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Summary of Financial Results for the Six Months Ended February 28, 2022 (Japanese GAAP) (Non-consolidated)

March 30, 2022

Name of Listed Company: Marumae Co., Ltd. Stock Exchange Listing: Tokyo
 Security Code: 6264
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Scheduled date for submission of the quarterly report: April 13, 2022

Scheduled start date of dividend payment: April 21, 2022

Preparation of supplementary materials for the quarterly financial results: Yes

Quarterly earnings release conference: Yes (for institutional investors)

Note: Amounts are rounded down to the nearest million yen.

1. Financial Results for the Six Months Ended February 28, 2022 (September 1, 2021 to February 28, 2022)

(1) Operating Results (Cumulative)

Note: Percentages indicate changes from the same period of the previous fiscal year.

	Six months ended			
	February 28, 2021		February 28, 2022	
		%		%
Net sales (Millions of yen)	2,299	13.9	3,962	72.3
Operating profit (Millions of yen)	424	16.2	1,175	177.1
Ordinary profit (Millions of yen)	422	23.7	1,171	177.2
Profit (Millions of yen)	294	23.9	837	184.3
Earnings per share of common stock (Yen)				
Basic	23.01		65.40	
Diluted	-		-	

Note: From the beginning of the first quarter of the fiscal year ending August 31, 2022, the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. Figures for the second quarter of the fiscal year ending August 31, 2022 include the effects of the new standards. However, the percentages of changes from the same period of the previous fiscal year are calculated based on the financial results for the same period of the previous fiscal year prior to the application of the standards, as their impact is immaterial.

(2) Financial Position

	As of	
	August 31, 2021	February 28, 2022
Total assets (Millions of yen)	9,742	11,827
Net assets (Millions of yen)	6,327	7,001
Equity ratio (%)	64.9	59.2

Reference: Equity: 7,001 million yen (as of February 28, 2022)
6,327 million yen (as of August 31, 2021)

Note: From the beginning of the first quarter of the fiscal year ending August 31, 2022, the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. Figures for the second quarter of the fiscal year ending August 31, 2022 include the effects of the new standards.

2. Dividends

	Fiscal year ended	Fiscal year ending
	August 31, 2021	August 31, 2022
1Q-end dividends per share (Yen)	-	-
2Q-end dividends per share (Yen)	10.00	22.00
3Q-end dividends per share (Yen)	-	- (Forecast)
Year-end dividends per share (Yen)	14.00	22.00 (Forecast)
Annual dividends per share (Yen)	24.00	44.00 (Forecast)

Note: Revision to the most recently announced dividends forecast: None

3. Financial Forecasts for the Fiscal Year Ending August 31, 2022 (September 1, 2021 to August 31, 2022)

Note: Percentages indicate changes from the corresponding period of the previous fiscal year.

	Fiscal year ending	
	August 31, 2022	
		%
Net sales (Millions of yen)	7,200	34.1
Operating profit (Millions of yen)	1,800	49.1
Ordinary profit (Millions of yen)	1,780	48.3
Profit (Millions of yen)	1,245	38.0
Earnings per share (Yen)	97.30	

Note: Revision to the most recently announced financial forecasts: None

From the beginning of the first quarter of the fiscal year ending August 31, 2022, the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. The financial forecasts presented above include the effects of the new standards. However, the percentages of changes from the corresponding period of the previous fiscal year are calculated based on the financial results for the same period of the previous fiscal year prior to the application of the standards, as their impact is immaterial.

Notes:

(1) Adoption of special accounting methods for preparation of quarterly financial statements: None

(2) Changes in accounting policies, changes in accounting estimates and restatements

1. Changes in accounting policies along with changes in the accounting standards: Yes

2. Changes in accounting policies, other than those included in 1. above: None

3. Change in accounting estimates: None

4. Restatements: None

Note: For further information, please refer to "2. Quarterly Financial Statements and Primary Notes, (4) Notes to the Quarterly Financial Statements, Changes in accounting policies" on page 10.

