

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 <under Japanese GAAP>

May 12, 2023

Company Name : MARUBUN CORPORATION
 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 Fiscal Year Ended March 31, 2023 (April 1,2022 - March 31,2023)

(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, 2023	226,171	34.8	10,997	83.5	7,909	92.6	5,201	113.4
Year ended March 31, 2022	167,794	—	5,994	—	4,106	—	2,437	—

(Note)

Comprehensive income

Year ended March 31, 2023	7,259	Millions of Yen	[115.9%]
Year ended March 31, 2022	3,361	Millions of Yen	[-.%]

	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, 2023	199.04	-	11.5	4.9	4.9
Year ended March 31, 2022	93.26	-	5.9	3.0	3.6

(Reference)

Share of profit of entities accounted for using equity method
 Year ended March 31, 2023
 Year ended March 31, 2022

258 Millions of Yen
 104 Millions of Yen

(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, 2023	175,998	53,084	27.1	1,826.99
Year ended March 31, 2022	148,179	47,574	28.8	1,634.26

(Reference)

Tangible net worth

Year ended March 31, 2023	47,747	Millions of Yen
Year ended March 31, 2022	42,711	Millions of Yen

(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, 2023	(18,981)	(326)	14,071	20,658
Year ended March 31, 2022	(2,948)	145	391	24,693

2. Dividends

	Dividend Per Share					Total dividends (annual)	Dividends Payout ratio (Consolidated)	Dividends on Net Assets (Consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Year ended March 31, 2022	-	10.00	-	20.00	30.00	784	32.2	1.9
Year ended March 31, 2023	-	20.00	-	60.00	80.00	2,090	40.2	4.6
Year ending March 31, 2024 (Forecast)	-	25.00	-	25.00	50.00		43.6	

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2023 (April 1,2023 - March 31,2024)

	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
Six months ending September 30, 2023	113,500	12.3	3,400	(35.5)	1,300	14.5	645	37.4	24.68
Year ending March 31, 2024	236,000	4.3	8,750	(20.4)	5,000	(36.8)	3,000	(42.3)	114.79

1. Management's discussion and analysis of results of operations

During the consolidated fiscal year under review (April 1, 2022 to March 31, 2023), the Japanese economy showed signs of a recovery in consumer spending, capital investment, and employment with progress in initiatives for promoting economic activities, while also tackling the COVID-19 pandemic. On the other hand, the future outlook remained uncertain, mainly reflecting the impacts of surges in resource prices and the acceleration of inflation associated with the protracted Ukraine crisis, sharp foreign exchange rate fluctuations and interest rate rises, as well as the US-China trade conflict.

In the electronics sector, in which the Marubun Group (the "Group") operates, demand for products for industrial equipment and vehicles remained strong, mainly reflecting the digitalization of society, use of AI, shift to EVs, and electrification of cars, although the smartphone and PC markets were stagnant. In addition, in the semiconductor market, polarization progressed in terms of the product supply-demand balance. While the supply shortage was being eliminated due to supply chain normalization, inventory adjustment occurred in a rebound from the inventory accumulation.

In this situation, consolidated net sales of the Group during the fiscal year under review increased 34.8% year on year, to 226,171 million yen, reflecting the increase in demand for semiconductor and electronic components for consumer equipment and industrial equipment. On the profit side, operating profit increased 83.5% year on year, to 10,997 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 in exchange markets from the beginning of the fiscal year under review. Looking at non-operating income and expenses, interest expenses increased 1,663 million yen year on year due to the rise in the US dollar interest rate. In addition, foreign exchange losses of 1,043 million yen were posted as settlement losses were generated during the fiscal year due to the repayment of borrowings in foreign currency, which resulted from the depreciation of the yen that had continued since the beginning of the fiscal year. As a result, ordinary profit increased 92.6% year on year, to 7,909 million yen, and profit attributable to owners of parent increased 113.4% year on year, to 5,201 million yen.

Operating results by business segment are as follows:

Starting from the consolidated fiscal year under review, 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 a year before being reclassified into revised segments.

