

## Translation

# MARUBUN CORPORATION

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Preparation of supplementary material : Yes

Holding of investor meeting : No



May 15, 2020

## Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 <under Japanese GAAP>

### 1. Consolidated Financial Results for Fiscal Year Ended March 31, 2020 (April 1, 2019 - March 31, 2020)

#### (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	%
Year ended March 31, 2020	287,550	(12.0)	2,369	(53.1)	2,006	(33.6)	(75)	-
Year ended March 31, 2019	326,694	(6.0)	5,048	33.8	3,020	(28.4)	1,536	(21.2)

	Earnings per Share -Basic-	Earnings Per Share -Diluted-	Ratio of Net Income to Shareholders' Equity	Ratio of Ordinary Income to Total Assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2020	(2.89)	-	(0.2)	1.5	0.8
Year ended March 31, 2019	62.61	-	3.8	2.3	1.5

#### (2) Financial Position

	Total Assets	Total Net Assets	Equity Ratio	Net Assets per Share
	Millions of Yen	Millions of Yen	%	%
Year ended March 31, 2020	131,451	48,204	32.2	1,617.98
Year ended March 31, 2019	128,163	49,726	33.9	1,664.82

#### (3) Cash Flows

	Net Cash flow from Operating Activities	Net Cash flow from Investing Activities	Net Cash flow from Financing Activities	Cash and Cash Equivalents at End of Fiscal Year
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Year ended March 31, 2020	(309)	(585)	5,188	20,473
Year ended March 31, 2019	1,992	(495)	1,243	16,044

### 2. Dividends

	Dividend Per Share					Dividends in Total (Fiscal Year)	Dividends Payout ratio (Consolidated)	Dividends on Net Assets (Consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Year ended March 31, 2019	-	10.00	-	20.00	30.00	784	-	1.8
Year ending March 31, 2020	-	10.00	-	20.00	30.00	784	47.9	1.8
Year ending March 31, 2021 (Forecast)	-	-	-	-	-		-	

(Note) Annual dividends for fiscal year ending March 2021 (Forecast) is yet-to-be determined

### 3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2021

With regard to consolidated earnings forecasts for the fiscal year ending March 31, 2021, the Marubun Group is withholding its forecasts, in view of the current difficulty of rationally estimating impacts of the spread of the novel coronavirus on its operating performance. The Marubun Group will disclose its earnings forecasts when disclosure thereof can be made.

## **1. Summary of operating results for the fiscal year under review**

During the consolidated fiscal year under review (April 1, 2019 to March 31, 2020), the Japanese economy was on a gradual recovery path, reflecting improvements in the employment and income environments and an upturn in consumer spending, until around the end of the fiscal year when business confidence took a severe turn for the worse as the impact of the COVID-19 became increasingly serious with each day. The global economy is rapidly decelerating, affected by the pandemic, resulting in growing uncertainty of the outlook for the future.

In the electronics industry where the Marubun Group (the “Group”) operates, in contrast to strong demand for 5G communication equipment, weak demand in the markets for automobiles and industrial equipment persisted. In the semiconductor industry, the prices of DRAM and NAND flash memories continued to fall.

In this situation, the consolidated net sales of the Group during the fiscal year under review decreased 12.0% year on year, to 287,550 million yen. On the profit front, operating profit fell 53.1% year on year, to 2,369 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 the fall in net sales. Despite posting foreign exchange gains of 716 million yen as non-operating income that resulted from the payment of foreign currency-denominated debts and borrowings, consolidated ordinary income declined 33.6% year on year, to 2,006 million yen. As a result of posting a loss on valuation of investment securities of 978 million yen as extraordinary loss, the profit attributable to owners of parent was a loss of 75 million yen (as opposed to profit attributable to owners of parent of 1,636 million yen in the previous fiscal year).

