

Translation

MARUBUN CORPORATION

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Preparation of supplementary material : Yes
 Holding of investor meeting : No

May 14, 2021

**Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2021
 <under Japanese GAAP>**

1. Consolidated Financial Results for Fiscal Year Ended March 31, 2021 (April 1,2020 - March 31,2021)

(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, 2021	289,283	0.6	1,023	(56.8)	33	(98.3)	(2,133)	-
Year ended March 31, 2020	287,550	(12.0)	2,369	(53.1)	2,006	(33.6)	(75)	-

	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, 2021	(81.64)	-	(5.2)	0.0	0.4
Year ended March 31, 2020	(2.89)	-	(0.2)	1.5	0.8

(2) Financial Position

	Total Assets	Total Net Assets	Equity Ratio	Net Assets per Share
	Millions of Yen	Millions of Yen	%	Yen
Year ended March 31, 2021	127,006	45,040	31.5	1,531.10
Year ended March 31, 2020	131,451	48,204	32.2	1,617.98

(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, 2021	15,205	(790)	(8,188)	26,274
Year ended March 31, 2020	(309)	(582)	5,188	20,473

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, 2020	-	10.00	-	20.00	30.00	784	-	1.8
Year ending March 31, 2021	-	8.00	-	8.00	16.00	418	-	1.0
Year ending March 31, 2022 (Forecast)	-	10.00	-	20.00	30.00		41.3	

Translation

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2022

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Six months ending September 30, 2021	70,000	-	600	-	460	-	230	-
Year ending March 31, 2022	153,000	-	3,200	-	3,000	-	1,900	-

	Earnings per Share -Basic-	
	Yen	
Six months ending September 30, 2021	8.80	
Year ending March 31, 2022	72.70	

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. Management's discussion and analysis of results of operations

(1) Summary of operating results for the fiscal year under review

During the consolidated fiscal year under review (April 1, 2020 to March 31, 2021), there were some indications of a recovery of the domestic economy, particularly in the manufacturing sector and exports, given the successful measures addressing COVID-19, the government's economic stimulus package, and a recovery in the economy abroad. However, the environment surrounding the Japanese economy remains challenging due to the pandemic. The future outlook remains uncertain because it is still not possible to predict when the COVID-19 pandemic will end.

In the electronics industry, in which the Marubun Group (the "Group") operates, demand for PCs, communication equipment, and consumer equipment remained strong, given customers' lifestyle changes triggered by the increasing utilization of remote working and online classes. There has been an expansion in the market for semiconductors and electronics component products that are used in these products, along with the surge in demand for semiconductor manufacturing equipment. Meanwhile, private sector companies remain cautious about capital spending in general.

Given this situation, the consolidated net sales of the Group during the fiscal year under review increased 0.6% year on year to 289,283 million yen. Meanwhile, operating income fell 56.8% year on year to 1,023 million yen, reflecting weak sales of products with relatively high profitability and a decline in gross profit in yen terms due to the continued appreciation of the yen during the period. Ordinary income declined 98.3% year on year to 33 million yen, reflecting a foreign exchange loss of 333 million yen for the entire fiscal year, largely due to a translation loss associated with foreign currency-denominated liabilities as of the end of the year, given the yen's depreciation in the fourth quarter of the same year. The Group posted a 1,350 million yen valuation loss associated with investment securities and a 1,229 million yen extra retirement benefit payment due to the solicitation of voluntary retirement as part of the extraordinary loss. Consequently, net loss attributable to owners of parent was 2,133 million yen (compared with 75 million yen for the preceding fiscal year.)

Operating results by business segment are as follows:

(Electronic Devices business)

In the Electronics Devices business, net sales grew 1.0% year on year to 242,050 million yen, reflecting strong demand for semiconductors used in communications equipment and consumer equipment given the increased rate of remote working and consumption from people refraining from leaving home.

Meanwhile, the segment posted an operating loss of 951 million yen (compared with a 591 million yen profit in the preceding fiscal year) due to a fall in sales of products with relatively high profitability and a decline in gross profit in yen terms caused by the continued appreciation of the yen during the period.

