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Summary of Financial Results for the Six Months Ended February 29, 2024 (Japanese GAAP) (Non-consolidated)

March 28, 2024

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 the quarterly report: April 12, 2024

Scheduled start date for dividend payments: April 18, 2024

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 29, 2024 (September 1, 2023 to February 29, 2024)

(1) Operating Results (Cumulative)

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

	Six months ended			
	February 28, 2023		February 29, 2024	
		%		%
Net sales (millions of yen)	4,240	7.0	2,040	(51.9)
Operating profit (millions of yen)	927	(21.1)	(78)	-
Ordinary profit (millions of yen)	913	(22.0)	(134)	-
Profit (millions of yen)	644	(23.1)	(101)	-
Earnings per share of common stock (yen)				
Basic	51.0		(8.06)	
Diluted	-		-	

(2) Financial Position

	As of	
	August 31, 2023	February 29, 2024
Total assets (millions of yen)	11,612	10,964
Net assets (millions of yen)	7,473	7,168
Equity ratio (%)	64.4	65.4
Reference:	Equity: 7,168 million yen (as of February 29, 2024)	
	7,473 million yen (as of August 31, 2023)	

2. Dividends

	Fiscal year ended	Fiscal year ending
	August 31, 2023	August 31, 2024
1Q-end dividends per share (yen)	-	-
2Q-end dividends per share (yen)	18.00	10.00
3Q-end dividends per share (yen)	-	- (Forecast)
Year-end dividends per share (yen)	18.00	20.00 (Forecast)
Annual dividends per share (yen)	36.00	30.00 (Forecast)

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

3. Financial Forecasts for the Fiscal Year Ending August 31, 2024 (September 1, 2023 to August 31, 2024)

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

	Fiscal year ending	
	August 31, 2024	
		%
Net sales (millions of yen)	4,680	(31.9)
Operating profit (millions of yen)	77	(91.0)
Ordinary profit (millions of yen)	(39)	-
Profit (millions of yen)	(34)	-
Earnings per share (yen)	(2.69)	

Note: Revision to the most recently announced financial forecasts: Yes

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 in line 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 29, 2024:	13,053,000 shares
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As of August 31, 2023:	13,053,000 shares
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2. Number of treasury shares

As of February 29, 2024:	399,162 shares
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As of August 31, 2023:	412,494 shares
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3. Average number of shares outstanding (cumulative quarterly period)

Six months ended February 29, 2024:	12,644,608 shares
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Six months ended February 28, 2023:	12,630,996 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 29, 2024, the domestic economy was gradually recovering as socioeconomic activities normalized. However, the outlook for the Japanese economy remained uncertain due to the protracted situation in Ukraine and rising tensions in the Middle East, as well as soaring raw-material prices and rising prices due to the weak yen.

In the semiconductor sector, which is our main sales sector, investment in advanced equipment remained stagnant, although the semiconductor production equipment market in the Chinese Market appeared to be active, amid continued sluggish demand for semiconductors. There are signs of recovery underway, including increased investment in some advanced DRAMs. In such an environment, our existing customers remained stagnant due to prolonged inventory adjustments. On the other hand, mass production by new customers has begun and is expected to expand in the future with the addition of market recovery. In the flat panel display (FPD) sector, investment plans for organic light-emitting diodes (OLEDs) continued and the market remained firm, albeit sluggish, while investment for LCDs was unlikely to resume. In the other sectors, orders for solar cell production equipment were delayed and significantly below plan. On the cost front, despite a deterioration in the cost ratio due to stagnant factory operations, the provision for loss on orders received and loss on valuation of inventories decreased due to a decline in inventories. In addition, a one-time non-operating expense of 13 million yen related to M&A that was not achieved in the second quarter was incurred.

As a result, the operating results for the six months ended February 29, 2024 comprise net sales of 2,040 million yen (year-on-year decline of 51.9%), an operating loss of 78 million yen (compared with an operating profit of 927 million yen in the same period of the previous fiscal year), an ordinary loss of 134 million yen (compared with an ordinary profit of 913 million yen in the same period of the previous fiscal year), and a quarterly net loss of 101 million yen (compared with a net profit of 644 million yen in the same period of the previous fiscal year).

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 31.4% year-on-year to 1,488 million yen, and net sales declined by 53.2% year-on-year to 1,478 million yen. Please note that figures for orders received include materials supplied for a fee.

The FPD Sector

In the FPD sector, orders received increased by 82.9% year-on-year to 470 million yen, and net sales increased by 13.5% year-on-year to 476 million yen.

Other Sectors

In the other sectors, orders received declined by 92.1% year-on-year to 34 million yen, and net sales decreased by 96.5% year-on-year to 19 million yen.

