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MARUMAE REPORT

Marumae Co., Ltd.



Management Philosophy

Seek technological perfection

Merely passing down our technologies will not allow us to surpass our predecessors. By carefully assessing the issues at hand and developing the cognitive abilities of our employees, we will create new technologies without equal, unbound by existing ones.

Respect competition and collaboration

Having a competitive mindset to outperform colleagues, senior employees, and rivals is indispensable to technological development. At the same time, mutual support and cooperation enable us to navigate difficult challenges that we cannot tackle alone.

Contribute to society as a company focused on technology

Making extensive use of our high-level technological expertise, we solve problems faced by customers in a variety of fields. We also promote the development of technological personnel internally and the expansion of recruitment of such personnel externally.

With a focus on technology, we are committed to contributing to society in a myriad of ways.



Long-Term Vision

Focus on our origins in high-precision machining technology and become a leading parts manufacturer by using our advanced technologies and supply capacity to support comprehensive manufacturers in a wide range of areas.



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Editorial Policy

The MARUMAE REPORT has been designed for shareholders, investors, and other stakeholders. Viewing it as a communication tool for engaging in dialogue with all of our stakeholders, we have prepared this report with the aim of presenting, in a clear and coherent manner, our initiatives for achieving sustainable growth in both financial and non-financial terms, such as our environmental, social, and governance initiatives. In accordance with these objectives, we referenced the approaches of the Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation and the International Integrated Reporting Council's International Integrated Reporting Framework in the production of this report.

Forward-Looking Statements

The forecasts for Marumae's future business results within this report reflect the current analysis of the Company based on information available at the time of preparation. Readers are cautioned that actual business results and other outcomes may differ from these forecasts due to a variety of factors, including economic trends and the Company's operating environment.
Period under Review: Fiscal 2021 (September 1, 2020 to August 31, 2021)

Financial Information	Non-Financial Information
Integrated Report	

Securities Report (PDF) [Japanese only]
https://www.marumae.com/en/ir_4_1.html

Corporate Governance Report (PDF)
https://www.marumae.com/en/ir/pdf/cg_20220105.pdf

Financial Results Summaries and Presentations (PDF)
https://www.marumae.com/en/ir_4.html

ESG Information (website)
https://www.marumae.com/en/com_2.html

IR Information (website)
https://www.marumae.com/en/ir_4.html



Toshikazu Maeda
President and
Representative Director

Enhancing Our Technologies to Solve Customers' Issues

On Publishing *MARUMAE REPORT 2021*

We are pleased to publish *MARUMAE REPORT 2021*, our first integrated report. Our operating environment is changing at breakneck speed and becoming more uncertain. Under such circumstances, gaining the understanding of our existing and potential shareholders and investors for both our financial and non-financial initiatives, such as those in relation to environmental, social, and governance (ESG) issues, and earning recognition as a company that can realize sustainable growth are becoming increasingly important.

This integrated report is intended to serve as an important communication tool for achieving these goals. I hope *MARUMAE REPORT 2021* will enable us to strengthen dialogue with all stakeholders, including shareholders and investors as well as employees and local communities.

Solving Customers' Issues through Our Technologies

I would like to begin by providing a brief explanation of Marumae's history and the course of its growth. Although it was founded as an ironworks in 1965, Marumae's current business traces its origins to T'sM's R&D, a motorcycle parts manufacturer I established in 1992. At that time, I competed in motorcycle racing while personally engaging in the manufacture of motorcycle parts for races, such as mufflers and frames, which T'sM's R&D also made efforts to sell externally. The company later joined Marumae in 1997 as one of its businesses, with Marumae drawing on the precision machining technologies cultivated by T'sM's R&D to begin the manufacture of steam turbine blades for power plants, robotic arms, and other industrial parts, by means of cutting. We have since broadened our business sectors to encompass the manufacture of vacuum parts used in the manufacture of semiconductor production equipment, flat panel display (FPD) production equipment, and solar cell production equipment.

In developing products for a variety of sectors, we have consistently endeavored to solve customers' issues. To this end, we have continuously refined our technologies. Marumae's Management Philosophy calls on it to ① Seek technological perfection, ② Respect competition and collaboration, and ③ Contribute to society as a company focused on technology. We formulated our Management Philosophy in 2001 when we became a joint-stock company and changed our name from Marumae Kogyo to Marumae Co., Ltd. Despite being a small company with only a

few employees in those days, when I looked back on our growth from our founding to that point, I concluded that the expectations customers had of us were in regard to our technologies and that those technologies were and remain the source of our growth. I remain certain of that conclusion. With a focus on our precision machining technologies, which serve as our starting point, we aim to become a leading parts machining company that underpins general manufacturers in a wide range of sectors through our advanced technologies and supply capabilities.

Shifting to the Manufacture of Semiconductor Production Equipment Parts in the Wake of the 2008 Global Financial Crisis

Currently accounting for almost 80% of its net sales, semiconductor production equipment parts are a major driver of Marumae’s growth. Behind the shift in business model was the 2008 global financial crisis, which was a very bitter experience for me personally.

In 2008, Marumae’s mainstay products were FPD production equipment parts. In anticipation of future market expansion, we invested proactively in the manufacture of solar cell production equipment parts, net sales of which increased rapidly to the extent that they accounted for approximately half of our total net sales. However, the impact of the global financial crisis led to a significant contraction in both of those markets, prompting a substantial decline in net sales. In many cases, both FPD and solar cell production equipment parts are large in size, inevitably necessitating extensive investments in large-scale production equipment. As the burden of depreciation entailed by investments in such equipment rose, we quickly ran into financial difficulties.

To navigate these difficulties, we decided to concentrate our management resources in the manufacture of semiconductor production equipment parts. It is not possible to accurately forecast changes in the market environment on the scale of the global financial crisis. Moreover, as the expression “silicon cycle” suggests, the semiconductor sector is also subject

to boom and bust conditions. Nevertheless, in comparison with the manufacture of both FPD and solar cell production equipment parts, a company can manufacture semiconductor production equipment parts inexpensively, provided it has the technology, allowing it to respond flexibly to changes in the market environment. Marumae’s decision to pursue management emphasizing the strength of its equipment, rather than its technological capabilities, can be considered to have exacerbated the impact of the global financial crisis on its business. This is why, backed by a strong conviction that we must position our technologies—our priority—at the center of management, we decided to shift our focus to the manufacture of semiconductor production equipment parts.

While management was not all smooth sailing following that decision, semiconductor demand rose sharply from around 2015—at a time when we managed to overcome our financial difficulties—thanks to the global proliferation of smartphones and the increase in cloud servers. In conjunction with these tailwinds, we achieved renewed growth through the implementation of decisive capital investment, which led to our listing on the First Section of the Tokyo Stock Exchange in 2018.

Three Strengths That Realize High Productivity



Next, let me discuss Marumae’s current strengths. The first is the manufacturing know-how of the Company’s engineers. Our technological foundations were primarily laid in the era when we manufactured motorcycle parts. Motorcycle parts are complex, require a high degree of precision, and must be strong enough to withstand high speeds of up to 300 kilometers per hour. Bearing the weight of knowing that lives depend on such parts, I have acquired extensive knowledge of not only machining but also materials. I have communicated such manufacturing know-how to our engineers, who pass it on ceaselessly to the next generation. Marumae’s technological capabilities have also earned high praise from customers thanks to the efforts of individual engineers to repeatedly refine their skills, leading to ongoing business transactions. Prior to the 2008 global financial crisis, we aimed to maintain multiskilled engineers. Under this system, a single engineer would carry out all processes, from designing a product to creating a program for manufacturing it, operating machinery, finishing, and performing inspections. However, cultivating a fully capable engineer under such a system requires a huge amount of time. As a result, we are gradually splitting the roles of engineers and advancing initiatives that make it easier to pass on our manufacturing know-how to the next generation, such as through the creation of manuals.



With a focus on our precision machining technologies, which serve as our starting point, we aim to become a leading parts machining company that underpins general manufacturers in a wide range of sectors through our advanced technologies and supply capabilities.

Our second strength lies in our production capabilities surpassing those of our industry rivals. Marumae is by no means a large company. That said, almost all of our industry rivals are small to medium-sized companies, compared with which we have greater capital strength. Accordingly, in the event of sudden market growth, for example, we would be able to implement bold capital investments. Needless to say, the 2008 global financial crisis taught us to pay close and constant attention to the operational status of our facilities. However, our ability to secure the production capacity needed to meet customer demand by leveraging our capital strength to flexibly implement capital investments constitutes a major competitive advantage for us.

Lastly, the Company's third strength is its one-stop production structure that can handle multiple processes. The manufacture of semiconductor production equipment parts requires numerous multifaceted manufacturing processes, including metal cutting, welding, surface treatment, and gun drilling. While many of its industry rivals perform these processes in cooperation with other companies, Marumae has brought the elemental technologies for them in-house, thus creating a one-stop production structure that can handle multiple processes. This structure facilitates such benefits as reducing the cost and time required to transfer products from one process to another. We have also organized our methods for enhancing productivity into the Marumae Manufacturing System (for more information, please refer to page 23). Although the effect of improving productivity in each process may be marginal, the combined effect of these improvements on the manufacturing process as a whole is significant. As such, I believe there are significant advantages to our one-stop production structure.

Marumae realizes high productivity by utilizing these three strengths, thereby facilitating a virtuous cycle in which it ensures a high profit structure to fund further capital investments.

I would now like to explain our initiatives aimed at future growth. In October 2018, Marumae formulated *Innovation 2021*, our medium-term business plan, with fiscal 2021 as its final year. When we formulated the plan, we set as numerical targets net sales of ¥8.0 billion and operating profit of ¥2.4 billion, increases of approximately 1.7 times and 2.0 times, respectively, compared with fiscal 2018, given that markets in the semiconductor sector were seeing rapid growth and that we anticipated ongoing market expansion. The plan aimed to significantly grow our top line while further increasing our profit margin. Based on a recognition that further raising productivity through technological innovation would be indispensable to achieving these objectives, we used the word *innovation* in the plan's title.

However, the contraction in the semiconductor sector markets in 2019 led to a significant deviation from our initial expectations. Subsequently, despite signs of a recovery trend in said markets, we determined that attaining the aforementioned numerical targets would be out of reach and, in August 2020, extended the period of the plan until fiscal 2022. While the basic policy of the plan remains unchanged, we have renamed it *Innovation 2022* and revised its numerical targets for net sales and operating profit—to ¥7.0 billion and ¥2.0 billion, respectively. We have, however, maintained our target for shareholder returns comprising a 30% dividend payout ratio and a minimum annual dividend per share of ¥10.00, and we will only revise these targets in the event of recording a net loss.

Aiming for Technological Innovation under *Innovation 2022*, Our Medium-Term Business Plan

Medium-Term Business Plan <i>Innovation 2022</i>	
Numerical Targets	Net sales of ¥7.0 billion Operating profit of ¥2.0 billion
ROIC*	Asset-based ROIC of 18.0% Liability-based ROIC of 14.0%
Shareholder Returns	Dividend payout ratio of 30% or above Minimum annual dividend per share of ¥10.0
ESG	Promotion of sustainability-focused management Medium- to long-term initiatives for addressing key issues

* Asset-based and liability-based indicators are shown separately as the Company's policy is to maintain a high level of liquidity on hand in preparation for M&A and drastic market fluctuations.

Implementing Proactive Capital Investments with an Eye toward the Future

In fiscal 2021, we posted net sales of ¥5.3 billion, up 22% year on year, and recorded operating profit of ¥1.2 billion, up 35% year on year. These increases were the result of a rise in orders received for semiconductor production equipment parts, FPD production equipment parts, and parts for other types of products, with orders for semiconductor production equipment parts seeing significant growth, up 43% year on year. The rise in orders received reflected the extreme bullishness of markets in the semiconductor sector. As Marumae is directing all of its efforts to cater to that demand, it has had no choice but to put initiatives aimed at market share expansion on the back burner. Nevertheless, while markets in the semiconductor sector are subject to expansion and contraction cycles, we expect them to continue growing. Thus, we will implement proactive capital investments with an eye toward expanding our market shares from fiscal 2022.

