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August 8, 2023

Consolidated Financial Results for the Six Months Ended June 30, 2023 (Under Japanese GAAP)

Company name: MARUKA FURUSATO Corporation
 Listing: Tokyo Stock Exchange
 Securities code: 7128
 URL: <https://www.unisol-gr.com/en>
 Representative: Ryohei Furusato, President and Representative Director
 Inquiries: Taketsugu Fujii, Executive Officer, Head of Corporate Administration Unit
 Telephone: +81-6-6946-1600
 Scheduled date to file quarterly securities report: August 10, 2023
 Scheduled date to commence dividend payments: August 25, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for analysts and institutional investors)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|------------------|-----------------|------|------------------|------|-----------------|-----|---|------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Six months ended | | | | | | | | |
| June 30, 2023 | 85,159 | 10.7 | 3,186 | 15.4 | 3,631 | 9.7 | 2,598 | 19.0 |
| June 30, 2022 | 76,911 | – | 2,760 | – | 3,311 | – | 2,183 | – |

Note: Comprehensive income For the six months ended June 30, 2023: ¥2,814 million [12.3%]
 For the six months ended June 30, 2022: ¥2,504 million [–%]

| | Basic earnings per share | Diluted earnings per share |
|------------------|--------------------------|----------------------------|
| Six months ended | Yen | Yen |
| June 30, 2023 | 102.55 | – |
| June 30, 2022 | 86.21 | – |

Note: As the Company was established on October 1, 2021 through a joint share transfer, there is no year-on-year change to list for the six months ended March 31, 2022.

(2) Consolidated financial position

| | Total assets | Net assets | Equity-to-asset ratio | Net assets per share |
|-------------------|-----------------|-----------------|-----------------------|----------------------|
| As of | Millions of yen | Millions of yen | % | Yen |
| June 30, 2023 | 120,504 | 72,415 | 59.4 | 2,819.43 |
| December 31, 2022 | 122,914 | 72,139 | 58.0 | 2,816.21 |

Reference: Equity
 As of June 30, 2023: ¥71,582 million
 As of December 31, 2022: ¥71,328 million

2. Cash dividends

| | Annual dividends per share | | | | |
|---|----------------------------|--------------------|-------------------|-----------------|--------|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended December 31, 2022 | – | 10.00 | – | 103.00 | 113.00 |
| Fiscal year ending December 31, 2023 | – | 10.00 | | | |
| Fiscal year ending December 31, 2023 (Forecast) | | | – | 55.00 | 65.00 |

Note: Revisions to the forecast of cash dividends most recently announced: Yes

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|---|-----------------|-----|------------------|-----|-----------------|-------|---|-----|--------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Fiscal year ending December 31, 2023 | 171,000 | 5.3 | 6,000 | 1.8 | 6,830 | (3.2) | 4,700 | 3.7 | 185.12 |

Note: Revisions to the earnings forecasts most recently announced: Yes

For details regarding the revisions to the consolidated earnings forecasts, please refer to the “Notice Regarding Differences between the Consolidated Earnings Forecasts and Actual Results for the Six Months Ended June 30, 2023, and Revisions to the Earnings Forecasts for the Fiscal Year Ending December 31, 2023 and Forecast of Cash Dividends” announced today (August 8, 2023).

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

| | |
|-------------------------|-------------------|
| As of June 30, 2023 | 25,563,814 shares |
| As of December 31, 2022 | 25,563,814 shares |

- (ii) Number of treasury shares at the end of the period

| | |
|-------------------------|----------------|
| As of June 30, 2023 | 174,678 shares |
| As of December 31, 2022 | 236,017 shares |

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

| | |
|--------------------------------|-------------------|
| Six months ended June 30, 2023 | 25,336,307 shares |
| Six months ended June 30, 2022 | 25,326,239 shares |

Note: The number of treasury shares at the end of the period includes the number of the Company's shares owned by trust accounts of the "director stock ownership plan" and the "employee stock ownership plan" (169,884 shares as of June 30, 2023; 231,684 shares as of December 31, 2022). In addition, the number of the Company's shares owned by trust accounts of the "director stock ownership plan" and the "employee stock ownership plan" are included in the number of treasury shares, which are deducted in calculating the average number of shares outstanding during the period.

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters
Caution regarding forward-looking statements and others

- Forward-looking statements, including the earnings forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. Results may differ materially from the earnings forecasts due to various factors.

