

## Translation

# MARUBUN CORPORATION

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Preparation of supplementary material : Yes

Holding of investor meeting : Yes



October 31, 2019

## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2019 <under Japanese GAAP>

### 1. Consolidated Financial Results for the Six Months Ended September 30, 2019 (April 1, 2019 - September 30, 2019)

#### (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, 2019	138,703	(16.7)	(71)	-	323	(47.6)	(110)	-
September 30, 2018	166,434	(2.0)	2,575	46.8	617	(53.0)	133	(65.7)

	Earnings per Share -Basic-	Earnings Per Share -Diluted-
	Yen	Yen
For the Six months ended		
September 30, 2019	(4.23)	-
September 30, 2018	5.12	-

#### (2) Financial Position

	Total Assets	Total Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of September 30, 2019	123,182	48,696	34.5
As of March 31, 2019	128,163	49,726	33.9

### 2. Dividends

	Dividend Per Share				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2019	-	10.00	-	20.00	30.00
Year ending March 31, 2020	-	10.00			
Year ending March 31, 2020 (Forecast)			-	20.00	30.00

### 3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2020

	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, 2020	285,000	(12.8)	2,900	(42.6)	2,800	(7.3)	1,350	(17.5)

	Earnings per Share -Basic-
	Yen
Year ending March 31, 2020	51.65

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. Description of operating results**

During the first half of the consolidated fiscal year under review (April 1 to September 30, 2019), the Japanese economy saw weakness in capital expenditure, production, and exports despite continued improvement in employment conditions and consumer spending. Future uncertainty also remained, stemming from concerns over the impact of the trade conflict between the United States and China and the slowdown in the growth of the Chinese economy.

In the electronics industry, in which the Marubun Group operates its business, demand for 5G communication equipment remained strong and that for data centers showed signs of recovery; however, areas such as smartphones and industrial equipment were sluggish, and the prices of DRAM and NAND flash memories continued to fall.

In this environment, the consolidated net sales of the Group during the first half of the fiscal year under review fell 16.7% year on year, to 138,703 million yen because of decrease in Electronic Devices business sales. On the profit front, the operating result was a loss of 71 million yen (as opposed to operating income of 2,575 million yen in the same period of the previous year) due to a decrease in yen-denominated gross profit caused by the appreciation of the yen that continued during the period under review, in addition to causes of a fall in net sales. Consolidated ordinary income decreased 47.6% year on year, to 323 million yen, and the consolidated result attributable to owners of parent was a loss of 110 million yen (as opposed to consolidated profit attributable to owners of parent of 133 million yen in the same period of the previous year), despite posting foreign exchange gains of 987 million yen as non-operating income that resulted from the payment of foreign currency-denominated debts and borrowings.

Operating results by business segment are as follows.

(Electronic Devices business)

In the Electronic Devices business, net sales fell 19.5% year on year, to 117,020 million yen, due to a decline in semiconductors for communication and industrial equipment and reduced revenue caused by the transfer of the sales business of Samsung Electronics on October 1, 2018. The segment result was a loss of 403 million yen as a result of a fall in gross profit caused by exchange rate variation between the times of posting purchases and sales due to the appreciation of the yen, in addition to a decrease in net sales.

(Electronic Systems business)

In the Electronics Systems business, while demand for computers and semiconductor lasers embedded in industrial equipment and components for artificial satellites decreased, sales of diagnostic imaging equipment for medical equipment were strong and sales of measuring instruments used for the communication infrastructure of information and communication equipment increased. As a result, net sales in this segment grew 3.1% year on year, to 21,682 million yen; segment income, however, decreased 14.4% year on year, to 335 million yen, due to a fall in the gross profit ratio.

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

(Assets)

Current assets at the end of the second quarter of the fiscal year under review stood at 109,167 million yen, a decrease of 4,817 million yen from the end of the previous fiscal year. This was mainly attributable to growth of 9,783 million yen in merchandise and finished goods, 1,906 million yen in electronically recorded monetary claims – operating, and 1,640 million yen in notes and accounts receivable – trade, which more than offset an increase of 8,037 million yen in cash and deposits. Non-current assets amounted to 14,014 million yen, a decrease of 163 million yen from the end of the previous fiscal year. This was chiefly attributable to a decrease in goodwill of 224 million yen.

As a result, total assets decreased by 4,981 million yen from the end of the previous fiscal year, to 123,182 million yen.

(Liabilities)

Current liabilities at the end of the second quarter of the fiscal year under review came to 71,847 million yen, a decrease of 3,775 million yen from the end of the previous fiscal year. This was attributable largely to a decrease of 4,571 million yen in short-term loans payable, which more than offset an increase of 1,378 million yen in notes and accounts payable – trade. Non-current liabilities amounted to 2,637 million yen, a decrease of 176 million yen from the end of the previous fiscal year. This was primarily a result of a fall of 170 million yen in defined benefit liability.