The full-fledged transition to 5G communications technology has made the era of high-speed, high-capacity communications a reality. With large volumes of data connected through communications technology and stored in the cloud, the utilization of big data storage is proceeding, meaning that we can look forward to the creation of a diverse array of services. In this case, as the volume of data in circulation is many times greater than before, large volumes of data will need to be processed and stored. Based on these circumstances, I expect markets in the semiconductor sector to continue growing, since they entail both quantitative and qualitative expansion in terms of improvements in the performance of semiconductors. One of the triggers behind market expansion in recent years has been the significant increase in demand for 3D NAND memory, which is used in servers. 2D NAND memory, the traditional type of flash memory, had already reached the limit of its density, making it difficult to increase its capacity

any further. In contrast, 3D NAND memory stacks cells vertically, giving it a memory capacity many times greater than that of 2D NAND and enabling the storage of large volumes of data. This development is evidence that the need for high-capacity semiconductors is growing owing to 5G communications technology and other factors.

In respect to FPD production equipment parts, another of our pillars of earnings, rising demand for liquid crystal displays and organic light-emitting diodes due to the promotion of telework brought about by the COVID-19 pandemic is spurring short-term growth in orders received. However, given the comparatively high risks involved in this sector, such as market fluctuations, we had previously held back from implementing proactive capital investments. In consideration of our expanding market shares and our supply responsibility, our policy is now to meet growing demand from customers while implementing a certain level of capital investments in this sector.

Given these circumstances, while we are forecasting record-high net sales and operating profit of ¥7.2 billion and ¥1.8 billion, respectively, in fiscal 2022, the final year of *Innovation 2022*, we expect to fall short of the plan's numerical target for operating profit but meet that for net sales. The reason for this prediction is positive, as it factors in the increase in depreciation resulting from the proactive capital investments that we will implement to expand our market shares from fiscal 2022. Marumae practices management with an emphasis on return on invested capital (ROIC) (for more information, please refer to page 20). Although we have targeted asset-based ROIC of 18% and liability-based ROIC of 14% in *Innovation 2022*, our policy is to tolerate a temporary deterioration of ROIC brought about by our capital investments.

Meanwhile, despite revising conventional human-dependent approaches and proactively working on such innovations as automation that utilizes machinery and IT, we still have a lot of work to do in regard to further improving productivity through technological innovation. For example, we introduced an automated warehouse and an automated production line combining robots with machine tools, such as lathes and machining centers, for use in the production of vacuum parts for the semiconductor sector, which primarily sees repeat demand. However, we must make further improvements as we are not satisfied with their current performance. Marumae is committed to pursuing further technological innovation to increase productivity Companywide, such as promoting the visualization of manufacturing conditions using smart-phones and the introduction of robotic process automation in administrative departments.

Stepping Up Our ESG Initiatives

Interest in ESG-related issues has been increasing in recent years. Marumae promotes sustainability initiatives in an integrated manner, with information thereon disclosed as part of its management strategies on the Company's website. In September 2021, we established the ESG Committee, which identifies material issues, sets key performance indicators (KPIs) and ascertains the degree of their achievement, and reviews plans and reports on their progress to the Board of Directors in order to address the various challenges related to ESG factors in corporate management.

In respect to environmental initiatives, we will minimize our CO₂ emissions by generating a portion of the electricity we require for production activities, reducing the amount of electricity we purchase from external suppliers. In this way, we aim to lessen our impact on the environment. We have set forth a target of reducing our CO₂ emissions per marginal profit by more than 50% by

2030 [compared with fiscal 2021], to be realized by curbing our electricity consumption through the use of various types of renewable energy. To this end, we plan to steadily install solar panels. Additionally, in light of our declaration of support in November 2021 for the final recommendations of the Task Force on Climate-related Financial Disclosures, we will gradually improve the quality and increase the volume of the materials we disclose. In our social initiatives, we are undertaking research into rehabilitation equipment jointly with Kagoshima University. We also endeavor to contribute to Izumi City in Kagoshima Prefecture—where Marumae was founded—in a number of ways. These include acquiring the naming rights for public facilities and focusing efforts on the recruitment of not only young people but also senior citizens as one facet of our efforts to promote employment in the region, putting the right people in the right positions. Additionally, we are also carefully enacting a host of COVID-19 countermeasures, such as thoroughly implementing sanitization with alcohol-based disinfectants, installing partitions, and having our employees avoid crowded and other settings that increase the risk of infection by splitting working times into day and night shifts. Thus far, we have seen no mass infections within our plants or suffered any major disruptions to our business activities.

Lastly, turning to governance initiatives, we are aiming to increase the number of outside directors appointed. In fiscal 2022, as part of our efforts in this regard, we achieved our goal of ensuring that outside directors account for one-half of all members of the Board of Directors, which we had originally sought to achieve by 2025. We are currently examining whether or not to increase the number of Board members by one with the addition of a female director who has experience in corporate management. Through these efforts, we will improve the effectiveness of the Board of Directors by enhancing its diversity and ensuring that its meetings serve as forums for lively debate.

Contributing to Society and Achieving Sustainable Growth as a Company Focused on Technology

As I highlighted at the beginning of this message, technologies stand at the core of our growth, and only people can drive technological innovation. When I established T'sM's R&D, I hoped that I could continue the business on my own. In order to solve customers' issues, however, I had to increase the number of my employees, one at a time, as one person alone simply cannot do everything. During the process, I shared the technologies I had cultivated while continuously telling employees that the ultimate technologies are not those you learn from others but those you create yourself and that when you approach a matter, you must fundamentally address it. This kind of mindset applies to not only engineers but all employees. Technologies cannot be perfected overnight. I went through a process of trial and error while experiencing multiple failures. I believe that Marumae's unique technologies have been shaped as a result of a similar process of trial and error experienced by each and every employee, which has underpinned the Company's growth.

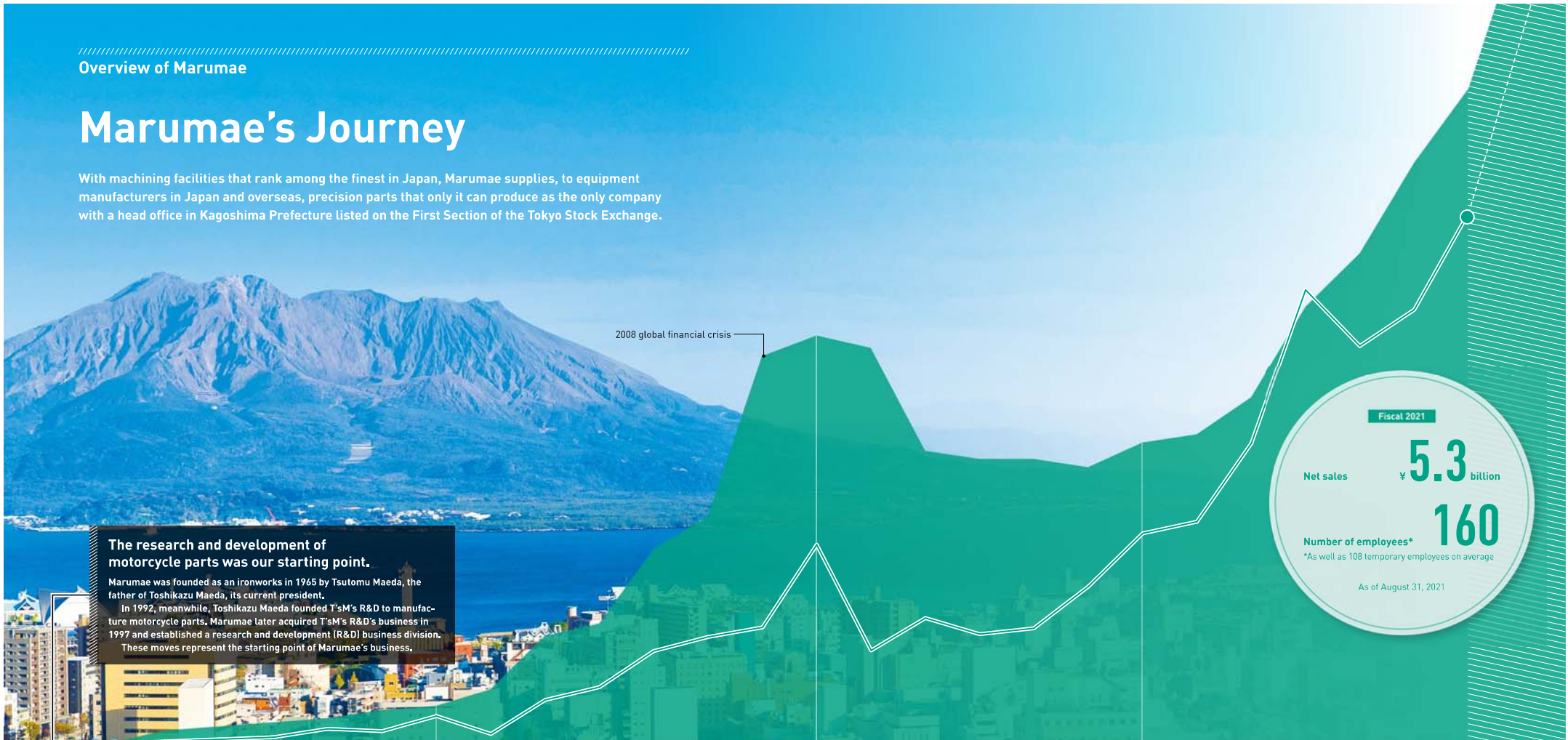
Enhancing our technologies to solve customers' issues, we are committed to realizing sustainable growth by contributing to society as we repeat that process. I would like to ask shareholders, investors, and all other stakeholders for their ongoing support.

前田俊一

Toshikazu Maeda
President and Representative Director

Marumae's Journey

With machining facilities that rank among the finest in Japan, Marumae supplies, to equipment manufacturers in Japan and overseas, precision parts that only it can produce as the only company with a head office in Kagoshima Prefecture listed on the First Section of the Tokyo Stock Exchange.



The research and development of motorcycle parts was our starting point.

Marumae was founded as an ironworks in 1965 by Tsutomu Maeda, the father of Toshikazu Maeda, its current president. In 1992, meanwhile, Toshikazu Maeda founded T'sM's R&D to manufacture motorcycle parts. Marumae later acquired T'sM's R&D's business in 1997 and established a research and development (R&D) business division. These moves represent the starting point of Marumae's business.

Net sales* Number of employees *Net sales prior to the fiscal year ended March 31, 2002 include only those for the R&D business division.

Turning Point 1997-

With the establishment of the R&D business division, Marumae shifted its business from one centered on welding to one focused on precision cutting.

2001 ▶ Changes name to Marumae Co., Ltd., and revises organizational form

Expansion 2003-

Marumae accelerated the expansion of its business scope, starting with the relocation of its main factory in 2003. In 2006, the Company was listed on the Mothers section of the Tokyo Stock Exchange.

2006 ▶ Listed on the Mothers section of the Tokyo Stock Exchange

Revitalization 2009-

Following the 2008 global financial crisis, Marumae sought to revitalize its business through alternative dispute resolution (ADR) procedures while pivoting its core businesses to the semiconductor sector.

2011 ▶ Implements ADR procedures for business revitalization
2015 ▶ Concludes a business revitalization plan through ADR procedures

Renewed Growth 2015-

Marumae achieved renewed growth by implementing bold capital investments in line with the rapid rise in semiconductor demand. In 2018, we became the only company listed on the First Section of the Tokyo Stock Exchange with a head office in Kagoshima Prefecture.

2018 ▶ Listed on the Second Section of the Tokyo Stock Exchange
Listed on the First Section of the Tokyo Stock Exchange

2019 ▶ Relocates head office to Onohara, Izumi City, Kagoshima Prefecture (Izumi Factory)



The Course of Our Business and Technologies

Throughout its history, Marumae has incorporated the cutting-edge technologies of each era and evolved along with the industries that underpin people's lifestyles.

01 Marumae's technological capabilities

Racing activities marked the beginning of our current business

Marumae's current business dates back to the development and production of frames, mufflers, and various other motorcycle parts by current president Toshikazu Maeda, who is a former professional motorcycle racer.



04 Marumae's technological capabilities

Focus on semiconductors and flat panel displays

Vacuum parts for etch systems, which are particularly difficult to manufacture and are an area in the semiconductor sector with high barriers to entry, were critical to the revitalization of Marumae's business in the business revitalization plan.

In the FPD sector, we receive orders for vacuum chambers that require complex and multi-process machining, such as welding and gun drilling, many of which cannot be manufactured by other companies.



02 Marumae's technological capabilities

Transition from motorcycle parts to industrial parts

Marumae increased its efficiency and accumulated expertise on machining complex parts by manufacturing parts for a wide range of industries, from motorcycle parts to turbine blades for industrial use, robot parts, and others.