(3) Number of shares issued and outstanding (common stock)

1. Number of shares issued and outstanding (including treasury shares)

As of February 28, 2022:	13,053,000 shares
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As of August 31, 2021:	13,053,000 shares
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2. Number of shares of treasury shares

As of February 28, 2022:	244,624 shares
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As of August 31, 2021:	250,196 shares
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3. Average number of shares outstanding (cumulative quarterly period)

Six months ended February 28, 2022:	12,804,414 shares
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Six months ended February 28, 2021:	12,802,804 shares
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* Status of implementation of quarterly review procedures

This Summary of Financial Results is exempt from the quarterly review by certified public accountants or audit firms.

* Explanation regarding the appropriate use of financial forecasts and other notes

The financial forecasts and other forward-looking statements presented in this Summary of Financial Results are based on information available to the Company at the time of the issuance of this report, and certain assumptions that the Company judges to be reasonable. Actual financial results may differ significantly due to various factors. Please refer to "1. Qualitative Information on Quarterly Financial Results, (3) Description of Financial Estimates Information such as Financial Forecasts" on page 4 for the assumptions underlying the financial forecasts and other notes on their use.

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1. Qualitative Information on Quarterly Financial Results

From the beginning of the first quarter of the fiscal year ending August 31, 2022, the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. Comparisons with the same period of the previous fiscal year in the description of operating results, and comparisons with the end of the previous fiscal year in the description of the financial position, are based on figures for the same period of the previous fiscal year and at the end of the previous fiscal year prior to the application of the standard, as its impact is immaterial.

For further information, please refer to "2. Quarterly Financial Statements and Primary Notes, (4) Notes to the Quarterly Financial Statements, Changes in accounting policies."

(1) Description of Operating Results

During the six months ended February 28, 2022, in the Japanese economy, capital investment showed signs of picking up, although the impact of COVID-19 remained severe.

In the semiconductor sector, which is our main sales sector, against the backdrop of the global semiconductor shortage, demand expanded, especially for logic devices, with business activity reaching a record high. In the flat panel display (FPD) sector, the market recovered from the stagnation of the previous fiscal term. Although it is still at a low level compared to the previous peak, investment in the small- and medium-sized organic light-emitting diodes (OLEDs) for the Chinese market and investment in Generation 10.5 LCD panels were generally favorable. In the other sectors, the renewable energy field was re-evaluated worldwide.

Under these economic conditions, business in the semiconductor sector remained strong due to increased orders from new customers in addition to a rise in orders from existing customers. The FPD sector remained solid against the market environment due to an increase in orders for products manufactured with a large-scale electronic beam welder (EBW) and for new product types from new customers. Furthermore, in the other sectors, orders for solar cell production equipment rose.

Regarding expenses, while net sales escalated, the ratio of fixed costs and expenses to production costs remained low compared to our initial forecast, resulting in reduced costs. However, due to a large backlog of orders, ongoing capital investment, and higher hourly rates resulting from rapid hiring of human resources, there was an increased provision for loss on orders received and inventory write-down for some unprofitable products included in the order backlog already received but not yet inspected.

As a result, the operating results for the six months ended February 28, 2022 comprises net sales of 3,962 million yen (year-on-year growth of 72.3%), operating profit of 1,175 million yen (year-on-year growth of 177.1%), ordinary profit of 1,171 million yen (year-on-year growth of 177.2%), and quarterly net profit of 837 million yen (year-on-year growth of 184.3%).

Since the Company has only one segment, the precision parts business, a description by segment is omitted.

The operating results of the precision parts business by sales sector are described below.

The Semiconductor Sector

In the semiconductor sector, orders received increased by 87.7% year-on-year to 3,731 million yen, and net sales rose by 60.2% year-on-year to 2,996 million yen. Please note that figures for orders received include materials supplied for a fee.

The FPD Sector

In the FPD sector, orders received increased by 157.0% year-on-year to 1,014 million yen, and net sales climbed by 183.4% year-on-year to 781 million yen.

The Other Sectors

In the other sectors, orders received rose by 2.6% year-on-year to 147 million yen, and net sales decreased by 22.6% year-on-year to 73 million yen.

