



November 7, 2023

To whom it may concern

Company	MARUBUN CORPORATION
Representative	Toru Iino CEO and Representative Director (Securities Code:7537 Prime Market)
Contact	Toshihiro Shibuya Officer, Director, Corporate Planning Department. (Tel: +81-3-3639-3010)

**About the Action to Implement Management that is Conscious of
Cost of Capital and Stock Price**

In response to the request from the Tokyo Stock Exchange to all companies listed on the Prime and Standard Markets with respect to implementation of "management that is conscious of cost of capital and stock price", our company has been deliberating on the foregoing thematic matter in the Board of Directors meetings. We hereby announce that we have compiled the attached material regarding our current policies and initiatives with a view to sustaining growth of our corporate value.

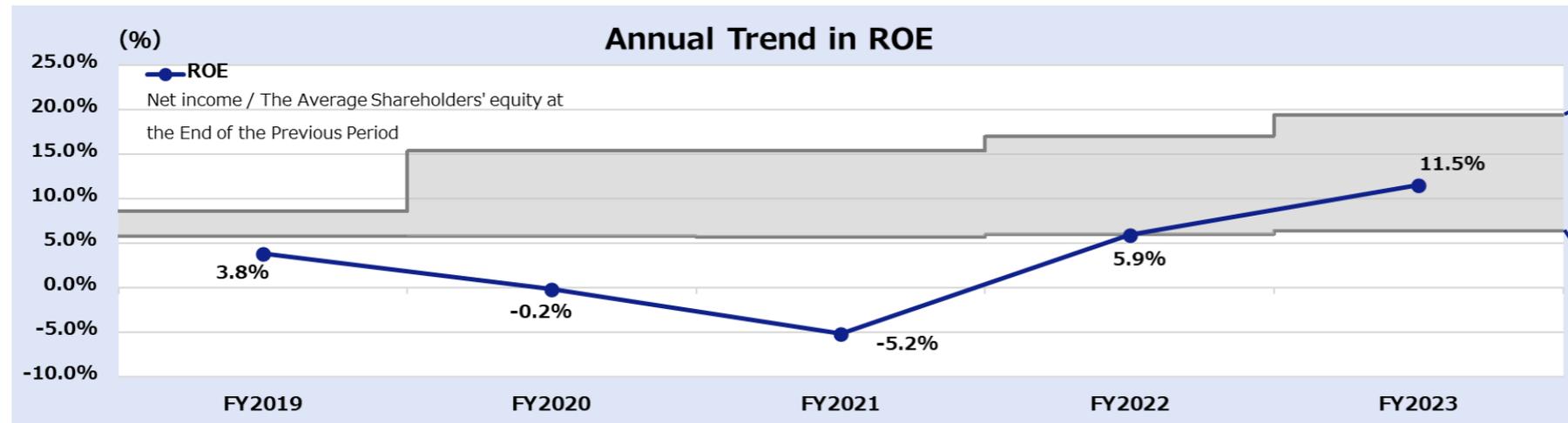
Roadmap toward the Sustainable Growth of Marubun Corporate Value

November 2023



Current Status and Management Goals / Areas to Address

- ▶ For the fiscal year ended on March 31, 2023, we achieved record high ordinary income and the ROE (Return on Equity %) significantly improved to 11.5%.
- ▶ Although the latest ROE is considered to have reached within our estimated range of the expected CoE (Cost of Shareholders' Equity), our PBR (Price-to-Book Ratio) is still left below x 1.0.