(Electronic Devices Business)

In the Electronic Devices Business, semiconductors for consumer equipment grew significantly due to the acquisition of new commercial rights. In addition, demand for products for data centers and vehicles also increased given the strong showing of semiconductors and electronic components for industrial equipment, mainly including industrial robots. As a result, net sales increased 43.8% year on year, to 168,872 million yen. Segment profit increased 134.2% year on year, to 8,521 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 that had continued.

(Electronic Systems Business)

In the Electronic Systems Business, with continuation of capital investment for the manufacturing of semiconductors and electronic components, demand for devices for mounting, inspecting, and analyzing electronic components increased in the industrial equipment field, and sales of diagnostic imaging equipment grew in the medical equipment field. In addition, LED light sources remained strong in the laser equipment field while sales of electronic equipment increased in the field of space and defense electronics. Consequently, net sales stood at 54,494 million yen, an increase of 13.0% from the same period of the previous year. Segment profit increased 19.5% year on year, to 2,438 million yen, due to an increase in sales.

(Electronic Solutions Business)

In the Electronic Solutions Business, net sales increased 32.3% year on year, to 2,805 million yen, attributable to an increase in demand for commercial products related to optical transmission for communications infrastructure. On the other hand, segment profit declined 86.6% year on year, to 42 million yen, due to 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 consolidated fiscal year under review stood at 166,143 million yen, up 28,538 million yen from the end of the previous fiscal year. This result was mainly attributable to increases in merchandise and finished goods of 24,245 million yen and notes and accounts receivable - trade of 13,429 million yen, which more than offset decreases of 6,173 million yen in accounts receivable - other and 3,991 million yen in cash and deposits. Non-current assets amounted to 9,855 million yen, decreasing 719 million yen from the end of the previous consolidated fiscal year. This result was mainly attributable to a decrease of 534 million yen in deferred tax assets. As a result, total assets increased by 27,818 million yen from the end of the previous fiscal year to 175,998 million yen.

(Liabilities)

Current liabilities at the end of the consolidated fiscal year under review came to 117,089 million yen, an increase of 22,342 million yen from the end of the previous fiscal year. This was largely due to increases of 20,751 million yen in short-term borrowings and 6,884 million yen in notes and accounts payable - trade, more than offsetting a decrease of 7,116 million yen in accounts payable - other. Non-current liabilities amounted to 5,824 million yen, a decrease of 33 million yen from the end of the previous fiscal year. This was primarily attributable to a decrease of 25 million yen in long-term borrowings. As a result, total liabilities increased by 22,308 million yen from the end of the previous fiscal year, to 122,913 million yen.

(Net assets)

Net assets totaled 53,084 million yen, up 5,509 million yen from the end of the previous fiscal year. This was a result, in large part, of increases of 4,156 million yen in retained earnings and 1,032 million yen in foreign currency translation adjustment. Consequently, the equity ratio as at the end of the period stood at 28.8%, down 1.7 points

from the 27.1% recorded at the end of the previous fiscal year.

3. Summary of consolidated statements of cash flows for the fiscal year under review

Cash and cash equivalents on a consolidated basis at the end of the fiscal year under review (hereinafter "cash") decreased 4,034 million yen compared to the end of the previous fiscal year (down 16.3% year on year), to 20,658 million yen. The decrease was mainly attributable to a decrease in accounts payable - other and an increase in trade receivables, more than offsetting a decrease in accounts receivable - other and an increase in trade payables. The status and primary contributing factors for each cash flows category were as follows:

(Cash flows from operating activities)

Cash used in operating activities stood at 18,981 million yen (compared with cash of 2,948 million yen used in the previous fiscal year). This mainly reflected an increase in inventories of 23,771 million yen, offsetting a decrease of 6,173 million yen in accounts receivable - other.