(2) Description of Financial Position

1. Assets, Liabilities and Net Assets

Assets

Assets increased by 2,084 million yen compared to the end of the previous fiscal year, to 11,827 million yen. This was mainly due to increases in cash and deposits, property, plant and equipment, notes and accounts receivable – trade, electronically recorded monetary claims – operating and work in process of 525 million yen, 519 million yen, 502 million yen, 263 million yen and 223 million yen, respectively.

Liabilities

Liabilities rose by 1,410 million yen compared to the end of the previous fiscal year, to 4,826 million yen. This was mainly due to increases in long-term borrowings, income taxes payable, current portion of long-term borrowings and other current liabilities of 930 million yen, 170 million yen, 125 million yen and 123 million yen, respectively.

Net assets

Net assets increased by 674 million yen compared to the end of the previous fiscal year, to 7,001 million yen. This was mainly due to a rise in retained earnings of 658 million yen from the recording of profit of 837 million yen, offsetting a decrease resulting from the payment of dividends of 179 million yen.

As a result, the equity ratio declined to 59.2%, from 64.9% in the previous fiscal year.

2. Cash Flows

Cash and cash equivalents (hereinafter, refer to as “cash”) for the six months ended February 28, 2022 increased by 525 million yen compared to the end of the previous fiscal year, to 3,030 million yen.

The status and factors regarding cash flows for the six months ended February 28, 2022 are as described below.

Cash flows from operating activities

Cash provided by operating activities was 605 million yen (compared to 337 million yen in the same period of the previous fiscal year). The main factors affecting the change were profit before income taxes of 1,171 million yen and depreciation of 376 million yen. The major decreasing factors were an increase in trade receivables of 771 million yen and an increase in inventories of 245 million yen.

Cash flows from investing activities

Cash used in investing activities was 958 million yen (compared to 368 million yen in the same period of the previous fiscal year). This was mainly due to payment for the purchase of property, plant and equipment totaling 950 million yen.

Cash flows from financing activities

Cash gained through financing activities was 874 million yen (compared to 348 million yen in the same period of the previous fiscal year). The major increasing factor was proceeds from long-term borrowings of 1,300 million yen for future capital expenditures. The major decreasing factors were repayments of long-term borrowings of 244 million yen and dividends paid of 179 million yen.

(3) Description of Financial Estimates Information such as Financial Forecasts

Currently, there are no changes to the financial forecasts for the fiscal year ending August 31, 2022.

The Company revised the financial forecasts for the six months ended February 28, 2022 in the "Notice Concerning Revision of Financial Results and Dividends Forecasts (dividend increase)," released on February 9, 2022. For details, see "Notice Concerning Revision of Financial Results and Dividends Forecasts (dividend increase)," released on February 9, 2022.

2. Quarterly Financial Statements and Primary Notes

(1) Quarterly Balance Sheet

(Thousands of yen)

	As of August 31, 2021	As of February 28, 2022
ASSETS		
Current assets		
Cash and deposits	2,505,018	3,030,273
Notes and accounts receivable – trade	745,637	1,248,426
Electronically recorded monetary claims – operating	940,160	1,203,411
Merchandise and finished goods	15,410	24,142
Work in process	570,241	793,545
Raw materials and supplies	12,226	25,382
Other	28,368	34,542
Allowance for doubtful accounts	(3,537)	(5,174)
Total current assets	4,813,526	6,354,550
Non-current assets		
Property, plant and equipment		
Buildings, net	1,591,688	1,630,439
Structures, net	78,152	73,873
Machinery and equipment, net	2,273,591	2,680,180
Vehicles, net	15,916	12,396
Tools, furniture and fixtures, net	12,775	17,729
Land	766,549	766,549
Leased assets, net	3,056	19,577
Construction in progress	14,922	75,390
Total property, plant and equipment	4,756,653	5,276,136
Intangible assets	51,803	48,605
Investments and other assets	120,646	148,258
Total non-current assets	4,929,102	5,473,000
Total assets	9,742,628	11,827,550

(Thousands of yen)

