

Translation

MARUBUN CORPORATION

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Holding of investor meeting : No



January 31, 2020

**Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2019
<under Japanese GAAP>**

1. Consolidated Financial Results for the Nine Months Ended December 31, 2019 (April 1, 2019 - December 31, 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 Nine months ended								
December 31, 2019	211,434	(18.0)	457	(88.2)	224	(89.4)	(187)	-
December 31, 2018	258,000	(4.3)	3,683	20.2	2,116	(19.1)	1,154	(3.3)

	Earnings per Share -Basic-	Earnings Per Share -Diluted-
	Yen	Yen
For the Nine months ended		
December 31, 2019	(7.19)	-
December 31, 2018	44.18	-

(2) Financial Position

	Total Assets	Total Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of December 31, 2019	129,181	48,508	32.8
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 for the first nine months of the fiscal year under review

During the first nine months of the consolidated fiscal year under review (April 1 to December 31, 2019), the Japanese economy continued to navigate difficult situations mainly in the manufacturing industry, reflecting weakness in capital expenditure for machinery, production and exports, despite a moderate recovery due to the improvement of the employment and income environments and the recovery of consumer spending. In addition, there was growing uncertainty over future outlooks due to the impact of the trade conflict between the United States and China and the slowdown of the Chinese economy.

In the electronics industry, where the Marubun Group operates its business, there were signs of recovery in the market for data centers, reflecting strong demand for 5G communication equipment. In the semiconductor industry, however, the prices of DRAM and NAND flash memories continued to fall and the markets for automobiles and industrial equipment, among other markets, remained sluggish.

In this situation, the consolidated net sales of the Group during the first nine months of the fiscal year under review decreased 18.0% year on year, to 211,434 million yen. On the profit front, operating profit fell 88.2% year on year, to 457 million yen. This was due to a decrease in yen-denominated gross profit caused by the appreciation of the yen that continued during the first half, in addition to a fall in net sales. Despite posting foreign exchange gains of 564 million yen as non-operating income that resulted from the payment of foreign currency-denominated debts and borrowings, consolidated ordinary income declined 89.4% year on year, to 224 million yen, and the consolidated result attributable to owners of the parent was a loss of 187 million yen (as opposed to consolidated profit attributable to owners of the parent of 1,154 million yen in the same period of the previous fiscal year).

Operating results by business segment are as follows:

(Electronics Devices business)

In the Electronics Devices business, net sales fell 20.0% year on year, to 179,832 million yen. This was due to a decrease in demand for semiconductors for communication equipment and industrial equipment and lower sales attributable to the transfer of the sales business of Samsung Electronics' products on October 2018, which offset a rise in demand for semiconductors for consumer equipment. The segment loss stood at 102 million yen due to a decrease in yen-denominated gross profit caused by the appreciation of the yen that continued during the first half, in addition to a fall in net sales (as opposed to segment income of 2,927 million yen in the same period of the previous fiscal year).

(Electronics Systems business)

In the Electronics Systems business, net sales fell 5.0% year on year, to 31,601 million yen, due to a decrease in demand for computers and semiconductor lasers embedded in industrial equipment, despite an increase in sales of medical diagnostic imaging equipment. The segment income declined 40.0% year on year, to 565 million yen, reflecting a decline in net sales and an increase in selling, general and administrative expenses.

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

(Assets)

Current assets at the end of the first nine months of the consolidated fiscal year under review stood at 114,858 million yen, an increase of 872 million yen from the end of the previous consolidated fiscal year. This result was mainly attributable to a rise in cash and deposits of 4,178 million yen, which more than offset increases of 2,190 million yen in notes and accounts receivable-trade and 1,265 million yen in merchandise and finished goods. Non-current assets amounted to 14,332 million yen, rising 145 million yen from the end of the previous consolidated fiscal year. This figure chiefly

(Liabilities)

Current liabilities at the end of the first nine months of the consolidated fiscal year under review were 78,053 million yen, a rise of 2,429 million yen from the end of the previous consolidated fiscal year. This figure chiefly reflected an increase of 25,548 million yen in notes and accounts payable-trade, which offset a decrease of 22,531 million yen in short-term loans payable. Non-current liabilities amounted to 2,620 million yen, down 193 million yen from the end of the previous consolidated fiscal year. This was mainly attributable to a decrease of 219 million yen in retirement benefit liabilities.

As a result, total liabilities came to 80,636 million yen, an increase of 2,236 million yen from the end of the previous consolidated fiscal year.