CoE* (reference value) based on market valuation (stock price)

Approx. 8.4% – 19.2%

*calculated as ROE/PBR, where PBR = "two-point average stock price between fiscal year beginning and end" / "fiscal-year end net assets per share"

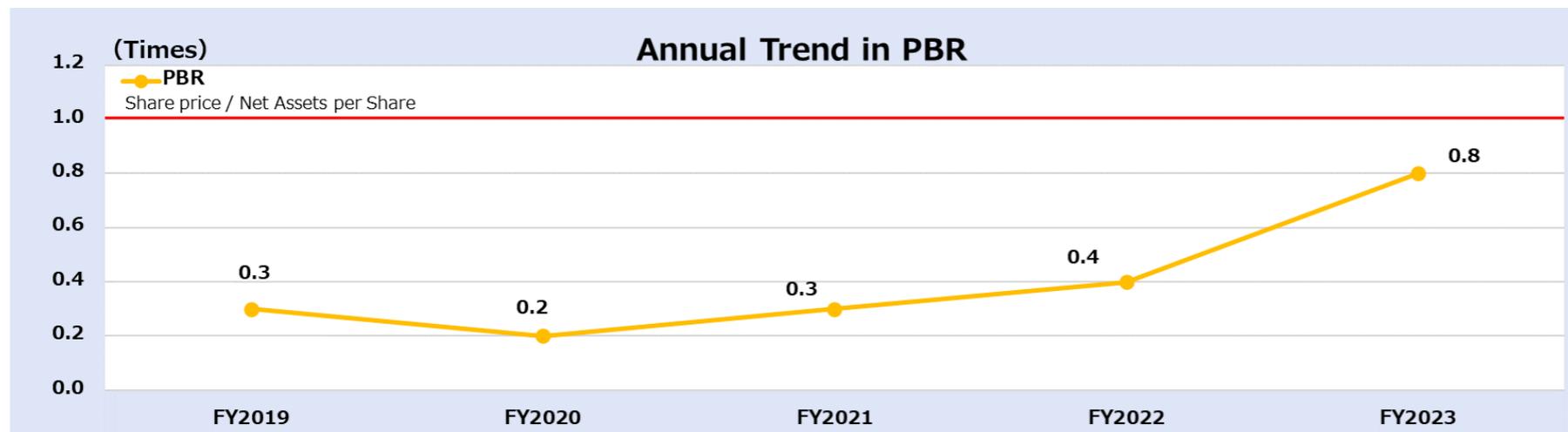


Our estimated range of cost of shareholders' equity (CoE)

CoE based on CAPM*

Approx. 5.7% – 6.3%

* Calculated based on our criteria and standards, referring to our historical beta calculated on data over last 5 years.