	As of August 31, 2021	As of February 28, 2022
LIABILITIES		
Current liabilities		
Notes and accounts payable – trade	249,270	297,753
Current portion of long-term borrowings	427,012	552,012
Income taxes payable	219,853	390,535
Provision for loss on order received	36,046	37,700
Provision for share-based remuneration	16,000	8,000
Other	504,190	627,989
Total current liabilities	1,452,372	1,913,990
Non-current liabilities		
Long-term borrowings	1,923,694	2,853,938
Provision for retirement benefits	25,251	27,714
Asset retirement obligations	1,069	1,069
Other	13,106	29,675
Total non-current liabilities	1,963,121	2,912,397
Total liabilities	3,415,494	4,826,388
NET ASSETS		
Shareholders' equity		
Share capital	1,241,157	1,241,157
Capital surplus	1,938,342	1,950,687
Retained earnings	3,309,607	3,967,768
Treasury shares	(161,971)	(158,451)
Total shareholders' equity	6,327,134	7,001,162
Total net assets	6,327,134	7,001,162
Total liabilities and net assets	9,742,628	11,827,550

(2) Quarterly Statement of Income

(Six-month period)

(Thousands of yen)

	Six months ended February 28, 2021	Six months ended February 28, 2022
Net sales	2,299,189	3,962,353
Cost of sales	1,588,738	2,413,423
Gross profit	710,451	1,548,930
Selling, general and administrative expenses	286,334	373,661
Operating profit	424,117	1,175,268
Non-operating profit		
Interest income	16	17
Foreign exchange gains	612	4,289
Insurance claim income	4,392	1,969
Other	1,496	3,221
Total non-operating profit	6,517	9,496
Non-operating expenses		
Interest expenses	8,039	8,976
Compensation expenses	-	4,394
Other	1	1
Total non-operating expenses	8,040	13,372
Ordinary profit	422,593	1,171,393
Extraordinary income		
Gain on sales of non-current assets	19	-
Total extraordinary income	19	-
Extraordinary losses		
Loss on retirement of non-current assets	2	122
Total extraordinary losses	2	122
Profit before income taxes	422,611	1,171,270
Income taxes – current	122,868	362,059
Income taxes – deferred	5,150	(28,189)
Total income taxes	128,019	333,870
Profit	294,591	837,400

(3) Quarterly Statement of Cash Flows

(Thousands of yen)

	Six months ended February 28, 2021	Six months ended February 28, 2022
Cash flows from operating activities		
Profit before income taxes	422,611	1,171,270
Depreciation	302,509	376,375
Increase (decrease) in allowance for doubtful accounts	194	1,637
Increase (decrease) in provision for loss on order received	3,600	1,653
Increase (decrease) in provision for share-based remuneration	8,000	7,991
Increase (decrease) in provision for retirement benefits	2,282	2,462
Interest and dividend income	(16)	(17)
Insurance claim income	(4,392)	(1,969)
Interest expenses	8,039	8,976
Foreign exchange losses (gains)	(612)	(3,500)
Gain on sales of non-current assets	(19)	-
Loss on retirement of non-current assets	2	122
Decrease (increase) in trade receivables	(93,090)	(771,926)
Decrease (increase) in inventories	8,444	(245,191)
Increase (decrease) in trade payables	62,306	48,483
Decrease (increase) in consumption tax refund receivable	-	253
Increase (decrease) in accrued consumption taxes	(158,259)	64,123
Decrease (increase) in other current assets	(13,550)	284
Increase (decrease) in other current liabilities	29,159	155,221
Other	(2,793)	(2,708)
Subtotal	574,415	813,543
Interest and dividends received	16	17
Interest paid	(7,933)	(9,720)
Proceeds from insurance income	4,392	1,969
Income taxes paid	(233,023)	(199,987)
Net cash provided by operating activities	337,867	605,821
Cash flows from investing activities		
Purchase of property, plant and equipment	(364,918)	(950,920)
Proceeds from sales of property, plant and equipment	19	-
Purchase of intangible assets	(3,404)	(8,012)
Net cash used in investing activities	(368,303)	(958,932)