Means of access to supplementary material on quarterly financial results

The supplementary material on quarterly financial results will be available on the Company's website.

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1. Qualitative information on quarterly financial results for the period under review

(1) Explanation of operating results

During the first six months ended June 30, 2023, the Japanese economy showed a recovery trend mainly in the service sector due to a recovery in inbound demand in addition to an increase in opportunities to go out in the wake of COVID-19's category being lowered to Class 5. Although industrial production recovered gradually, the number of residential construction starts decreased due to rising raw material prices, energy prices, personnel expenses, etc., and a trend of prudence was seen for personnel saving and labor saving capital investment.

Overseas economic trends remained uncertain amid high interest rates. In the U.S., although the rate of inflation has declined slightly, it remains at a high level. On the other hand, the slowdown of the economy has become apparent, with the GDP growth rate slowing, housing investments declining, and capital investments remaining at the same level. In China, the post-COVID-19 economic recovery did not proceed as expected and the GDP growth rate was revised downward. Tensions between the U.S. and China also continued, and the economy remained stagnant.

In this economic situation, as for the machine tool orders index, domestic demand decreased 25.4% year on year and foreign demand decreased 15.9% year on year from April to June. Furthermore, the industrial production index was on a gradual recovery trend, and increased 0.9% year on year from April to June. In the construction related sector, new construction starts based on floor area for April-June decreased 11.1% year on year, and new housing starts for April-June decreased 4.7% year on year.

The MARUKA FURUSATO Group has set its mission to “Open up “now” with impressive proposals. Lead customers beyond the changes” on a daily basis and has formulated Medium-Term Management Plan “UNISOL,” covering up until the end of 2026, by planning backward from its 10-year vision. The fiscal year ending December 31, 2023 is the second year for the 1st stage and is positioned as the year in which we establish a base to go back to a growth track. We will realize integrated synergy early, enhance platform, and focus on strategic fields.

In April, the Group disclosed that it established a joint venture with Matsubishi Reinetsu Co., Ltd. The Group also established Mtass Ref Corporation and carried out the full-scale entry of CO2 compressors into the import and sales business. In light of the zero-carbon trend, the Group will also proactively work to resolve environmental issues. Mtass Ref Corporation is a non-consolidated subsidiary.

Also, in July, we announced that it will make TS Precision Co., Ltd., which is currently a wholly owned subsidiary of Nabtesco Corporation, its subsidiary by the MARUKA FURUSATO Group's Company. We determined that TS Precision Co., Ltd. will play an important role in the MARUKA FURUSATO Group's aim to establish an “engineering chain that integrates the functions of a trading company with those of a manufacturer” and in our medium- to long-term strategy to expand into EV-related fields.

Amid these conditions, in terms of operating results for the six months ended June 30, 2023, net sales were ¥85,159 million, increasing by ¥8,248 million, or 10.7% year on year. In terms of profit, operating profit was ¥3,186 million, increasing by ¥425 million, or 15.4% year on year, due to the effect of increased revenue, despite surging raw materials and energy prices as well as increased selling, general and administrative expenses associated with the resumption of sales activities. Ordinary profit was ¥3,631 million, increasing by ¥319 million, or 9.7% year on year. Profit attributable to owners of parent was ¥2,598 million, increasing by ¥414 million, or 19.0% year on year, due in part to a gain on sales of non-current assets following the relocation in the MARUKA FURUSATO Group.

The operating results by segment are as follows:

Machinery & Tools Segment

In the domestic manufacturing sector, large enterprises have a strong appetite to invest in AI, IoT, and environmental fields. In the automotive industry, the shortage of semiconductors is subsiding, and unit production is progressing according to plans. With regard to capital investment, the main focus is on electric vehicle-related investments, mainly centered on batteries and motors. Small and medium-sized enterprises have a strong appetite to invest in personnel saving and labor saving, but prudence can be

seen regarding capital investment due to the uncertain outlook. On the other hand, equipment tools and consumable products are firm due to high factory utilization rates. Although conditions in the semiconductor-related industry have settled down, the timing for investment is being assessed as production is scheduled to increase in Japan in 2024.