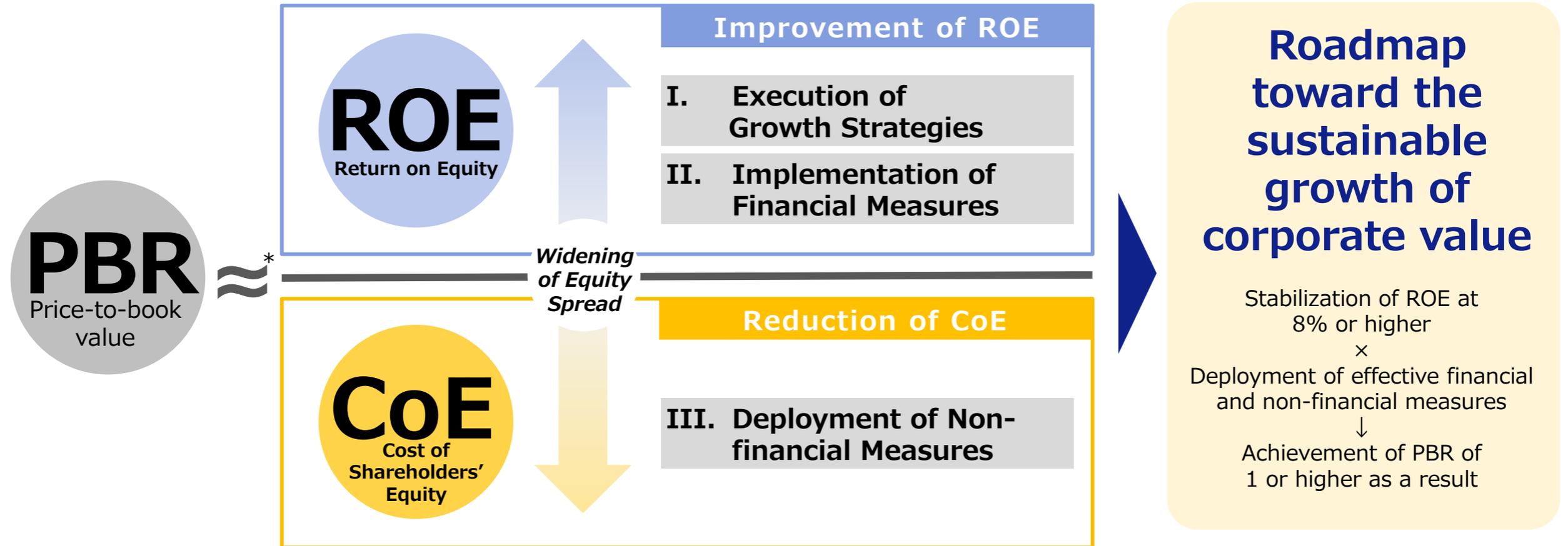


Management Goals / Areas to Address

- (1) Stabilize ROE at 8% or higher
- (2) Lower expected CoE
- (3) Consequently Achieve PBR x 1.0 or above

Initiatives for Sustainable Enhancement of Value

- ▶ Execute "Three Strategic Measures" (I. II. III.), aiming to "stabilize ROE above 8% and achieve PBR above x1.0 time"
- ▶ Steadily implement the current Medium-Term Business Plan (MTBP/2022-2024) for sustainable growth of enterprise value and also prepare to formulate the next MTBP (2025-2027) aiming for a further leap forward

