Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Summary of Financial Results for the Six Months Ended February 28, 2021 (Japanese GAAP) (Non-consolidated)

March 30, 2021

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

Security Code: 6264

URL: https://www.marumae.com/

Representative: Toshikazu Maeda, President and Representative Director

Contact: Takeshi Shimomai, General Manager of the Administrative Dept.

Email: inquiry_en@marumae.com

Scheduled date for submission of the quarterly report: April 13, 2021

Scheduled start date of dividends payment: April 22, 2021

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, 2021 (September 1, 2020 to February 28, 2021)

(1) Operating Results (Cumulative)

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

	Six months ended			
	February 29, 2020		February 28, 2021	
		%		%
Net sales (Millions of yen)	2,018	(4.2)	2,299	13.9
Operating profit (Millions of yen)	364	21.2	424	16.2
Ordinary profit (Millions of yen)	341	16.2	422	23.7
Profit (Millions of yen)	237	24.0	294	23.9
Earnings per share of common stock (Yen)				
Basic	18.22		23.01	
Diluted	-		-	

(2) Financial Position

	As of	
	August 31, 2020	February 28, 2021
Total assets (Millions of yen)	8,894	8,689
Net assets (Millions of yen)	5,706	5,847
Equity ratio (%)	64.2	67.3

Reference: Equity: 5,847 million yen (as of February 28, 2021)
5,706 million yen (as of August 31, 2020)

2. Dividends

	Fiscal year ended	Fiscal year ending
	August 31, 2020	August 31, 2021
1Q-end dividends per share (Yen)	-	-
2Q-end dividends per share (Yen)	5.00	10.00
3Q-end dividends per share (Yen)	-	- (Forecast)
Year-end dividends per share (Yen)	12.00	12.00 (Forecast)
Annual dividends per share (Yen)	17.00	22.00 (Forecast)

Note: Revision to the most recently announced dividends forecast: Yes

3. Financial Forecasts for the Fiscal Year Ending August 31, 2021 (September 1, 2020 to August 31, 2021)

Note: Percentages for the fiscal year ending August 31, 2021 indicate changes from the previous fiscal year.

	Fiscal year ending August 31, 2021	
		%
Net sales (Millions of yen)	4,980	13.5
Operating profit (Millions of yen)	1,020	13.8
Ordinary profit (Millions of yen)	1,000	19.9
Profit (Millions of yen)	705	2.1
Earnings per share (Yen)	55.07	

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

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 February 28, 2021:	13,053,000 shares
As of August 31, 2020:	13,053,000 shares

2. Number of shares of treasury shares

As of February 28, 2021:	250,196 shares
As of August 31, 2020:	250,196 shares

3. Average number of shares outstanding (cumulative quarterly period)

Six months ended February 28, 2021:	12,802,804 shares
Six months ended February 29, 2020:	13,052,814 shares

* Status of implementation of quarterly review procedures

This Summary of Financial Results is exempt from the 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 report issuance, 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, (3) Description of Financial Estimates Information such as Financial Forecasts” on page 3 for the assumptions used for financial forecasts and other notes.

Contents

1. Qualitative Information on Quarterly Financial Results 2
(1) Description of Operating Results 2
(2) Description of Financial Position 3
(3) Description of Financial Estimates Information such as Financial Forecasts 4
2. Quarterly Financial Statements and Notes 5
(1) Quarterly Balance Sheet 5
(2) Quarterly Statement of Income 7
(3) Quarterly Statement of Cash Flows 8
(4) Notes to the Quarterly Financial Statements 10

1. Qualitative Information on Quarterly Financial Results

(1) Description of Operating Results

For the six months ended February 28, 2021, the Japanese economy was still in a severe situation due to the Novel Coronavirus (COVID-19). However, capital investment is showing signs of picking up.

In the semiconductor sector, which is our main sales sector, capital investment for foundries was solid and demand for memory increased. In addition, the semiconductor investment plan for this year is currently expected to remain strong. Although the flat panel display (FPD) sector was temporarily stagnant, investment in Generation 6 Organic Light Emitting Diode (OLED) and Generation 10.5 LCD panels for the Chinese market recovered, compared to initial expectations. The trend toward recovery in the FPD investment plan is expected to continue for some time.

Under these economic circumstances, the semiconductor sector saw robust orders due to an increase in orders from new customers, as well as an increase in orders for new product types from existing customers. In the FPD sector, orders were firm amid a sluggish market, thanks to growing orders for products manufactured with large-scale electronic beam welder (EBW), as well as an increase in orders for new product types from new customers. With respect to expenses, the ratio of material costs remained below initial expectations. However, general and administrative expenses were slightly higher than the most recently announced forecast, due to an unfulfilled project aimed at merger and acquisition, as payment fees for the company survey were incurred in advance in February 2021, which was earlier than initially planned.

