Translation

MARUBUN CORPORATION
Head Office : 8-1 Nihonbashi Odenmacho, Chuo-ku, Tokyo, Japan
Securities Code : 7537 TSE, 1st section URL https://www.marubun.co.jp
Representative : Shoji Mizuno, CEO and Representative Director
Contact : Toshihiro Shibuya, Director, Corporate Planning Dept. TEL : +81-3-3639-3010

Preparation of supplementary material : Yes
Holding of investor meeting : Yes

May 10, 2019

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 <under Japanese GAAP>

1. Consolidated Financial Results for Fiscal Year Ended March 31, 2019 (April 1,2018 - March 31,2019)

(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, 2019	326,694	(6.0)	5,048	33.8	3,020	(28.4)	1,636	(21.2)
Year ended March 31, 2018	347,508	28.4	3,771	30.8	4,218	59.1	2,077	25.9

	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, 2019	62.61	-	3.8	2.3	1.5
Year ended March 31, 2018	79.49	-	4.9	3.2	1.1

(2) Financial Position

	Total Assets	Total Net Assets	Equity Ratio	Net Assets per Share
	Millions of Yen	Millions of Yen	%	%
Year ended March 31, 2019	128,163	49,726	33.9	1,664.82
Year ended March 31, 2018	135,706	49,177	31.7	1,646.67

(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, 2019	1,992	(495)	1,243	16,044
Year ended March 31, 2018	(7,619)	(964)	10,374	13,715

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, 2018	-	10.00	-	20.00	30.00	784	37.7	1.9
Year ended March 31, 2019	-	10.00	-	20.00	30.00	784	47.9	1.8
Year ending March 31, 2020(Forecast)	-	10.00	-	20.00	30.00		44.8	

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2020

	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, 2019	140,000	(15.9)	650	(74.8)	250	(59.5)	(185)	(238.3)
Year ending March 31, 2020	291,500	(10.8)	4,000	(20.8)	3,150	4.3	1,750	6.9

	Earnings per Share -Basic-
	Yen
Six months ending September 30, 2019	(7.08)
Year ending March 31, 2020	66.96

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 consolidated fiscal year under review (from April 1, 2018 to March 31, 2019), the Japanese economy continued to undergo a gradual recovery as it saw capital expenditures increasing and employment continuing to improve, despite the impact of trade conflict between the United States and China and the slowdown of the Chinese economy.

In the electronics industry, where the Marubun Group is positioned, automotive devices continued to enjoy steady results, while the market for data centers and smartphones lost momentum, and the industrial equipment market, which had remained strong, began to decline. In addition, the price of DRAM and NAND flash memories continued to fall. The market conditions slowed down toward the second half of the fiscal year.

In this environment, the net sales of the Group during the consolidated fiscal year under review declined 6.0% from the previous fiscal year, to 326,694 million yen, due in part to the transfer of the sales business of Samsung Electronics' products. On the profit front, because of the reversal of the posted valuation losses into this fiscal year on the inventory of products to be purchased and sold in foreign currencies as the yen appreciated further toward the end of the previous fiscal year, and the increased exchange gains from business in foreign currencies due to the appreciation of the yen from the beginning of the fiscal year, gross profit increased. As a result, consolidated operating income rose 33.8% year on year, to 5,048 million yen. On the other hand, because of posting 1,196 million yen from the settlement of liabilities in foreign currencies and valuation losses due to the appreciation of the yen, consolidated ordinary income declined 28.4% year on year, to 3,020 million yen, and consolidated profit attributable to owners of parent fell 21.2%, to 1,636 million yen.

Operating results by business segment are as follows:

(Electronics Devices business)

In the Electronics Devices business, demand for semiconductors for automobiles was strong, while demand for semiconductors for communication equipment and consumer equipment declined. In addition, income decreased due to the transfer of the sales business of Samsung Electronics' products on October 1, 2018. As a result, net sales for the segment fell 7.2% year on year, to 275,073 million yen. On the other hand, segment income grew 108.9% year on year, to 2,590 million yen, because gross profit increased due to the reversal of the posted valuation losses into this fiscal year on the inventory of products to be purchased and sold in foreign currencies as the yen appreciated further toward the end of the previous fiscal year and the increased exchange gains from business in foreign currencies due to the appreciation of the yen from the beginning of the fiscal year.

