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Summary of Financial Results for the Six Months Ended February 28, 2023 (Japanese GAAP) (Non-consolidated)

March 30, 2023

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 Security Code: 6264
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Scheduled date for submission of the quarterly report: April 13, 2023

Scheduled start date for dividend payments: April 20, 2023

Preparation of supplementary materials for the quarterly financial results: Yes

Quarterly earnings release conference: Yes (for institutional investors)

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

1. Financial Results for the Six Months Ended February 28, 2023 (September 1, 2022 to February 28, 2023)

(1) Operating Results (Cumulative)

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

	Six months ended			
	February 28, 2022		February 28, 2023	
		%		%
Net sales (Millions of yen)	3,962	72.3	4,240	7.0
Operating profit (Millions of yen)	1,175	177.1	927	(21.1)
Ordinary profit (Millions of yen)	1,171	177.2	913	(22.0)
Profit (Millions of yen)	837	184.3	644	(23.1)
Earnings per share of common stock (Yen)				
Basic	65.40		51.00	
Diluted	-		-	

(2) Financial Position

	As of	
	August 31, 2022	February 28, 2023
Total assets (Millions of yen)	12,552	12,726
Net assets (Millions of yen)	7,299	7,638
Equity ratio (%)	58.1	60.0
Reference:	Equity: 7,638 million yen (as of February 28, 2023)	
	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
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.

	Fiscal year ending	
	August 31, 2023	
		%
Net sales (Millions of yen)	8,700	1.3
Operating profit (Millions of yen)	1,680	(28.9)
Ordinary profit (Millions of yen)	1,660	(29.9)
Profit (Millions of yen)	1,200	(33.9)
Earnings per share (Yen)	95.03	

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

Notes:

(1) Adoption of special accounting methods for the 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. Changes 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 February 28, 2023:	13,053,000 shares
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As of August 31, 2022:	13,053,000 shares
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2. Number of shares of treasury shares

As of February 28, 2023:	412,494 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)

Six months ended February 28, 2023:	12,630,996 shares
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Six months ended February 28, 2022:	12,804,414 shares
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*Status of implementation of quarterly review procedures

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

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

The financial forecasts and other forward-looking statements presented in this Summary of Financial Results are based on information available to the Company at the time of the issuance of this report and certain assumptions that the Company judges to be reasonable.

Actual financial results may differ significantly due to various factors. Please refer to "1. Qualitative Information on Quarterly Financial Results, (3) Description of Financial Estimates Information such as Financial Forecasts" on page 3 for the assumptions underlying the financial forecasts and other notes on their use.

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1. Qualitative Information on Quarterly Financial Results

(1) Description of Operating Results

During the six months ended February 28, 2023, economic activity in Japan increased as a result of measures to combat the spread of COVID-19 and the easing of related restrictions. The economy is slowly picking up despite some areas of weakness. However, the outlook remains uncertain due to the prolonged situation in Ukraine and other factors.

In the semiconductor sector, which is our main sales sector, semiconductor production equipment remained stagnant due to slowing semiconductor demand. In the flat panel display (FPD) sector, the market stagnated because of decreasing investment in Generation 10.5 LCD panels, while investment in Generation 6 organic light-emitting diodes (OLEDs) continued, albeit at a sluggish pace.

Under these economic conditions, in the semiconductor sector, although the Company continued to receive some orders for consumables, orders decreased due to inventory adjustments and as a reaction to last year's number of long lead-time orders. The FPD sector remained sluggish as a result of the stagnant market. In the other sectors, firm orders for solar cell production equipment continued.

Regarding expenses, fixed costs increased due to ongoing production capacity expansion, and the cost ratio deteriorated due to lower machine utilization amid declining sales, which resulted in an increase in loss on valuation of inventories for the order backlog already received but not yet inspected.

As a result, the operating results for the six months ended February 28, 2023, comprise net sales of 4,240 million yen (year-on-year growth of 7.0%), operating profit of 927 million yen (year-on-year decline of 21.1%), ordinary profit of 913 million yen (year-on-year decline of 22.0%), and quarterly net profit of 644 million yen (year-on-year decline of 23.1%).

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

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

The Semiconductor Sector

In the semiconductor sector, orders received decreased by 41.8% year-on-year to 2,170 million yen, and net sales rose by 5.4% year-on-year to 3,159 million yen. Please note that figures for orders received include materials supplied for a fee.