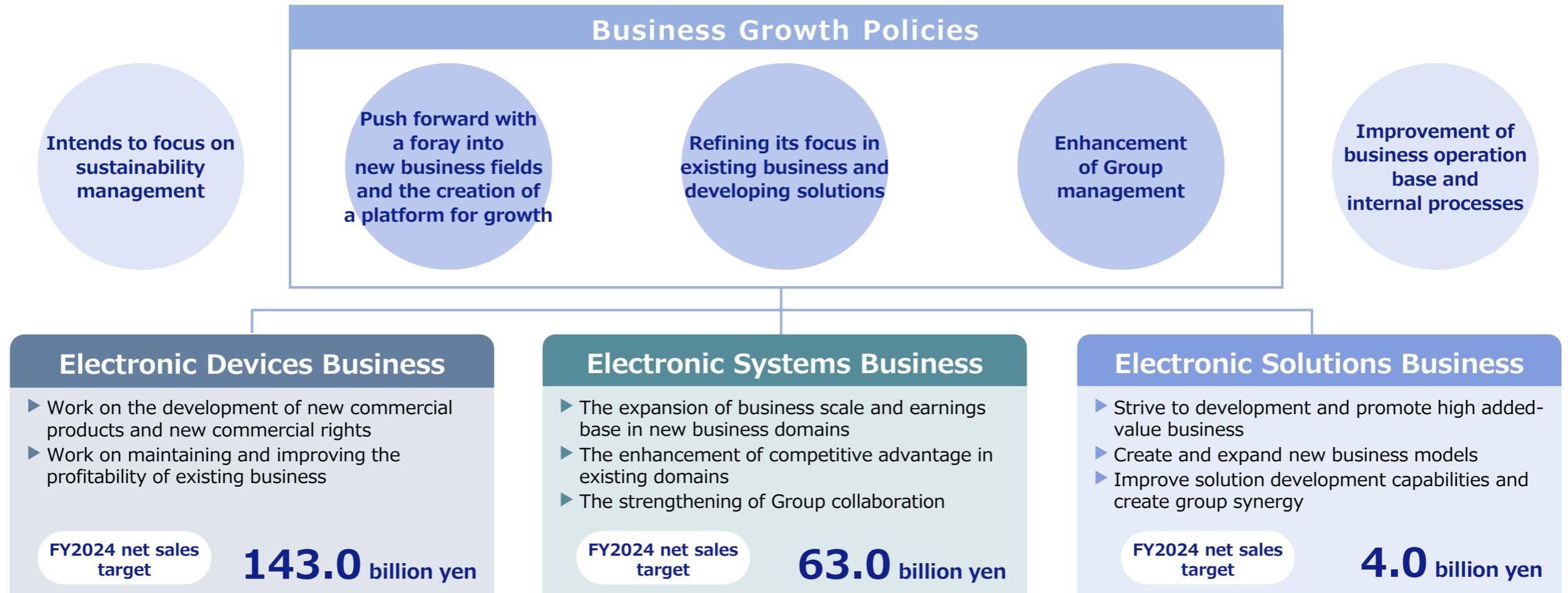


* Approximate formula based on the conservative assumptions that future profit growth (g) is zero and our immediate ROE target is to maintain a certain fixed level.

I-(1) Growth Strategies

- ▶ Implement initiatives relating to the three business growth policies included in the Basic Policy of the Medium-Term Business Plan, “Marubun Nextage 2024”.

Basic Policy of Marubun Nextage 2024



I-(1) Growth Strategies: Initiatives for Electronic Devices Business

Growth Strategies

- Position as "foundation strengthening business" and seek to maintain and expand global business operations through the development of highly value-added products and the conversion of the product mix
- Strive for continuous improvement in productivity and efficiency and pursue low-cost operations

Perception of Business Environment

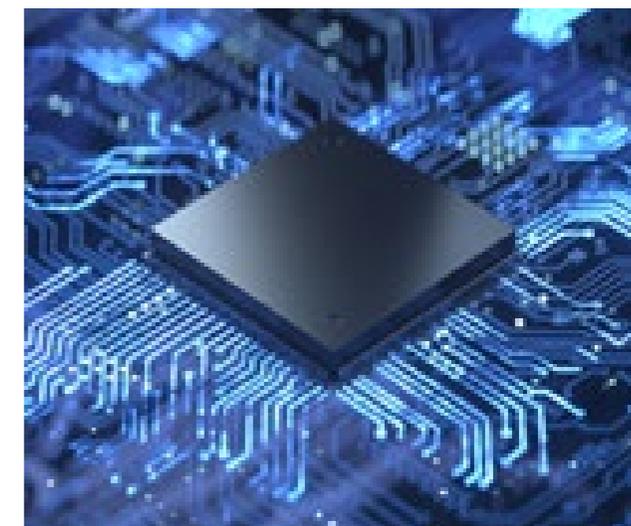
- ▶ Although the semiconductor market has achieved higher growth than anticipated at the time the Medium-Term Business Plan was formulated, the market has recently been in an inventory adjustment phase
- ▶ However, in the medium and long term, semiconductors for automotive and industrial equipment applications remain growing business domain against the backdrop of the shift to EVs, DX and the greening of industry.

Progress on the MTBP

- ▶ Transactions involving products from suppliers such as Nuvoton Technology and MPS, which have been added to enhance the product lineup in recent years, are expanding and profitability is also improving
- ▶ Achieving sales growth by offering more commercial products from existing suppliers and increasing sales destinations

Challenges and Countermeasures

- ▶ Deteriorating profitability as a result of the rising US interest rates and the strengthening of the US dollar
 - Focusing on improving capital and funding efficiency, including reducing inventories
- ▶ Realization of even lower cost operations
 - Optimizing organizational structure and staffing
 - Increasing efficiency of back-office operations through promotion of the use of RPA



I-(2) Growth Strategies: Initiatives for Electronic Systems Business

Growth Strategies

- Position as "growth driving business" and seek to expand revenue base in new business domains and new markets in addition to sustainable growth in existing businesses
- Demonstrate group synergy through stronger collaboration among consolidated companies and seek sustainable improvements in customer service quality level

Perception of Business Environment

- ▶ Capital investment is somewhat lackluster, partly due to semiconductor shortages but, in the medium term, growth in demand driven by semiconductor equipment is expected
- ▶ The aerospace market is expected to grow due to the use of outer space, space exploration, space transport and so on.