	Six months ended February 28, 2021	Six months ended February 28, 2022
Cash flows from financing activities		
Proceeds from short-term borrowings	100,000	-
Repayments of short-term borrowings	(100,000)	-
Proceeds from long-term borrowings	-	1,300,000
Repayments of long-term borrowings	(194,756)	(244,756)
Purchase of treasury shares	-	(125)
Dividends paid	(153,754)	(179,553)
Repayments of finance lease obligations	(339)	(699)
Net cash used in financing activities	(348,849)	874,865
Effect of exchange rate change on cash and cash equivalents	612	3,500
Net increase (decrease) in cash and cash equivalents	(378,673)	525,254
Cash and cash equivalents at beginning of period	2,540,381	2,505,018
Cash and cash equivalents at end of period	2,161,708	3,030,273

(4) Notes to the Quarterly Financial Statements**Going-concern assumptions: None****Significant changes in shareholders' equity: None****Changes in accounting policies****Application of the Accounting Standard for Revenue Recognition, etc.**

Since the beginning of the first quarter of the fiscal year ending August 31, 2022, the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., and recognizes revenue in the amounts expected to be received in exchange for promised goods or services, at the point when the control of such goods or services is transferred to customers.

The primary changes due to the application of the accounting standard, etc. are as follows:

The Company engages in buy-sell transactions in which it purchases materials from customers, processes said materials, and sells the resulting products to the said customers at a price that includes the purchase price and added processing costs. In cases where the customers that supply the materials for a fee are substantially obligated to repurchase the goods supplied for a fee, the Company has previously presented net sales and cost of sales on a gross basis at the time of resale to the customers. However, due to the application of the accounting standard, etc., the Company has changed to a method of presenting only the amount equivalent to the processing fee as revenue on a net basis, which excludes the purchase price of goods supplied for a fee from net sales.

The Company has applied the new accounting policy from the beginning balance of the period under review, in accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. However, based on the method prescribed in Paragraph 86 of the Accounting Standard for Revenue Recognition, the Company has not applied the new accounting policy retrospectively to contracts for which nearly all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the first quarter of the fiscal year ending August 31, 2022. That is, there is no cumulative effect on retained earnings at the beginning of the period if the new accounting policy is applied retrospectively to the periods prior to the beginning of the first quarter of the fiscal year ending August 31, 2022.

As a result, net sales and cost of sales for the six months ended February 28, 2022 decreased by 27,343 thousand yen and 27,343 thousand yen, respectively.

In addition, due to the application of the accounting standard, etc., inventories of goods supplied for a fee and goods supplied for a fee included in work in process are no longer presented as "Raw materials and supplies," "Merchandise and finished goods," or "Work in process," but are instead presented as "Other" under current assets. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been reclassified using the new presentation method. Furthermore, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), the Company has not presented information on disaggregated revenue from contracts with customers for the six months ended February 28, 2021.

Application of the Accounting Standard for Fair Value Measurement, etc.

From the beginning of the first quarter of the fiscal year ending August 31, 2022, the Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc. In accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments"

(ASBJ Statement No. 10, July 4, 2019), the new accounting policies prescribed by the Accounting Standard for Fair Value Measurement, etc. will be applied prospectively. There is no effect of the new standards on the quarterly financial statements.

Additional information

Accounting estimates associated with the COVID-19 pandemic

The worldwide spread of COVID-19 has had a widespread impact on the economy and business activities. The Company forecasts that the outlook for the domestic economy remains uncertain.

In light of the external information available as of the end of the second quarter of the fiscal year ending August 31, 2022, the Company is making accounting estimates based on the assumption that the effect on its financial results will be immaterial.

However, if the COVID-19 infection situation continues for a long time, or if its effect on the economic environment changes, it is possible that it could impact the Company's financial position and operating results for the third quarter onward.

Segment information, etc.

Segment information

Six months ended February 28, 2021 (from September 1, 2020 to February 28, 2021) and six months ended February 28, 2022 (from September 1, 2021 to February 28, 2022)

Since the Company has only one segment, the precision parts business, a description of segment information is omitted.