(2) Description of Financial Position

1. Assets, Liabilities, and Net Assets

Assets

Compared to the end of the previous fiscal year, assets decreased by 647 million yen to 10,964 million yen. This was mainly due to increases

in notes and accounts receivable – trade of 116 million yen and investments and other assets of 33 million yen, and to decreases in cash and deposits of 435 million yen, property, plant, and equipment of 132 million yen, other current assets of 115 million yen, electronically recorded monetary claims – operating of 50 million yen, and work in process of 48 million yen.

Liabilities

Compared to the end of the previous fiscal year, liabilities decreased by 341 million yen to 3,796 million yen. This was mainly due to falls in long-term borrowings of 283 million yen, the current portion of long-term borrowings of 26 million yen, other current liabilities of 22 million yen, and provision for share-based payments of 18 million yen.

Net assets

Compared to the end of the previous fiscal year, net assets decreased by 305 million yen to 7,168 million yen. This was mainly due to a decrease in retained earnings of 329 million yen resulting from the posting of a net loss of 101 million yen for the quarter in addition to the dividend payment of 227 million yen.

Consequently, the equity ratio increased to 65.4% from 64.4% in the previous fiscal year.

2. Cash Flows

Cash and cash equivalents (hereinafter referred to as “cash”) for the six months ended February 29, 2024 decreased by 435 million yen from the end of the previous fiscal year to 3,061 million yen.

The status and factors regarding cash flows for the six months ended February 29, 2024 are described below:

Cash flows from operating activities

Cash generated from operating activities was 411 million yen (compared to 923 million yen gained in the same period of the previous fiscal year). The increase was mainly due to depreciation of 470 million yen and a decrease in other current assets of 94 million yen, while the decrease was mainly due to loss before income taxes of 134 million yen, a fall in other current liabilities of 20 million yen, and a rise in trade receivable of 57 million yen.

Cash flows from investing activities

Cash used in investing activities was 308 million yen (compared to 1,212 million yen used in the same period of the previous fiscal year). This was mainly due to payments for the purchase of property, plant, and equipment totaling 307 million yen.

Cash flows from financing activities

Cash used through financing activities was 540 million yen (compared to 267 million yen gained in the same period of the previous fiscal year). Major factors are 227 million yen in dividends paid and 310 million yen in repayments of long-term borrowings.

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

The Company has revised its business forecast today (March 28, 2024), based on its current business performance and trends in orders. For details, please refer to the “Notice Concerning the Difference between the Financial Forecast and Actual Results for the Second Quarter and the Revision of the Full-Year Financial Forecast” released today.

2. Quarterly Financial Statements and Primary Notes

(1) Quarterly Balance Sheet

(thousands of yen)

	As of August 31, 2023	As of February 29, 2024
ASSETS		
Current assets		
Cash and deposits	3,496,246	3,061,164
Notes and accounts receivable – trade	467,109	583,577
Electronically recorded monetary claims – operating	515,384	465,269
Merchandise and finished goods	15,583	6,617
Work in process	769,950	721,365
Raw materials and supplies	27,502	26,308
Other	158,700	42,805
Allowance for doubtful accounts	(2,085)	(2,220)
Total current assets	5,448,393	4,904,889
Non-current assets		
Property, plant, and equipment		
Buildings, net	1,755,905	1,697,778
Structures, net	100,071	108,972
Machinery and equipment, net	3,271,296	2,889,609
Vehicles, net	5,248	10,429
Tools, furniture, and fixtures, net	15,028	13,983
Land	782,004	788,067
Leased assets, net	22,048	19,817
Construction in progress	6,190	296,948
Total property, plant, and equipment	5,957,794	5,825,607
Intangible assets	26,285	20,849
Investments and other assets	179,551	213,536
Total non-current assets	6,163,631	6,059,994
Total assets	11,612,024	10,964,883

(thousands of yen)

	As of August 31, 2023	As of February 29, 2024
LIABILITIES		
Current liabilities		
Notes and accounts payable – trade	188,585	195,834
Current portion of long-term borrowings	607,132	580,176
Income taxes payable	-	12,331
Provision for loss on order received	29,500	16,600
Provision for share-based remuneration	24,000	6,000
Other	315,928	293,450
Total current liabilities	1,165,146	1,104,393
Non-current liabilities		
Long-term borrowings	2,889,550	2,605,590
Provision for retirement benefits	59,871	65,421
Asset retirement obligations	1,069	1,069
Other	22,625	20,059
Total non-current liabilities	2,973,116	2,692,140
Total liabilities	4,138,263	3,796,534
NET ASSETS		
Shareholders' equity		
Share capital	1,241,157	1,241,157
Capital surplus	1,956,856	1,963,384
Retained earnings	4,816,354	4,486,942
Treasury shares	(540,607)	(523,134)
Total shareholders' equity	7,473,761	7,168,349
Total net assets	7,473,761	7,168,349
Total liabilities and net assets	11,612,024	10,964,883