(Electronics Systems business)

In the Electronics Systems business, sales of diagnostic imaging equipment declined, while those of high-reliability parts for artificial satellites continued to be strong, and demand for electronics component implementation equipment and computers embedded in industrial equipment, and information and communications equipment also grew. As a result, net sales in this segment increased 1.2% year on year, to 51,621 million yen, but segment income declined 2.9% year on year, to 2,467 million yen, due to decreased gross profit and increased 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 fiscal year under review stood at 113,985 million yen, a decrease of 8,311 million yen from the end of the previous consolidated fiscal year. This result was mainly attributable to an increase in electronically recorded monetary claims - operating of 1,015 million yen, while there was a decrease in notes and accounts receivable-trade of 8,970 million yen. Non-current assets amounted to 14,177 million yen, rising 769 million yen from the end of the previous consolidated fiscal year. This figure chiefly reflected an increase in investment securities of 787 million yen.

As a result, total assets decreased by 7,542 million yen from the end of the previous consolidated fiscal year, to 128,163 million yen.

(Liabilities)

Current liabilities at the end of the consolidated fiscal year under review were 75,623 million yen, a decline of 142 million yen from the end of the previous consolidated fiscal year. This figure chiefly reflected an increase in the current portion of long-term debt of 7,437 and short-term loans payable of 4,246 million yen, which partially offset a decrease in notes and accounts payable-trade of 11,804 million yen. Non-current liabilities amounted to 2,813 million yen, down 7,950 million yen from the end of the previous consolidated fiscal year. This was mainly attributable to a decrease in long-term loans payable of 7,700 million yen and a decrease of 186 million yen in defined benefit liability.

As a result, total liabilities stood at 78,436 million yen, a decrease of 8,092 million yen from the end of the previous consolidated fiscal year.

(Net assets)

Net assets totaled 49,726 million yen at the end of the consolidated fiscal year under review, an increase of 549 million yen from the end of the previous consolidated fiscal year. This result is mainly attributable to a decrease of 191 million yen in foreign currency translation adjustment and 149 million yen in valuation difference on available-for-sale securities, which was offset by increased earnings retained in business of 856 million yen.
As a result, the equity ratio stood at 33.9%, up 2.2 percentage points from 31.7% at the end of the previous consolidated fiscal year.

(3) Summary of consolidated cash flows for the fiscal year under review

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the consolidated fiscal year under review were 16,044 million yen, an increase of 2,329 million yen (up 17.0% year on year) from the end of the previous consolidated fiscal year, due in part to the decrease of inventories and decrease of notes and accounts receivable - trade, despite a decrease in notes and accounts payable - trade.
The cash flow statement and its components at the end of the consolidated fiscal year under review are as follows.

(Cash flows from operating activities)

Cash obtained in operating activities was 1,992 million yen (compared with cash used of 7,619 million yen for the same period in the previous fiscal year). This was mainly attributable to a decrease of 11,795 million yen in notes and accounts payable - trade, which was offset by 2,981 million yen in net income before income taxes, a decrease of 8,177 million yen in decrease of notes and accounts receivable - trade, and a decrease of 986 million yen in inventories.

(Cash flows from investing activities)

Cash used in investing activities was 495 million yen (compared with cash used of 964 million yen for the same period in the previous fiscal year). This was primarily due to 516 million yen for the purchase of investment securities.

(Cash flows from financing activities)

Cash provided by financing activities was 1,243 million yen (compared with cash provided of 10,374 million yen for the same period in the previous fiscal year). This was chiefly due to a net increase of 2,490 million yen in short-term loans payable, which was offset by cash dividends paid of 784 million yen and cash of 263 million yen used for the repayment of long-term loans payable.

(4) Future outlook

With respect to the outlook for the economy for the fiscal year of 2019, uncertain conditions such as trade conflict and the future of the Chinese economy will continue, despite a moderate economic recovery expected on the back of improvements in the employment and income environment. In the electronics industry, meanwhile, demand mainly for automobiles is expected, and that for industrial equipment and data centers is expected to recover.