03 Marumae's technological capabilities

Accumulation of expertise on vacuum parts

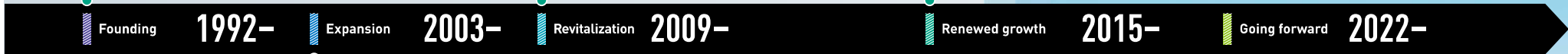
Marumae expanded its business domains by utilizing the machining expertise it had cultivated in the process of manufacturing motorcycle parts to produce a variety of industrial machinery, including semiconductor production equipment parts.



Quest to become a company that contributes to society through its technologies

Marumae has achieved growth by leveraging the strengths of its original technological capabilities to shorten manufacturing times and manufacture products involving a high degree of technological difficulty.

Going forward, we will strive to expand our prototype manufacturing capabilities and production capacity while innovating in manufacturing and cutting technologies in a variety of sectors.



In 1992, current president Toshikazu Maeda founded T'sM's R&D (now a Marumae business)—which serves as the basis for Marumae's business of today—with the objective of manufacturing motorcycle parts. The subsequent shift to the manufacture of parts for industrial use laid the foundations for Marumae's current business.

Marumae entered the FPD sector and began the full-fledged manufacture of vacuum parts. Following the relocation of our main factory in 2003, we have focused on the manufacture of large products and expanded our business scope, such as through entering the solar cell production equipment sector.

As the 2008 global financial crisis had a significant impact on the solar cell production equipment and the FPD sectors, the mainstays of Marumae's business at the time, the Company pivoted its core businesses to the semiconductor sector in pursuit of revitalization.

Marumae concluded its business revitalization plan ahead of schedule in 2015 thanks to the growth of the semiconductor sector. Around this time, demand for semiconductors began to increase rapidly due to the global spread of smartphones and the increase in cloud servers, which further accelerated Marumae's growth.

Marumae aims to be a leading parts machining company that diversifies and strengthens its cutting-edge technologies in combination with its supply capabilities, in order to become a company that can underpin general manufacturers in a wide range of sectors.

Marumae's target business domains

Marumae targets business sectors where the need for advanced production expertise means few competitors exist, as a result of which these sectors promise high added value and high profit margins.

Social Context

Popularization of computers

Widespread adoption of communications devices such as cell phones

Emergence of high-performance electronic devices such as liquid crystal televisions

2008 global financial crisis

Rapid growth of semiconductor demand

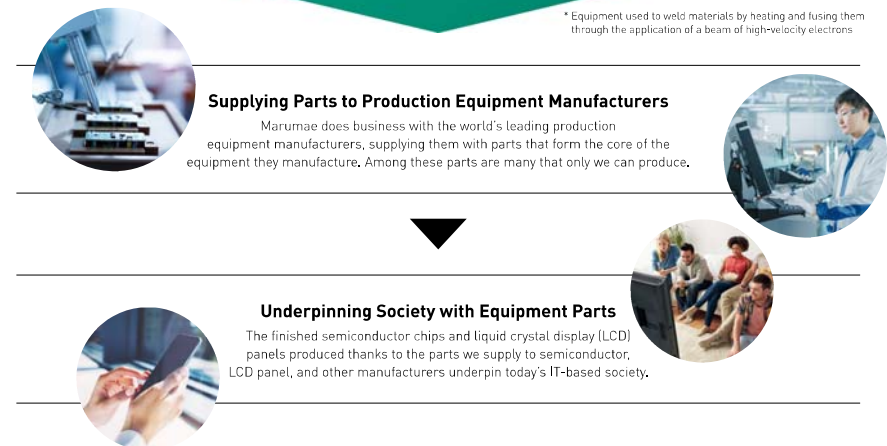
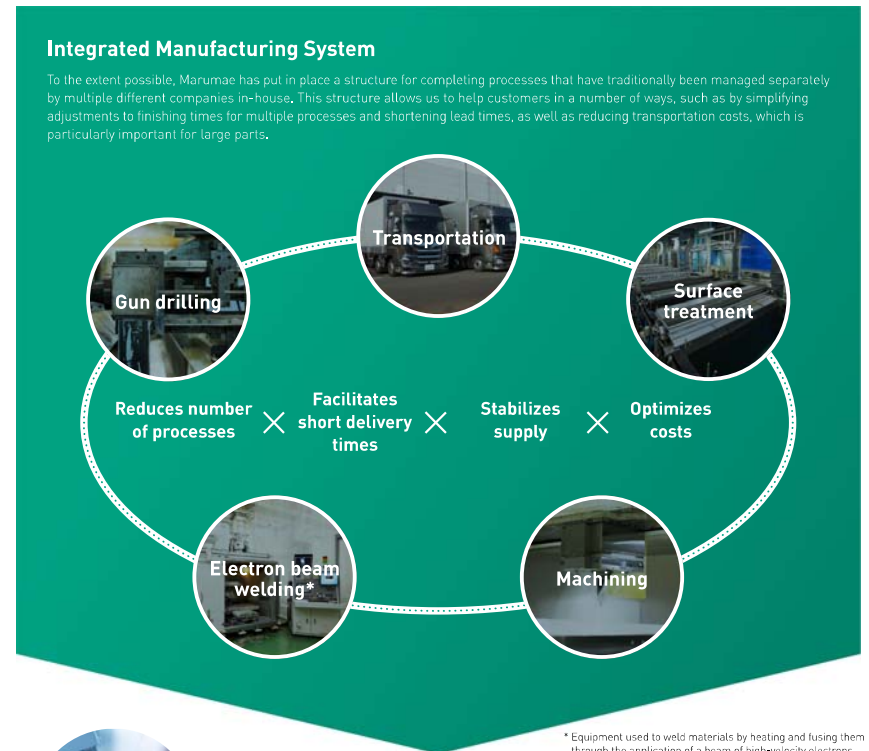
Marumae of Today

Harnessing its high productivity as a strength, Marumae underpins society through the manufacture of vacuum parts, which form the core of semiconductor and flat panel display (FPD) production equipment.

Distinctive Features of the Factories Underpinning Our High Productivity



Solving Customers' Issues through Our Integrated Manufacturing System



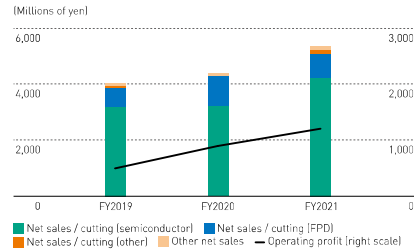
Our Business Model

Marumae's Strengths

Through the innovative use of digital transformation, Marumae can machine products with highly precise and complex shapes that can also be used for general purposes. Our experience in various sectors also allows us to achieve a higher level of productivity than industry rivals.

Furthermore, in addition to these fundamental technological capabilities, the capital strength gained through our stock market listing enables us to address volatile demand in markets in the semiconductor and other sectors through flexible capital investments.

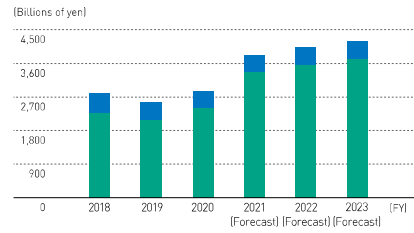
Net Sales / Operating Profit



Markets

Marumae seeks in particular to secure orders from markets for vacuum parts, which form the core of semiconductor and FPD production equipment, allowing the Company to make effective use of its technological capabilities. In recent years, we have leveraged our strengths to continuously expand our market shares.

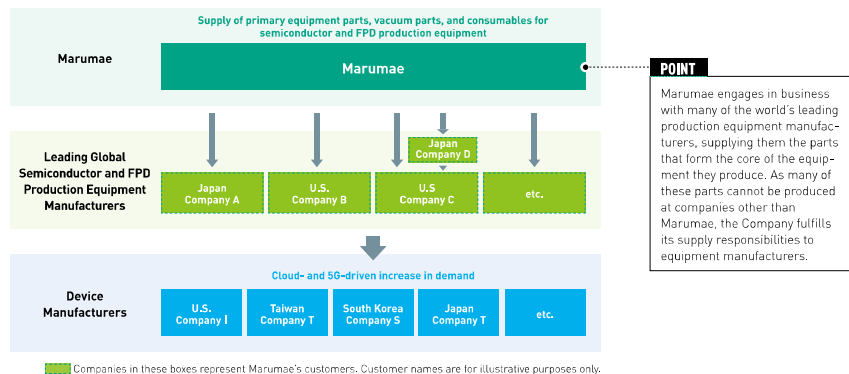
Semiconductor and FPD Manufacturing Equipment (Forecast for Japanese Equipment Billing)



Source: Market Forecast Report: Semiconductor and FPD Manufacturing Equipment (Fiscal years 2021-2023), published by the Semiconductor Equipment Association of Japan in January 2022

Commercial Distribution

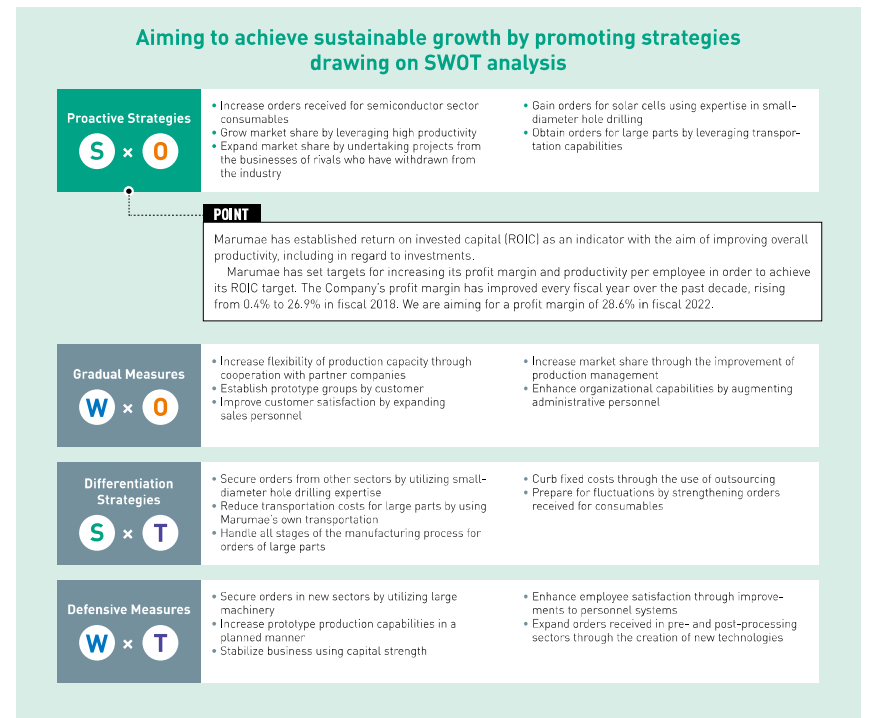
The majority of Marumae's customers are semiconductor and FPD production equipment manufacturers. The suppliers of those equipment manufacturers are also our customers. In this way, we currently provide indirect support to the semiconductor market, which is seeing a production crunch.



Strength, Weakness, Opportunity, and Threat (SWOT) Analysis

Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> Expertise in manufacturing vacuum parts Capabilities for manufacturing large precision parts In-house handling of multiple processes Low costs due to high productivity 	<ul style="list-style-type: none"> Shortage of personnel for manufacturing prototypes due to high growth High degree of dependence on the semiconductor and FPD sectors 	<ul style="list-style-type: none"> Capabilities for implementing flexible capital investments In-house transportation capabilities Division of work utilizing partner companies and areas of expertise 	<ul style="list-style-type: none"> Fluctuations in market conditions Decline in the value of orders Avoidance of Marumae due to its dominant share among customers
<ul style="list-style-type: none"> Buoyancy of the semiconductor equipment market Expansion of demand for etch systems Withdrawal of industry rivals Increase in demand from China 	<ul style="list-style-type: none"> Intensifying competition with industry rivals in Japan and overseas Fluctuations in exchange rates 		

Strategies Drawing on SWOT Analysis



Strategies for Achieving Sustainable Growth

Medium-Term Business Plan
Innovation 2022

In light of trends in the semiconductor production equipment market that diverged from its initial expectations, Marumae revised *Innovation 2021*, its previous medium-term business plan, and formulated *Innovation 2022*, extending the period of the revised plan until fiscal 2022. Under this plan, we will aim to become a company with few assets and low fixed costs that achieves high productivity.

