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Summary of Financial Results for the Nine Months Ended May 31, 2022 (Japanese GAAP) (Non-consolidated)

June 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: July 13, 2022

Scheduled start date of dividend payment: –

Preparation of supplementary materials for the quarterly financial results: Yes

Quarterly earnings release conference: None

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

1. Financial Results for the Nine Months Ended May 31, 2022 (September 1, 2021 to May 31, 2022)

(1) Operating Results (Cumulative)

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

	Nine months ended			
	May 31, 2021	%	May 31, 2022	%
Net sales (millions of yen)	3,615	13.6	6,097	68.6
Operating profit (millions of yen)	776	23.4	1,742	124.4
Ordinary profit (millions of yen)	772	28.7	1,744	125.8
Profit (millions of yen)	556	12.7	1,248	124.5
Earnings per share of common stock (yen)				
Basic	43.43		97.67	
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 third quarter of the fiscal year ending August 31, 2022 include the effects of the new standards. However, the changes in percent 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	May 31, 2022
Total assets (millions of yen)	9,742	11,918
Net assets (millions of yen)	6,327	6,730
Equity ratio (%)	64.9	56.5

Reference: Equity: 6,730 million yen (as of May 31, 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 third 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)	-	-
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)	8,300	54.6
Operating profit (millions of yen)	2,300	90.5
Ordinary profit (millions of yen)	2,286	90.5
Profit (millions of yen)	1,667	84.7
Earnings per share (yen)	130.17	

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 changes in percent 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 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

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

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

As of May 31, 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 treasury shares

As of May 31, 2022:	426,024 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)

For the nine months ended May 31, 2022:	12,782,964 shares
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For the nine months ended May 31, 2021:	12,802,804 shares
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* Status of quarterly review procedure implementation

This Summary of Financial Results is exempt from 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 3 for the assumptions underlying the financial forecasts and other notes on their use.

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1. Qualitative Information on Quarterly Financial Results

(1) Description of Operating Results

During the nine months ended May 31, 2022, the Japanese economy showed signs of picking up.

In the semiconductor sector, which is our main sales sector, demand for memory has shown a tendency toward expansion, and the market environment has remained at a high level amidst growing demand for logic devices. However, while improving from the beginning of this year, parts shortages, such as for semiconductors, continue and have led to a bottleneck in the assembly and shipment of equipment. In the flat panel display (FPD) sector, investment in Generation 10.5 LCD panels has cooled, but capital investment in Generation 6 organic light-emitting diodes (OLEDs) for the Chinese market remained relatively robust, and new investment in Generation 8 OLEDs for the Chinese market has begun.

Under these economic conditions, business in the semiconductor sector has remained strong due to increased mass production orders from new customers in addition to a rise in orders from existing customers. Furthermore, although orders received decreased compared to the previous quarter due to the backlash caused by some customers' long-term advance orders, excess demand in the equipment market is expected to continue for a period of time. In the FPD sector, orders for LCDs remained stagnant while those for OLEDs remained strong. Orders for solar cell production equipment allowed the other sectors to grow significantly. On the cost front, due to the increase in production capacity, there were increases in depreciation and labor costs.

As a result, the operating results for the nine months ended May 31, 2022, are comprised of net sales of 6,097 million yen (year-on-year growth of 68.6%), operating profit of 1,742 million yen (year-on-year growth of 124.4%), ordinary profit of 1,744 million yen (year-on-year growth of 125.8%), and quarterly profit of 1,248 million yen (year-on-year growth of 124.5%).

Since the Company has only one segment, the precision parts business, a description by segment has been 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 59.2% year-on-year to 5,288 million yen, and net sales rose by 55.4% year-on-year to 4,538 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 64.0% year-on-year to 1,275 million yen, and net sales climbed by 160.8% year-on-year to 1,177 million yen.

Other Sectors

In other sectors, orders received rose by 275.3% year-on-year to 654 million yen, and net sales rose by 38.5% year-on-year to 212 million yen.

(2) Description of Financial Position**Assets**

Compared to the end of the previous fiscal year, assets increased by 2,176 million yen to 11,918 million yen. This was mainly due to increases in property, plant and equipment of 635 million yen, cash and deposits of 532 million yen, notes and accounts receivable – trade of 433 million yen, work in process of 351 million yen, and electronically recorded monetary claims – operating of 186 million yen.

Liabilities

Compared to the end of the previous fiscal year, liabilities rose by 1,772 million yen to 5,188 million yen. This was mainly due to increases in long-term borrowings of 880 million yen, advances received of 524 million yen, income taxes payable of 157 million yen, and the current portion of long-term borrowings of 132 million yen.

Net assets

Compared to the end of the previous fiscal year, net assets increased by 403 million yen to 6,730 million yen. This was mainly due to a rise in retained earnings of 787 million yen from the recorded profit of 1,248 million yen, which offset the decrease that resulted from the 461 million yen payment of dividends and the 396 million yen decrease due to the purchases of treasury shares, etc.

