

Translation

MARUBUN CORPORATION

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Holding of investor meeting : No



October 30, 2020

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2020 <under Japanese GAAP>

1. Consolidated Financial Results for the Six Months Ended September 30, 2020 (April 1, 2020 - September 30, 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	%
For the Six months ended September 30, 2020	137,268	(1.0)	(579)	-	18	(94.3)	(64)	-
September 30, 2019	138,703	(16.7)	(71)	-	323	(47.6)	(110)	-

	Earnings per Share -Basic-	Earnings Per Share -Diluted-
	Yen	Yen
For the Six months ended September 30, 2020	(2.48)	-
September 30, 2019	4.23	-

(2) Financial Position

	Total Assets	Total Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of September 30, 2020	126,175	46,867	33.0
As of March 31, 2020	131,451	48,204	32.2

2. Dividends

	Dividend Per Share				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2020	-	10.00	-	20.00	30.00
Year ending March 31, 2021	-	8.00			
Year ending March 31, 2021 (Forecast)			-	8.00	16.00

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

	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, 2021	270,000	(6.1)	1,250	(45.7)	1,550	(22.5)	900	-

	Earnings per Share -Basic-
	Yen
Year ending March 31, 2021	34.44

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

During the first half of the consolidated fiscal year under review (April 1 to September 30, 2020), the Japanese economy faced a sharp decline due to restrictions on and stagnation of economic activities associated with the COVID-19 pandemic. After the lifting of the state of emergency, economic activities were gradually resumed, and consumer spending and some of production activities showed signs of revival. However, future uncertainty remained.

In the electronics industry, in which the Marubun Group (the “Group”) operates its business, demand for products for automobiles and investments in machinery and equipment declined due to the impact of the COVID-19 pandemic.

Meanwhile, shipments of notebook computers remained strong thanks to widespread teleworking and online schooling, and demand for products for 5G smartphones, game consoles and consumer electronics, including televisions, also increased.

In this situation, the consolidated net sales of the Group during the first half of the fiscal year under review decreased 1.0% year on year, to 137,268 million yen. In terms of profits, operating result was a loss of 579 million yen (compared to operating loss of 71 million yen in the same period of the previous year) due to weak sales of products with relatively high profitability and gross profit declined in yen terms due to the appreciation of the yen during the period. While foreign exchange gains of 867 million yen were posted in non-operating income mainly reflecting gains on the settlement of foreign currency debts due to the fluctuation of exchange rates, ordinary result was income of 18 million yen, decreased 94.3% year on year, and net result attributable to owners of parent was a loss of 64 million yen (compared to net loss attributable to owners of the parent of 110 million yen in the same period of the previous year).

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

In the Electronics Devices business, net sales grew 1.7% year on year, to 118,982 million yen as a result of the strong performance of semiconductors for communication equipment and consumer equipment. The segment result was a loss of 715 million yen (compared to a segment loss of 403 million yen in the same period of the previous year) due to weak sales of products with relatively high profitability and gross profit that declined in yen terms to the appreciation of the yen during the period.

(Electronic Systems business)

In the Electronics Systems business, net sales decreased 15.7% year on year, to 18,285 million yen and the segment result was income of 139 million yen, a decrease of 58.4% year on year due to smaller sales. This was a result of sluggish sales of highly reliable devices for artificial satellites and medical equipment, despite an increase in demand for electronic component inspection machines and LED light sources.

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

(Assets)

Current assets at the end of the second quarter of the fiscal year under review stood at 113,350 million yen, a decrease of 5,266 million yen from the end of the previous fiscal year. This result was mainly attributable to decreases in merchandise and finished goods of 5,228 million yen and notes and accounts receivable - trade of 4,230 million yen, which more than offset an increase of 3,833 million yen in cash and deposits. Non-current assets amounted to 12,824 million yen, decreasing 9 million yen from the end of the previous consolidated fiscal year.

As a result, total assets decreased by 5,276 million yen from the end of the previous fiscal year, to 126,175 million yen.

(Liabilities)

Current liabilities at the end of the second quarter of the fiscal year under review came to 72,773 million yen, a fall of 3,764 million yen from the end of the previous fiscal year. This change was primarily attributable to a decrease of 3,335 million yen in short-term loans payable. Non-current liabilities amounted to 6,534 million yen, a decrease of 174 million yen from the end of the previous fiscal year. This was primarily a result of a decline of 125 million yen in retirement benefit liability and 25 million yen in long-term loans payable.

As a result, total liabilities decreased by 3,938 million yen from the end of the previous fiscal year, to 79,307 million yen.