Item	Target	FY2021 Results	FY2022 Forecast
Numerical Targets	Net sales of ¥7.0 billion Operating profit of ¥2.0 billion	Net sales of ¥5.3 billion Operating profit of ¥1.2 billion	Net sales of ¥7.2 billion Operating profit of ¥1.8 billion
ROIC*	Asset-based ROIC of 18.0% Liability-based ROIC of 14.0%	Asset-based ROIC of 12.1% Liability-based ROIC of 9.7%	Aiming to achieve ROIC targets by increasing profit margin Asset-based ROIC of 15.3% Liability-based ROIC of 12.9%
Shareholder Returns	Dividend payout ratio of 30% or above Minimum annual dividend per share of ¥10.0	Dividend payout ratio of 34.0% ¥10.0 interim, ¥14.0 year-end, and ¥24.0 annual dividend	Dividend payout ratio of 37.0% ¥18.0 interim, ¥18.0 year-end, and ¥36.0 annual dividend
ESG	Promotion of sustainability-focused management Medium- to long-term initiatives for addressing key issues	Installation of additional solar panels under a policy of using renewable energy generated by the Company to supply the electricity it consumes	Additional installations of solar panels at the Izumi and Kanto factories Reduction of CO ₂ emissions per marginal profit of 14% compared with fiscal 2021

* Asset-based and liability-based indicators are shown separately as the Company's policy is to maintain a high level of liquidity on hand in preparation for M&A and drastic market fluctuations.

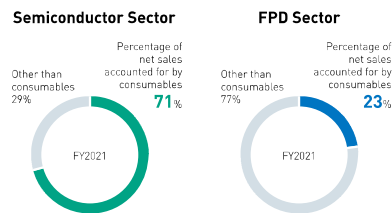
For more information on ESG initiatives, please refer to pages 25–38.

Expanding Orders for Consumables*1

With regard to vacuum parts, Marumae is focusing in particular on obtaining orders for consumables, which are exposed to high-temperature and high-voltage plasma*2 inside vacuum chambers. Unlike demand for new equipment, which fluctuates significantly, demand for consumables will arise as long as production equipment is in operation. In this way, such demand contributes to the stabilization of Marumae's business.

*1 As Marumae's definition of consumables includes parts preinstalled in and accompanying new equipment, not all demand for such consumables arises from their complete wear and tear (the Company expects actual wear and tear to account for approximately half of the demand for consumables).

*2 A gas that has been ionized into positive ions and free electrons by being subjected to a high temperature and strong electromagnetic field, resulting in a highly activated condition that is used in the etching of metal films and other processes.



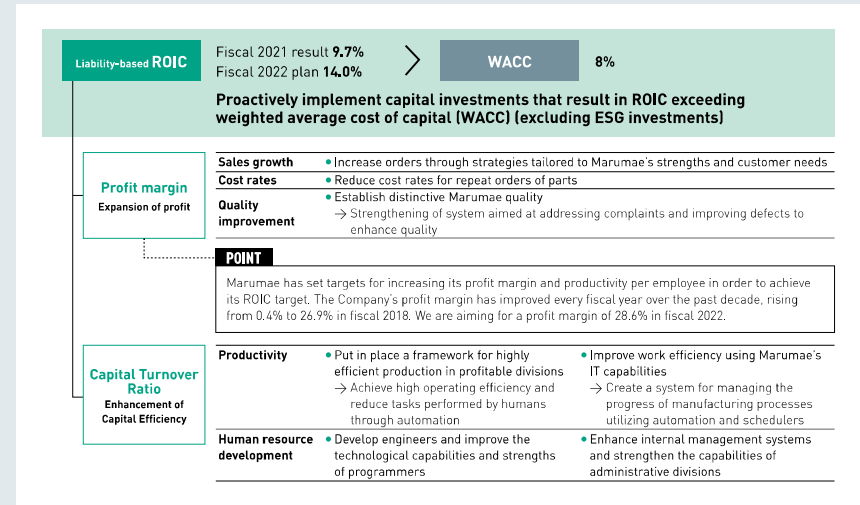
M&A

Alongside organic business growth, Marumae proactively explores acquisitions of companies in the same industry or of companies with elemental technologies that it currently lacks.

ROIC

With ROIC set as its most important key performance indicator (KPI), Marumae conducts business management emphasizing high capital efficiency with a focus on the cost of capital. The Company aims to achieve its target for ROIC by realizing a high level of operating profit while controlling capital.

Improvement Drivers (Improvement that is not dependent on capital reduction)



For more information on our human resource initiatives, please refer to pages 31–33.

Efforts to Increase ROIC

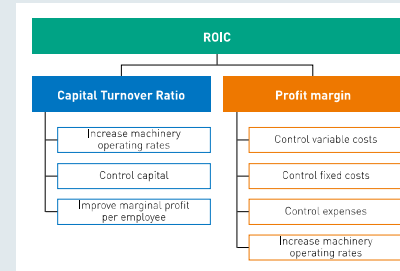
Increasing Equipment Productivity by Raising Production Operating Rates

Selecting the right equipment and increasing operating rates are important factors for raising the productivity of such equipment, which are few in number. To this end, in addition to implementing initiatives that reduce the need for employees to pass products to one another, such as through the introduction of automatic pallet changers developed by Marumae, the Company installs machine tools and carries out repeated improvements to increase productivity per hour.

Promoting Digital Transformation

In September 2021, Marumae issued a smartphone to each production floor employee to facilitate the visualization of the progress and outcomes of manufacturing processes using a barcode system. This system allows employees in charge of production management to understand manufacturing conditions in real time, allowing processes to be adjusted and organized more quickly and helping increase productivity. In addition, as the system also enables supervisors to understand the work circumstances of each employee, it helps them to assign personnel more efficiently.

In fiscal 2022, we will aim to launch the operation of a system for organizing process plans. This system will improve the efficiency of organizing process plans by incorporating order information and manufacturing instruction manuals from our core system.



Overview and Strategies by Sales Sector

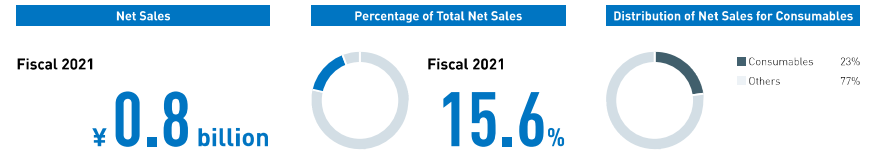
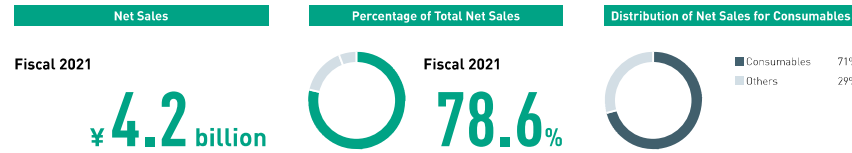
Semiconductor Sector

In the semiconductor sector, Marumae manufactures vacuum parts used in the semiconductor chip production process known as front-end wafer processing.



FPD Sector

In the FPD (flat panel display) sector, Marumae manufactures vacuum parts used in liquid crystal display (LCD) panel and organic light-emitting diode (OLED) production equipment as well as in testing equipment.



Primary processes			
CVD*1	Etching*2	Coating*3	Cleaning

Primary processes					
CVD	Sputtering*1	Ashing*2	Coating	Etching	Bonding

*1 Chemical vapor deposition (CVD) is a chemical film deposition process in which a precursor gas is fed into a chamber under high atmospheric pressure in a medium-vacuum state (100–10⁻¹ Pa) and caused to undergo a chemical reaction through the application of energy in the form of heat, plasma, or light, resulting in the formation of a thin film or small particles of material that are adsorbed or deposited onto the surface of a material or substrate.

*2 Etching is a process in which corrosive chemicals are applied to a material to deform or treat its surface. The parts of the surface that need to be preserved are typically protected with an etch-resistant masking material, such as a photoresist (a light-sensitive organic material), and excess areas are removed from the surface with the corrosive chemicals through erosion or etching to obtain the desired shape.

*3 Coating is a process in which a photoresist is coated onto a wafer surface and microscopic circuit patterns are transferred and developed onto the substrate using photolithography equipment.

*1 Sputtering is a process in which a target coating material (a deposition material, shaped like a plate) and substrate (its destination) are placed into a vacuum chamber and a voltage is applied between them. An inert gas (typically argon) is introduced into the vacuum chamber and ionized to create a glow discharge (plasma formed by the passage of an electric current through a gas). The target material is bombarded by the gas ions at high velocity, causing particles (atoms and molecules) from the target coating material to escape, travel, and deposit on the substrate as a film.

*2 Ashing is the process of breaking down and removing excess photoresist from an etched wafer by generating a reactive species (a type of unstable molecule that easily reacts with other molecules) using a plasma source that combines with the photoresist to produce ash.

Operating Environment

- Market conditions are favorable, with minimal impact from COVID-19
- Although there is uncertainty associated with U.S.–China trade friction, demand for logic semiconductors is a positive factor
- Marumae will expand its market share by strengthening its prototype production capabilities and proactively implementing capital investments.

Business Prospects

- Market conditions are forecast to remain at a high level for the time being
- Marumae plans to continuously implement proactive capital investments
- In consideration of its acquisition of a process of record (POR*) for semiconductors, Marumae will pursue a policy of prioritizing the expansion of its market share, taking into account the risk of market stagnation.

* POR: certification for semiconductor manufacturing processes

Strategy Direction

Amid intense market growth, Marumae will aim to maintain and increase its market share by expanding its production capabilities for existing customers. In conjunction with these efforts, the Company will leverage the technologies in which it excels to secure new customers.

Operating Environment

- Ongoing lull in demand for small and medium-sized OLEDs for smartphones
- Demand for Generation 10.5 LCDs* likely to slow
- Marumae will strengthen orders for one-stop production encompassing front- and back-end processes by utilizing its electron beam welders (EBWs) and transportation capabilities

* Glass substrates measuring approximately 3 m×3.4 m in size

Business Prospects

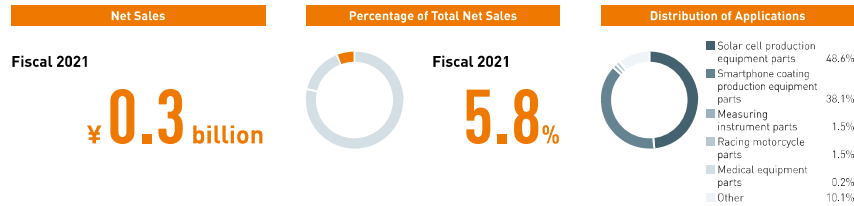
- Acquire new customers by utilizing EBWs
- Market share to expand as a result of business withdrawal by industry rivals
- Orders centered on small and medium-sized OLEDs to remain favorable
- Address production crunch through augmentation of capabilities while making use of partner companies to the extent possible

Strategy Direction

Marumae will boost orders for vacuum chambers—which are difficult for industry rivals to manufacture—centered on the use of electron beam welding and cutting. In addition, as our market share expands, we will implement capital investments to fulfill our responsibility to produce products that are difficult for other companies to manufacture.

Other Sectors

Marumae manufactures aluminum and various other metal parts, such as solar cell production equipment, racing motorcycle, optical, and medical equipment parts.



Policy

Marumae will work to utilize its excess production capacity in the semiconductor and FPD sectors to contribute to other sectors. Our policy is also to develop new sectors by acquiring new technologies.

Products with Sales Track Records

Solar cell production equipment	Smartphone casings	Motorcycles	Optical sector	Robots
Supplying parts for deposition systems for thin-film solar panels	Supplying parts used in equipment for coating and painting the surfaces of smartphones	Primarily supplying parts for racing	Supplying image processing equipment parts	Supplying robots for production process automation

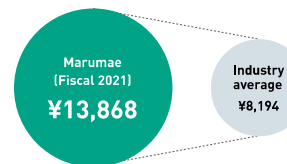
Close Up

The Marumae Manufacturing System—Designed to Achieve Highly Efficient High-Mix, Low-Volume Production and Prototype Production

The manufacture of semiconductor production equipment parts involves the production of a wide variety of products in small quantities, for which many prototypes must also be supplied. To cater to these requirements, Marumae has systematized the production technologies it has cultivated, including its own extrusion manufacturing system, to ensure that it does not rely excessively on the technological expertise of certain individuals.

In addition, we have established the Marumae Manufacturing System, a proprietary system combining these production methods with factory automation for repetitive manufacturing tasks, other forms of automation, and laborsaving technologies. Going forward, we will enhance productivity per employee through the introduction of further automation and laborsaving technologies, thereby shortening delivery times and realizing a highly cost-competitive manufacturing system.