(2) Quarterly Statement of Income

(Six-month period)

(thousands of yen)

	Six months ended February 28, 2023	Six months ended February 29, 2024
Net sales	4,240,469	2,040,280
Cost of sales	2,917,592	1,793,511
Gross profit	1,322,877	246,768
Selling, general, and administrative expenses	395,610	325,762
Operating profit (loss)	927,266	(78,993)
Non-operating profit		
Interest income	52	83
Foreign exchange gains	-	3,004
Insurance claim income	-	3,329
Other	2,897	2,583
Total non-operating profit	2,950	9,000
Non-operating expenses		
Interest expenses	11,419	10,901
Foreign exchange losses	5,305	-
Depreciation	-	53,267
Other	9	133
Total non-operating expenses	16,735	64,303
Ordinary profit (loss)	913,481	(134,296)
Extraordinary income		
Gain on sale of non-current assets	-	66
Total extraordinary income	-	66
Extraordinary losses		
Impairment losses	2,280	-
Loss on retirement of non-current assets	34	0
Total extraordinary losses	2,314	0
Profit (loss) before income taxes	911,166	(134,229)
Income taxes – current	249,705	1,633
Income taxes – deferred	17,221	(33,980)
Total income taxes	266,926	(32,346)
Profit (loss)	644,240	(101,882)

(3) Quarterly Statement of Cash Flows

(thousands of yen)

	Six months ended February 28, 2023	Six months ended February 29, 2024
Cash flows from operating activities		
Profit (loss) before income taxes	911,166	(134,229)
Depreciation	468,826	470,229
Impairment losses	2,280	-
Increase (decrease) in allowance for doubtful accounts	(504)	135
Increase (decrease) in provision for loss on order received	(17,800)	(12,900)
Increase (decrease) in provision for share-based remuneration	19,997	6,000
Increase (decrease) in provision for retirement benefits	5,850	5,549
Interest and dividend income	(52)	(83)
Insurance claim income	-	(3,329)
Interest expenses	11,419	10,901
Foreign exchange losses (gains)	1,202	(2,469)
Gain (loss) on sale of non-current assets	-	(66)
Loss on retirement of non-current assets	34	0
Decrease (increase) in trade receivables	242,770	(57,289)
Decrease (increase) in inventories	62,538	58,745
Increase (decrease) in trade payables	31,847	7,249
Increase (decrease) in accrued consumption taxes	(62,180)	9,112
Decrease (increase) in other current assets	(3,419)	94,241
Increase (decrease) in other current liabilities	(232,913)	(20,688)
Other	(9,673)	(26,759)
Subtotal	1,431,391	404,348
Interest and dividends received	52	83
Interest paid	(12,039)	(10,695)
Proceeds from insurance income	-	3,329
Income taxes refund	-	17,563
Income taxes paid	(495,586)	(3,062)
Net cash provided by operating activities	923,819	411,567

	Six months ended February 28, 2023	Six months ended February 29, 2024
Cash flows from investing activities		
Purchase of property, plant, and equipment	(1,212,641)	(307,177)
Proceeds from sale of property, plant, and equipment	-	66
Purchase of intangible assets	(130)	(1,795)
Payments of guarantee deposits	-	(5)
Net cash used in investing activities	(1,212,771)	(308,911)
Cash flows from financing activities		
Proceeds from long-term borrowings	900,000	-
Repayments of long-term borrowings	(302,256)	(310,916)
Purchase of treasury shares	(76)	-
Dividends paid	(327,921)	(227,086)
Repayments of finance lease obligations	(2,128)	(2,204)
Net cash provided by financing activities	267,618	(540,207)
Effect of exchange rate change on cash and cash equivalents	(1,202)	2,469
Net increase (decrease) in cash and cash equivalents	(22,535)	(435,082)
Cash and cash equivalents at beginning of period	3,011,795	3,496,246
Cash and cash equivalents at end of period	2,989,259	3,061,164

(4) Notes to the Quarterly Financial Statements

Going-concern assumptions: None

Significant changes in shareholders' equity: None

Segment information, etc.

Segment information:

Six months ended February 28, 2023 (from September 1, 2022 to February 28, 2023) and six months ended February 29, 2024 (from September 1, 2023 to February 29, 2024)

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