Operating results by business segment are as follows:  
(Electronics Devices business)

In the Electronics Devices business, net sales fell 12.9% year on year, to 239,698 million yen. This was due to a decline in sales of semiconductors for communication equipment, industrial equipment and automobiles as well as lower sales resulting from the transfer of the sales business of Samsung Electronics’ products on October 1, 2018, which offset a rise in sales of semiconductors for consumer equipment. Segment income decreased 77.2% year on year, to 591 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 the fall in net sales.

(Electronics Systems business)

In the Electronics Systems business, net sales fell 7.3% year on year, to 47,852 million yen, reflecting declining demand for computers embedded in industrial equipment, assembly and inspection equipment for electronic components and high-reliability components for satellites, despite an increase in demand for information and communications equipment and solid sales of medical equipment. The segment income declined 27.6% year on year, to 1,786 million yen, reflecting the 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 consolidated fiscal year under review stood at 118,617 million yen, an increase of 4,631 million yen from the end of the previous consolidated fiscal year. This result was mainly attributable to increases in cash and deposits of 4,441 million yen and notes and accounts receivable-trade of 4,439 million yen, which more than offset decreases of 2,342 million yen in merchandise and finished goods and electronically recorded monetary claims - operating of 1,928 million yen. Non-current assets amounted to 12,833 million yen, declining 1,343 million yen from the end of the previous consolidated fiscal year. This figure chiefly reflected a decrease in investment securities of 1,318 million yen.

As a result, total assets increased 3,287 million yen from the end of the previous consolidated fiscal year, to 131,451 million yen.

#### (Liabilities)

Current liabilities at the end of the consolidated fiscal year under review were 76,537 million yen, a rise of 914 million yen from the end of the previous consolidated fiscal year. This figure chiefly reflected an increase in short-term loans payable of 8,409 million yen, which more than offset a decrease in the current portion of long-term debt of 6,500 million yen. Non-current liabilities amounted to 6,708 million yen, up 3,894 million yen from the end of the previous consolidated fiscal year. This was mainly attributable to an increase in long-term loans payable of 3,950 million yen.

As a result, total liabilities stood at 83,246 million yen, a rise of 4,809 million yen from the end of the previous consolidated fiscal year.

#### (Net assets)

Net assets totaled 48,204 million yen at the end of the consolidated fiscal year under review, a decrease of 1,521 million yen from the end of the previous consolidated fiscal year. This result is mainly attributable to decreases in retained earnings of 859 million yen, non-controlling interests of 297 million yen and valuation difference on available for-sale securities of 237 million yen.

As a result, the equity ratio stood at 32.2%, down 1.7 percentage points from 33.9% at the end of the previous consolidated fiscal year.

### **3. Future outlook**

With regard to consolidated earnings forecasts for the fiscal year ending March 31, 2021, the Marubun Group is withholding its forecasts, in view of the current difficulty of rationally estimating impacts of the spread of the novel coronavirus on its operating performance. The Marubun Group will disclose its earnings forecasts when disclosure thereof can be made.

#### (Impacts of the COVID-19)

Given a situation in which restrictions are imposed on the movement and outings of people in each country and region, factors such as demand for end-products with embedded products of the Company, trends in equipment investment, output cut and temporary suspension of production by the Company's business partners and soaring air freight rates may affect the management performance of the Company.

The Group places top priority on the safety of customers and its employees and strives to maintain a stable provision of products and services to its business partners, while taking measures to prevent the spread of infection, such as teleworking, staggered commuting, teleconferences, web meetings and requirements for employees to check their temperatures and wear masks.

There is considerable change underway in the Group's operating environment, while the introduction of new technologies that revolutionize social life, including 5G communication technologies, AI and robotics, is steadily advancing. The Group will strive to improve profitability and efficiency through efforts to expand its line of products intended for growth markets, promote differentiation by developing products and services with high added value and strengthen its solutions proposal capabilities.