Progress on the MTBP

- ▶ Market development of laser processing technology with a focus on the automotive industry
- ▶ Started business with NewSpace companies
- ▶ Started sales to Japanese manufacturers in the ASEAN region through cooperative partners.

Challenges and Countermeasures

- ▶ Further strengthen competitive advantage in existing domains
 - Expansion of high-end products, our strength, to stimulate new demand
- ▶ Promote efforts to expand into new business domains
 - Expand business in the adhesive and bonding processing fields in overseas markets

Topics

Participation in Techrum (Nomura Real Estate)



Framework for creating new value through



▲ Our solutions for the logistics market

I-(3) Growth Strategies: Initiatives for Electronic Solutions Business

Growth Strategies

- Position as "value creating business" and accelerate development and creation of innovative products, technologies and services in growing markets
- Contribute to inorganic growth through strategic business acquisitions, investment in promising business ventures and collaboration with external partners

Perception of Business Environment

- ▶ AI and IoT technologies are being introduced into many industries including manufacturing, agriculture and healthcare and this is a domain where significant growth is expected in the future
- ▶ In the network business, market growth is expected through the expansion of 5G communication networks and the practical application of next-generation mobile communication systems

Progress on the MTBP

- ▶ Launched network monitoring cloud service "Net Predy"
- ▶ Built local 5G verification facility to provide test environment to customers
- ▶ Expanding AI humanoid robot market and AI human robot capabilities
 - Entered security market, strengthening monitoring capabilities and developing new carrying capabilities

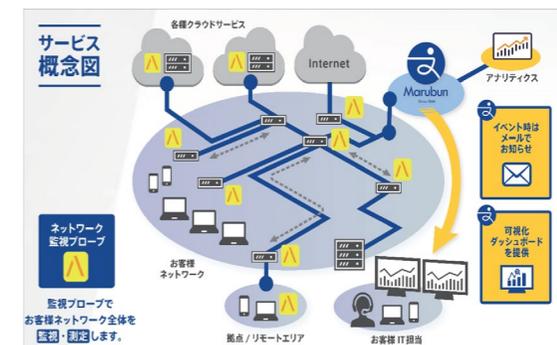
Challenges and Countermeasures

- ▶ Establishment and early commercialization of new business models
 - Focusing on continued identification of unique technologies and establishment of revenue models
- ▶ Securing and developing specialized human resources
 - Securing and developing digital human resources and seizing business opportunities

Topics

Launch of network monitoring service "Net Predy"

Leveraging the Marubun Service Platform and Network Monitoring System, the new service provides centralized monitoring of network operation status and alert notifications



▲ Overview of Net Predy

II-(1) Basic Financial Policy and Financial Measures: Shareholder Returns

Basic Financial Policy

- ▶ We are to make strategic investments in growth areas and provide consistent / stable shareholder returns, while we aim for sustainable growth of the corporate value.
- ▶ We intend to improve capital efficiency (achievement of ROE target and stabilization of ROE) and will strike a balance between efforts to improve ROE components (profitability, asset turnover and financial leverage) and maintenance of financial stability

Key financial themes (consolidated basis) under current MTBP

- Improvement of cash conversion cycle (CCC) (shortening of turnover period of working capital)
- Continuous strengthening of budget management and expense management (improvement of profit margin, etc. through control of expense ratio, etc.)
- Maintenance of appropriate financial leverage (ensuring certain level of equity ratio, refining asset and liability management (ALM), etc.)
- Well-managed financial risk (FX risk management, foreign currency liquidity management, off-balance sheet financing, de-risking, etc.)