(Electronic Systems business)

In the Electronic Systems business, sales of medical equipment grew and there was strong demand for electronic component inspection machines. At the same time, there was a decline in demand for high-reliability components for artificial satellites, sensors and laser equipment, reflecting sluggish capital spending in the private sector and delayed planning for project deals amid the pandemic. Consequently, net sales for the segment fell 1.3% year on year to 47,233 million yen with operating income of 1,983 million yen (up 11.0% year on year), reflecting an improved gross profit ratio and the successful reduction of 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 114,804 million yen, down 3,813 million yen from the end of the previous fiscal year. This result was mainly attributable to decreases in merchandise and finished goods of 6,504 million yen and notes and accounts receivable - trade of 3,339 million yen, which more than offset an increase of 6,084 million yen in cash and deposits. Non-current assets amounted to 12,202 million yen, decreasing 631 million yen from the end of the previous consolidated fiscal year.

This was primarily due to a 584 million yen decline in investment securities.

As a result, total assets decreased by 4,444 million yen from the end of the previous fiscal year, to 127,006 million yen.

(Liabilities)

Current liabilities at the end of the consolidated fiscal year under review totaled 76,165 million yen, down 372 million yen from the end of the previous fiscal year. This was attributable largely to a decrease of 5,149 million yen in short-term borrowings, which more than offset an increase of 4,888 million yen in notes and accounts payable – trade. Non-current liabilities amounted to 5,801 million yen, a decrease of 907 million yen from the end of the previous fiscal year. This was primarily a result of a fall of 828 million yen in retirement benefit liability.

As a result, total liabilities decreased by 1,279 million yen from the end of the previous fiscal year, to 81,966 million yen.

(Net assets)

Net assets totaled 45,040 million yen, down 3,164 million yen from the end of the previous fiscal year. This was a result, in large part, of decreases of 2,802 million yen in retained earnings and 893 million yen in non-controlling interests.

Consequently, the equity ratio as at the end of the period stood at 31.5%, down 0.7 points from the 32.2% recorded at the end of the previous fiscal year. _

(4) Future outlook

Regarding the economic outlook for FY2021, it is expected that there will be a mild recovery in the economy and in social activity in expectation of an accelerating rollout of coronavirus vaccines to stop the spread of COVID-19 and major economies around the world enacting economic policies. Meanwhile, developments in the US-China trade dispute, in other related issues and in the global capital markets are likely to remain unpredictable.

In the electronics industry where the Group operates, the global supply shortage of semiconductors is a major concern. Currently, semiconductor manufacturers are aggressively engaged in capital spending to expand production capacity.

The government's continued promotion of digital transformation drives an expectation that markets for technologies such as 5G telecommunications, artificial intelligence and robotics will continue to expand along with the growth in demand for electronic devices in anticipation of the continued growth of the market for electric vehicles.

Given this situation, the Group expects to achieve growth in the fiscal year ending March 2022, aided by aerospace products and laser equipment in the Electronic Systems business segment which has seen delayed recognition of sales in the preceding year because of the COVID-19, strong demand for 5G communications equipment, new business opportunities in the area of automobile equipment in the Electronic Devices segment, and new semiconductors and electronic component product lines.

In view of the business environment above, the Group expects to achieve 153,000 million yen in sales in the fiscal year ending March 31, 2022.

The Group expects to achieve operating income of 3,200 million yen, ordinary income of 3,000 million yen, and net profit attributable to owners of parent totaling 1,900 million yen for the current fiscal year, assisted by a recovery in the gross profit ratio and the reduction of sales and general administrative expenses.

The Group has adopted a revised accounting standard for revenue recognition (ASBJ Statement No. 29; hereinafter “Accounting Standard for Revenue Recognition”), effective prospectively for the annual periods beginning after April 1, 2021. The consolidated financial results forecast above reflects this new revenue recognition rule.

With the adoption of the new revenue recognition guidance, the Group expects to achieve 153,000 million yen in total sales for the fiscal year ending March 31, 2022, which is 85,000 million yen different than the 238,000 million yen it would be if calculated using the Previous method.