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

(Millions of Yen)

	As of March 31, 2019	As of March 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	16,348	20,790
Notes and accounts receivable - trade	45,622	50,062
Electronically recorded monetary claims -	7,243	5,314
Merchandise and finished goods	43,020	40,678
Work in process	199	54
Other	1,567	1,732
Allowance for doubtful accounts	(16)	(14)
Total current assets	113,985	118,617
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,646	3,734
Accumulated depreciation	(2,333)	(2,381)
Buildings and structures, net	1,312	1,353
Machinery, equipment and vehicles	10	10
Accumulated depreciation	(10)	(10)
Machinery, equipment and vehicles, net	0	0
Tools, furniture and fixtures	2,105	2,510
Accumulated depreciation	(1,475)	(1,600)
Tools, furniture and fixtures, net	629	910
Land	1,618	1,596
Leased assets	104	105
Accumulated depreciation	(70)	(78)
Leased assets, net	34	26
Right of use assets	—	183
Accumulated depreciation	—	(60)
Right of use assets, net	—	123
Construction in progress	38	85
Total property, plant and equipment	3,634	4,094
Intangible assets		
Goodwill	224	—
Other	1,309	1,146
Total intangible assets	1,533	1,146
Investments and other assets		
Investment securities	4,421	3,102
Deferred tax assets	884	858
Other	4,141	4,071
Allowance for doubtful accounts	(438)	(440)
Total investments and other assets	9,009	7,592
Total non-current assets	14,177	12,833
Total assets	128,163	131,451

(Millions of Yen)

	As of March 31, 2019	As of March 31, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	25,443	25,410
Short-term borrowings	38,934	47,344
Current portion of long-term borrowings	7,550	1,050
Lease obligations	28	93
Income taxes payable	272	—
Provision for bonuses	1,038	703
Asset retirement obligations	23	—
Other	2,332	1,937
<b>Total current liabilities</b>	<b>75,623</b>	<b>76,537</b>
Non-current liabilities		
Long-term borrowings	1,175	5,125
Lease obligations	38	79
Retirement benefit liability	1,201	1,089
Provision for retirement benefits for directors (and other officers)	97	98
Asset retirement obligations	163	182
Other	137	134
<b>Total non-current liabilities</b>	<b>2,813</b>	<b>6,708</b>
<b>Total liabilities</b>	<b>78,436</b>	<b>83,246</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	6,214	6,214
Capital surplus	6,353	6,353
Retained earnings	31,516	30,656
Treasury shares	(1,631)	(1,631)
<b>Total shareholders' equity</b>	<b>42,453</b>	<b>41,593</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	577	339
Deferred gains or losses on hedges	4	(2)
Foreign currency translation adjustment	487	465
Remeasurements of defined benefit plans	(11)	(109)
<b>Total accumulated other comprehensive income</b>	<b>1,056</b>	<b>692</b>
Non-controlling interests	6,216	5,918
<b>Total net assets</b>	<b>49,726</b>	<b>48,204</b>
<b>Total liabilities and net assets</b>	<b>128,163</b>	<b>131,451</b>

**(2) Consolidated Statements of Income**

(Millions of Yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	326,694	287,550
Cost of sales	303,927	268,972
Gross profit	22,767	18,577
Selling, general and administrative expenses	17,719	16,207
Operating profit	5,048	2,369
Non-operating income		
Interest income	102	35
Dividend income	54	53
Share of profit of entities accounted for using equity method	258	44
Foreign exchange gains	—	716
Miscellaneous income	152	109
Total non-operating income	568	958
Non-operating expenses		
Interest expenses	1003	972
Sales discounts	153	147
Foreign exchange losses	1196	—
Loss on sales of trade receivables	194	159
Miscellaneous loss	47	43
Total non-operating expenses	2,596	1,322
Ordinary profit	3020	2006
Extraordinary income		
Gain on sales of non-current assets	0	3
Gain on sales of investment securities	16	7
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	38	11
Extraordinary losses		
Loss on sales and retirement of non-current assets	45	11
Impairment loss	19	231
Loss on valuation of investment securities	—	978
Extra retirement payments	12	7
Other	0	2
Total extraordinary losses	76	1,231
Profit before income taxes	2,981	786
Income taxes - current	732	398
Income taxes - deferred	219	186
Total income taxes	952	585
Profit	2,029	200
Profit attributable to non-controlling interests	392	276
Profit attributable to owners of parent	1,636	(75)

