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Summary of Financial Results for the Three Months Ended November 30, 2022 (Japanese GAAP) (Non-consolidated)

December 28, 2022

Name of Listed Company: Marumae Co., Ltd. Stock Exchange Listing: Tokyo

Security Code: 6264

URL: <https://www.marumae.com/en/>

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Scheduled date for submission of quarterly report: January 13, 2023

Scheduled start date of dividends payment: –

Preparation of supplementary materials for quarterly financial results: Yes

Quarterly earnings release conference: None

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

1. Financial Results for the Three Months Ended November 30, 2022 (September 1, 2022 to November 30, 2022)

(1) Operating Results (Cumulative)

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

	Three months ended			
	November 30, 2021		November 30, 2022	
		%		%
Net sales (millions of yen)	1,938	76.1	2,487	28.3
Operating profit (millions of yen)	595	197.0	668	12.4
Ordinary profit (millions of yen)	592	196.0	663	11.8
Profit (millions of yen)	422	206.5	467	10.7
Earnings per share of common stock (yen)				
Basic	32.98		37.00	
Diluted	-		-	

(2) Financial Position

	As of	
	August 31, 2022	November 30, 2022
Total assets (millions of yen)	12,552	12,906
Net assets (millions of yen)	7,299	7,438
Equity ratio (%)	58.1	57.6

Reference: Equity: 7,438 million yen (as of November 30, 2022)
7,299 million yen (as of August 31, 2022)

2. Dividends

	Fiscal year ended	Fiscal year ending
	August 31, 2022	August 31, 2023
1Q-end dividends per share (yen)	-	-
2Q-end dividends per share (yen)	22.00	18.00 (forecast)
3Q-end dividends per share (yen)	-	- (forecast)
Year-end dividends per share (yen)	26.00	18.00 (forecast)
Annual dividends per share (yen)	48.00	36.00 (forecast)

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

3. Financial Forecasts for the Fiscal Year Ending August 31, 2023 (September 1, 2022 to August 31, 2023)

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

	Six months ending February 28, 2023		Fiscal year ending	
	(cumulative)		August 31, 2023	
		%		%
Net sales (millions of yen)	4,180	5.5	8,700	1.3
Operating profit (millions of yen)	780	(33.6)	1,680	(28.9)
Ordinary profit (millions of yen)	770	(34.3)	1,660	(29.9)
Profit (millions of yen)	556	(33.5)	1,200	(33.9)
Earnings per share (yen)	44.03		95.03	

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

Notes

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

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

1. Changes in accounting policies along with changes in accounting standards: None

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

3. Change in accounting estimates: None

4. Restatements: None

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

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

As of November 30, 2022:	13,053,000 shares
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As of August 31, 2022:	13,053,000 shares
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2. Number of treasury shares

As of November 30, 2022:	426,051 shares
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As of August 31, 2022:	426,051 shares
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3. Average number of shares outstanding (cumulative quarterly period)

Three months ended November 30, 2022:	12,626,949 shares
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Three months ended November 30, 2021:	12,802,785 shares
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* Status of implementation of quarterly review procedures:

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

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

The financial forecasts and other forward-looking statements presented in this Summary of Financial Results are based on information available to the Company at the time of the issuance of this report and certain assumptions judged to be reasonable by the Company. Actual financial results may differ significantly due to various factors. Please refer to "1. Qualitative Information on Quarterly Financial Results, (1) Description of Operating Results" on page 2 for the assumptions used for financial forecasts and other notes on their use.

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1. Qualitative Information on Quarterly Financial Results

(1) Description of Operating Results

During the three months ended November 30, 2022, the Japanese economy showed signs of a gradual recovery that was supported by the effects of various policies enacted to curb the spread of the novel coronavirus (COVID-19). However, the future of the economy remains uncertain due to such factors as the prolonged international instability caused by Russia's invasion of Ukraine.

In the semiconductor sector, which is our main sales sector, the equipment market showed signs of stagnation due to a slowdown in semiconductor demand. Regarding the flat panel display (FPD) sector, the investment plan for Generation 6 organic light-emitting diodes (OLEDs) continued through the stagnant market because of a decrease in investment for Generation 10.5 LCD panels. Even under these economic circumstances with the market showing signs of stagnation in the semiconductor sector, the Company continued to reach record highs by working on order backlogs. However, the FPD sector remained sluggish due to the stagnant market. In the other sectors, shipment inspections for solar cell production equipment continued in full swing, which resulted in strong sales. Regarding expenses, higher plant utilization and a decrease in total of provision for loss on orders received and loss on valuation of inventories led to reductions in the cost of sales.

As a result, the operating results for the three months ended November 30, 2022, were net sales of 2,487 million yen (year-on-year growth of 28.3%), operating profit of 668 million yen (year-on-year growth of 12.4%), ordinary profit of 663 million yen (year-on-year growth of 11.8%), and profit of 467 million yen (year-on-year growth of 10.7%).

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

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

Semiconductor Sector

In the semiconductor sector, orders received decreased by 30.2% year-on-year to 1,307 million yen, and net sales increased by 29.7% year-on-year to 1,873 million yen. Please note that figures for orders received include materials supplied for a fee.

FPD Sector

In the FPD sector, orders received decreased by 77.9% year-on-year to 136 million yen, and net sales decreased by 39.6% year-on-year to 223 million yen.

Other Sectors

In the other sectors, orders received totaled 371 million yen (3 million yen in the same period of the previous year), and sales amounted to 341 million yen (up 441.6% year-on-year).