In this environment, the forecast for business results for the following fiscal year is net sales of 291,500 million yen (down 10.8% year on year) and operating income of 4,000 million yen (down 20.8% year on year), reflecting a decrease in demand for Special-Use IC for communication equipment, and memory IC for consumer equipment and PCs. On the other hand, the forecasts are ordinary income of 3,150 million yen (up 4.3% year on year) and profit attributable to owners of parent of 1,750 million yen (up 6.9% year on year), reflecting the improvement of the gross profit rate and the elimination of exchange losses.

Consolidated Financial Statements
(1) Consolidated Balance Sheet

(Millions of Yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	13,989	16,348
Notes and accounts receivable - trade	54,593	45,622
Electronically recorded monetary claims - operating	6,227	7,243
Merchandise and finished goods	44,987	43,020
Work in process	126	199
Other	2,386	1,567
Allowance for doubtful accounts	(13)	(16)
Total current assets	122,297	113,985
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,603	3,646
Accumulated depreciation	(2,252)	(2,333)
Buildings and structures, net	1,351	1,312
Machinery, equipment and vehicles	10	10
Accumulated depreciation	(10)	(10)
Machinery, equipment and vehicles, net	0	0
Tools, furniture and fixtures	2,105	2,105
Accumulated depreciation	(1,645)	(1,475)
Tools, furniture and fixtures, net	459	629
Land	1,618	1,618
Leased assets	142	104
Accumulated depreciation	(94)	(70)
Leased assets, net	48	34
Construction in progress	52	38
Total property, plant and equipment	3,529	3,634
Intangible assets		
Goodwill	336	224
Other	1,264	1,309
Total intangible assets	1,601	1,533
Investments and other assets		
Investment securities	3,634	4,421
Deferred tax assets	1,019	884
Other	4,080	4,141
Allowance for doubtful accounts	(457)	(438)
Total investments and other assets	8,277	9,009
Total non-current assets	13,408	14,177
Total assets	135,706	128,163

	(Millions of Yen)	(Millions of Yen)
	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	37,247	25,443
Short-term loans payable	34,687	38,934
Current portion of long-term loans payable	112	7,550
Lease obligations	34	28
Income taxes payable	495	272
Provision for bonuses	1,044	1,038
Asset retirement obligations	27	23
Other	2,114	2,332
Total current liabilities	75,765	75,623
Non-current liabilities		
Long-term loans payable	8,875	1,175
Lease obligations	62	38
Retirement benefit liability	1,388	1,201
Provision for retirement benefits for directors (and other officers)	108	97
Asset retirement obligations	175	163
Other	153	137
Total non-current liabilities	10,763	2,813
Total liabilities	86,529	78,436
Net assets		
Shareholders' equity		
Capital stock	6,214	6,214
Capital surplus	6,353	6,353
Retained earnings	30,659	31,516
Treasury shares	(1,630)	(1,631)
Total shareholders' equity	41,596	42,453
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	726	577
Deferred gains or losses on hedges	(29)	4
Foreign currency translation adjustment	678	487
Remeasurements of defined benefit plans	63	(11)
Total accumulated other comprehensive income	1,439	1,056
Non-controlling interests	6,140	6,216
Total net assets	49,177	49,726
Total liabilities and net assets	135,706	128,163

(2) Consolidated Statements of Income

	(Millions of Yen) Fiscal year ended 31-Mar-18	(Millions of Yen) Fiscal year ended March 31, 2019
Net sales	347,508	326,694
Cost of sales	326,346	303,927
Gross profit	21,161	22,767
Selling, general and administrative expenses	17,390	17,719
Operating profit	3,771	5,048
Non-operating income		
Interest income	67	102
Dividend income	46	54
Share of profit of entities accounted for using equity method	397	258
Foreign exchange gains	1,156	—
Miscellaneous income	104	152
Total non-operating income	1,773	568
Non-operating expenses		
Interest expenses	659	1,003
Provision of allowance for doubtful accounts	365	—
Sales discounts	176	153
Foreign exchange losses	—	1,196
Loss on sales of accounts receivable	40	194
Miscellaneous loss	85	47
Total non-operating expenses	1,327	2,596
Ordinary profit	4,218	3,020
Extraordinary income		
Gain on sales of non-current assets	1	0
Gain on sales of investment securities	4	16
Gain on reversal of reserve for loss on dissolution of employee's pension fund	—	3
Gain on sale of businesses	—	15
Other	—	2
Total extraordinary income	6	38
Extraordinary losses		
Loss on sales and retirement of non-current assets	53	45
Impairment loss	19	19
Loss on valuation of investment securities	171	—
Special retirement expenses	38	12
Other	28	0
Total extraordinary losses	311	76
Profit before income taxes	3,912	2,981
Income taxes - current	885	732
Income taxes - deferred	487	219
Total income taxes	1,373	952
Profit	2,539	2,029
Profit attributable to non-controlling interests	461	392
Profit attributable to owners of parent	2,077	1,636