**Consolidated statements of comprehensive income**

(Millions of Yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	2,029	200
Other comprehensive income		
Valuation difference on available-for-sale securities	(149)	(237)
Deferred gains or losses on hedges	34	(7)
Foreign currency translation adjustment	(345)	(10)
Remeasurements of defined benefit plans, net of tax	(75)	(97)
Share of other comprehensive income of entities accounted for using equity method	19	(3)
Total other comprehensive income	(515)	(356)
Comprehensive income	1,513	(155)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,258	(440)
Comprehensive income attributable to non-controlling interests	255	284

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

(Millions of Yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
<b>Cash flows from operating activities</b>		
Profit before income taxes	2,981	786
Depreciation	547	689
Impairment loss	19	231
Amortization of goodwill	112	28
Increase (decrease) in allowance for doubtful accounts	(14)	(0)
Increase (decrease) in provision for bonuses	(5)	(334)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(10)	0
Increase (decrease) in retirement benefit liability	(272)	(239)
Interest and dividend income	(157)	(89)
Interest expenses	1,003	972
Foreign exchange losses (gains)	1,656	(782)
Share of loss (profit) of entities accounted for using equity method	(258)	(44)
Loss (gain) on sales and retirement of non-current	44	7
Loss (gain) on valuation of investment securities	—	978
Loss (gain) on sale of businesses	(15)	—
Extra retirement payments	12	7
Decrease (increase) in trade receivables	8,177	(2,615)
Decrease (increase) in inventories	986	2,428
Increase (decrease) in trade payables	(11,795)	21
Other, net	808	(772)
<b>Subtotal</b>	<b>3,820</b>	<b>1,273</b>
Interest and dividends received	185	113
Interest paid	(992)	(984)
Income taxes paid	(990)	(736)
Income taxes refund	2	43
Extra retirement payments	(33)	(19)
<b>Net cash provided by (used in) operating activities</b>	<b>1,992</b>	<b>(309)</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(329)	(508)
Proceeds from withdrawal of time deposits	285	494
Purchase of securities	(22)	—
Purchase of property, plant and equipment	(420)	(517)
Purchase of intangible assets	(439)	(150)
Purchase of investment securities	(516)	(26)
Proceeds from sales of investment securities	—	2
Payments for asset retirement obligations	(15)	(12)
Short-term loan advances	(5,628)	—
Collection of short-term loans receivable	5,602	—
Proceeds from sale of businesses	865	—
Other, net	124	136
<b>Net cash provided by (used in) investing activities</b>	<b>(495)</b>	<b>(582)</b>



(Millions of Yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,490	9,197
Proceeds from long-term borrowings	—	5,000
Repayments of long-term borrowings	(263)	(7,550)
Dividends paid	(784)	(784)
Dividends paid to non-controlling interests	(179)	(582)
Other, net	(19)	(92)
Net cash provided by (used in) financing activities	1,243	5,188
Effect of exchange rate change on cash and cash equivalents	(25)	132
Net increase (decrease) in cash and cash equivalents	2,714	4,428
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	16,044	20,473

**(4) Consolidated Statement of Changes in Shareholder's Equity**  
**Year ended March 31, 2019**

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,214	6,353	30,659	(1,630)	41,596
Changes of items during period					
Dividends of surplus			(784)		(784)
Profit attributable to owners of parent			1,636		1,636
Purchase of treasury shares				(0)	(0)
Change of scope of consolidation			4		4
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	856	(0)	856
Balance at end of current period	6,214	6,353	31,516	(1,631)	42,453