2. Basic approach to the selection of accounting standards

The Group has adopted the policy of preparing its consolidated financial statements in accordance with the Japanese accounting standards to increase international and chronological comparability.

The group will appropriately respond to all matters regarding the adoption of international accounting standards given internal and external circumstances.

Consolidated Financial Statements
(1) Consolidated Balance Sheet

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	20,790	26,874
Notes and accounts receivable - trade	50,062	46,723
Electronically recorded monetary claims - operating	5,314	4,334
Merchandise and finished goods	40,678	34,174
Work in process	54	34
Other	1,732	2,673
Allowance for doubtful accounts	(14)	(11)
Total current assets	<u>118,617</u>	<u>114,804</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,734	4,095
Accumulated depreciation	(2,381)	(2,433)
Buildings and structures, net	<u>1,353</u>	<u>1,662</u>
Machinery, equipment and vehicles	10	10
Accumulated depreciation	(10)	(10)
Machinery, equipment and vehicles, net	<u>0</u>	<u>0</u>
Tools, furniture and fixtures	2,510	2,595
Accumulated depreciation	(1,600)	(1,719)
Tools, furniture and fixtures, net	<u>910</u>	<u>876</u>
Land	1,596	1,596
Leased assets	105	83
Accumulated depreciation	(78)	(65)
Leased assets, net	<u>26</u>	<u>17</u>
Right of use assets	183	154
Accumulated depreciation	(60)	(85)
Right of use assets, net	<u>123</u>	<u>69</u>
Construction in progress	85	—
Total property, plant and equipment	<u>4,094</u>	<u>4,221</u>
Intangible assets	<u>1,146</u>	<u>925</u>
Investments and other assets		
Investment securities	3,102	2,518
Deferred tax assets	858	1,136
Other	4,071	3,857
Allowance for doubtful accounts	(440)	(457)
Total investments and other assets	<u>7,592</u>	<u>7,055</u>
Total non-current assets	<u>12,833</u>	<u>12,202</u>
Total assets	<u>131,451</u>	<u>127,006</u>

(1) Consolidated Balance Sheet

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	25,410	30,298
Short-term borrowings	47,344	42,194
Current portion of long-term borrowings	1,050	50
Lease obligations	93	67
Income taxes payable	—	61
Provision for bonuses	703	631
Other	1,937	2,861
Total current liabilities	76,537	76,165
Non-current liabilities		
Long-term borrowings	5,125	5,075
Lease obligations	79	87
Retirement benefit liability	1,089	261
Provision for retirement benefits for directors (and other officers)	98	96
Asset retirement obligations	182	180
Other	134	101
Total non-current liabilities	6,708	5,801
Total liabilities	83,246	81,966
Net assets		
Shareholders' equity		
Share capital	6,214	6,214
Capital surplus	6,353	6,353
Retained earnings	30,656	27,854
Treasury shares	(1,631)	(1,631)
Total shareholders' equity	41,593	38,791
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	339	831
Deferred gains or losses on hedges	(2)	36
Foreign currency translation adjustment	465	(29)
Remeasurements of defined benefit plans	(109)	385
Total accumulated other comprehensive income	692	1,224
Non-controlling interests	5,918	5,024
Total net assets	48,204	45,040
Total liabilities and net assets	131,451	127,006

(2) Consolidated Statements of Income

(Millions of Yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	287,550	289,283
Cost of sales	268,972	273,066
Gross profit	18,577	16,217
Selling, general and administrative expenses	16,207	15,193
Operating profit	2,369	1,023
Non-operating income		
Interest income	35	13
Dividend income	53	49
Share of profit of entities accounted for using equity method	44	—
Foreign exchange gains	716	—
Rental income from non-current assets	23	19
Rental income from investment property	31	24
Miscellaneous income	54	52
Total non-operating income	958	160
Non-operating expenses		
Interest expenses	972	386
Sales discounts	147	131
Foreign exchange losses	—	333
Loss on sale of trade receivables	159	50
Share of loss of entities accounted for using equity method	—	68
Miscellaneous losses	43	179
Total non-operating expenses	1,322	1,149
Ordinary profit	2,006	33
Extraordinary income		
Gain on sale of non-current assets	3	0
Gain on sale of investment securities	7	—
Gain on sales of real estate for investment	—	31
Other	0	—
Total extraordinary income	11	31
Extraordinary losses		
Loss on sale and retirement of non-current assets	11	15
Impairment losses	231	5
Loss on valuation of investment securities	978	1,350
Extra retirement payments	7	1,229
Other	2	2
Total extraordinary losses	1,231	2,603
Profit (loss) before income taxes	786	(2,537)
Income taxes - current	398	355
Income taxes - deferred	186	(741)
Total income taxes	585	(386)
Profit (loss)	200	(2,151)
Profit (loss) attributable to non-controlling interests	276	(17)
Loss attributable to owners of parent	(75)	(2,133)