The FPD Sector

In the FPD sector, orders received decreased by 74.7% year-on-year to 257 million yen, and net sales declined by 46.3% year-on-year to 419 million yen.

The Other Sectors

In the other sectors, orders received climbed by 197.7% year-on-year to 438 million yen, and net sales rose by 681.4% year-on-year to 570 million yen.

(2) Description of Financial Position

1. Assets, Liabilities and Net Assets

Assets

Compared to the end of the previous fiscal year, assets increased by 173 million yen to 12,726 million yen. This was mainly due to an increase in property, plant and equipment of 522 million yen and decreases in notes and accounts receivable – trade of 312 million yen and work in process of 58 million yen.

Liabilities

Compared to the end of the previous fiscal year, liabilities decreased by 166 million yen to 5,087 million yen. This was mainly due to a 521 million yen increase in long-term borrowings and an increase of 76 million yen in the current portion of long-term borrowings as well as decreases in both other current liabilities and income taxes payable of 516 million yen and 253 million yen respectively.

Net assets

Compared to the end of the previous fiscal year, net assets increased by 339 million yen to 7,638 million yen. This was mainly due to a rise in retained earnings of 315 million yen from the recording of a profit of 644 million yen, which offset the decrease that resulted from the dividend payment of 328 million yen.

As a result, the equity ratio increased to 60.0% from the 58.1% of the previous fiscal year.

2. Cash Flows

Cash and cash equivalents (hereinafter, referred to as "cash") for the six months ended February 28, 2023, decreased by 22 million yen from the end of the previous fiscal year to 2,989 million yen.

The status and factors regarding cash flows for the six months ended February 28, 2023, are described below:

Cash flows from operating activities

Cash generated from operating activities was 923 million yen (compared to 605 million yen in the same period of the previous fiscal year). The main factors affecting this change were profit before income taxes of 911 million yen, depreciation of 468 million yen, and income taxes paid of 495 million yen.

Cash flows from investing activities

Cash used in investing activities was 1,212 million yen (compared to 958 million yen in the same period of the previous fiscal year). This was mainly due to payments for the purchase of property, plant and equipment totaling 1,212 million yen.

Cash flows from financing activities

Cash gained through financing activities was 267 million yen (compared to 874 million yen in the same period of the previous fiscal year). Major factors include proceeds from long-term borrowings of 900 million yen for future capital expenditures, dividends paid of 327 million yen and repayments of long-term borrowings of 302 million yen.

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

Currently, there are no changes to the financial forecasts for the fiscal year ending August 31, 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 February 28, 2023
ASSETS		
Current assets		
Cash and deposits	3,011,795	2,989,259
Notes and accounts receivable – trade	1,292,633	979,936
Electronically recorded monetary claims – operating	1,200,815	1,268,225
Merchandise and finished goods	16,152	5,760
Work in process	1,027,314	969,292
Raw materials and supplies	19,256	25,131
Other	29,177	35,841
Allowance for doubtful accounts	(5,241)	(4,737)
Total current assets	6,591,903	6,268,710
Non-current assets		
Property, plant and equipment		
Buildings, net	1,750,722	1,765,959
Structures, net	85,910	82,933
Machinery and equipment, net	2,971,585	3,452,535
Vehicles, net	11,008	8,128
Tools, furniture and fixtures, net	18,993	19,048
Land	766,549	782,004
Leased assets, net	26,510	24,279
Construction in progress	126,137	145,463
Total property, plant and equipment	5,757,418	6,280,353
Intangible assets	38,822	30,060
Investments and other assets	164,801	147,045
Total non-current assets	5,961,042	6,457,460
Total assets	12,552,945	12,726,170

(Thousands of yen)

	As of August 31, 2022	As of February 28, 2023
LIABILITIES		
Current liabilities		
Notes and accounts payable – trade	331,972	363,819
Current portion of long-term borrowings	559,512	635,672
Income taxes payable	527,417	273,808
Provision for loss on order received	32,200	14,400
Provision for share-based remuneration	16,000	12,000
Other	1,037,595	521,482
Total current liabilities	2,504,697	1,821,182
Non-current liabilities		
Long-term borrowings	2,664,182	3,185,766
Provision for retirement benefits	48,179	54,029
Asset retirement obligations	1,069	1,069
Other	35,727	25,171
Total non-current liabilities	2,749,158	3,266,037
Total liabilities	5,253,856	5,087,220
NET ASSETS		
Shareholders' equity		
Share capital	1,241,157	1,241,157
Capital surplus	1,950,687	1,956,856
Retained earnings	4,665,603	4,981,543
Treasury shares	(558,359)	(540,607)
Total shareholders' equity	7,299,089	7,638,950
Total net assets	7,299,089	7,638,950
Total liabilities and net assets	12,552,945	12,726,170

