

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2022
<under Japanese GAAP>



October 31, 2022

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 Listing : Tokyo Stock Exchange
 Securities Code : 7537
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Preparation of supplementary material : Yes
 Holding of investor meeting : Yes

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 1, 2022 - September 30, 2022)

(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, 2022	101,022	25.4	5,267	104.6	1,135	(46.0)	469	(62.6)
September 30, 2021	80,574	-	2,575	-	2,104	-	1,256	-

(Note)

Comprehensive income	Six Months ended September 30, 2022	2,740 Millions of Yen	[50.8%]
	Six Months ended September 30, 2021	1,817 Millions of Yen	[- %]

	Earnings per Share -Basic-		Earnings Per Share -Diluted-	
	Yen	Yen	Yen	Yen
For the Six Months ended September 30, 2022	17.97	-	-	-
September 30, 2021	48.06	-	-	-

(2) Financial Position

	Total Assets	Total Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of September 30, 2022	162,608	49,782	27.0
As of March 31, 2022	148,179	47,574	28.8

(Reference)

Tangible net worth	As of September 30, 2022	43,842 Millions of Yen
	As of March 31, 2022	42,711 Millions of Yen

2. Dividends

	Dividend Per Share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	-	10.00	-	20.00	30.00
Year ended March 31, 2023	-	20.00			
Year ending March 31, 2023 (Forecast)			-	25.00	45.00

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2023

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Earnings per Share -Basic-
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Year ending March 31, 2023	220,000	31.1	10,500	75.2	5,000	21.8	2,950	21.1	112.88

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

During the six months of the consolidated fiscal year under review (April 1 to September 30, 2022), the Japanese economy showed signs of a recovery in consumer spending, capital investment and production activities with progress in initiatives for promoting economic activities, while continuing to take anti-infection measures, despite the lingering impacts of the COVID-19 pandemic. Nonetheless, uncertainty grew, mainly reflecting surging energy and material prices due to the prolonged Ukraine situation, the risk of a deterioration of the global economy attributable to the impact of higher policy interest rates in Europe and the United States, as well as sharp foreign exchange rate fluctuations.

The electronics sector, in which the Marubun Group (the "Group") operates, saw a slowdown in the PC market linked to the plateauing of stay-at-home demand and the chaos of supply chains resulting from lockdowns in China. Even so, the industrial equipment market remained firm against the backdrop of strong capital investment, and a move toward normalization was seen with respect to the continuing shortage of semiconductors.

In this situation, consolidated net sales of the Group during the six months of the fiscal year under review increased 25.4% year on year, to 101,022 million yen, reflecting the increase in demand for semiconductors for consumer equipment and industrial equipment, as well as that for medical equipment. On the profit side, operating income increased 104.6% year on year, to 5,267 million yen, reflecting increased sales and a boost in yen-based gross profit in the Electronic Devices Business against the backdrop of the yen's weakness. Looking at non-operating profit/loss, foreign exchange losses of 3,491 million yen were recorded, reflecting settlement losses associated with the repayment of foreign currency denominated borrowings during the six months of the fiscal year under review on the back of the yen's weakening, and evaluation losses resulting from the revaluation of foreign currency-denominated borrowings at the end of the six months. As a result, ordinary income decreased 46.0% year on year, to 1,135 million yen, and profit attributable to owners of parent was down 62.6% year on year, to 469 million yen.

Operating results by business segment are as follows:

Starting from the first quarter of the consolidated fiscal year, the Company changed the classification of reporting segments. With respect to comparisons with results for the same period of the previous year, comparisons and analyses were made based on figures for the six-month period a year before reclassified into revised segments.

(Electronic Devices Business)

In the Electronic Devices Business, semiconductors and electronic components for consumer equipment and industrial equipment grew. In addition, demand for semiconductors for data centers remained solid. As a result, net sales increased 31.9% year on year, to 76,320 million yen. Segment profit increased 181.5% year on year, to 4,649 million yen, attributable to an increase in sales and higher gross profit on a yen conversion basis against the backdrop of the depreciation of the yen.

(Electronic Systems Business)

In the Electronic System Business, demand for large-size diagnostic imaging equipment and polymerase chain reaction (PCR) test-related demand increased in the medical equipment field. In addition, sales of LED light sources rose in the laser equipment field. Consequently, net sales stood at 23,902 million yen, an increase of 8.7% from the same period of the previous year. On the other hand, segment profit declined 10.2% year on year, to 796 million yen due to a decline in the gross profit ratio.