(Net assets)

Net assets totaled 48,508 million yen at the end of the first nine months of the consolidated fiscal year under review, a decrease of 1,218 million yen from the end of the previous consolidated fiscal year. This result is mainly attributable to declines of 971 million yen in retained earnings and 259 million yen in foreign currency translation adjustment.

As a result, the equity ratio stood at 32.8% (as opposed to 33.9% at the end of the previous consolidated fiscal year).

3. Summary of consolidated financial forecasts and other forward-looking statements

There is no change to the consolidated financial forecasts for the fiscal year ending March 31, 2020 announced on October 31, 2019.

Consolidated Financial Statements
(1) Consolidated Balance Sheet

(Millions of Yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	16,348	20,527
Notes and accounts receivable - trade	45,622	43,432
Electronically recorded monetary claims - operating	7,243	6,139
Merchandise and finished goods	43,020	41,754
Work in process	199	423
Other	1,567	2,596
Allowance for doubtful accounts	(16)	(15)
Total current assets	113,985	114,858
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,646	3,698
Accumulated depreciation	(2,333)	(2,353)
Buildings and structures, net	1,312	1,344
Machinery, equipment and vehicles	10	10
Accumulated depreciation	(10)	(10)
Machinery, equipment and vehicles, net	0	0
Tools, furniture and fixtures	2,105	2,228
Accumulated depreciation	(1,475)	(1,558)
Tools, furniture and fixtures, net	629	670
Land	1,618	1,596
Leased assets	104	105
Accumulated depreciation	(70)	(75)
Leased assets, net	34	29
Right of use assets	-	186
Accumulated depreciation	-	(46)
Right of use assets, net	-	140
Construction in progress	38	110
Total property, plant and equipment	3,634	3,892
Intangible assets		
Goodwill	224	-
Other	1,309	1,199
Total intangible assets	1,533	1,199
Investments and other assets		
Investment securities	4,421	4,560
Deferred tax assets	884	1,053
Other	4,141	4,057
Allowance for doubtful accounts	(438)	(440)
Total investments and other assets	9,009	9,231
Total non-current assets	14,177	14,322
Total assets	128,163	129,181

(Millions of Yen)

As of March 31, 2019 As of December 31, 2019

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	25,443	50,991
Short-term borrowings	38,934	16,402
Current portion of long-term borrowings	7,550	7,550
Lease obligations	28	97
Income taxes payable	272	-
Provision for bonuses	1,038	542
Asset retirement obligations	23	-
Other	2,332	2,469
Total current liabilities	<u>75,623</u>	<u>78,053</u>
Non-current liabilities		
Long-term borrowings	1,175	1,137
Lease obligations	38	94
Retirement benefit liability	1,201	984
Provision for retirement benefits for directors (and other officers)	97	100
Asset retirement obligations	163	165
Other	137	137
Total non-current liabilities	<u>2,813</u>	<u>2,620</u>
Total liabilities	<u>78,436</u>	<u>80,673</u>
Net assets		
Shareholders' equity		
Share capital	6,214	6,214
Capital surplus	6,353	6,353
Retained earnings	31,516	30,544
Treasury shares	(1,631)	(1,631)
Total shareholders' equity	<u>42,453</u>	<u>41,481</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	577	672
Deferred gains or losses on hedges	4	5
Foreign currency translation adjustment	487	227
Remeasurements of defined benefit plans	(11)	(2)
Total accumulated other comprehensive income	<u>1,056</u>	<u>903</u>
Non-controlling interests	6,216	6,123
Total net assets	<u>49,726</u>	<u>48,508</u>
Total liabilities and net assets	<u>128,163</u>	<u>129,181</u>

(2) Consolidated Statements of Income

(Millions of Yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	258,000	211,434
Cost of sales	240,933	198,587
Gross profit	17,066	12,847
Selling, general and administrative expenses	13,203	12,390
Operating profit	3,863	457
Non-operating income		
Interest income	65	23
Dividend income	46	49
Share of profit of entities accounted for using equity method	249	67
Foreign exchange gains	-	564
Miscellaneous income	96	84
Total non-operating income	458	789
Non-operating expenses		
Interest expenses	725	757
Sales discounts	117	113
Foreign exchange losses	1,188	-
Loss on sales of trade receivables	156	127
Miscellaneous loss	16	23
Total non-operating expenses	2,204	1,021
Ordinary profit	2,116	224
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	-
Gain on sale of businesses	15	-
Other	2	0
Total extraordinary income	40	4
Extraordinary losses		
Loss on sales and retirement of non-current assets	33	10
Impairment loss	-	215
Extra retirement payments	11	7
Other	0	0
Total extraordinary losses	46	233
Profit (loss) before income taxes	2,111	(4)
Income taxes	693	58
Profit (loss)	1,417	(63)
Profit attributable to non-controlling interests	263	124
Profit (loss) attributable to owners of parent	1,154	(187)