Marginal Profit per Employee Comparison (Thousands of yen)



Source: 2021 TKC Management Indicators (Business Analyses and Statistics by TKC) [For companies with fiscal years ended between June 30, 2021 and August 31, 2021]

CASE STUDY



Takumi Miyahara

Deputy Section Manager,
Manufacturing Section,
Takaono Factory

Gaining Satisfaction from Working as One with Employees to Promote Improvements in Today's Quality-Focused Environment

As deputy section manager of the Takaono Factory's manufacturing section, my duties center on managing the machining work of my subordinates. In my 12 years since joining Marumae, I have been involved in designing and machining semiconductor production parts in the manufacturing division.

Initially, I remember having a hard time as I was unable to machine workpieces in accordance with blueprints. Even when I created a program and ran a simulation that went well on computer software before machining, it often did not work out when I actually used a machine to cut the metal, resulting in missed deadlines on some occasions. Despite such repeated difficulties, I was very pleased when—with the guidance of senior employees around me—I could cut a workpiece into a shape that ultimately gained the satisfaction of the customer, which helped make my work more rewarding.

Now that it is my role to provide guidance to subordinates, I work together with them to consider improvement measures in the event of faults or other issues with products they have designed, and find solving such issues particularly satisfying. We will continue endeavoring to resolve customers' issues by ensuring that products meet Marumae's high standard of quality through not only individual capabilities but also through teamwork.



Going beyond Simply Manufacturing according to Blueprints to Proactively Provide Technologies from the Prototype Stage

Unlike the Izumi and Takaono factories near Marumae's Kagoshima headquarters, the Kanto Factory—where I work—manufactures semiconductor production equipment parts for specific customers.

In the semiconductor sector, parts are normally manufactured according to the blueprints supplied by customers. In our case, however, almost all customers consult with us from the blueprint preparation stage. While our physical proximity to customers may be one reason why we receive such consultations, I strongly believe it reflects the recognition we have received for our track record of responding sincerely to customer requirements of any kind. At times, we have solved customers' issues by proactively making proposals from the prototype stage, such as manufacturing a special tool for the production of a part in the shape they require.



Taking care of this corporate culture will be indispensable to further solidifying the relationships of trust we have built up thus far. As I am currently involved in employee training as a manager while also performing machining work on the production floor, I hope to use these opportunities to convey Marumae's corporate culture to other employees.



Ryota Motoyama

Deputy Section Manager,
Manufacturing Section,
Kanto Factory

Management Foundation for Delivering Sustainable Growth

ESG Initiatives

ESG Policy

- 1 Contribute to our information-driven society by supplying parts for semiconductor and flat panel display production equipment
- 2 Aim to realize a sustainable society
- 3 Build on and improve the workplace environment to enable everyone to actively participate
- 4 Establish a robust management foundation

Marumae's Approach to Sustainability

A sustainable society is indispensable for ensuring business continuity and establishing a foundation for growth. Marumae has identified environmental, social, and governance (ESG) issues in relation to its business and is promoting initiatives pertaining to these issues with a view to improving its corporate value over the medium to long term. When identifying ESG issues, we continuously assess whether our actions are leading to corporate value improvement, giving considerable thought to how these issues affect our corporate value.

While it promotes such initiatives, Marumae expects that as the social climate changes, so too will its operating environment and the issues it faces. Accordingly, the Company will continue to monitor the external environment while remaining careful not to overlook internal issues. In this way, we will promote initiatives while making improvements to our business activities.

The ESG Committee

Identifying material issues in relation to ESG matters from a long-term perspective, the ESG Committee drafts key performance indicators (KPIs) and plans for solving these issues while serving as a body for monitoring initiatives. Following consultation from the Board of Directors, the committee was established as a subcommittee of the Board of Directors in September 2021. The committee's role is to oversee whether initiatives for addressing ESG issues are leading to an improvement in corporate value and to report to the Board of Directors as necessary.

Comprising the president and representative director, one inside and one outside director, and six employees, the committee has in place a system that facilitates the deep involvement of directors.

The details of discussions at committee meetings are reported to the Board of Directors, the role of which is to oversee the progress of ESG plans and initiatives. Opinions offered by directors when such details are reported to the Board of Directors are shared with ESG Committee members, who conduct discussions at committee meetings as necessary.

ESG Committee System



Notice on ESG Data Disclosure

Marumae discloses ESG-related figures on its website to help stakeholders gain a deeper understanding of the Company. Quantifying ESG elements allows us to understand current conditions quantitatively and to discover and analyze the issues we face. We link the results of our analysis to long-term corporate value improvement.

For more information on ESG data, please refer to our website [Japanese only].
https://www.marumae.com/com_3.html

Process for Identifying Key ESG Issues

In 2021, we began the process for identifying key ESG issues by assessing the degree of importance of the 17 goals and 169 targets of the United Nations Sustainable Development Goals from four perspectives [see chart 1]. We used a formula [chart 2] to produce ratings for these perspectives and listed items with high ratings as important items.

Next, we identified key issues by carrying out repeated discussions referencing the standards of the Sustainability Accounting Standards Board's evaluation criteria for the semiconductor industry and the standards of the Global Reporting Initiative. Going forward, the ESG Committee will oversee initiatives for these key issues while reviewing them regularly, taking into account changes in society and the views of stakeholders.

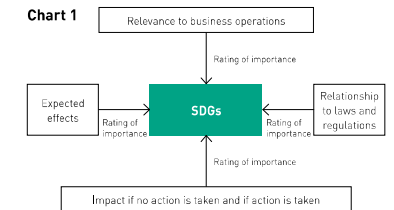


Chart 2

$$\text{Relevance to business operations} \times (\text{Laws and regulations} + \text{Impact}) \times \text{Effect} = \text{Rating}$$

Key ESG Issues and Achievement Targets

Key ESG Issues	Achievement Timing	Target	SDG Items
Realization of a Sustainable Society	2030	Reduce CO ₂ emissions per marginal profit by 50% or more compared with fiscal 2021 by 2030 by generating renewable energy to curb electricity consumption	
	Started in 2021	Declare support for the recommendations of the TCFD and implement information disclosure based on its framework	
	2030	Reduce the volume of cutting fluid waste by 40% compared with fiscal 2021	
	2030	Reduce the percentage of the marginal profit ratio accounted for by packaging materials by 10% compared with fiscal 2021	
Product competitiveness	2030	Reduce the percentage of the marginal profit ratio accounted for by costs arising from remanufacturing due to defects by 40% compared with fiscal 2021	
	2022	Improve ROI Achieve asset-based ROI of 19% Achieve liability-based ROI of 14%	
Increase in productivity	2022	Achieve marginal profit per employee of ¥20.0 million by fiscal 2022	
Technological innovation	2022	Promote digital transformation Implement complete operation of schedulers	
Development of human resources	2025	Establish a team dedicated to developing human resources (create a personnel section)	
	2025	Prepare and implement a human resource development plan and increase investment in training per employee	
People and the workplace	2025	Achieve a rate of parental leave by female employees of more than 75% Attain a rate of parental leave and parental-related annual paid leave by male employees of more than 30%	
	2025	Encourage diversity (recruit minorities, LGBTQ individuals, and other socially disadvantaged individuals, foster understanding of diversity, create friendly work environments, and offer platforms where everyone can thrive)	
	2030	Promote the active participation of women (Increase the percentage of female employees and women in management positions)	
	2023	Achieve a 3% employment ratio of people who have disabilities	
Corporate governance	2023	Ensure a 100% participation rate in safety training	
	2023	Promote diversity in the Board of Directors	
	2022	Boost the ratio of outside directors	
Others	2022	Establish a remuneration system for directors that functions as an incentive	
	2030	Promote research and development related to physical rehabilitation equipment	

The Environment

Marumae's Environmental Initiatives

In 2011, Marumae obtained ISO 14001 environmental management system certification, in accordance with which the Company evaluates and identifies its significant environmental aspects while establishing annual targets for initiatives aimed at reducing its environmental impact.

In light of the growing awareness of climate change in recent years, the Company has also formulated a plan from a medium- to long-term perspective for reducing its greenhouse gas emissions from 2020, and is steadily installing equipment for generating electricity in-house.

Our rationale for choosing to generate electricity in-house is related to the fact that we belong to the manufacturing industry, an industry that consumes a relatively large amount of energy. We have concluded that a system for generating energy in-house is essential to prepare for the risk of fluctuations in the cost of procuring renewable energy going forward and to continue manufacturing activities in a stable manner. In addition, given that climate change is expected to seriously impact our living environment in the future, we have decided—with a sense of urgency—to work to address this issue directly by generating our own electricity.

Marumae's Significant Environmental Aspects

- 1 Electricity consumption volume
- 2 Waste fluid disposal costs
- 3 Industrial waste disposal costs
- 4 Reuse of packaging materials
- 5 Costs arising from remanufacturing due to defects

Note: We identified the above five items through environmental impact assessments in our ISO activities.

Circular Economy Business Aspect

As Marumae's business entails the cutting of metal to manufacture products, it produces a low volume of waste relative to other businesses in the manufacturing industry. We sell the aluminum and stainless steel chips discharged after manufacturing to recycling companies as valuable materials, which are reused as materials for metals. As such, we have in place a business model with a minimal environmental impact.



Discharged chips

Information Disclosure in Relation to Climate Change



In November 2021, Marumae declared its support for the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Accordingly, Marumae will visualize the financial impact of climate change on the Company and prepare for future risks and opportunities.

In the course of conducting information disclosure in relation to climate change, we will strengthen our ability to manage environmental risk factors while building upon our ability to respond to an uncertain future and our resilience to damage. These efforts will help minimize the adverse effect of climate change on our business activities.

Prior to our declaration of support, we calculated the volume of greenhouse gas emissions [Scope 1, Scope 2, and Scope 3] across our entire supply chain for the past four years in order to understand our current situation in numerical terms, the results of which we have disclosed in the ESG Data section on our website (Japanese only).

At present, the ESG Committee, which includes the president and representative director and two directors among its members, discusses Marumae's corporate governance system pertaining to climate change risks and opportunities as well as the Company's risk management system. As soon as it is approved, the substance of these discussions will be disclosed on our website.

Environmental Initiatives



Reduction of CO₂ Emissions by Generating Electricity In-House Using Renewable Energy

Target

Reduce CO₂ emissions per marginal profit by 50% or more compared with fiscal 2021 by generating renewable energy to curb electricity consumption



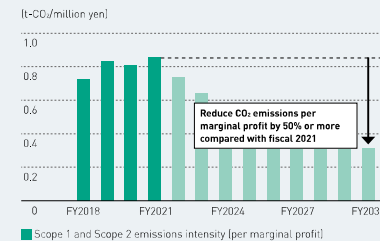
Given its adoption of a growth strategy, Marumae expects its total electricity consumption to rise as production volumes increase. With this in mind, Marumae recognizes that reducing CO₂ emissions per marginal profit is an important issue for the Company. To address this issue, we are reducing the ratio of electricity we procure from external sources and have begun generating our own electricity.

In terms of a specific measure, we are endeavoring to raise the percentage of electricity consumption accounted for by solar power to over 30%. Consequently, we have targeted reducing CO₂ emissions (Scope 1 and Scope 2) per marginal profit by 50% or more compared with fiscal 2021 (0.855 t-CO₂/million yen).

Generation of Our Own Electricity

Rather than buying carbon credits, we aim to reduce CO₂ emissions through our own efforts by generating clean energy ourselves.

Target for CO₂ Emissions Per Marginal Profit



Installations of Solar Panels

Date	Factory	Panel capacity
July 2020	Takaono	72 kW
June 2021	Takaono	259 kW
October 2021	Izumi	221 kW
January 2022	Kanto	90 kW

Forecast to reduce annual volume of purchased electricity by 13% on a cumulative basis

Further Reduction of Consumables by Revising Reduction Methods

Marumae has been reviewing consumables expenses on a monthly basis since its founding and regularly checks the details of consumables purchases to ensure that there is no waste. Based on reviews of purchase records and details, the Company takes timely action to ensure all employees are fully acquainted with the importance of reducing consumables. In this way, we make Companywide efforts to reduce consumables.

The reason we focus on consumables expenses in our cost structure lies in the fact that, while we cannot reduce material expenses since materials are designated by Change Control [CC], we can reduce consumables through our own efforts.