Consolidated statements of comprehensive income

	(Millions of Yen) Fiscal year ended 31-Mar-18	(Millions of Yen) Fiscal year ended March 31, 2019
Profit	2,539	2,029
Other comprehensive income		
Valuation difference on available-for-sale securities	30	(149)
Deferred gains or losses on hedges	(35)	34
Foreign currency translation adjustment	(99)	(345)
Remeasurements of defined benefit plans, net of tax	(5)	(75)
Share of other comprehensive income of entities accounted for using equity method	(14)	19
Total other comprehensive income	(125)	(515)
Comprehensive income	2,414	1,513
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,983	1,258
Comprehensive income attributable to non-controlling interests	430	255

(3) Consolidated Statements of Cash Flows

	(Millions of Yen) Fiscal year ended 31-Mar-18	(Millions of Yen) Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	3,912	2,981
Depreciation	406	547
Impairment loss	19	19
Amortization of goodwill	112	112
Increase (decrease) in allowance for doubtful accounts	13	(14)
Increase (decrease) in provision for bonuses	11	(5)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	12	(10)
Increase (decrease) in retirement benefit liability	(245)	(272)
Interest and dividend income	(114)	(157)
Interest expenses	659	1,003
Provision of allowance for doubtful accounts	365	—
Foreign exchange losses (gains)	(1,283)	1,656
Share of loss (profit) of entities accounted for using equity method	(397)	(258)
Loss (gain) on sales and retirement of non-current assets	52	44
Loss (gain) on valuation of investment securities	171	—
Loss (gain) on sale of businesses	—	(15)
Extra retirement payment	38	12
Decrease (increase) in notes and accounts receivable - trade	4,326	8,177
Decrease (increase) in inventories	(15,582)	986
Increase (decrease) in notes and accounts payable - trade	(492)	(11,795)
Other, net	1,563	808
Subtotal	(6,450)	3,820
Interest and dividend income received	314	185
Interest expenses paid	(653)	(992)
Income taxes paid	(841)	(990)
Income taxes refund	11	2
Extra retirement payments	—	(33)
Net cash provided by (used in) operating activities	(7,619)	1,992
Cash flows from investing activities		
Payments into time deposits	(328)	(329)
Proceeds from withdrawal of time deposits	434	285
Purchase of securities	(144)	(22)
Purchase of property, plant and equipment	(237)	(420)
Purchase of intangible assets	(692)	(439)
Purchase of investment securities	(44)	(516)
Payments for asset retirement obligations	(19)	(15)
Proceeds from sale of businesses	—	865
Other, net	69	98
Net cash provided by (used in) investing activities	(964)	(495)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	11,303	2,490
Repayments of long-term loans payable	(112)	(263)
Cash dividends paid	(653)	(784)
Dividends paid to non-controlling interests	(132)	(179)
Other, net	(29)	(19)
Net cash provided by (used in) financing activities	10,374	1,243
Effect of exchange rate change on cash and cash equivalents	(248)	(25)
Net increase (decrease) in cash and cash equivalents	1,542	2,714
Cash and cash equivalents at beginning of period	12,216	13,715
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(43)	(384)
Cash and cash equivalents at end of period	13,715	16,044

(4) Consolidated Statement of Changes in Shareholder's Equity
Year ended March 31, 2018

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,214	6,353	29,206	(1,630)	40,143
Changes of items during period					
Dividends of surplus			(653)		(653)
Profit attributable to owners of parent			2,077		2,077
Purchase of treasury shares				(0)	(0)
Change of scope of consolidation			29		29
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	1,453	(0)	1,453
Balance at end of current period	6,214	6,353	30,659	(1,630)	41,596