As a result, the equity ratio decreased to 56.5% from the 64.9% of the previous fiscal year.

(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.

As a supplement to the progress status, the sales forecast is slightly skewed toward the fourth quarter because most of the solar cell production equipment components ordered in the other sectors will be inspected in the fourth quarter.

The Company revised the financial forecasts for the fiscal year ending August 31, 2022 in the "Notice Concerning Revision of Financial Results," released on April 15, 2022. For details, see "Notice Concerning Revision of Financial Results," released on April 15, 2022.

2. Quarterly Financial Statements and Primary Notes

(1) Quarterly Balance Sheet

(Thousands of yen)

	As of August 31, 2021	As of May 31, 2022
ASSETS		
Current assets		
Cash and deposits	2,505,018	3,037,215
Notes and accounts receivable – trade	745,637	1,179,188
Electronically recorded monetary claims – operating	940,160	1,126,212
Merchandise and finished goods	15,410	15,526
Work in process	570,241	922,044
Raw materials and supplies	12,226	27,559
Other	28,368	34,333
Allowance for doubtful accounts	(3,537)	(4,848)
Total current assets	4,813,526	6,337,232
Non-current assets		
Property, plant and equipment		
Buildings, net	1,591,688	1,623,307
Structures, net	78,152	87,581
Machinery and equipment, net	2,273,591	2,708,709
Vehicles, net	15,916	13,835
Tools, furniture and fixtures, net	12,775	18,933
Land	766,549	766,549
Leased assets, net	3,056	18,823
Construction in progress	14,922	154,138
Total property, plant and equipment	4,756,653	5,391,879
Intangible assets	51,803	43,218
Investments and other assets	120,646	146,612
Total non-current assets	4,929,102	5,581,709
Total assets	9,742,628	11,918,942

(Thousands of yen)

	As of August 31, 2021	As of May 31, 2022
LIABILITIES		
Current liabilities		
Notes and accounts payable – trade	249,270	318,685
Current portion of long-term borrowings	427,012	559,512
Advances received	48,067	572,842
Provision for loss on order received	36,046	29,700
Income taxes payable	219,853	377,457
Provision for share-based remuneration	16,000	12,000
Other	456,122	453,651
Total current liabilities	1,452,372	2,323,849
Non-current liabilities		
Long-term borrowings	1,923,694	2,804,060
Provision for retirement benefits	25,251	30,442
Asset retirement obligations	1,069	1,069
Other	13,106	28,825
Total non-current liabilities	1,963,121	2,864,398
Total liabilities	3,415,494	5,188,247
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	4,097,152
Treasury shares	(161,971)	(558,302)
Total shareholders' equity	6,327,134	6,730,695
Total net assets	6,327,134	6,730,695
Total liabilities and net assets	9,742,628	11,918,942

(2) Quarterly Statement of Income

(Nine-month period)

(Thousands of yen)

	Nine months ended May 31, 2021	Nine months ended May 31, 2022
Net sales	3,615,664	6,097,723
Cost of sales	2,406,089	3,780,085
Gross profit	1,209,574	2,317,637
Selling, general and administrative expenses	433,155	574,983
Operating profit	776,419	1,742,653
Non-operating profit		
Interest income	19	20
Foreign exchange gains	3,558	14,528
Other	6,337	10,461
Total non-operating profit	9,914	25,009
Non-operating expenses		
Interest expenses	12,108	14,337
Other	1,507	8,335
Total non-operating expenses	13,616	22,673
Ordinary profit	772,717	1,744,990
Extraordinary income		
Gain on sales of non-current assets	19	-
Subsidy income	18,814	2,479
Total extraordinary income	18,833	2,479
Extraordinary losses		
Loss on retirement of non-current assets	2	122
Total extraordinary losses	2	122
Profit before income taxes	791,548	1,747,346
Income taxes – current	231,776	525,610
Income taxes – deferred	3,682	(26,832)
Total income taxes	235,459	498,777
Profit	556,089	1,248,568

(3) Notes on the Quarterly Financial Statements**Going-concern assumptions: 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 a customer that supplies the materials for a fee is 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 the resale to the customer. 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 retroactively applied the new accounting policy 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 would be no cumulative effect on retained earnings at the beginning of the period if the new accounting policy were to be applied retroactively 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 nine months ended May 31, 2022, decreased by 40,445 thousand yen and 40,445 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 nine months ended May 31, 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. The new standards will have no effect on the quarterly financial statements.

Additional information

Accounting estimates associated with the COVID-19 pandemic

The global 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 third 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 current COVID-19 infection situation continues long into the future, or if its effect on the economic environment changes, it is possible that it could impact the Company's financial position and operating results in the fourth quarter and onward.

Significant changes in shareholders' equity: None

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

Segment information, etc.

Segment information

For the nine months ended May 31, 2021 (from September 1, 2020 to May 31, 2021) and the nine months ended May 31, 2022 (from September 1, 2021 to May 31, 2022)

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