(Electronic Solutions Business)

In the Electronic Solutions Business, net sales increased 7.7% year on year, to 799 million yen, attributable to growth of optical transmission components and measurement equipment in communications infrastructure. However, on the segment profit/loss side, a loss of 173 million yen was posted (compared to segment profit of 39 million yen in the same period of the previous fiscal year) as a result of a decline in the gross profit ratio 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 six months of the consolidated fiscal year under review stood at 151,893 million yen, an increase of 14,289 million yen from the end of the previous consolidated fiscal year. This result was mainly attributable to increases in merchandise and finished goods of 13,723 million yen, notes and accounts receivable - trade of 4,461 million yen and electronically recorded monetary claims - operating of 3,428 million yen, more than offsetting decreases of 5,599 million yen in cash and deposits and 2,489 million yen in accounts receivable - other. Non-current assets amounted to 10,714 million yen, an increase of 139 million yen from the end of the previous fiscal year. As a result, total assets increased by 14,428 million yen from the end of the previous fiscal year to 162,608 million yen.

(Liabilities)

Current liabilities at the end of the six months of the consolidated fiscal year under review came to 107,014 million yen, an increase of 12,268 million yen from the end of the previous fiscal year. This was largely due to an increase of 16,871 million yen in short-term borrowings and 2,596 million yen in notes and accounts payable - trade, more than offsetting a decrease of 7,590 million yen in accounts payable - other. Non-current liabilities amounted to 5,810 million yen, a decrease of 47 million yen from the end of the previous fiscal year. As a result, total liabilities increased by 12,220 million yen from the end of the previous fiscal year, to 112,825 million yen.

(Net assets)

Net assets totaled 49,782 million yen at the end of the six months of the consolidated fiscal year under review, an increase of 2,207 million yen from the end of the previous consolidated fiscal year. This mainly reflected increases of 1,279 million yen in foreign currency translation adjustment and 1,076 million yen in non-controlling interest. As a result, the equity ratio stood at 27.0% (compared to 28.8% at the end of the previous fiscal year).

3. Future outlook

The Company has revised its consolidated financial forecasts for the fiscal year ending March 31, 2023, which were announced on May 13, 2022.

In terms of net sales, results for the fiscal year ending March 31, 2023 are forecast to increase 31.1% year on year, to 220,000 million yen, with sales of semiconductors and laser equipment for consumer equipment and industrial equipment expected to rise as in the six months. On the profit side, operating income of 10,500 million yen (up 75.2% year on year), ordinary income of 5,000 million yen (up 21.8% year on year), and profit attributable to owners of parent of 2,950 million yen (up 21.1% year on year) are forecast, reflecting an expected boost in yen-based gross profit due to increased sales and the depreciation of the yen during the six months of the consolidated fiscal year.

For details about the revisions, please refer to the "Notice of Revision of Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023" disclosed on October 28, 2022.

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	25,245	19,645
Notes and accounts receivable - trade	37,996	42,458
Electronically recorded monetary claims - operating	6,219	9,647
Merchandise and finished goods	30,313	44,036
Work in process	118	277
Accounts receivable - other	35,087	32,598
Other	2,636	3,231
Allowance for doubtful accounts	(12)	(1)
Total current assets	137,604	151,893
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,651	3,660
Accumulated depreciation	(2,396)	(2,424)
Buildings and structures, net	1,255	1,236
Machinery, equipment and vehicles	10	10
Accumulated depreciation	(10)	(10)
Machinery, equipment and vehicles, net	0	0
Tools, furniture and fixtures	2,106	2,129
Accumulated depreciation	(1,663)	(1,727)
Tools, furniture and fixtures, net	443	401
Land	1,411	1,411
Leased assets	38	34
Accumulated depreciation	(15)	(14)
Leased assets, net	23	19
Right of use assets	170	240
Accumulated depreciation	(104)	(197)
Right of use assets, net	66	43
Construction in progress	1	1
Total property, plant and equipment	3,201	3,113
Intangible assets	1,039	920
Investments and other assets		
Investment securities	2,222	2,061
Deferred tax assets	1,039	1,084
Retirement benefit asset	235	268
Other	2,915	3,345
Allowance for doubtful accounts	(78)	(78)
Total investments and other assets	6,334	6,680
Total non-current assets	10,575	10,714
Total assets	148,179	162,608

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,121	23,718
Short-term borrowings	48,672	65,544
Current portion of long-term borrowings	50	50
Lease liabilities	76	50
Accounts payable - other	21,855	14,264
Income taxes payable	617	304
Provision for bonuses	974	981
Other	1,377	2,099
Total current liabilities	94,746	107,014
Non-current liabilities		
Long-term borrowings	5,025	5,000
Lease liabilities	103	98
Retirement benefit liability	331	329
Provision for retirement benefits for directors (and other officers)	108	101
Asset retirement obligations	126	112
Other	163	168
Total non-current liabilities	5,858	5,810
Total liabilities	100,604	112,825
Net assets		
Shareholders' equity		
Share capital	6,214	6,214
Capital surplus	6,353	6,353
Retained earnings	30,231	30,178
Treasury shares	(1,631)	(1,631)
Total shareholders' equity	41,168	41,115
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	761	642
Deferred gains or losses on hedges	39	108
Foreign currency translation adjustment	651	1,931
Remeasurements of defined benefit plans	89	44
Total accumulated other comprehensive income	1,542	2,727
Non-controlling interests	4,863	5,939
Total net assets	47,574	49,782
Total liabilities and net assets	148,179	162,608