(2) Description of Financial Position

Assets

Compared to the end of the previous fiscal year, assets increased by 353 million yen to 12,906 million yen. This was mainly due to increases in property, plant and equipment (up 529 million yen) and electronically recorded monetary claims – operating (up 140 million yen) and a decrease in cash and deposits (down 297 million yen).

Liabilities

Compared to the end of the previous fiscal year, liabilities increased by 214 million yen to 5,468 million yen. This was mainly due to an increase in long-term borrowings (up 673 million yen) and a decrease in income taxes payable (down 350 million yen).

Net Assets

Compared to the end of the previous fiscal year, net assets increased by 138 million yen to 7,438 million yen. This was mainly due to a 138 million yen increase in retained earnings from the recording of a 467 million yen profit, offsetting the decrease that resulted from the 328 million yen dividend payment.

As a result, the equity ratio decreased from the 58.1% of the previous fiscal year to 57.6%.

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

Although the first quarter performance was better than initially expected, in order to assess the market environment from the second quarter onward, there are no changes to the financial forecasts for the six months ending February 28, 2023, and the fiscal year ending August 31, 2023. The Company will promptly disclose any changes as necessary.

2. Quarterly Financial Statements and Primary Notes

(1) Quarterly Balance Sheet

(thousands of yen)

	As of August 31, 2022	As of November 30, 2022
ASSETS		
Current assets		
Cash and deposits	3,011,795	2,714,070
Notes and accounts receivable – trade	1,292,633	1,424,822
Electronically recorded monetary claims – operating	1,200,815	1,341,162
Merchandise and finished goods	16,152	17,786
Work in process	1,027,314	892,495
Raw materials and supplies	19,256	27,525
Other	29,177	38,887
Allowance for doubtful accounts	(5,241)	(5,816)
Total current assets	6,591,903	6,450,935
Non-current assets		
Property, plant and equipment		
Buildings, net	1,750,722	1,747,149
Structures, net	85,910	83,711
Machinery and equipment, net	2,971,585	3,375,023
Vehicles, net	11,008	9,568
Tools, furniture and fixtures, net	18,993	18,533
Land	766,549	782,004
Leased assets, net	26,510	25,394
Construction in progress	126,137	245,684
Total property, plant and equipment	5,757,418	6,287,070
Intangible assets	38,822	34,383
Investments and other assets	164,801	134,387
Total non-current assets	5,961,042	6,455,841
Total assets	12,552,945	12,906,776

(thousands of yen)

	As of August 31, 2022	As of November 30, 2022
LIABILITIES		
Current liabilities		
Notes and accounts payable – trade	331,972	265,927
Current portion of long-term borrowings	559,512	646,412
Income taxes payable	527,417	177,138
Provision for loss on orders received	32,200	9,400
Provision for share-based remuneration	16,000	29,997
Other	1,037,595	923,734
Total current liabilities	2,504,697	2,052,609
Non-current liabilities		
Long-term borrowings	2,664,182	3,337,404
Provision for retirement benefits	48,179	51,230
Asset retirement obligations	1,069	1,069
Other	35,727	26,437
Total non-current liabilities	2,749,158	3,416,141
Total liabilities	5,253,856	5,468,751
NET ASSETS		
Shareholders' equity		
Share capital	1,241,157	1,241,157
Capital surplus	1,950,687	1,950,687
Retained earnings	4,665,603	4,804,539
Treasury shares	(558,359)	(558,359)
Total shareholders' equity	7,299,089	7,438,025
Total net assets	7,299,089	7,438,025
Total liabilities and net assets	12,552,945	12,906,776

(2) Quarterly Statement of Income

(Three-month period)

(thousands of yen)

	Three months ended November 30, 2021	Three months ended November 30, 2022
Net sales	1,938,333	2,487,648
Cost of sales	1,150,238	1,585,643
Gross profit	788,094	902,005
Selling, general and administrative expenses	193,029	233,040
Operating profit	595,065	668,964
Non-operating profit		
Interest income	2	2
Subsidy income	-	1,098
Commission income	1,094	545
Other	3,246	285
Total non-operating profit	4,342	1,932
Non-operating expenses		
Interest expenses	4,301	5,070
Foreign exchange losses	-	2,728
Other	2,128	0
Total non-operating expenses	6,430	7,799
Ordinary profit	592,977	663,097
Extraordinary losses		
Impairment losses	-	2,280
Loss on retirement of non-current assets	0	-
Total extraordinary losses	0	2,280
Profit before income taxes	592,977	660,817
Income taxes – current	168,195	163,392
Income taxes – deferred	2,525	30,188
Total income taxes	170,720	193,580
Profit	422,257	467,236

(3) Notes on Quarterly Financial Statements

Going concern assumptions: None

Significant changes in shareholders' equity: None

Additional information

Accounting estimates associated with the COVID-19 pandemic:

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

In light of the external information available as of the end of the first quarter of the fiscal year ending August 31, 2023, the Company makes accounting estimates based on the assumption that the effect on the Company's financial results will be immaterial.

However, if the infection status of COVID-19 is prolonged, or if its effect on the economic environment changes, it is possible that it could impact the Company's financial position and operating results from the second quarter onward.

Segment information, etc.

Segment information:

Three months ended November 30, 2021 (from September 1, 2021 to November 30, 2021) and three months ended November 30, 2022 (from September 1, 2022 to November 30, 2022)

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