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	696	6	792	68	1,563	5,843	47,550
Changes of items during period							
Dividends of surplus							(653)
Profit attributable to owners of parent							2,077
Purchase of treasury shares							(0)
Change of scope of consolidation							29
Net changes of items other than shareholders' equity	30	(35)	(113)	(5)	(124)	297	173
Total changes of items during period	30	(35)	(113)	(5)	(124)	297	1,627
Balance at end of current period	726	(29)	678	63	1,439	6,140	49,177

Year ended March 31, 2019

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,214	6,353	30,659	(1,630)	41,596
Changes of items during period					
Dividends of surplus			(784)		(784)
Profit attributable to owners of parent			1,636		1,636
Purchase of treasury shares				(0)	(0)
Change of scope of consolidation			4		4
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	856	(0)	856
Balance at end of current period	6,214	6,353	31,516	(1,631)	42,453

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	726	(29)	678	63	1,439	6,140	49,177
Changes of items during period							
Dividends of surplus							(784)
Profit attributable to owners of parent							1,636
Purchase of treasury shares							(0)
Change of scope of consolidation							4
Net changes of items other than shareholders' equity	(149)	34	(191)	(75)	(382)	75	(306)
Total changes of items during period	(149)	34	(191)	(75)	(382)	75	549
Balance at end of current period	577	4	487	(11)	1,056	6,216	49,726

Information on Net Sales, Income or Loss, Assets, Liabilities, and Other Items by Reportable Segment

Year ended March 31, 2018

(Millions of Yen)

	Business segments reported			Adjustment	Consolidated Statements of Income
	Electronic Devices	Electronic Systems	Total		
Net Sales					
(1) Outside Customers	296,524	50,983	347,508	—	347,508
(2) Inter-segment	67	615	682	△682	—
Total Sales	296,592	51,599	348,191	△682	347,508
Segment Income	1,240	2,542	3,782	△11	3,771
Segment Assets	102,037	33,661	135,698	7	135,706
Other					
Depreciation	214	191	406	—	406
Amortization of goodwill	112	—	112	—	112
Investments in entities accounted for using equity method	2,145	—	2,145	—	2,145
Increase in property, plant and equipment and intangible assets	692	489	1,181	—	1,181

Year ended March 31, 2019

(Millions of Yen)

	Business segments reported			Adjustment	Consolidated Statements of Income
	Electronic Devices	Electronic Systems	Total		
Net Sales					
(1) Outside Customers	275,073	51,621	326,694	—	326,694
(2) Inter-segment	0	490	491	(491)	—
Total Sales	275,073	52,112	327,185	(491)	326,694
Segment Income	2,590	2,467	5,057	(9)	5,048
Segment Assets	97,301	30,734	128,036	127	128,163
Other					
Depreciation	348	199	547	—	547
Amortization of goodwill	112	—	112	—	112
Investments in entities accounted for using equity method	2,324	—	2,324	—	2,324
Increase in property, plant and equipment and intangible assets	509	263	772	—	772

(Related Information)

Year ended March 31, 2018

[1] Information by Product or Service

Since the segments of products and services are the same as the reportable segments, information by product or service is omitted.

[2] Sales Information by Geographical Area .

JAPAN	China	Korea	ASIA	Other	Total
158,298	94,088	40,268	54,228	625	347,508

[3] Information by Major Customer

Customer Name	Net Sales	Releted Segment
SHENZHEN MURATA TECHNOLOGY CO., LTD.	85,490	Electronic Devices

Year ended March 31, 2019

[1] Information by Product or Service

Since the segments of products and services are the same as the reportable segments, information by product or service is omitted.

[2] Sales Information by Geographical Area .

JAPAN	China	Korea	ASIA	Other	Total
136,382	89,373	47,365	51,964	1,609	326,694

[3] Information by Major Customer

Customer Name	Net Sales	Releted Segment
SHENZHEN MURATA TECHNOLOGY CO., LTD.	78,890	Electronic Devices
JCET STATS CHIPPAC KOREA LTD.	33,526	Electronic Devices