Despite spending many years working to reduce consumables expenses, we revised our methods to achieve further reductions in creating our ESG plan. For cutting fluid, we have purchased a variety of equipment, which we expect to help reduce the volume of waste by extending the service life of the fluid. We also aim to further reduce packaging materials in various ways, including by changing the materials we use.

Communities and Society

Creation of Value through Consolidation in Kagoshima Prefecture

1 Revitalizing the Regional Economy

Marumae's headquarters are located in Izumi City, Kagoshima Prefecture. Given the characteristics of the region, it is by no means a prime location from the standpoint of economic revitalization. Amid these circumstances, the Company hopes that its business activities—which relate to semiconductors used throughout the world—can contribute to the regional economy in some small way. For example, the profits earned by Marumae are paid to employees, who, along with the Company, pay taxes to their local government, thereby contributing to regional finances. In addition, our continuous capital investments also help revitalize the regional economy by increasing the economic activities of business operators in the region.



2 Creating Regional Employment Opportunities

A broad range of employees—both young and old, of all genders—work at Marumae. In addition to a strong pool from the younger demographic, we also have employees who have reached the age of 65, the former retirement age, working in positions suited to their physical strength and circumstances.

Marumae will continue to increase employment in Kagoshima and establish a working environment amenable to a variety of people.



Contribution to the Region through the Acquisition of Naming Rights

With the hope of contributing to cultural activities in the region, Marumae has acquired the naming rights of three facilities in Izumi City. The cost of acquiring the rights serves as a new source of funding, which is primarily used to cover the maintenance and management costs incurred by the facilities.

Facilities	Contract period
• Marumae Hall Izumi (Izumi City Culture Hall)	April 2020–March 2030
• Marumae Concert Hall Izumi (Izumi City Concert Hall)	
• Marumae Sports Center Izumi (Izumi City General Gymnasium)	



Site Agreement with Izumi City

Marumae concluded a site agreement with the government of Izumi City, Kagoshima Prefecture in 2017. The Company renovated the site of a factory acquired under this agreement to establish the Izumi Factory. The installation of automated equipment at the factory, which has a vast site, has facilitated mass production, contributing significantly to the improvement of Marumae's productivity. Employment has increased as we have expanded our site and augmented our manufacturing capabilities at the Izumi Factory, and we continuously conduct recruitment activities in the region.



Social Initiatives



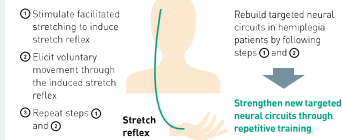
Support for the Social Integration of Stroke Patients Using Rehabilitation Equipment

In collaboration with Kagoshima University, Marumae is developing rehabilitation equipment effective in improving hemiplegia (total or partial paralysis of one side of the body) that can be used for repetitive facilitative exercise (RFE) therapy in place of a doctor or physical therapist.

Marumae is conducting development while canvassing the views of employees who have symptoms of hemiplegia, with the aim of enriching the lives of hemiplegia patients through this rehabilitation equipment.

Developing the equipment has increased the Company's knowledge of and experience with the automated control of robots and of parts design. As Marumae draws on this knowledge and experience in the design and production of its production equipment, it is also useful in enhancing the Company's productivity.

Repetitive Facilitative Exercise Therapy



Marumae is developing rehabilitation equipment to put this theory into practice.

Kazuhisa Shimoinisa, who has symptoms of hemiplegia, works at Marumae. He provides support for research and development related to rehabilitation equipment through data collection and represents Kagoshima Prefecture in boccia, which attracted considerable attention at the Tokyo 2020 Paralympic Games.



Kazuhisa Shimoinisa using rehabilitation equipment

Spotlight

Message from the Employee in Charge of the Medical Equipment Sector



Takashi Morimoto
Group Leader,
Medical Equipment Group,
Development Section,
Development Department,
Manufacturing & Technology
Headquarters

Marumae Will Continue Contributing to Society by Making Use of Its Technologies and Expertise

I am in charge of overall R&D related to rehabilitation equipment at the Development Section's medical equipment group. As the rehabilitation equipment we are currently developing recreates medical techniques usually performed by doctors, it is required to perform highly intricate movements. Safety and ease of portability are also vital to enable users to use the equipment at home or elsewhere. Marumae's advanced machining technology and expertise regarding materials has been very useful in addressing these requirements. For example, when we changed materials from metal to plastic to improve the safety of rehabilitation equipment and make it lighter and more compact, we refined the shape of the equipment based on advice from others within the Company, including the president and representative director, and produced several different prototypes. I believe such an environment has enabled us to solve the issues that accompanied the change of material. Marumae will continue to make a unique contribution to society through R&D related to rehabilitation equipment.

Human Resources

People and Corporate Value

Marumae has grown by solving customers' issues through its technologies. It is people who maintain these technologies and Marumae recognizes that the diverse requirements of customers cannot be satisfied through the technological capabilities of only a select few people. To this end, Marumae believes that the passing on of technologies within the Company will lead to its corporate growth.

When considering our business continuity from a medium- to long-term perspective, the establishment of an environment where employees can work with peace of mind, unburdened by excessive mental or physical strain, is essential to addressing rising demand in a sustainable manner. Marumae's employees are devoting themselves to their daily manufacturing activities in order to meet the needs of customers. Mindful of their efforts, Marumae's policy is to implement measures for reducing the burden on its employees. Members of the Audit and Supervisory Committee and the ESG Committee take the lead in monitoring whether or not any issues pertaining to the working environment need to be tackled, while the Company has also set up a consultation service to help address any psychological issues faced by employees.



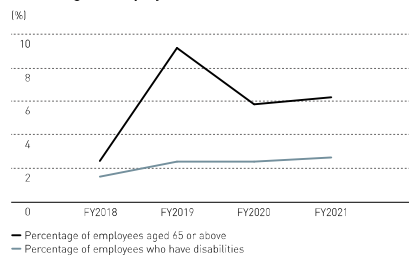
Marumae's Diversity

A diverse range of employees of all ages—from highly skilled and experienced experts to young employees who will lead the Company in the future—work together at Marumae. Employees who have reached the retirement age may choose a workstyle that suits their own circumstances and wishes. Almost all such employees continue to work, thereby underpinning Marumae's business activities.

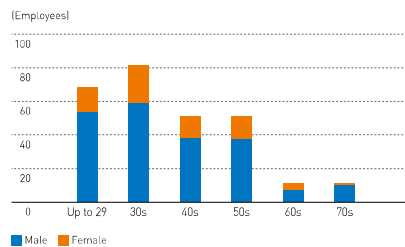
At Marumae, employees who have disabilities support the development process at its site for developing medical equipment, enabling the Company to conduct development while incorporating perspectives that its developers would not otherwise be aware of. In addition to those supporting development, other employees who have disabilities work at Marumae on a continuous basis, engaged in work suited to their individual characteristics and interests. None of those recruited since Marumae began employing people who have disabilities have left the Company.



Percentage of Employees Aged 65 or Above / Percentage of Employees Who Have Disabilities



Age Distribution of Employees [as of August 31, 2021]



Initiatives for Developing Human Resources



Programmers Launching New Products Are Central to Our Technologies

Marumae's programmers hold the key to solving customers' issues. This is related to the fact that programmers devise how to make products; determine input terms to be used for controlling machinery, such as blade type and rotation speed; and maintain the technologies to manufacture products in accordance with blueprints. When making a product for the first time, it is often not possible to manufacture it in accordance with the blueprints. In order to solve issues that have emerged as we have worked to give shape to products drawn in blueprints, various customers have consulted with us to create products through a process of trial and error.

The source of Marumae's competitiveness is its ability to create a product through trial and error, even when a manufacturing method has not been established for the product a customer wants to create. As such, in conjunction with continuous efforts by programmers to improve their technological capabilities, passing on technologies to colleagues within the Company and increasing the number of programmers are key to Marumae's growth going forward.

To this end, we have drawn up a plan to increase the number of programmers 1.6 times by fiscal 2030. As frontline experience is vital to the development of programmers and young programmers grow through interacting with experienced experts, those carrying out training and those engaged in learning both require time. Accordingly, from a long-term perspective, we plan to increase the number of programmers we employ.



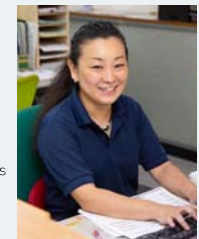
Target Number of Programmers for Fiscal 2030



Creation of an Environment Where People of Various Backgrounds Can Grow

Developing human resources has long been an issue faced by Marumae. Having grown rapidly from its beginnings as a small ironworks, human resource development at Marumae has entailed the president and representative director himself taking the lead in training employees, while frontline engineers have trained each other through on-the-job training at their own initiative, rather than developing human resources in a systematic manner with a training system.

In light of the increase in the number of its employees, Marumae believes that the time is right to strengthen its organizational management system. While retaining the initiative shown by those on the front lines, we will reduce the burden on them by conducting training as an organization, establishing a specialized department to pass on knowledge and technologies in an efficient manner. Giving due consideration to their respective backgrounds, we will also create a system that allows new graduates and mid-career recruits to understand and adjust smoothly to the workplace, as well as an environment that allows people of various backgrounds to better demonstrate their capabilities through training that helps managers manage their subordinates more effectively.



Focus on Achievements

Marumae pays performance-based bonuses on a quarterly basis. The Company believes that it is essential to have a system that visualizes the achievements of employees, evaluates them fairly, and rewards them accordingly. Based on this belief, we introduced performance-based bonuses linked to the quarterly marginal profit.

In addition to recognizing achievements objectively, this system fosters a greater focus on achievements and enhances the motivation of employees.

Human Resources

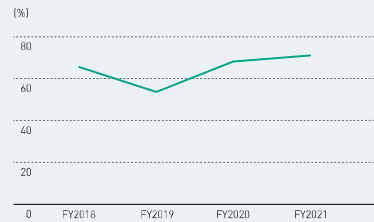
Initiatives for Creating Employee-Friendly Workplaces



Leave System

While the percentage of paid leave taken by employees is trending upward, resolving workload imbalances in all divisions to establish an environment conducive to all employees taking paid leave is a task faced by Marumae. To create a leave system that reflects the wishes of its employees, the Company decides on the system after holding discussions on an annual leave plan, incorporating the views of employees via an employee-elected representative. In terms of other specific measures, we will establish an internal system for increasing the number of days of paid leave to be taken going forward.

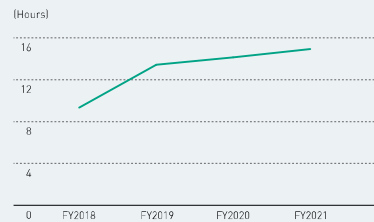
Percentage of Paid Leave Taken



Efforts to Reduce Overtime Hours

Another key task currently faced by Marumae is the reduction of overtime hours, which continue to rise. The rise is mainly a result of the expansion of orders received outpacing the increase in the personnel required to handle them. Although we are continuously recruiting, new employees require a certain period of training after joining the Company, taking up the time of not only new recruits but also experienced employees. As a result, we expect that it will take a certain period of time to achieve a reduction in overtime hours. As a specific measure to reduce said hours, we will promote enhanced operating efficiency in addition to personnel increases, primarily over the medium to long term.

Average Overtime Hours per Month



Promotion of the Active Participation of Women

Marumae must also take on the tasks of increasing its percentage of female employees and female managers and creating an internal system to facilitate these increases. The Company promotes various initiatives with the goal of creating an environment that brings out the potential talent in individuals, rather than allowing said talent to be thwarted by gaps in career histories resulting from child birth, child rearing, and other circumstances or by pre-conceived ideas from a bygone age on gender differences, and of preventing organizational rigidity by incorporating a diverse array of perspectives.

As chairperson of the ESG Committee, the female outside director appointed in October 2020 is advancing the recruitment and training of female employees. In addition, we will conduct recruitment activities based on the career plans of new employees from a long-term perspective and increase the opportunities for female employees to participate in career training.



Employee Safety

Safety as the Highest Priority

Marumae gives the highest priority to safety. Maintaining our technologies, business relationships, and contributions to society would be impossible in the event of a major accident. We use the President's Newsletter, which is distributed to all employees, as well as morning meetings and other occasions to ensure that employees are fully acquainted with our aim of giving the highest priority to safety, and we comply meticulously with various requirements stipulated in laws and regulations.

