

CFO Message

While balancing economic and social value, we will make steady progress toward improving our corporate value.

Yuzo Nakada

Executive Managing Director
Chief Financial Officer (CFO) and
Chief Strategy Officer (CSO)



Performance Evaluation for the Fiscal Year Ended March 2026

FY2025, the first year of the Marubun Nextage 2027 Medium-Term Business Plan (hereinafter “the Plan”), was a year of extremely high uncertainty in the external environment, including the emergence of geopolitical risks, the impact of U.S. reciprocal tariffs, and fluctuations in interest rates and foreign exchange markets. Under these circumstances, FY2025 results were net sales of 213.4 billion yen, operating profit of 7.7 billion yen, ordinary profit of 4.2 billion yen, and net income of 3.3 billion yen. In addition to achieving higher sales year on year, results exceeded the upwardly revised full-year forecasts announced in November 2025 at all profit levels except ordinary profit. On the other hand, ordinary profit came in at 4.2 billion yen, below the revised forecast of 5.0 billion yen, mainly due to the recording of 1.8 billion yen

in exchange valuation losses resulting from the rapid weakening of the yen at the end of the fiscal year. This was a technical factor arising from the yen-based valuation at the fiscal year-end under Japanese GAAP. Economically, it is reasonable to view the unrecognized yen-based profit contained in U.S. dollar-denominated inventories at the end of the fiscal year as being shifted to the next fiscal year and beyond. Although ordinary profit was temporarily pushed down by this accounting factor, we assess that our underlying earning power remained solid and that we achieved strong full-year results.

Managing Exchange Rate Fluctuation Risk and Enhancing Financial Strategy

In the Electronic Devices Business, which handles particularly large amounts of foreign currency-denominated trans-

actions, a high proportion of transactions from purchasing to sales are denominated in U.S. dollars. The basic principle of our foreign exchange risk management¹ is natural hedging, by which sales and purchases, as well as assets and liabilities, are in principle denominated in the same foreign currency. The 1.8 billion yen in foreign exchange losses recorded as non-operating expenses under the weakening yen in FY2025 was an accounting mismatch (recognition of valuation losses) that occurred because, under Japanese GAAP, inventories are in principle maintained at cost based on the exchange rate at the time of acquisition, while the corresponding foreign currency-denominated liabilities are marked to market at the fiscal year-end rate. On the other hand, there are unrealized gains on inventory of 2.1 billion yen that should offset the aforementioned foreign exchange losses. Our foreign exchange risk management, which maintains the foreign exchange matching hedge ratio (the ratio of

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dollar-denominated assets to dollar-denominated liabilities) at around 100%, is functioning appropriately and soundly. Going forward, in order to minimize volatility in foreign exchange gains/losses, we will also shorten the dollar-denominated cash conversion cycle (CCC) from supplier payments to sales collection as much as possible.

With the renewal of our core IT system in August 2025 aimed at enhancing managerial accounting, we changed the inventory valuation method from the moving average method to the first-in, first-out (FIFO) method. As a result, actual operations and accounting valuations are aligned, and ending inventory in financial accounting reflects the most recent purchase prices and exchange rates. In managerial accounting, it has become possible to more precisely understand profitability by product, the appropriateness of set prices, and inventory stagnation. This also leads to more prompt decisions on sales policies, inventory reductions, enhanced inventory risk management, and the formulation of highly effective measures to reduce required working capital. As a result of the retroactive adjustment associated with this change, opening consolidated retained earnings increased by 0.2 billion yen.

*1 For information on the mechanisms behind foreign exchange gains/losses at our Company, please visit [our website](#).

The Path to Achieving the Marubun Nextage 2027 Medium-Term Business Plan

The financial targets set for FY2027, the final year of the Plan, are at a level that is fully achievable. Given that we achieved ordinary profit of more than 6.5 billion yen in the final year of the previous Medium-Term Business Plan, a path can be drawn by assuming an average annual nominal

growth rate of 8% or more. Toward the pursuit of growth above the market average, or “alpha,” we will expand organic business growth by strengthening existing businesses and collaborating with U.S.-based Arrow Electronics, Inc., while also focusing on capturing inorganic growth opportunities in parallel.

As an investment envelope for seeking non-linear growth opportunities, particularly M&A opportunities, during the Medium-Term Business Plan period (a three-year cycle), we are considering a scale of approximately 6.0 billion yen, equivalent to about 10% of total net assets. We continuously maintain our internal “M&A Playbook” and standardize processes from initial screening to the evaluation of business value, due diligence, and post-merger integration (PMI). For investments in venture businesses, we have established a structure under the Investment and Loan Subcommittee, which operates under the Management Committee, to analyze and monitor the creation of financial returns and sales synergies in a timely manner. For both business acquisitions and investments in venture businesses, we will improve our readiness to make investment decisions flexibly and take on excellent investment opportunities more proactively than ever before.