Consolidated statements of comprehensive income

(Millions of Yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit (loss)	1,417	(63)
Other comprehensive income		
Valuation difference on available-for-sale securities	(330)	95
Deferred gains or losses on hedges	28	1
Foreign currency translation adjustment	20	(342)
Remeasurements of defined benefit plans, net of tax	(47)	8
Share of other comprehensive income of entities accounted for using equity method	(12)	(40)
Total other comprehensive income	(341)	(277)
Comprehensive income	1,075	(340)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	807	(341)
Comprehensive income attributable to non-controlling interests	268	0

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Cash flows from operating activities		
Profit (loss) before income taxes	2,111	(4)
Depreciation	374	508
Impairment loss	-	215
Amortization of goodwill	84	28
Increase (decrease) in allowance for doubtful accounts	(14)	0
Increase (decrease) in provision for bonuses	(467)	(494)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	10	2
Increase (decrease) in retirement benefit liability	(208)	(191)
Interest and dividend income	(112)	(72)
Interest expenses	725	757
Foreign exchange losses (gains)	1,458	(531)
Share of loss (profit) of entities accounted for using equity method	(249)	(67)
Loss (gain) on sales and retirement of non-current assets	33	6
Loss (gain) on sales of investment securities	(19)	-
Loss (gain) on sale of businesses	(15)	-
Extra retirement payments	11	7
Decrease (increase) in trade receivables	4,426	3,057
Decrease (increase) in inventories	8,523	938
Increase (decrease) in trade payables	(7,666)	25,667
Other, net	600	(811)
Subtotal	9,607	29,015
Interest and dividends received	160	97
Interest paid	(707)	(764)
Income taxes paid	(849)	(715)
Income taxes refund	2	43
Extra retirement payments	(33)	(19)
Net cash provided by (used in) operating activities	8,181	27,657
Cash flows from investing activities		
Payments into time deposits	(224)	(470)
Proceeds from withdrawal of time deposits	228	358
Purchase of securities	(22)	-
Purchase of property, plant and equipment	(328)	(374)
Purchase of intangible assets	(398)	(131)
Purchase of investment securities	(241)	(21)
Proceeds from sales of investment securities	26	0
Payments for asset retirement obligations	(3)	(12)
Short-term loan advances	(5,628)	-
Collection of short-term loans receivable	2,273	-
Proceeds from sale of businesses	865	-
Other, net	60	101
Net cash provided by (used in) investing activities	(3,393)	(550)

(Millions of Yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3,046)	(21,990)
Repayments of long-term borrowings	(251)	(37)
Dividends paid	(782)	(783)
Dividends paid to non-controlling interests	(179)	(93)
Other, net	(14)	(69)
Net cash provided by (used in) financing activities	(4,274)	(22,974)
Effect of exchange rate change on cash and cash equivalents	69	(53)
Net increase (decrease) in cash and cash equivalents	583	4,078
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	13,913	20,123

Consolidated Segment Information

Business Segments

Nine Months Ended December 31, 2018

(Millions of Yen)

	Business segments reported			Adjustment	Consolidated Statements of Income
	Electronic Devices	Electronic Systems	Total		
Net Sales					
(1) Outside Customers	222,750	33,249	258,000	-	258,000
(2) Inter-segment	-	483	483	(483)	-
Total Sales	224,750	33,733	258,484	(483)	258,000
Segment Income(loss)	2,927	943	3,870	(7)	3,863

Nine Months Ended December 31, 2019

(Millions of Yen)

	Business segments reported			Adjustment	Consolidated Statements of Income
	Electronic Devices	Electronic Systems	Total		
Net Sales					
(1) Outside Customers	179,832	31,601	211,434	-	211,434
(2) Inter-segment	-	222	223	(223)	-
Total Sales	179,833	31,824	211,658	(223)	211,434
Segment Income(loss)	(102)	565	463	(6)	457