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	80,574	101,022
Cost of sales	71,157	88,313
Gross profit	9,417	12,708
Selling, general and administrative expenses	6,841	7,440
Operating profit	2,575	5,267
Non-operating income		
Interest income	2	5
Dividend income	33	32
Share of profit of entities accounted for using equity method	—	60
Miscellaneous income	44	64
Total non-operating income	80	162
Non-operating expenses		
Interest expenses	163	638
Sales discounts	7	0
Loss on sale of trade receivables	13	126
Foreign exchange losses	279	3,491
Share of loss of entities accounted for using equity method	8	—
Miscellaneous losses	78	37
Total non-operating expenses	551	4,294
Ordinary profit	2,104	1,135
Extraordinary income		
Gain on sale of non-current assets	21	1
Total extraordinary income	21	1
Extraordinary losses		
Loss on sale and retirement of non-current assets	4	2
Other	—	0
Total extraordinary losses	4	2
Profit before income taxes	2,121	1,134
Income taxes	791	375
Profit	1,330	759
Profit attributable to non-controlling interests	74	289
Profit attributable to owners of parent	1,256	469

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	1,330	759
Other comprehensive income		
Valuation difference on available-for-sale securities	67	(118)
Deferred gains or losses on hedges	(15)	68
Foreign currency translation adjustment	651	2,051
Remeasurements of defined benefit plans, net of tax	(192)	(44)
Share of other comprehensive income of entities accounted for using equity method	(24)	24
Total other comprehensive income	486	1,980
Comprehensive income	1,817	2,740
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,520	1,654
Comprehensive income attributable to non-controlling interests	297	1,085

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	2,121	1,134
Depreciation	363	361
Increase (decrease) in allowance for doubtful accounts	(380)	(10)
Increase (decrease) in provision for bonuses	295	(0)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	5	(7)
Increase (decrease) in retirement benefit liability	(237)	0
Decrease (increase) in retirement benefit asset	(83)	(98)
Interest and dividend income	(35)	(38)
Interest expenses	163	638
Foreign exchange losses (gains)	516	9,073
Share of loss (profit) of entities accounted for using equity method	8	(60)
Loss (gain) on sale and retirement of non-current assets	(17)	1
Decrease (increase) in trade receivables	8,870	(6,488)
Decrease (increase) in inventories	(647)	(13,362)
Increase (decrease) in trade payables	(11,127)	1,463
Decrease (increase) in accounts receivable - other	(25,384)	2,492
Increase (decrease) in accounts payable - other	14,606	(7,569)
Other, net	252	72
Subtotal	(10,709)	(12,397)
Interest and dividends received	574	37
Interest paid	(164)	(535)
Income taxes paid	(307)	(645)
Income taxes refund	104	11
Extra retirement payments	(8)	—
Net cash provided by (used in) operating activities	(10,510)	(13,529)
Cash flows from investing activities		
Payments into time deposits	(751)	(224)
Proceeds from withdrawal of time deposits	810	166
Purchase of property, plant and equipment	(279)	(41)
Proceeds from sale of property, plant and equipment	295	2
Purchase of intangible assets	(101)	(117)
Purchase of investment securities	(12)	(13)
Payments for asset retirement obligations	—	(25)
Other, net	17	(18)
Net cash provided by (used in) investing activities	(22)	(271)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	7,708	7,266
Repayments of long-term borrowings	(25)	(25)
Dividends paid	(208)	(520)
Dividends paid to non-controlling interests	(362)	(9)
Other, net	(39)	(40)

Net cash provided by (used in) financing activities	7,073	6,669
Effect of exchange rate change on cash and cash equivalents	299	1,386
Net increase (decrease) in cash and cash equivalents	(3,160)	(5,744)
Cash and cash equivalents at beginning of period	26,274	24,693
Cash and cash equivalents at end of period	23,114	18,949

Consolidated Segment Information

Business Segments

Six Months ended September 30, 2021

(Millions of Yen)

	Reportable segments				Reconciling items	Per quarterly consolidated financial statements
	Electronic Devices business	Electronic Systems business	Electronic Solutions business	Reportable segments		
Sales						
Revenues from external customers	57,849	21,993	741	80,574	-	80,574
Transactions with other segments	12	515	-	528	(528)	-
Net sales	57,862	22,498	741	81,103	(528)	80,574
Operating profit (loss)	1,651	886	39	2,577	(1)	2,575

Six Months ended September 30, 2022

(Millions of Yen)

	Reportable segments				Reconciling items	Per quarterly consolidated financial statements
	Electronic Devices business	Electronic Systems business	Electronic Solutions business	Reportable segments		
Sales						
Revenues from external customers	76,320	23,902	799	101,022	-	101,022
Transactions with other segments	48	444	0	493	(493)	-
Net sales	76,368	24,347	799	101,515	(493)	101,022
Operating profit	4,649	796	(173)	5,271	(3)	5,267