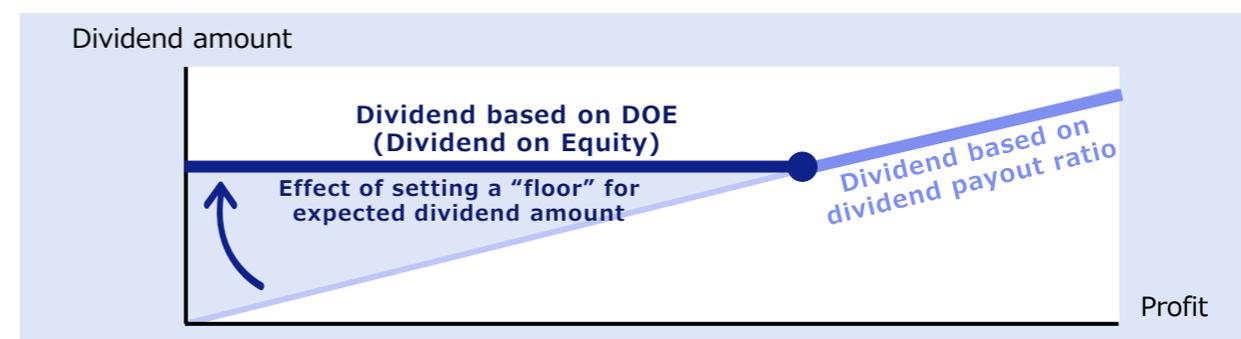
Review of Shareholder Returns

- ▶ To further enhance shareholder returns and pay stable dividends, we introduce DOE (Dividend on Equity) as a new dividend indicator from the fiscal year ending March 31, 2024

(New) Dividend Policy

Our basic policy is to pay continuous and stable dividends aiming for **whichever is higher of either consolidated “dividend payout ratio of 40%” or “DOE of 2.5%”**.

Conceptual diagram of relationship between dividend based on DOE and dividend based on dividend payout ratio



II-(2) Financial Measures: Utilization of Retained Earnings

- ▶ We strive for the efficient and effective allocation of capital resources for sustainable growth in the following four domains, taking into consideration management priorities depending on the situation and we will create a positive cycle of "utilization of retained earnings" and "realization of sustainable growth"

Pursuit of growth investment opportunities

Pursue inorganic/non-linear growth opportunities and become actively involved in expeditious investment projects

- Pursue inorganic growth opportunities and strategic risk-taking opportunities on themes such as digitization, smartification, IoT, AI, robotics, next-generation communications, medicine and healthcare, and seek market expansion and enhancement of commercial rights in existing domains, demonstration of synergies in adjacent business domains, and creation of new promising markets
- Aim to allocate around 5-10% of the net capital to business acquisitions and startup investments over the period of the Medium-Term Business Plan (for 3 years)
- Aim to realize revenue and return through partnerships and collaborations that help create "win-win" business value both for us and investees

Investment in operational infrastructure

Pursue improvement in operational efficiency and enhancement of management information through investment in IT systems

- Meet supplier and customer requirements meticulously and flexibly and continuously strengthen value chain capabilities
- Enhance quality level of management information in areas such as sales management and management accounting to help improve earning potential and profitability

Investment in human capital

Strengthen competitiveness by expanding human capital investment for human capital development

- Enhance management of human resources and seek to hire, develop and retain specialist professionals
- Transform the organizational culture through the deployment of diversity, work style and wellbeing measures

Balance sheet management

Increase management risk tolerance by way of optimizing the scale of balance sheet and maintaining a reasonable level of equity

- Seek to reduce financial risk by focusing on balance sheet management while making investments in the above three measures
- Ensure BCP responsiveness and business continuity in various risk scenarios including a large-scale disaster through adequacy of equity capital (by ensuring spare funding capacity)
- Aim to maintain equity ratio at a certain level (ex. 20-40%)