(2) Quarterly Statement of Income

(Six-month period)

(Thousands of yen)

	Six months ended February 28, 2022	Six months ended February 28, 2023
Net sales	3,962,353	4,240,469
Cost of sales	2,413,423	2,917,592
Gross profit	1,548,930	1,322,877
Selling, general and administrative expenses	373,661	395,610
Operating profit	1,175,268	927,266
Non-operating profit		
Interest income	17	52
Foreign exchange gains	4,289	-
Subsidy income	-	1,161
Commission income	195	861
Other	4,995	874
Total non-operating profit	9,496	2,950
Non-operating expenses		
Interest expenses	8,976	11,419
Foreign exchange losses	-	5,305
Other	4,396	9
Total non-operating expenses	13,372	16,735
Ordinary profit	1,171,393	913,481
Extraordinary losses		
Impairment losses	-	2,280
Loss on retirement of non-current assets	122	34
Total extraordinary losses	122	2,314
Profit before income taxes	1,171,270	911,166
Income taxes – current	362,059	249,705
Income taxes – deferred	(28,189)	17,221
Total income taxes	333,870	266,926
Profit	837,400	644,240

(3) Quarterly Statement of Cash Flows

(Thousands of yen)

	Six months ended February 28, 2022	Six months ended February 28, 2023
Cash flows from operating activities		
Profit before income taxes	1,171,270	911,166
Depreciation	376,375	468,826
Impairment losses	-	2,280
Increase (decrease) in allowance for doubtful accounts	1,637	(504)
Increase (decrease) in provision for loss on order received	1,653	(17,800)
Increase (decrease) in provision for share-based remuneration	7,991	19,997
Increase (decrease) in provision for retirement benefits	2,462	5,850
Interest and dividend income	(17)	(52)
Insurance claim income	(1,969)	-
Interest expenses	8,976	11,419
Foreign exchange losses (gains)	(3,500)	1,202
Loss on retirement of non-current assets	122	34
Decrease (increase) in trade receivables	(771,926)	242,770
Decrease (increase) in inventories	(245,191)	62,538
Increase (decrease) in trade payables	48,483	31,847
Decrease (increase) in consumption tax refund receivable	253	-
Increase (decrease) in accrued consumption taxes	64,123	(62,180)
Decrease (increase) in other current assets	284	(3,419)
Increase (decrease) in other current liabilities	155,221	(232,913)
Other	(2,708)	(9,673)
Subtotal	813,543	1,431,391
Interest and dividends received	17	52
Interest paid	(9,720)	(12,039)
Proceeds from insurance income	1,969	-
Income taxes paid	(199,987)	(495,586)
Net cash provided by operating activities	605,821	923,819
Cash flows from investing activities		
Purchase of property, plant and equipment	(950,920)	(1,212,641)
Purchase of intangible assets	(8,012)	(130)
Net cash used in investing activities	(958,932)	(1,212,771)

	Six months ended February 28, 2022	Six months ended February 28, 2023
Cash flows from financing activities		
Proceeds from long-term borrowings	1,300,000	900,000
Repayments of long-term borrowings	(244,756)	(302,256)
Purchase of treasury shares	(125)	(76)
Dividends paid	(179,553)	(327,921)
Repayments of finance lease obligations	(699)	(2,128)
Net cash provided by financing activities	874,865	267,618
Effect of exchange rate change on cash and cash equivalents	3,500	(1,202)
Net increase (decrease) in cash and cash equivalents	525,254	(22,535)
Cash and cash equivalents at beginning of period	2,505,018	3,011,795
Cash and cash equivalents at end of period	3,030,273	2,989,259

(4) Notes to the Quarterly Financial Statements

Going-concern assumptions: None

Significant changes in shareholders' equity: None

Additional information

Accounting estimates associated with the COVID-19 pandemic:

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

Based on external information available as of the end of the second quarter of the fiscal year ending August 31, 2023, the Company is making accounting estimates under the assumption that the effect on its financial results will be immaterial.

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

Segment information, etc.

Segment information:

Six months ended February 28, 2022 (from September 1, 2021 to February 28, 2022) and six months ended February 28, 2023 (from September 1, 2022 to February 28, 2023)

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