(Cash flows from investing activities)

Cash used in investing activities stood at 326 million yen (compared with cash of 145 million yen provided in the previous fiscal year). The major factor included outflows of 610 million yen from payments into time deposits and 167 million yen from purchase of intangible assets, offsetting an inflow of 588 million yen as proceeds from withdrawal of time deposits.

(Cash flows from financing activities)

Cash provided by financing activities stood at 14,071 million yen (compared with cash of 391 million yen provided in the previous fiscal year). This was mainly attributable to a net increase in short-term borrowings of 15,950 million yen, offsetting dividends paid of 1,043 million yen and dividends paid to non-controlling interests of 704 million yen.

(Reference) Trends in cash flow-related indicators

	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023
Equity ratio (%)	33.9	32.2	31.5	28.8	27.1
Equity ratio based on market value (%)	13.0	9.5	10.9	12.6	20.3
Ratio of interest-bearing debt to cash flow (year)	23.9	-	3.1	-	-
Interest coverage ratio (times)	2.0	-	38.9	-	-

Equity ratio: Equity / Total assets

Market value-based equity ratio: Market capitalization / Total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest expenses paid

(Note 1) Each indicator is calculated based on consolidated financial figures.

(Note 2) Market capitalization is calculated based on the number of shares outstanding excluding treasury shares.

(Note 3) Cash flow refers to cash flows from operating activities.

(Note 4) Interest-bearing debt includes all liabilities on the consolidated balance sheet, of which interest payments have been made.

(Note 5) Ratio of interest-bearing debt to cash flow and interest coverage ratio for the fiscal year ended March 31, 2020, fiscal year ended March 31, 2022, and fiscal year ended March 31, 2023 are not indicated because cash was used in operating activities in these years.

4. Future outlook

In the fiscal year ending March 31, 2024, an economic recovery is expected under the policy of living with COVID-19. However, conditions are expected to remain challenging due to factors that make it difficult to forecast the future, including geopolitical risks such as the protracted Ukraine crisis and US control and regulation of exports to China, as well as trends in the exchange market and financial markets.

In the electronics sector, where the Company operates, the market is expected to continue expanding, despite the ongoing semiconductor inventory adjustment, mainly reflecting growth in the use of AI, progress in digitalization, and greening initiatives in markets that include the automotive, industrial, and infrastructure sectors.

In this business environment, regarding the business performance of the Company, a reduction in industrial equipment is expected in the Electronic Systems Business given a slowdown in corporate capital investment, but the Company forecasts an increase in demand for semiconductors and electronic components in the Electronic Devices Business reflecting the acquisition of new commercial rights and the growth of medical solutions in the Electronic Solutions Business.

In light of the foregoing, the Group expects to achieve net sales of 236,000 million yen, up 4.3% year on year, for the fiscal year ending March 31, 2024. This is expected to result in a year-on-year increase in gross profit, excluding the impact of exchange rate fluctuations. However, further increases in interest expenses associated with a rise in the US dollar interest rate is expected in the current fiscal year, while also recognizing the effect of the depreciation of the yen in boosting the yen-based gross profit that existed in the previous fiscal year. Reflecting these factors, the Group expects operating profit to decrease 20.4% year on year, to 8,750 million yen, ordinary profit to decrease 36.8% year on year, to 5,000 million yen, and profit attributable to owners of parent to decrease 42.3% year on year, to 3,000 million yen.

Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	25,245	21,253
Notes and accounts receivable - trade	37,996	51,426
Electronically recorded monetary claims - operating	6,219	7,989
Merchandise and finished goods	30,313	54,558
Work in process	118	79
Accounts receivable - other	35,087	28,914
Other	2,636	1,940
Allowance for doubtful accounts	△12	△17
Total current assets	137,604	166,143
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,651	3,651
Accumulated depreciation	△2,396	△2,464
Buildings and structures, net	1,255	1,186
Machinery, equipment and vehicles	10	9
Accumulated depreciation	△10	△9
Machinery, equipment and vehicles, net	0	0
Tools, furniture and fixtures	2,106	2,253
Accumulated depreciation	△1,663	△1,770
Tools, furniture and fixtures, net	443	483
Land	1,411	1,411
Leased assets	38	34
Accumulated depreciation	△15	△17
Leased assets, net	23	16
Right of use assets	170	206
Accumulated depreciation	△104	△105
Right of use assets, net	66	100
Construction in progress	1	4
Total property, plant and equipment	3,201	3,203
Intangible assets	1,039	898
Investments and other assets		
Investment securities	2,222	2,317
Deferred tax assets	1,039	505
Retirement benefit asset	235	232
Other	2,915	2,807
Allowance for doubtful accounts	△78	△109
Total investments and other assets	6,334	5,753
Total non-current assets	10,575	9,855
Total assets	148,179	175,998