III. Non-financial Measures

- ▶ We are to implement initiatives in the "three thematic domains for non-financial measures" and translate these into "reduction in expected cost of shareholders' equity"
- ▶ We are to enhance the trustworthiness and appealing values of the Marubun brand, while ensuring management transparency through efforts to further enhance information disclosures to public domain
- ▶ At the same time, we contribute to the "creation of social values" and work on collaboration with stakeholders on all sides



"Three thematic domains" for reduction of expected CoE

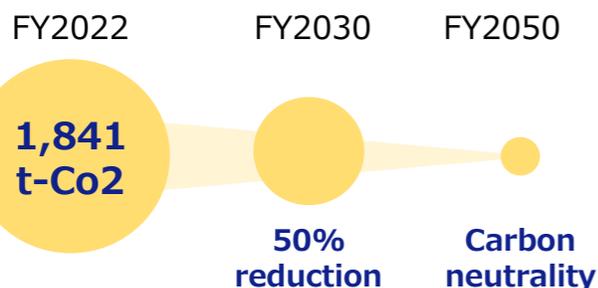
III-(1) Non-financial Measures: Promotion of Sustainability Management

Approval of the TCFD recommendations and participation in the TCFD consortium

- Joined the TCFD consortium to further enhance information disclosures
- Step up initiatives to tackle climate change and set long-term targets for Scope 1 and Scope 2 emissions
- Currently considering categories covered and calculation method for Scope 3 emissions



TCFD target (Scope1+2)



Ensuring diversity and strengthening human resources development

- Strengthen recruitment of semi-recent graduates and mid-career workers and continue to appoint diverse human resources
- Implement personnel allocation that puts the right people in the right places and organized and systematic human resource development through the introduction of a talent management system
- Promote the development of a framework for learning autonomously through e-learning

Promoting active participation of female employees

- Raised target female management ratio for FY2027
- Continue providing manager candidates with opportunities to learn organizational management
- Strengthen career development and support through use of the career conversion systems
- Introduce a program for working only at specific locations, staggered working hours, etc.

Target female manager ratio in FY2027



III-(2) Non-financial Measures: Strengthening of Corporate Governance

Promoting development of the corporate governance structure

■ Redefinition of Management Philosophy (FY2022)



■ Ensuring the diversity of the Board of Directors

- Appointment of a female director
- Appointment of four Outside Directors (out of a total of nine Directors)

■ Introduction of stock-based compensation plan for Executive Directors

- Program introduced: Restricted stock compensation (RS)
- Eligible persons: Five Executive Directors
- Vesting period: 3 years

■ More in-depth, active discussions based on evaluation of effectiveness of Board of Directors

- Focus on improvement of discussions, in accordance with a shared recognition that more active arguments / discussions should be made to follow up on our longer-term business plan such as MTBP

III-(3) Non-financial Measures: Improvement of Stakeholder Engagement

Further strengthening IR, SR and PR activities

■ Enhance information disclosure and endeavor to eliminate/reduce information asymmetry between us and investors

- Seek further enhancement of IR materials and IR site, including disclosures in English
- Bring forward identification of materiality and issuance of Integrated Report (plan to issue FY2024 report)



■ Give internal feedback on IR activities

- Give effective feedback for reflection in management measures



■ Hold proactive investor meetings

- Develop a more active approach to major institutional investors
- Achieve constructive dialogue through IR meetings



■ Strengthen Marubun brand equity by using media relations

- Issue press releases and corporate advertising with a view to raising recognition
- Stress "180th Anniversary Sustainability" for 2024 (as Marubun originally was founded in 1844)



Conclusion Summary: Overview of Initiatives for Sustainable Growth of Marubun Corporate Value

- ▶ By promoting initiatives with "execution of growth strategies," "implementation of financial strategies" and "deployment of non-financial measures" as the value creation process, we seek "stabilization of ROE at 8% or higher" and "widening of the equity spread" and aim to realize sustainable improvement in corporate value and to achieve PBR of 1 or higher as a result.