► Financial Targets for FY2027

Net Sales (Plan Figures)	Ordinary Profit (Target)	Ordinary Profit Ratio (Plan Figures)	ROE (Target)
240 billion yen	8 billion yen or higher	3.3% or higher	9.0% or higher

Optimization of the Group-Wide Earnings Portfolio

For sustainable growth, we need to advance financial and strategic approaches tailored to the business models of each of our three business segments and optimize the Group-wide earnings portfolio.

First, in the Electronic Devices Business, important themes include margin optimization through strict profitability management that takes into account interest rates and foreign exchange impacts, as well as improving the efficiency of working capital to enhance profitability. At the same time, we will promote a down-market strategy to expand our customer base from conventional large customers to the middle market, thereby improving the overall gross margin. Along with this, we will maintain operating expense efficiency while further refining dynamic monitoring of credit risk management.

Next, due to the nature of its business, the Electronic Systems Business has a relatively long period from order receipt to revenue recognition and also has seasonality with sales skewed to the fourth quarter. Acquiring new business flows that help smooth this seasonality is an ongoing challenge. We will further strengthen collaboration with the Group's engineering service functions for inspection, maintenance and distribution of consumable parts, so that we can go beyond the sale and installation of equipment. By reliably capturing peripheral transactions, we will increase the proportion of recurring business (recurring revenue), expand revenue opportunities, and diversify revenue sources.

Finally, the Entrepreneur Business is responsible for cultivating asset-light new businesses and exploring new growth opportunities through collaboration with advanced

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ventures. We will leverage our strengths in technology and market discernment to take strategic risks and achieve segment profitability at an early stage. We will then put subscription-based robot-related businesses and other initiatives on track and grow them into a “third pillar” that drives profitability across the Group.

Improving Capital Efficiency

We are keenly aware that our price-to-book ratio (PBR) remains below 1.0. To improve PBR, we are focusing on both improving ROE and reducing shareholders' expected return (cost of equity). To improve ROE, rather than shrinking total net assets to achieve balance, we will prioritize allocating retained earnings and operating cash flow to future growth investments, thereby increasing consolidated business profit through a growth strategy. At the same time, from the perspective of capital efficiency, our policy^{*2} is to appropriately sell or replace strategic stock holdings whose rationale for being held is not recognized.

Taking into consideration the balance among maintain-

ing solid financial soundness, investing in future growth, and returning profits to shareholders, we have significantly expanded our shareholder return policy. Specifically, we raised the dividend payout ratio guideline from 40% to 50%, and at the same time raised the DOE (dividend on equity ratio) benchmark from 2.5% to 3.5%. By applying the higher of these two indicators, we will implement stable and continuous dividends that are not affected by fluctuations in business performance. In addition, we have established a new Shareholder Benefit Plan and are working to expand opportunities for returns to shareholders. We also introduced the Employee Shareholding Association Restricted Stock Incentive Plan as an incentive for employees. By giving each employee the opportunity to share interests with shareholders and proactively think about how their own role can contribute to improving corporate value, we will foster a corporate culture in which the entire company works as one to enhance corporate value.

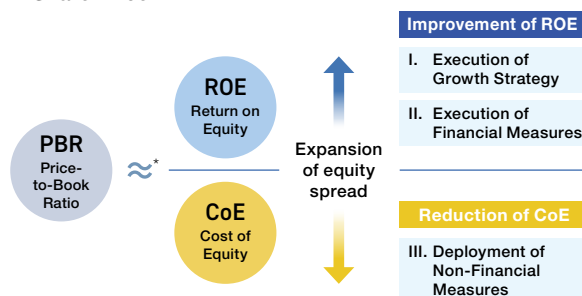
^{*2} For information on our policy for the reduction of strategic stock holdings, please visit [our website](#).

accelerator) may appear to conflict, but by having one person oversee both in close collaboration with the CEO, it becomes possible to take rational, speedy strategic risks without falling into excessive risk aversion.

At the same time, we have positioned “Pursue responsible business” as the first theme of the Plan and are promoting initiatives to address our five material issues. My belief is that a company's value is only recognized when it solves social issues. Initiatives in non-financial areas, including sustainability, do not conflict with financial results; rather, they are the very source for earning long-term trust and creating sustainable corporate value.

I ask our shareholders, investors, business partners, employees and their families, and local communities to continue to extend their support to us and to watch over the Marubun Group with both warm and discerning eyes as we make steady progress while balancing economic and social value.

► Management Conscious of Cost of Capital and Share Price



* An approximate formula when conservatively assuming a future profit growth rate (g) of zero and a given short-term target ROE

Achieving Both Economic and Social Value

To achieve the challenging targets set as our long-term aspirations, a major leap forward in both financial and strategic terms is essential. Here, I would like to talk about my two roles, CFO and CSO. The CFO's mission is to build a solid “defence” foundation by maintaining strict financial discipline, improving capital efficiency, and enhancing risk management. On the other hand, the CSO's mission is to draw a medium- to long-term growth story and support bold initiatives with an “offense” mindset toward non-linear growth opportunities such as M&A and new businesses. Financial “discipline” (the brake) and strategic “drive” (the