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,121	28,005
Short-term borrowings	48,672	69,423
Current portion of long-term borrowings	50	25
Lease liabilities	76	72
Accounts payable - other	21,855	14,738
Income taxes payable	617	1,114
Provision for bonuses	974	1,020
Other	1,377	2,688
Total current liabilities	94,746	117,089
Non-current liabilities		
Long-term borrowings	5,025	5,000
Lease liabilities	103	122
Retirement benefit liability	331	365
Provision for retirement benefits for directors (and other officers)	108	107
Asset retirement obligations	126	113
Other	163	116
Total non-current liabilities	5,858	5,824
Total liabilities	100,604	122,913
Net assets		
Shareholders' equity		
Share capital	6,214	6,214
Capital surplus	6,353	6,353
Retained earnings	30,231	34,388
Treasury shares	△1,631	△1,631
Total shareholders' equity	41,168	45,325
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	761	821
Deferred gains or losses on hedges	39	△26
Foreign currency translation adjustment	651	1,684
Remeasurements of defined benefit plans	89	△56
Total accumulated other comprehensive income	1,542	2,422
Non-controlling interests	4,863	5,336
Total net assets	47,574	53,084
Total liabilities and net assets	148,179	175,998

(2) Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	167,794	226,171
Cost of sales	147,542	198,907
Gross profit	20,251	27,264
Selling, general and administrative expenses	14,257	16,267
Operating profit	5,994	10,997
Non-operating income		
Interest income	5	42
Dividend income	53	62
Share of profit of entities accounted for using equity method	104	258
Rental income from non-current assets	18	16
Rental income from investment property	24	22
Miscellaneous income	61	51
Total non-operating income	269	454
Non-operating expenses		
Interest expenses	363	2,026
Loss on sale of trade receivables	30	417
Foreign exchange losses	1,641	1,043
Miscellaneous losses	121	54
Total non-operating expenses	2,156	3,542
Ordinary profit	4,106	7,909
Extraordinary income		
Gain on sale of non-current assets	130	1
Gain on sale of investment securities	—	0
Gain on sales of real estate for investment	135	—
Total extraordinary income	266	1
Extraordinary losses		
Loss on sale and retirement of non-current assets	6	5
Impairment losses	299	—
Loss on valuation of investment securities	217	21
Other	0	0
Total extraordinary losses	524	26
Profit before income taxes	3,848	7,884
Income taxes - current	872	1,654
Income taxes - deferred	312	523
Total income taxes	1,185	2,177
Profit	2,663	5,706
Profit attributable to non-controlling interests	225	505
Profit attributable to owners of parent	2,437	5,201

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	2,663	5,706
Other comprehensive income		
Valuation difference on available-for-sale securities	△69	60
Deferred gains or losses on hedges	2	△66
Foreign currency translation adjustment	1,088	1,677
Remeasurements of defined benefit plans, net of tax	△296	△146
Share of other comprehensive income of entities accounted for using equity method	△27	27
Total other comprehensive income	698	1,552
Comprehensive income	3,361	7,259
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,755	6,082
Comprehensive income attributable to non-controlling interests	605	1,176