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	726	(29)	678	63	1,439	6,140	49,177
Changes of items during period							
Dividends of surplus							(784)
Profit attributable to owners of parent							1,636
Purchase of treasury shares							(0)
Change of scope of consolidation							4
Net changes of items other than shareholders' equity	(149)	34	(191)	(75)	(382)	75	(306)
Total changes of items during period	(149)	34	(191)	(75)	(382)	75	549
Balance at end of current period	577	4	487	(11)	1,056	6,216	49,726

Year ended March 31, 2020

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,214	6,353	31,516	(1,631)	42,453
Changes of items during period					
Dividends of surplus			(784)		(784)
Profit attributable to owners of parent			(75)		(75)
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	(859)	(0)	(859)
Balance at end of current period	6,214	6,353	30,656	(1,631)	41,593

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	577	4	487	(11)	1,056	6,216	49,726
Changes of items during period							
Dividends of surplus							(784)
Profit attributable to owners of parent							(75)
Purchase of treasury shares							(0)
Net changes of items other than shareholders' equity	(237)	(7)	(22)	(97)	(364)	(297)	(662)
Total changes of items during period	(237)	(7)	(22)	(97)	(364)	(297)	(1,521)
Balance at end of current period	339	(2)	465	(109)	692	5,918	48,204

## Information on Net Sales, Income or Loss, Assets, Liabilities, and Other Items by Reportable Segment

Year ended March 31, 2019

(Millions of Yen)

	Business segments reported			Adjustment	Consolidated Statements of Income
	Electronic Devices	Electronic Systems	Total		
Net Sales					
(1) Outside Customers	275,073	51,621	326,694	—	326,694
(2) Inter-segment	0	490	491	(491)	—
Total Sales	275,073	52,112	327,185	(491)	326,694
Segment Income	2,590	2,467	5,057	(9)	5,048
Segment Assets	97,301	30,734	128,036	127	128,163
Other					
Depreciation	348	199	547	—	547
Amortization of goodwill	112	—	112	—	112
Investments in entities accounted for using equity method	2,324	—	2,324	—	2,324
Increase in property, plant and equipment and intangible assets	509	263	772	—	772

Year ended March 31, 2020

(Millions of Yen)

	Business segments reported			Adjustment	Consolidated Statements of Income
	Electronic Devices	Electronic Systems	Total		
Net Sales					
(1) Outside Customers	239,698	47,852	287,550	—	287,550
(2) Inter-segment	4	319	323	(323)	—
Total Sales	239,702	48,171	287,874	(323)	287,550
Segment Income	591	1,786	2,377	(8)	2,369
Segment Assets	102,167	29,288	131,456	(5)	131,451
Other					
Depreciation	470	219	689	—	689
Amortization of goodwill	28	—	28	—	28
Impairment loss	228	3	231	—	231
Investments in entities accounted for using equity method	2,337	—	2,337	—	2,337
Increase in property, plant and equipment and intangible assets	402	721	1,123	—	1,123

(Related Information)

**Year ended March 31, 2019**

[1] Information by Product or Service

Since the segments of products and services are the same as the reportable segments, information by product or service is omitted.

[2] Sales Information by Geographical Area

JAPAN	China	Korea	ASIA	Other	Total
136,382	89,373	47,365	51,964	1,609	326,694

[3] Information by Major Customer

Customer Name	Net Sales	Releted Segment
SHENZHEN MURATA TECHNOLOGY CO., LTD.	78,890	Electronic Devices
JCET STATS CHIPAC KOREA LTD.	33,526	Electronic Devices

**Year ended March 31, 2020**

[1] Information by Product or Service

Since the segments of products and services are the same as the reportable segments, information by product or service is omitted.

[2] Sales Information by Geographical Area

JAPAN	China	Korea	ASIA	Other	Total
122,791	82,862	33,579	43,085	5,231	287,550

[3] Information by Major Customer

Customer Name	Net Sales	Releted Segment
SHENZHEN MURATA TECHNOLOGY CO., LTD.	75,603	Electronic Devices