As a result, the operating results for the six months ended February 28, 2021 were net sales of 2,299 million yen (year-on-year growth of 13.9%), operating profit of 424 million yen (year-on-year growth of 16.2%), ordinary profit of 422 million yen (year-on-year growth of 23.7%), and profit of 294 million yen (year-on-year growth of 23.9%).

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.

The Semiconductor Sector

In the semiconductor sector, orders received increased by 29.6% year-on-year to 1,988 million yen, and net sales increased by 32.2% year-on-year to 1,870 million yen.

The FPD Sector

In the FPD sector, orders received decreased by 18.3% year-on-year to 394 million yen, and net sales decreased by 48.9% year-on-year to 275 million yen.

The Other Sector

In the other sector, orders received increased by 891.1% year-on-year to 143 million yen, and net sales increased by 759.6% year-on-year to 94 million yen.

(2) Description of Financial Position

1. Assets, Liabilities and Net Assets

Assets

Assets decreased by 204 million yen compared to the end of the previous fiscal year, to 8,689 million yen. This was mainly due to a decrease in cash and deposits of 378 million yen, offsetting increases in property, plant and equipment and electronically recorded monetary claims – operating of 89 million yen and 88 million yen, respectively.

Liabilities

Liabilities decreased by 345 million yen compared to the end of the previous fiscal year, to 2,842 million yen. This was mainly due to decreases in long-term borrowings, other current liabilities, and income taxes payable of 194 million yen, 121 million yen, and 104 million yen, respectively, offsetting an increase in notes and accounts payable – trade of 62 million yen.

Net assets

Net assets increased by 140 million yen compared to the end of the previous fiscal year, to 5,847 million yen. This was mainly due to an increase in retained earnings of 140 million yen from the recording of profit of 294 million yen, offsetting a decrease resulting from the payment of dividends of 153 million yen.

As a result, the equity ratio increased to 67.3%, from 64.2% in the previous fiscal year.

2. Cash Flows

Cash and cash equivalents (hereinafter, refer to as “cash”) for the six months ended February 28, 2021 decreased by 378 million yen compared to the end of the previous fiscal year, to 2,161 million yen.

The status and factors regarding cash flows for the six months ended February 28, 2021 are as described below.

Cash flows from operating activities

Cash provided by operating activities was 337 million yen (compared to 577 million yen in the same period of the previous fiscal year). The major increasing factors were profit before income taxes of 422 million yen and depreciation of 302 million yen. The major decreasing factors were income taxes paid of 233 million yen, a decrease in accrued consumption taxes of 158 million yen, and an increase in trade receivables of 93 million yen.

Cash flows from investing activities

Cash used in investing activities was 368 million yen (compared to 81 million yen in the same period of the previous fiscal year). This was mainly due to payment for purchase of property, plant and equipment of 364 million yen.

Cash flows from financing activities

Cash used in financing activities was 348 million yen (compared to 256 million yen in the same period of the previous fiscal year). This was mainly due to repayments of long-term borrowings of 194 million yen and dividends paid of 153 million yen.

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

The Company, as of today (March 30, 2021), has revised the financial forecasts for the fiscal year ending August 31, 2021, based on recent trends in financial results and orders received. For details, see “Notice Concerning Revision of Financial Results and Dividends Forecasts (dividend increase),” announced today.

3. Quarterly Financial Statements and Notes

(1) Quarterly Balance Sheet

(Thousands of yen)

	As of August 31, 2020	As of February 28, 2021
ASSETS		
Current assets		
Cash and deposits	2,540,381	2,161,708
Notes and accounts receivable - trade	719,505	724,291
Electronically recorded monetary claims – operating	656,828	745,132
Merchandise and finished goods	6,402	9,445
Work in process	426,814	408,368
Raw materials and supplies	5,256	12,216
Other	17,369	30,802
Allowance for doubtful accounts	(2,888)	(3,082)
Total current assets	4,369,671	4,088,881
Non-current assets		
Property, plant and equipment		
Buildings, net	1,593,303	1,565,194
Structures, net	69,877	66,065
Machinery and equipment, net	1,775,284	1,866,035
Vehicles, net	25,068	20,499
Tools, furniture and fixtures, net	14,874	14,962
Land	766,549	766,549
Leased assets, net	3,735	3,396
Construction in progress	109,163	144,888
Total property, plant and equipment	4,357,856	4,447,590
Intangible assets	65,244	57,392
Investments and other assets	101,694	95,966
Total non-current assets	4,524,795	4,600,949
Total assets	8,894,466	8,689,831

(Thousands of yen)