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	3,848	7,884
Depreciation	703	693
Impairment losses	299	—
Increase (decrease) in allowance for doubtful accounts	△379	35
Increase (decrease) in provision for bonuses	339	37
Increase (decrease) in provision for retirement benefits for directors (and other officers)	12	△1
Increase (decrease) in retirement benefit liability	△359	8
Decrease (increase) in retirement benefit asset	△235	△194
Interest and dividend income	△59	△105
Interest expenses	363	2,026
Foreign exchange losses (gains)	4,338	4,584
Share of loss (profit) of entities accounted for using equity method	△104	△258
Loss (gain) on sale and retirement of non-current assets	△123	3
Loss (gain) on sales of real estate for investment	△135	—
Loss (gain) on sale of investment securities	—	△0
Loss (gain) on valuation of investment securities	217	21
Decrease (increase) in trade receivables	7,498	△14,189
Decrease (increase) in inventories	△4,563	△23,771
Increase (decrease) in trade payables	△9,763	5,912
Decrease (increase) in accounts receivable - other	△25,492	6,173
Increase (decrease) in accounts payable - other	20,704	△7,290
Other, net	△170	1,776
Subtotal	△3,062	△16,652
Interest and dividends received	59	102
Dividends received from entities accounted for using equity method	824	658
Interest paid	△358	△1,915
Income taxes paid	△503	△1,185
Income taxes refund	101	11
Extra retirement payments	△8	—
Net cash provided by (used in) operating activities	△2,948	△18,981
Cash flows from investing activities		
Payments into time deposits	△1,108	△610
Proceeds from withdrawal of time deposits	1,240	588
Purchase of property, plant and equipment	△314	△100
Proceeds from sale of property, plant and equipment	599	2
Purchase of intangible assets	△425	△167
Proceeds from sale of investment property	140	—
Purchase of investment securities	△25	△28
Payments for asset retirement obligations	—	△31
Other, net	37	20
Net cash provided by (used in) investing activities	145	△326

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,754	15,950
Repayments of long-term borrowings	△50	△50
Dividends paid	△469	△1,043
Dividends paid to non-controlling interests	△766	△704
Other, net	△76	△81
Net cash provided by (used in) financing activities	391	14,071
Effect of exchange rate change on cash and cash equivalents	830	1,202
Net increase (decrease) in cash and cash equivalents	△1,580	△4,034
Cash and cash equivalents at beginning of period	26,274	24,693
Cash and cash equivalents at end of period	24,693	20,658

Information on amounts of net sales, profit/loss, assets, liabilities, etc. by reportable segment

Previous consolidated fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of Yen)

	Reportable segments				Reconciling items	Amount recorded in consolidated financial statements
	Electronic Devices business	Electronic Systems business	Electronic Solutions business	Total		
Sales						
Revenues from external customers	117,442	48,230	2,121	167,794	-	167,794
Transactions with other segments	47	884	-	932	(932)	-
Net sales	117,489	49,115	2,121	168,726	(932)	167,794
Operation profit (loss)	3,638	2,040	318	5,997	(3)	5,994
Assets	116,849	29,823	1,561	148,234	(54)	148,179
Other items						
Depreciation	455	196	51	703	-	703
Impairment losses	208	72	18	299	-	299
Investments in entities accounted for using equity	1,597	-	-	1,597	-	1,597
Increase in property, plant and equipment and intangible assets	402	180	60	643	-	643

Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of Yen)

	Reportable segments				Reconciling items	Amount recorded in consolidated financial statements
	Electronic Devices business	Electronic Systems business	Electronic Solutions business	Total		
Sales						
Revenues from external customers	168,872	54,494	2,805	226,171	-	226,171
Transactions with other segments	88	1,057	2	1,148	(1,148)	-
Net sales	168,960	55,551	2,808	227,320	(1,148)	226,171
Operation profit (loss)	8,521	2,438	42	11,002	(5)	10,997
Assets	142,202	32,023	1,912	176,138	(139)	175,998
Other items						
Depreciation	457	186	48	693	-	693
Investments in entities accounted for using equity	1,446	-	-	1,446	-	1,446
Increase in property, plant and equipment and intangible assets	399	158	51	609	-	609