As a result, total liabilities decreased by 3,951 million yen from the end of the previous fiscal year, to 74,485 million yen.

(Net assets)

Current assets at the end of the second quarter of the fiscal year under review totaled 48,696 million yen, a decrease of 1,029 million yen from the end of the previous fiscal year. This was a result, in large part, of decreases of 633 million yen in retained earnings and 246 million yen in foreign currency translation adjustment.

As a result, the equity ratio stood at 34.5% (compared to 33.9% 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, 2020, which were announced on May 10, 2019.

The Company forecasts that its net sales for the fiscal year ending March 31, 2020 will be 285,000 million yen (down 12.8% year on year), anticipating a decline in the sales of communication and industrial equipment and semiconductors for PCs. In terms of profit, the Company forecasts that consolidated operating income will be 2,900 million yen (down 42.6% year on year), consolidated ordinary income will be 2,800 million yen (down 7.3% year on year), and consolidated profit attributable to owners of parent will be 1,350 million yen (down 17.5% year on year).

Please refer to "Notice of Differences Between Forecast and Actual Results for the First Half of the Fiscal Year Ending March 2020 and Revision of Full-Year Financial Results Forecast" released separately today (October 31, 2019) for details of the revisions.

**Consolidated Financial Statements**  
**(1) Consolidated Balance Sheet**

(Millions of Yen)

	As of March 31, 2019	As of September 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	16,348	24,386
Notes and accounts receivable - trade	45,622	43,982
Electronically recorded monetary claims - operating	7,243	5,336
Merchandise and finished goods	43,020	33,236
Work in process	199	477
Other	1,567	1,761
Allowance for doubtful accounts	△16	△12
<b>Total current assets</b>	<b>113,985</b>	<b>109,167</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,646	3,687
Accumulated depreciation	△2,333	△2,337
<b>Buildings and structures, net</b>	<b>1,312</b>	<b>1,350</b>
Machinery, equipment and vehicles	10	10
Accumulated depreciation	△10	△10
<b>Machinery, equipment and vehicles, net</b>	<b>0</b>	<b>0</b>
Tools, furniture and fixtures	2,105	2,165
Accumulated depreciation	△1,475	△1,517
<b>Tools, furniture and fixtures, net</b>	<b>629</b>	<b>647</b>
Land	1,618	1,596
Leased assets	104	105
Accumulated depreciation	△70	△71
<b>Leased assets, net</b>	<b>34</b>	<b>34</b>
Right of use assets	—	118
Accumulated depreciation	—	△38
<b>Right of use assets, net</b>	<b>—</b>	<b>79</b>
Construction in progress	38	147
<b>Total property, plant and equipment</b>	<b>3,634</b>	<b>3,855</b>
Intangible assets		
Goodwill	224	—
Other	1,309	1,243
<b>Total intangible assets</b>	<b>1,533</b>	<b>1,243</b>
Investments and other assets		
Investment securities	4,421	4,270
Deferred tax assets	884	1,042
Other	4,141	4,043
Allowance for doubtful accounts	△438	△440
<b>Total investments and other assets</b>	<b>9,009</b>	<b>8,915</b>
<b>Total non-current assets</b>	<b>14,177</b>	<b>14,014</b>
<b>Total assets</b>	<b>128,163</b>	<b>123,182</b>

(Millions of Yen)

	As of March 31, 2019	As of September 30, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	25,443	26,821
Short-term borrowings	38,934	34,362
Current portion of long-term borrowings	7,550	7,550
Lease obligations	28	74
Income taxes payable	272	98
Provision for bonuses	1,038	985
Asset retirement obligations	23	—
Other	2,332	1,955
<b>Total current liabilities</b>	<b>75,623</b>	<b>71,847</b>
Non-current liabilities		
Long-term borrowings	1,175	1,150
Lease obligations	38	63
Retirement benefit liability	1,201	1,031
Provision for retirement benefits for directors (and other	97	89
Asset retirement obligations	163	165
Other	137	138
<b>Total non-current liabilities</b>	<b>2,813</b>	<b>2,637</b>
<b>Total liabilities</b>	<b>78,436</b>	<b>74,485</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	6,214	6,214
Capital surplus	6,353	6,353
Retained earnings	31,516	30,882
Treasury shares	△1,631	△1,631
<b>Total shareholders' equity</b>	<b>42,453</b>	<b>41,820</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	577	485
Deferred gains or losses on hedges	4	△9
Foreign currency translation adjustment	487	240
Remeasurements of defined benefit plans	△11	△5
<b>Total accumulated other comprehensive income</b>	<b>1,056</b>	<b>709</b>
Non-controlling interests	6,216	6,167
<b>Total net assets</b>	<b>49,726</b>	<b>48,696</b>
<b>Total liabilities and net assets</b>	<b>128,163</b>	<b>123,182</b>