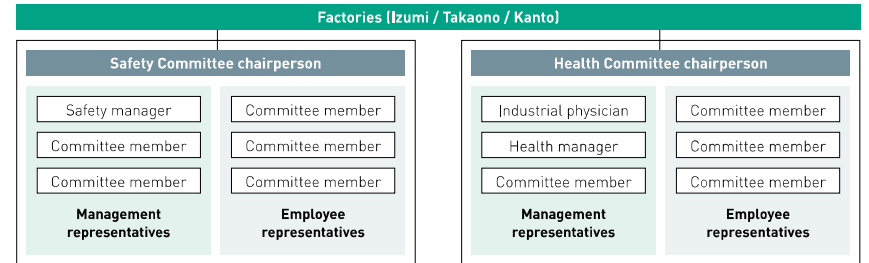
To enable us to gain a detailed picture of safety, we have established separate committees for health and safety at each factory. At these committee meetings, members carry out repeated discussions and suggest improvements regarding any matters that may affect the safety of employees. Further, Marumae provides safety training to employees when they join the Company and at least once a year thereafter.

We also record all minor injuries that do not result in lost time and implement measures to eliminate their causes. In this way, we are striving to prevent the occurrence of industrial accidents.

Category	FY2018	FY2019	FY2020	FY2021
TRIFR*1	2.24	10.10	12.77	5.28
LTIFR*2	0.00	2.02	2.13	0.00
Number of industrial accidents*3	1	5	6	3
Number of those resulting in lost time	0	1	1	0

*1 Total recordable injury frequency rate (TRIFR) = Total number of industrial accidents ÷ Total number of hours worked × 1,000,000
 *2 Lost time injury frequency rate (LTIFR) = Deaths or injuries resulting from lost time industrial accidents ÷ Total number of hours worked × 1,000,000
 *3 Cuts/scratches (one case) and falls (one case) accounted for the industrial injuries resulting in lost time during the four fiscal years.

Organizational Structure for the Safety and Health Committees



Measures in Response to the COVID-19 Pandemic

Marumae has endeavored to prevent the spread of COVID-19 since its initial outbreak in Japan. These efforts have focused on prioritizing the health and safety of its stakeholders, most notably employees and customers, and ensuring that its manufacturing activities remained unhindered to enable it to fulfill its supply responsibilities to customers.

As specific measures, we have minimized contact between individuals, starting with a ban on group gatherings. We have also provided electronic devices and software to enable smooth communication without the need to meet face-to-face—either inside or outside the Company—and to avert disruptions to operations. Additionally, giving thought

to our response in the event of a cluster, we have laid out measures for minimizing the spread of infection that involve splitting employees into small groups, setting up separate work areas for each group, and cutting contact between the groups.

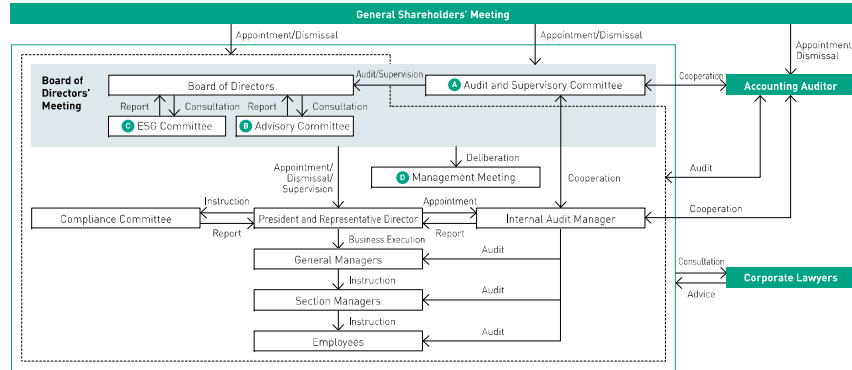
These measures, as well as thorough implementation of the wearing of masks, the disinfecting of hands, and other efforts, have so far enabled the Company to avoid critical situations, such as mass infections. We will continue our efforts to prevent infection while responding flexibly to developments in relation to COVID-19 and the requests of national and local governments.

Corporate Governance

Basic Stance

In order to increase management transparency and make corporate governance work effectively based on compliance with laws and regulations, the Company acknowledges the importance of establishing and maintaining not only an organizational structure that responds quickly and accurately to major changes in the business environment but also a sound management system that places importance on shareholders.

Corporate Governance System



A Audit and Supervisory Committee

The Audit and Supervisory Committee comprises four members, three of whom are outside directors. The committee holds meetings on a monthly basis, in principle, and extraordinary meetings as necessary. The committee exchanges information with internal audit personnel and accounting auditors as needed to enhance the effectiveness and efficiency of audits.

B Advisory Committee

The Advisory Committee is composed of the president and representative director and three independent outside directors who are Audit and Supervisory Committee members. The committee is convened as necessary. As an advisory body to the Board of Directors, it submits reports from an independent and objective standpoint on the appropriateness of decision-making policy and standards regarding the nomination and remuneration of directors.

C ESG Committee

The ESG Committee consists of the president and representative director, two directors, and six employees. With a focus on pursuing management from a long-term perspective, the committee identifies material issues, sets key performance indicators (KPIs) and ascertains the degree of their achievement, and reviews plans and reports on their

progress to the Board of Directors, in order to address the various challenges related to environmental, social, and governance (ESG) issues in corporate management.

D Management Meeting

The Management Meeting is membered by 29 employees who serve in the position of deputy section manager or above. At the meeting, which is held monthly in principle, members share their perspectives and exchange opinions on business strategy, business operation, and other matters.

Organizational Form	Company with an Audit and Supervisory Committee
Maximum Number of Directors Stipulated in the Articles of Incorporation	12
Term of Office of Directors (excluding Directors who are Audit and Supervisory Committee Members) Stipulated in the Articles of Incorporation	1 year
Term of Office of Audit and Supervisory Committee Members	2 years
Chairperson of the Board	President and Representative Director
Number of Directors	8
Appointment Status of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Outside Directors	4



For information on the internal control system, please refer to the Company's Corporate Governance Report: https://www.marumae.com/en/ir/pdf/cg_20220105.pdf

Overview of Our Corporate Governance System and Rationale for Its Adoption

At the 28th Annual General Shareholders' Meeting of the Company, held on November 28, 2015, a resolution was passed to amend the Articles of Incorporation of the Company, entailing a transition from being a Company with a Board of Corporate Auditors to a Company with an Audit and Supervisory Committee as of the same date. The Company made this transition to further strengthen the supervisory function of the Board of Directors and to further enhance its corporate governance system by appointing directors (including several outside directors) who are members of the Audit and Supervisory Committee and who have voting rights at meetings of the Board of Directors—in accordance with the Act for Partial Amendment of the Companies Act (Act No. 90 of 2014), which came into effect on May 1, 2015—and accordingly adopted the Company with an Audit and Supervisory Committee system as its new organizational form.

Evaluation of the Effectiveness of the Board of Directors

The Company's Board of Independent Outside Directors has all directors complete anonymous questionnaires and analyzes and evaluates the effectiveness of the entire Board of Directors while referencing self-evaluations and other feedback from said questionnaires. The Board of Independent Outside Directors carries out its analysis and evaluation confidentially while the Secretariat of the Board of Directors (Administration Headquarters) amalgamates the feedback from the questionnaires, thereby facilitating fairness and transparency. The leading independent outside director reports the results to the Board of Directors. In this way, the Company strengthens mutual monitoring and supervision among directors. Results of the fiscal 2021 evaluation are provided below.

Additionally, a third-party organization evaluates the effectiveness of the Board of Directors once every three years, based on the results of which the Company makes refinements and improvements.

Results of the Fiscal 2021 Evaluation

Composition of the Board of Directors	The Board of Directors has a structure with strong checks and balances over executive directors, with outside directors accounting for one-third of the Board of Directors (non-executive directors occupying a majority of the Board of Directors), to ensure a structure that sufficiently fulfills the function of checks and balances over executive directors. Furthermore, the Company has established the Advisory Committee with a majority of independent outside directors and a Board of Independent Outside Directors, which comprises all independent outside directors. The establishment of these committees has helped strengthen the supervisory function over business execution.
Operation of the Board of Directors	In Board of Directors' meetings, active discussions are held in an atmosphere conducive to easily sharing opinions. In particular, directors who are Audit and Supervisory Committee members readily request explanations or materials on the appropriateness of executive directors' proposals. In response, executive directors, led by the president and representative director, respond based on actual business conditions. Such active discussions in Board of Directors' meetings contribute to the effective functioning of the Board of Directors. Moreover, the manner in which the president leads proceedings at Board meetings enables outside directors to freely participate, such as by giving them opportunities to voice their opinions on matters beyond those on the agenda at Board of Directors' meetings. As a prerequisite for effective management supervision by outside directors (non-executive directors), all members of the Board of Directors, including outside directors (non-executive directors), effectively discuss the direction of management strategies and other matters, improving the supervisory function of the Board of Directors.
Summary of the Board of Directors Effectiveness	The Board of Directors is functioning adequately, especially in regard to monitoring and overseeing executive directors, ensuring its effectiveness to a considerable extent.

Directors' Remuneration

The remuneration of directors (excluding outside directors and directors who are Audit and Supervisory Committee members) comprises performance-linked remuneration and restricted stock remuneration. Moreover, the Company has established a policy for deciding the amount of remuneration for directors. In accordance with this policy, the Advisory Committee is consulted and reports on remuneration, which is set within the upper limit approved by a resolution at the Annual General Shareholders' Meeting. The Company reflects the committee's report in deciding remuneration. After this process, the Company determines remuneration for directors (excluding directors who are Audit and Supervisory Committee members) at a meeting of the Board of Directors, while remuneration for directors who are Audit and Supervisory Committee members is decided at a meeting of the Audit and Supervisory Committee following due discussions. The Advisory Committee's procedures involve the chairperson convening a meeting of the committee based on a consultation from the Board of Directors. At this meeting, which is attended by a majority of committee members who are entitled to vote on remuneration proposals for directors, the committee arrives at resolutions based on a majority vote by the members in attendance.

Remuneration Type	Details	Remuneration Plan
Performance-Linked Remuneration	Performance-linked remuneration consists of a fixed component and a variable component, the latter of which is linked to the Company's financial performance. For the variable component, (1) the bonus per employee, (2) the ratio of ordinary income to total assets, and (3) the ratio of ordinary income to net assets are converted at a predetermined rate, and the calculation results are reflected in monthly remuneration. In this way, the Company improves its corporate value by further raising the awareness of directors of their responsibility to stakeholders.	—
Restricted Stock Remuneration Plan	In order to allocate restricted stock to directors, excluding outside directors and directors who are Audit and Supervisory Committee members, the amount obtained by multiplying an amount determined based on the position of eligible directors by the performance payment rate is granted as a monetary remuneration claim, with the Company's fiscal year—which runs from September 1 to August 31 of the following year—set as the evaluation period. Eligible directors are allowed to wholly use the monetary remuneration claim in the form of invested assets to make an investment in kind in the Company. In this way, the Company issues or disposes of its common shares to eligible directors and allows them to hold such shares.	¥60 million or less per fiscal year Common shares: 60,000 shares or less per fiscal year

Management Foundation for Delivering Sustainable Growth

Directors [as of November 29, 2021]

Toshikazu Maeda
November 20, 1966



President and Representative Director
(Responsible for overall coordination/ Administration Headquarters)

Apr. 1987 Joined Marumae Kogyo (private company)
Oct. 1988 Established Marumae Kogyo Ltd. (currently Marumae Co., Ltd.), Director
Apr. 2001 Senior Managing Director, Marumae Co., Ltd.
Aug. 2003 President and Representative Director, Marumae Co., Ltd.
Apr. 2010 President and Representative Director and General Manager, Manufacturing Department, Marumae Co., Ltd.
Dec. 2010 President and Representative Director, General Manager, Manufacturing Department, and General Manager, Administration Department, Marumae Co., Ltd.
Jun. 2011 President and Representative Director and General Manager, Administration Department, Marumae Co., Ltd.
Jul. 2011 President and Representative Director, Marumae Co., Ltd.
Nov. 2019 President and Representative Director, responsible for Administration Headquarters, Marumae Co., Ltd. (current position)

Kota Kaizaki
February 18, 1973



Director, General Manager, Sales Headquarters (Responsible for Sales Headquarters)

