustainability management

The Group will promote ESG/SDGs (Sustainable Development Goals) initiatives toward the realization of sustainable growth and will pursue social values through the enhancement of cooperation with stakeholders and the conduct of mission-oriented business.

(2) Foray into new business fields and creation of platform for growth

The Group will continuously pursue new opportunities for business growth by boldly taking on challenges in new markets and fields.

(3) Promotion of selection and concentration in existing business and enhancement of solution development

The Group will accelerate solution development from customers' perspectives and work to enhance competitive strength through a process of selection and concentration in existing business.

(4) Enhancement of Group management

The Group will create added values through cooperation among segments (Electronic Devices, Electronic Systems and Electronic Solutions businesses) and global synergy through cooperation among group companies in Japan and overseas and will return the benefits of its efforts to customers.

(5) Improvement of business operation base and internal processes

The Group will improve productivity and efficiency through the enhancement of infrastructure for business operations, the improvement of operational processes, human resources development and the reform of working practices.

4. Outline of Marubun Nextage 2024

(1) Business strategy

In line with the Marubun Purpose, the Group developed a slogan of "Link with the Future, Connect with Technologies" during the process of developing Marubun Nextage 2024 as a guide for its activities. The slogan conveys the drive to create innovation and seamlessly connect the entire supply chain by making full use of the commercial products, technologies, and services handled by the Group, as well as its knowledge and know-how as an electronics trading company, thereby bringing about a prosperous future.

The major electronics-related business domains in which the Group should aim for results from its initiatives for business development and expansion as a consolidated Group through Marubun Nextage 2024 are "digitalization," "sustainability," "next generation communications," "IoT," "AI," "robotics," "next generation mobility," and "medical and nursing care." By identifying medium- to long-term trends and short-term market changes relating to these themes, and bringing non-organic growth opportunities into view, the Group will pursue opportunities for business development and expansion.

To ensure continued long-term growth, the Group will advance its business by establishing the third business segment of the Solutions Business in FY2022, in addition to the existing two core business segments of the Electronic Devices Business and Electronic Systems Business. In the new Electronic Solutions Business, the Group plans to combine its wealth of commercial products with AI/IoT and network technologies and provide new added values as its unique solutions to customers.

The business strategies for each business segment are as outlined below.

[Electronic Devices Business]

Business of distributing semiconductor and electronic components

- ① Development of new commercial products and new commercial rights
 - Work to strengthen the business foundation by focusing on the development of new, high added-values commercial products and new sales destinations.
- ② Maintenance and improvement of profitability of existing business
 - Ensure low cost operations and improve the productivity and efficiency of business

	FY2021 results	FY2024 plan	Growth in target period
Segment net sales	117.4 billion yen	143.0 billion yen	+ 21.8%

[Electronic Systems Business]

Business of marketing and maintenance of electronic equipment and systems

- ① Expansion of business scale and earnings base in new business domains
 - Promote the development of new markets and commercial products
- ② Enhancement of competitive advantage in existing domains
 - Refine the Group's professional capabilities in existing business domains and enhance its position in the market.
 - Promote horizontal deployment and vertical deepening of customer base and expand it globally.
- ③ Strengthening Group collaboration
 - Further enhance cooperation among Group companies in Japan and overseas and provide services globally based on collective strengths.

	FY2021 results	FY2024 plan	Growth in target period
Segment net sales	48.4 billion yen	63.0 billion yen	+ 30.2%

[Electronic Solutions business]

Business of development, marketing, and maintenance services regarding advanced solutions

- ① Development and promotion of high added values business
 - Continuously find innovative commercial products and technologies with an eye on growth markets and promote commercialization. Look for opportunities for investment in prospective venture enterprises and alliance with external partners.
- ② Creation and expansion of new business models
 - Establish new business models, such as business involving subscription and license business.
- ③ Improvement of solution development capabilities and creation of group synergy
 - Lead collaboration between the Electronic Device Business and the Electronic Systems Business, and develop solutions unique to the Marubun Group by combining its commercial products, technologies and services based on its network and IoT technologies, in order to provide new added values to customers.

	FY2021 results	FY2024 plan	Growth in target period
Segment net sales	2.0 billion yen	4.0 billion yen	+ 100.0%

(2) Enhancement of business foundation and infrastructure

- Enhance sustainability initiatives and information disclosure.
- Improve platforms for strengthening digital marketing and customer relations.
- Promote the development of frameworks for integrated risk management and the enhancement of risk monitoring operations.
- Work to further enhance the corporate governance system as a company listed on the Prime Market.
- Continuously promote human resources investment and the development of a comfortable working environment and IT infrastructure.

(3) Financial targets

The Group aims to achieve a consolidated ordinary income of 6.0 billion yen and 8% in ROE by FY2024, the final year of the new medium-term business plan and will work to improve profitability and equity capital efficiency.

	FY2021 results	FY2024 Target
Consolidated net sales	167.8 billion yen	210.0 billion yen
Ordinary Income	4.1 billion yen	No less than 6.0 billion yen
Ordinary income margin	2.5 %	2.9 %
ROE	5.9 %	8.0% or higher

During the plan period ending in FY2024, operating cashflow will be used to reduce debt, after being allocated for capital investment and dividend distribution. The Group also expects to use it to achieve highly strategic non-organic growth opportunities and investment in prospective venture enterprises.

5. Dividend Policy

The Group has maintained a dividend policy under which it sought a payout ratio of no less than 30% on a consolidated basis. Going forward, while the Group will reserve retained earnings necessary for business development, it will also maintain a stable shareholder return commensurate with operating results, targeting a payout ratio of no less than 40% on a consolidated basis.

*Note to forward-looking statements

Financial results forecasts and other forward-looking statements contained in this material are based on information available to the Group as of this moment and certain assumptions that are deemed to be reasonable. Therefore, actual results may differ significantly from these forward-looking statements due to various factors.