(Net assets)

Net assets at the end of the second quarter of the fiscal year under review totaled 46,867 million yen, a decrease of 1,337 million yen from the end of the previous fiscal year.

This was largely a result of decreases of 695 million yen in non-controlling interests and 524 million yen in retained earnings.

As a result, the equity ratio stood at 33.0% (compared to 32.2% 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, 2021, which were announced on July 31, 2020.

It is expected that sales of industrial equipment and information and communication equipment will increase in the Electronic Systems business while sales of semiconductors for industrial equipment, automobiles and OA equipment will decrease in the Electronic Devices business. Therefore, the Company forecasts that its net sales for the fiscal year ending March 31, 2021 will be 270,000 million yen (down 6.1% year on year). In terms of profit, in light of the impact of fluctuating exchange rates due to the appreciation of the yen in the first half, in addition to decrease sales of products with relatively high profitability, the Company forecasts that operating income will be 1,250 million yen (down 45.7% year on year), ordinary income will be 1,550 million yen (down 22.5% year on year), and profit attributable to owners of parent will be 900 million yen (compared to loss attributable to owners of the parent of 75 million yen in the previous fiscal year).

Refer to "Notice of Differences Between Forecast and Actual Results for the First Half of the Fiscal Year Ending March 2021 and Revision of Full Year Financial Results Forecast" released separately today (October 30, 2020) for details on the revisions.

Consolidated Financial Statements
(1) Consolidated Balance Sheet

(Millions of Yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	20,790	24,623
Notes and accounts receivable - trade	50,062	45,831
Electronically recorded monetary claims - operating	5,314	4,816
Merchandise and finished goods	40,678	35,450
Work in process	54	62
Other	1,732	2,584
Allowance for doubtful accounts	(14)	(18)
Total current assets	118,617	113,350
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,734	3,689
Accumulated depreciation	(2,381)	(2,397)
Buildings and structures, net	1,353	1,291
Machinery, equipment and vehicles	10	10
Accumulated depreciation	(10)	(10)
Machinery, equipment and vehicles, net	0	0
Tools, furniture and fixtures	2,510	2,633
Accumulated depreciation	(1,600)	(1,690)
Tools, furniture and fixtures, net	910	943
Land	1,596	1,596
Leased assets	105	108
Accumulated depreciation	(78)	(85)
Leased assets, net	26	23
Right of use assets	183	165
Accumulated depreciation	(60)	(72)
Right of use assets, net	123	92
Construction in progress	85	65
Total property, plant and equipment	4,094	4,012
Intangible assets	1,146	1,079
Investments and other assets		
Investment securities	3,102	3,284
Deferred tax assets	858	829
Other	4,071	4,060
Allowance for doubtful accounts	(440)	(443)
Total investments and other assets	7,592	7,731
Total non-current assets	12,833	12,824
Total assets	131,451	126,175

(1) Consolidated Balance Sheet

(Millions of Yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	25,410	24,934
Short-term borrowings	47,344	44,008
Current portion of long-term borrowings	1,050	1,050
Lease obligations	93	81
Income taxes payable	—	44
Provision for bonuses	703	729
Other	1,937	1,925
Total current liabilities	76,537	72,773
Non-current liabilities		
Long-term borrowings	5,125	5,100
Lease obligations	79	103
Retirement benefit liability	1,089	963
Provision for retirement benefits for directors (and other officers)	98	90
Asset retirement obligations	182	183
Other	134	92
Total non-current liabilities	6,708	6,534
Total liabilities	83,246	79,307
Net assets		
Shareholders' equity		
Share capital	6,214	6,214
Capital surplus	6,353	6,353
Retained earnings	30,656	30,132
Treasury shares	(1,631)	(1,631)
Total shareholders' equity	41,593	41,069
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	339	452
Deferred gains or losses on hedges	(2)	(6)
Foreign currency translation adjustment	465	183
Remeasurements of defined benefit plans	(109)	(54)
Total accumulated other comprehensive income	692	574
Non-controlling interests	5,918	5,223
Total net assets	48,204	46,867
Total liabilities and net assets	131,451	126,175