Apr. 1993 Joined Iwasaki Giken Corporation
Dec. 1993 Joined Koto Manufacturing Corporation
Aug. 1999 Joined Marumae Kogyo Ltd. (currently Marumae Co., Ltd.)
Apr. 2004 General Manager, Sales Department, Marumae Co., Ltd.
Oct. 2004 Director and General Manager, Sales Department, Marumae Co., Ltd.
Jun. 2005 Director and General Manager, Precision Machining Department, Marumae Co., Ltd.
Nov. 2008 Director and General Manager, Sales Department, Marumae Co., Ltd.
Apr. 2009 Director, General Manager, Sales Department, and Head, Kanto Factory, Marumae Co., Ltd.
Apr. 2010 Director and General Manager, Sales Engineering Department, Marumae Co., Ltd.
Jun. 2011 Director, General Manager, Sales Department, and Head, Kanto Factory, Marumae Co., Ltd.
Apr. 2018 Director and General Manager, Sales Headquarters, Marumae Co., Ltd. (current position)

Hiroto Ando
May 25, 1979



Director, General Manager, Manufacturing & Technology Headquarters (Responsible for Manufacturing and Technology Headquarters)

Dec. 1997 Joined Top Corporation
Oct. 2000 Joined Miyokawa Paints
Sep. 2004 Joined I-Tec Corporation
Jan. 2008 Joined Paramodo Corporation
Mar. 2008 Joined Marumae Co., Ltd.
Nov. 2016 General Manager, Quality Assurance Department, Marumae Co., Ltd.
Apr. 2018 Executive Officer and General Manager, Manufacturing & Technology Headquarters, Marumae Co., Ltd.
Nov. 2018 Director and General Manager, Manufacturing & Technology Headquarters, Marumae Co., Ltd. (current position)

Akiko Kadota
August 6, 1968



Director

Sep. 1995 Joined KXTV-10 (News10), Television Station, Sacramento, California
Feb. 2006 Joined Fuchigami Printing Corporation
Dec. 2009 Director, Fuchigami Printing Corporation
Dec. 2010 President and CEO, Fuchigami Printing Corporation
Jan. 2011 Representative Director and Vice President, Minami Nippon Shimbun Offset Rinten Co., Ltd.
Sep. 2012 Representative Director and President, Chuo Production Center Corporation (currently CrossMedia Inc.)
Apr. 2014 Director, The Yakushima Environmental and Cultural Foundation (current position)
Apr. 2014 Director, Kagoshima City International Exchange Foundation (current position)
Apr. 2016 Chairperson, Kagoshima Prefecture Women's Empowerment Promotion Conference (current position)
Sep. 2016 Representative, Goli Kagoshima Corporation (current position)
Nov. 2020 Outside Director, Marumae Co., Ltd. (current position)

Keiji Hokanishi
May 7, 1964



Director (Audit and Supervisory Committee Member)

Apr. 1983 Joined The Kagoshima Bank, Ltd.
Jun. 2012 Branch Manager, Yokogawa Branch, The Kagoshima Bank, Ltd.
Dec. 2013 Auditor, Auditing Department, The Kagoshima Bank, Ltd.
Feb. 2014 Branch Manager, Kanmachi Branch, The Kagoshima Bank, Ltd.
May 2016 Auditor, Auditing Department, The Kagoshima Bank, Ltd.
Nov. 2020 Director (Audit and Supervisory Committee member), Marumae Co., Ltd. (current position)

Satoshi Momokino
December 14, 1965



Director (Audit and Supervisory Committee Member)

Apr. 1989 Joined The Bank of Tokyo Ltd. (currently MUFG Bank, Ltd.)
Jul. 1992 Temporarily transferred to the Ministry of Finance
Mar. 1997 Registered as a Lawyer in New York State
Oct. 2004 Registered as a Lawyer
Oct. 2004 Joined Terukuni Lawyers Office (currently Terukuni Lawyers Office Law Professional Corporation)
Jun. 2010 Committee Member, the Kagoshima City Board of Education
Jan. 2012 Director, Momokino Law Office (current position)
Nov. 2017 Outside Director (Audit and Supervisory Committee Member), Marumae Co., Ltd. (current position)

Takaaki Yamamoto
June 15, 1953



Director (Audit and Supervisory Committee Member)

Jan. 1986 Joined Seiko Instruments & Electronics Ltd. (currently Seiko Instruments Inc.)
Apr. 1996 Representative Director and President, SII Mobile Communications Corporation
Oct. 2002 General Manager, System Application Division, Seiko Instruments Inc.
Apr. 2011 Executive Officer, Seiko Instruments Inc.
Jun. 2011 Director, Seiko-Precision Company
Jun. 2012 Representative Director and President, SII Network Systems Inc.
Dec. 2012 President, Seiko Solutions Inc.
Dec. 2013 Director, Seiko Instruments Inc.
Apr. 2017 Chairperson, Seiko Solutions Inc.
Apr. 2018 Advisor, Seiko Solutions Inc. (current position)
Nov. 2018 Executive Director, The Hitori Hokokai Foundation (current position)
Nov. 2019 Outside Director (Audit and Supervisory Committee Member), Marumae Co., Ltd. (current position)

Hirotsugu Miyakawa
April 15, 1969



Director (Audit and Supervisory Committee Member)

Apr. 2011 Joined Audit Corporation Kagoshima Accounting Profession
Nov. 2013 Registered as a Certified Public Accountant
Jul. 2016 Joined Miyakawa Certified Public Accountant Office
Sep. 2016 Registered as a Tax Accountant
Mar. 2017 Corporate Auditor, Kagoshima Meat Sales Corporation (current position)
Mar. 2017 Corporate Auditor, Minami Nihon Livestock Corporation (current position)
Mar. 2017 Corporate Auditor, Minami Kyushu Meat Sales Corporation (current position)
Mar. 2017 Corporate Auditor, Minami Kyushu Feed Industry Corporation (current position)
Sep. 2018 Deputy Director, Miyakawa Certified Public Accountant Office (current position)
Nov. 2019 Outside Director (Audit and Supervisory Committee Member), Marumae Co., Ltd. (current position)

Skills Matrix of Directors

Name	Roles			Expertise and Experience That Are Particularly Beneficial to the Company					
	Audit and Supervisory Committee	Advisory Committee	Independent (Outside)	Corporate Management / Business Strategy	Development / Technology / Quality	Planning / Sales	Finance / Accounting	Risk Management / Legal Affairs	Global Experience
Toshikazu Maeda		●		●	●		●	●	
Kota Kaizaki				●	●	●			
Hiroto Ando				●	●				
Akiko Kadota			●	●					●
Keiji Hokanishi	●						●		
Satoshi Momokino	●	●	●				●	●	
Takaaki Yamamoto	●			●			●		
Hirotsugu Miyakawa	●	●	●				●		

Composition of the Board of Directors

The Company is working to strengthen its supervision-oriented Board of Directors, including by increasing the ratio of outside directors. In the first half of fiscal 2022, we have achieved ahead of schedule our goal of ensuring that outside directors account for one-half of all members of the Board of Directors, which we originally sought to achieve by 2025. We will continue to promote diversity in the Board of Directors and further increase its ratio of outside directors.

Category	FY2018	FY2019	FY2020	FY2021	FY2022
Directors	9	10	7	9	8
Percentage of female directors	—	—	—	11.1	12.5
Outside directors	4	4	3	4	4
Percentage of outside directors	44.4	40.0	42.9	44.4	50.0
Number of Board of Directors' meetings held	23	25	23	20	—

Targets for 2025

Achieved in FY2022
Realize a Board of Directors composition in which outside directors account for half of all members

Increase the number of members with corporate management experience

Promote diversity in the Board of Directors

Data

Financial Information

Marumae Co., Ltd.

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Net sales	1,266	1,103	1,162	1,585	2,124	2,242	3,035	4,588	4,019	4,388	5,369
Operating profit	5	50	126	267	450	488	764	1,234	495	896	1,207
Ordinary profit	[49]	21	128	255	435	458	737	1,211	477	834	1,200
Profit	[389]	[62]	81	302	559	363	538	866	436	690	902
Total assets	2,245	1,775	1,660	1,765	2,188	2,569	5,418	8,088	8,329	8,894	9,742
Total liabilities	2,170	1,764	1,566	1,369	1,473	1,590	2,281	2,955	3,021	3,188	3,415
Net assets	74	11	93	396	715	978	3,137	5,132	5,307	5,706	6,327
Cash flows from operating activities	110	256	164	88	626	556	626	829	1,052	1,190	1,062
Cash flows from investing activities	174	323	[30]	[14]	[185]	[296]	[681]	[2,458]	[1,496]	[337]	[809]
Cash flows from financing activities	[406]	[340]	[206]	[239]	[206]	[141]	1,966	1,814	96	[575]	[291]
Cash and cash equivalents at end of period	144	384	326	162	397	513	2,425	2,612	2,263	2,540	2,505
Earnings per share (yen)	[35.4]	[6.0]	7.8	28.9	53.2	34.5	50.7	72.0	33.5	53.3	70.5
Net assets per share (yen)	[16.4]	[22.4]	[14.6]	14.3	67.9	92.9	263.4	393.2	406.7	445.7	494.2
Annual dividends per share (yen)	—	—	—	—	6.0	7.5	10.0	20.0	15.0	17.0	24.0
Operating profit to net sales (%)	0.4	4.6	10.9	16.9	21.2	21.8	25.2	26.9	12.3	20.4	22.5
Ordinary profit to total assets (%)	[1.9]	1.1	7.5	14.9	22.0	19.3	18.5	17.9	5.8	9.7	12.9
Return on equity (%)	[266.2]	[145.7]	155.5	123.6	100.7	42.9	26.2	20.9	8.4	12.5	15.0
Asset-based ROIC (%)	0.1	2.4	6.1	10.8	18.2	16.9	18.8	16.3	5.9	10.0	12.1
Liability-based ROIC (%)	0.1	1.9	5.1	10.3	14.7	14.8	11.2	11.5	4.3	7.7	9.7
Equity ratio (%)	3.3	0.7	5.6	22.4	32.7	38.1	57.9	63.5	63.7	64.2	64.9
Payout ratio (%)	—	—	—	—	11.3	21.7	19.7	27.8	44.8	31.9	34.0

Notes

- Figures are rounded down to the nearest million yen.
- Per share data has been calculated as if stock splits conducted on March 1, 2014 (100-for-1 split), September 1, 2015 (3-for-1 split), and March 1, 2017 (2-for-1 split) had taken place at the beginning of fiscal 2011.

Data

Company Overview [as of August 31, 2021]

Company Name Marumae Co., Ltd.	Number of Employees 160 [As well as 108 temporary employees on average]
Representative Toshikazu Maeda	Scope of Business Design, manufacture, and processing of high-precision machinery Design and manufacture of high-precision machine parts
Headquarters 2141 Onohara, Izumi, Kagoshima 899-0216, Japan	Design, manufacture, and sale of industrial and medical equipment
Established October 1988	Development and sale of software Plate working
Fiscal Year-End August 31	Plumbing Transportation
Capital ¥1,241,150,000	Real estate leasing

Stock Information [as of August 31, 2021]

Securities Code
6264

Stock Exchange Listing
First Section of the Tokyo Stock Exchange

Annual Shareholders' Meeting
November

Total Number of Shares Authorized
52,212,000

Total Number of Shares Outstanding
13,053,000 [of which 250,196 are shares of treasury stock]

Number of Shareholders
9,684

Shareholder Registry Administrator
JAPAN SECURITIES AGENTS, LTD.
1-2-4 Kayabacho, Nihonbashi, Chuo-ku, Tokyo

Major Shareholders

Name	Number of Shares Held	Shareholding Ratio (%)
Toshikazu Maeda	4,819,000	37.6
Misako Maeda	504,000	3.9
The Master Trust Bank of Japan, Ltd. (Trust Account)	417,700	3.3
Tadao Kawamoto	219,500	1.7
State Street Bank and Trust Company 505019	209,400	1.6
SMBC Nikko Securities Inc.	185,100	1.4
Yoshiko Maeda	180,000	1.4
Custody Bank of Japan, Ltd. (Trust Account)	172,300	1.3
Koei Igarashi	168,000	1.3
Marumae Kyoeikai	136,400	1.1

Notes
1. Although the Company holds 250,196 shares of treasury stock, it is excluded from the above list of major shareholders.
2. The shareholding ratio is calculated by subtracting treasury stock.

Our Website



Home Page
<https://www.marumae.com/en/index.html>
Contains the latest information on Marumae, its business activities, and employment opportunities.



Investor Relations (IR) Information
https://www.marumae.com/en/ir_4.html
Contains a variety of IR information, including financial results presentations and our integrated report.



ESG Information
https://www.marumae.com/en/com_2.html
We have begun introducing our ESG initiatives on our website. We have also been disclosing ESG-related data since October 2021.

ESG Data
https://www.marumae.com/com_5.html
[Japanese only]

Stock Price