Consolidated statements of comprehensive income

(Millions of Yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Profit (loss)	200	(2,151)
Other comprehensive income		
Valuation difference on available-for-sale securities	(237)	491
Deferred gains or losses on hedges	(7)	39
Foreign currency translation adjustment	(10)	(795)
Remeasurements of defined benefit plans, net of tax	(97)	495
Share of other comprehensive income of entities accounted for using equity method	(3)	(1)
Total other comprehensive income	(356)	229
Comprehensive income	(155)	(1,922)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(440)	(1,602)
Comprehensive income attributable to non-controlling interests	284	(320)

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Profit (loss) before income taxes	786	(2,537)
Depreciation	689	762
Impairment losses	231	5
Amortization of goodwill	28	—
Increase (decrease) in allowance for doubtful accounts	0	14
Increase (decrease) in provision for bonuses	(334)	(69)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	0	(2)
Increase (decrease) in retirement benefit liability	(239)	(114)
Interest and dividend income	(89)	(62)
Interest expenses	972	386
Foreign exchange losses (gains)	(782)	661
Share of loss (profit) of entities accounted for using equity method	(44)	68
Loss (gain) on sale and retirement of non-current assets	7	15
Loss (gain) on valuation of investment securities	978	1,350
Extra retirement payments	7	1,229
Decrease (increase) in trade receivables	(2,615)	3,969
Decrease (increase) in inventories	2,428	6,399
Increase (decrease) in trade payables	21	5,093
Other, net	(772)	(293)
Subtotal	1,273	16,877
Interest and dividends received	113	63
Interest paid	(984)	(390)
Income taxes paid	(736)	(321)
Income taxes refund	43	191
Extra retirement payments	(19)	(1,214)
Net cash provided by (used in) operating activities	(309)	15,205
Cash flows from investing activities		
Payments into time deposits	(508)	(660)
Proceeds from withdrawal of time deposits	494	376
Purchase of property, plant and equipment	(517)	(427)
Purchase of intangible assets	(150)	(120)
Purchase of investment securities	(26)	(44)
Proceeds from redemption of investment securities	2	—
Payments for asset retirement obligations	(12)	(5)
Other, net	136	92
Net cash provided by (used in) investing activities	(582)	(790)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	9,197	(5,739)
Proceeds from long-term borrowings	5,000	—
Repayments of long-term borrowings	(7,550)	(1,050)
Dividends paid	(784)	(731)
Dividends paid to non-controlling interests	(582)	(573)
Other, net	(92)	(93)
Net cash provided by (used in) financing activities	5,188	(8,188)
Effect of exchange rate change on cash and cash equivalents	132	(426)
Net increase (decrease) in cash and cash equivalents	4,428	5,800
Cash and cash equivalents at beginning of period	16,044	20,473
Cash and cash equivalents at end of period	20,473	26,274

Consolidated Segment Information

Business Segments

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(loss)	591	1,786	2,377	(8)	2,369

Year ended March 31, 2021

(Millions of Yen)

	Business segments reported			Adjustment	Consolidated Statements of Income
	Electronic Devices	Electronic Systems	Total		
Net Sales					
(1) Outside Customers	242,050	47,233	289,283	—	289,283
(2) Inter-segment	1	629	631	(631)	—
Total Sales	242,052	47,862	289,915	(631)	289,283
Segment Income(loss)	(951)	1,983	1,031	(7)	1,023