**(2) Consolidated Statements of Income**

(Millions of Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	166,434	138,703
Cost of sales	155,052	130,717
Gross profit	11,382	7,985
Selling, general and administrative expenses	8,807	8,057
Operating profit (loss)	2,575	△71
Non-operating income		
Interest income	29	17
Dividend income	26	28
Share of profit of entities accounted for using equity method	169	49
Foreign exchange gains	—	987
Miscellaneous income	71	64
Total non-operating income	296	1,146
Non-operating expenses		
Interest expenses	480	578
Sales discounts	52	64
Foreign exchange losses	1,612	—
Loss on sales of trade receivables	95	87
Miscellaneous loss	13	19
Total non-operating expenses	2,254	751
Ordinary profit	617	323
Extraordinary income		
Gain on sales of non-current assets	0	3
Gain on sales of investment securities	19	—
Gain on reversal of reserve for loss on dissolution of employee's pension fund	3	—
Other	—	0
Total extraordinary income	23	4
Extraordinary losses		
Loss on sales and retirement of non-current assets	4	7
Impairment loss	—	215
Loss on valuation of investment securities	—	6
Extra retirement payments	11	7
Other	0	0
Total extraordinary losses	17	237
Profit before income taxes	623	90
Income taxes	344	111
Profit (loss)	279	△21
Profit attributable to non-controlling interests	145	88
Profit (loss) attributable to owners of parent	133	△110

**Consolidated statements of comprehensive income**

(Millions of Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit (loss)	279	△21
Other comprehensive income		
Valuation difference on available-for-sale securities	99	△91
Deferred gains or losses on hedges	58	△14
Foreign currency translation adjustment	△375	△314
Remeasurements of defined benefit plans, net of tax	△31	5
Share of other comprehensive income of entities accounted for using equity method	0	△39
Total other comprehensive income	△249	△454
Comprehensive income	29	△476
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	36	△457
Comprehensive income attributable to non-controlling interests	△7	△18

**(3) Consolidated Statements of Cash Flows**

(Millions of Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
<b>Cash flows from operating activities</b>		
Profit before income taxes	623	90
Depreciation	228	332
Impairment loss	—	215
Amortization of goodwill	56	28
Increase (decrease) in allowance for doubtful accounts	4	△2
Increase (decrease) in provision for bonuses	△3	△51
Increase (decrease) in provision for retirement benefits for directors (and other officers)	6	△8
Increase (decrease) in retirement benefit liability	△158	△121
Interest and dividend income	△55	△45
Interest expenses	480	578
Foreign exchange losses (gains)	1,976	△847
Share of loss (profit) of entities accounted for using equity	△169	△49
Loss (gain) on sales and retirement of non-current assets	4	3
Loss (gain) on valuation of investment securities	—	6
Decrease (increase) in trade receivables	△5,135	3,315
Decrease (increase) in inventories	6,695	9,388
Increase (decrease) in trade payables	1,882	1,494
Other, net	174	△841
Subtotal	6,609	13,487
Interest and dividends received	109	69
Interest paid	△456	△575
Income taxes paid	△499	△359
Income taxes refund	2	42
Net cash provided by (used in) operating activities	5,765	12,664
<b>Cash flows from investing activities</b>		
Payments into time deposits	△226	△317
Proceeds from withdrawal of time deposits	229	211
Purchase of securities	△22	—
Purchase of property, plant and equipment	△158	△289
Purchase of intangible assets	△355	△39
Purchase of investment securities	△233	△13
Payments for asset retirement obligations	—	△12
Short-term loan advances	△2,221	—
Other, net	38	92
Net cash provided by (used in) investing activities	△2,950	△369
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	△1,416	△3,687
Repayments of long-term borrowings	△238	△25
Dividends paid	△522	△522
Dividends paid to non-controlling interests	△37	△30
Other, net	△9	△48
Net cash provided by (used in) financing activities	△2,225	△4,314
Effect of exchange rate change on cash and cash equivalents	17	△37
Net increase (decrease) in cash and cash equivalents	607	7,942
Cash and cash equivalents at beginning of period	13,715	16,044
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	△384	—
Cash and cash equivalents at end of period	13,937	23,987



## Consolidated Segment Information

### Business Segments

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

Six Months Ended September 30, 2019

(Millions of Yen)

	Business segments reported			Adjustment	Consolidated Statements of Income
	Electronic Devices	Electronic Systems	Total		
Net Sales					
(1) Outside Customers	117,020	21,682	138,703	-	138,703
(2) Inter-segment	-	132	133	(133)	-
Total Sales	117,020	21,815	138,836	(133)	138,703
Segment Income(loss)	(403)	335	(67)	(4)	(71)