(2) Consolidated Statements of Income

(Millions of Yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	138,703	137,268
Cost of sales	130,717	130,362
Gross profit	7,985	6,905
Selling, general and administrative expenses	8,057	7,484
Operating loss	(71)	(579)
Non-operating income		
Interest income	17	10
Dividend income	28	26
Share of profit of entities accounted for using equity method	49	37
Foreign exchange gains	987	867
Miscellaneous income	64	51
Total non-operating income	1,146	993
Non-operating expenses		
Interest expenses	578	223
Sales discounts	64	69
Loss on sales of trade receivables	87	29
Miscellaneous loss	19	72
Total non-operating expenses	751	395
Ordinary profit	323	18
Extraordinary income		
Gain on sales of non-current assets	3	—
Other	0	—
Total extraordinary income	4	—
Extraordinary losses		
Loss on sales and retirement of non-current assets	7	6
Impairment loss	215	5
Loss on valuation of investment securities	6	—
Extra retirement payments	7	102
Other	0	2
Total extraordinary losses	237	116
Profit (loss) before income taxes	90	(98)
Income taxes	111	39
Loss	(21)	(137)
Profit (loss) attributable to non-controlling interests	88	(72)
Loss attributable to owners of parent	(110)	(64)

Consolidated statements of comprehensive income

	(Millions of Yen)	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Loss	(21)	(137)
Other comprehensive income		
Valuation difference on available-for-sale securities	(91)	112
Deferred gains or losses on hedges	(14)	(3)
Foreign currency translation adjustment	(314)	(410)
Remeasurements of defined benefit plans, net of tax	5	54
Share of other comprehensive income of entities accounted for using equity method	(39)	(23)
Total other comprehensive income	(454)	(270)
Comprehensive income	(476)	(407)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(457)	(182)
Comprehensive income attributable to non-controlling interests	(18)	(225)

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	90	(98)
Depreciation	332	375
Impairment loss	215	5
Amortization of goodwill	28	—
Increase (decrease) in allowance for doubtful accounts	(2)	9
Increase (decrease) in provision for bonuses	(51)	27
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(8)	(7)
Increase (decrease) in retirement benefit liability	(121)	(46)
Interest and dividend income	(45)	(36)
Interest expenses	578	223
Foreign exchange losses (gains)	(847)	(836)
Share of loss (profit) of entities accounted for using equity method	(49)	(37)
Loss (gain) on sales and retirement of non-current assets	3	6
Loss (gain) on valuation of investment securities	6	—
Extra retirement payments	—	102
Decrease (increase) in trade receivables	3,315	4,615
Decrease (increase) in inventories	9,388	5,185
Increase (decrease) in trade payables	1,494	(438)
Other, net	(841)	(820)
Subtotal	13,487	8,228
Interest and dividends received	69	37
Interest paid	(575)	(226)
Income taxes paid	(359)	(140)
Income taxes refund	42	191
Extra retirement payments	—	(102)
Net cash provided by (used in) operating activities	12,664	7,987
Cash flows from investing activities		
Payments into time deposits	(317)	(189)
Proceeds from withdrawal of time deposits	211	302
Purchase of property, plant and equipment	(289)	(274)
Purchase of intangible assets	(39)	(100)
Purchase of investment securities	(13)	(12)
Payments for asset retirement obligations	(12)	—
Other, net	92	12
Net cash provided by (used in) investing activities	(369)	(261)

(3) Consolidated Statements of Cash Flows

	(Millions of Yen)	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3,687)	(2,268)
Repayments of long-term borrowings	(25)	(25)
Dividends paid	(522)	(521)
Dividends paid to non-controlling interests	(30)	(469)
Other, net	(48)	(56)
Net cash provided by (used in) financing activities	(4,314)	(3,342)
Effect of exchange rate change on cash and cash equivalents	(37)	(440)
Net increase (decrease) in cash and cash equivalents	7,942	3,942
Cash and cash equivalents at beginning of period	16,044	20,473
Cash and cash equivalents at end of period	23,987	24,416

Consolidated Segment Information

Business Segments

Six Months Ended September 30, 2019

(Millions of Yen)

	Business segments reported			Adjustment	Consolidated Statements of Income
	Electronic Devices	Electronic Systems	Total		
Net Sales					
(1) Outside Customers	117,020	21,682	138,703	—	138,703
(2) Inter-segment	0	132	133	(133)	—
Total Sales	117,020	21,815	138,836	(133)	138,703
Segment Income(loss)	(403)	355	(67)	(4)	(71)

Six Months Ended September 30, 2020

(Millions of Yen)

	Business segments reported			Adjustment	Consolidated Statements of Income
	Electronic Devices	Electronic Systems	Total		
Net Sales					
(1) Outside Customers	118,982	18,285	137,268	—	137,268
(2) Inter-segment	1	339	340	(340)	—
Total Sales	118,983	18,625	137,608	(340)	137,268
Segment Income(loss)	(715)	139	(575)	(3)	(579)