	As of August 31, 2020	As of February 28, 2021
LIABILITIES		
Current liabilities		
Notes and accounts payable – trade	115,698	178,004
Current portion of long-term borrowings	389,512	389,512
Income taxes payable	244,704	139,719
Provision for loss on order received	19,500	23,100
Provision for share-based remuneration	-	8,000
Other	414,299	292,721
Total current liabilities	1,183,714	1,031,057
Non-current liabilities		
Long-term borrowings	1,970,706	1,775,950
Provision for retirement benefits	18,953	21,235
Asset retirement obligations	1,069	1,069
Other	13,928	13,466
Total non-current liabilities	2,004,658	1,811,721
Total liabilities	3,188,372	2,842,779
NET ASSETS		
Shareholders' equity		
Share capital	1,241,157	1,241,157
Capital surplus	1,938,342	1,938,342
Retained earnings	2,688,566	2,829,524
Treasury shares, at cost	(161,971)	(161,971)
Total shareholders' equity	5,706,094	5,847,052
Total net assets	5,706,094	5,847,052
Total liabilities and net assets	8,894,466	8,689,831

(2) Quarterly Statement of Income

(Six-month period)

(Thousands of yen)

	Six months ended February 29, 2020	Six months ended February 28, 2021
Net sales	2,018,387	2,299,189
Cost of sales	1,412,923	1,588,738
Gross profit	605,464	710,451
Selling, general and administrative expenses	240,496	286,334
Operating profit	364,967	424,117
Non-operating profit		
Interest income	445	16
Foreign exchange gains	1,511	612
Insurance claim income	-	4,392
Other	871	1,496
Total non-operating profit	2,828	6,517
Non-operating expenses		
Interest expenses	9,256	8,039
Compensation expenses	16,832	-
Other	161	1
Total non-operating expenses	26,250	8,040
Ordinary profit	341,545	422,593
Extraordinary income		
Gain on sales of non-current assets	-	19
Total extraordinary income	-	19
Extraordinary losses		
Loss on retirement of non-current assets	-	2
Total extraordinary losses	-	2
Profit before income taxes	341,545	422,611
Income taxes – current	109,092	122,868
Income taxes – deferred	(5,321)	5,150
Total income taxes	103,771	128,019
Profit	237,773	294,591

(3) Quarterly Statement of Cash Flows

(Thousands of yen)

	Six months ended February 29, 2020	Six months ended February 28, 2021
Cash flows from operating activities		
Profit before income taxes	341,545	422,611
Depreciation	264,028	302,509
Increase (decrease) in allowance for doubtful accounts	360	194
Increase (decrease) in provision for loss on order received	-	3,600
Increase (decrease) in provision for share-based remuneration	-	8,000
Increase (decrease) in provision for retirement benefits	1,774	2,282
Interest and dividend income	(445)	(16)
Insurance claim income	-	(4,392)
Interest expenses	9,256	8,039
Foreign exchange losses (gains)	(930)	(612)
Gain on sales of non-current assets	-	(19)
Loss on retirement of non-current assets	-	2
Decrease (increase) in trade receivables	(172,714)	(93,090)
Decrease (increase) in inventories	(38,072)	8,444
Increase (decrease) in trade payables	38,956	62,306
Increase (decrease) in accrued consumption taxes	69,592	(158,259)
Decrease (increase) in other current assets	14,231	(13,550)
Increase (decrease) in other current liabilities	19,269	29,159
Other, net	(3,161)	(2,793)
Subtotal	543,689	574,415
Interest and dividends received	445	16
Interest paid	(9,080)	(7,933)
Proceeds from insurance income	-	4,392
Income taxes paid	(2)	(233,023)
Income taxes refund	42,155	-
Net cash provided by operating activities	577,207	337,867
Cash flows from investing activities		
Purchase of property, plant and equipment	(78,851)	(364,918)
Proceeds from sales of property, plant and equipment	-	19
Purchase of intangible assets	(2,974)	(3,404)
Net cash used in investing activities	(81,826)	(368,303)

	Six months ended February 29, 2020	Six months ended February 28, 2021
Cash flows from financing activities		
Proceeds from short-term borrowings	-	100,000
Repayments of short-term borrowings	-	(100,000)
Repayments of long-term borrowings	(189,756)	(194,756)
Purchase of treasury shares	(43)	-
Dividends paid	(66,646)	(153,754)
Repayments of finance lease obligations	-	(339)
Net cash used in financing activities	(256,446)	(348,849)
Effect of exchange rate change on cash and cash equivalents	930	612
Net increase (decrease) in cash and cash equivalents	239,865	(378,673)
Cash and cash equivalents at beginning of period	2,263,944	2,540,381
Cash and cash equivalents at end of period	2,503,809	2,161,708

(4) Notes to the Quarterly Financial Statements

Going concern assumption: 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 estimates that the outlook for the domestic economy remains uncertain.

In light of the external information available as of the end of the second quarter of the fiscal year ending August 31, 2021, 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 for the third quarter onward.

Significant changes in shareholders' equity: None

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

Segment information, etc.

Segment information

Six months ended February 29, 2020 (from September 1, 2019 to February 29, 2020) and six months ended February 28, 2021 (from September 1, 2020 to February 28, 2021)

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

Significant subsequent event: None