Overseas, in North America, the automotive industry was firm as a result of the end of the trend to buy less caused by COVID-19 and the easing of parts shortages. However, a slowing trend has become apparent as inflation remains high, albeit on a declining trend, and GDP growth is also slowing. Orders for injection molding machines are also on a downward trend.

In China, although the lifting of the zero-COVID policy was expected to bring about a significant recovery, the recovery has not materialized as expected. Although Japanese automakers received temporary instructions to increase production, sluggish sales led to an increase in market inventories. Investments are also being held off due to the uncertain outlook for Europe and the U.S., the main export destinations.

As a result of the above, net sales amounted to ¥58,326 million, increasing by ¥6,944 million, or 13.5% year on year. Operating profit was ¥2,236 million, increasing by ¥669 million, or 42.8% year on year.

Construction Products Segment

Domestic construction demand has been strong for large-scale redevelopment projects and logistics facilities, but has been stagnant for small- and medium-scale properties. As the number of properties has decreased, inquiries have been concentrated on large-scale properties, and competition in sales prices has intensified. In addition, with regard to housing equipment, inquiries were on a downward trend as recreation etc. was prioritized in reaction to the fallout from the COVID-19 pandemic.

As a result of the above, net sales amounted to ¥22,130 million, increasing by ¥2,024 million, or 10.1% year on year, and operating profit was ¥1,007 million, decreasing by ¥69 million, or 6.5% year on year.

Construction Machinery Segment

Domestic sales of construction machinery were firm due to strong public investment, large-scale private-sector redevelopment, and factory and warehouse construction. By type of machinery, sales of hydraulic shovels and mini shovels were strong, while sales of the MARUKA FURUSATO Group's mainstay construction cranes and foundation construction equipment increased slightly. The market was steady, but was affected by delivery schedule problems due to engine and steel material issues, machine trouble, etc.

As a result of the above, net sales amounted to ¥3,248 million, decreasing by ¥909 million, or 21.9% year on year. Operating loss was ¥9 million, a deterioration of ¥57 million compared with operating profit of ¥47 million in the same period of the previous fiscal year.

IoT Solutions Segment

Prices for IP cameras themselves in Japan have been on a downward trend, making it difficult to develop business with equipment alone. On the other hand, the use of cameras for applications other than security and crime prevention, such as customer analysis and marketing using AI cameras, is on the rise. There is a recovery trend in demand for capital investment involving construction, as projects that had been postponed are starting to move forward due to the easing of restrictions on movement. Although it continues to be difficult to secure profits due to intensifying competition, the Company is promoting differentiation from competitors by proposing solutions.

As a result, net sales amounted to ¥1,454 million, increasing by ¥188 million, or 14.9% year on year, and operating profit was ¥19 million, an improvement of ¥59 million compared with operating loss of ¥39 million in the same period of the previous fiscal year.

(2) Explanation on financial positionTotal assets

Total assets as of the end of the second quarter under review decreased due to the payment of dividends. At the same time, cash and deposits increased due to the conversion of notes and accounts receivable - trade and inventories into cash. As a result, total assets decreased by ¥2,410 million from the end of the previous fiscal year to ¥120,504 million.

Liabilities

Liabilities as of the end of the second quarter under review were ¥48,089 million, a decrease of ¥2,686 million from the end of the previous fiscal year, mainly due to a decrease in contract liabilities.

Net assets

Net assets as of the end of the second quarter under review were ¥72,415 million, an increase of ¥276 million from the end of the previous fiscal year, due to a decrease in retained earnings resulting from dividend payments and valuation difference on available-for-sale securities.

(3) Explanation on consolidated earnings forecasts and other forward-looking statements

With regard to the earnings forecasts for the fiscal year ending December 31, 2023, the earnings forecasts announced in the “Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (Under Japanese GAAP)” on February 13, 2023 have been revised. For details regarding the revisions to the earnings forecasts, please refer to the “Notice Regarding Differences between the Consolidated Earnings Forecasts and Actual Results for the Six Months Ended June 30, 2023, and Revisions to the Earnings Forecasts for the Fiscal Year Ending December 31, 2023 and Forecast of Cash Dividends” announced on August 8, 2023.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

| | As of December 31, 2022 | As of June 30, 2023 |
|---|-------------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 25,648 | 26,933 |
| Notes and accounts receivable - trade | 34,085 | 31,900 |
| Electronically recorded monetary claims - operating | 9,424 | 10,101 |
| Investments in leases | 100 | 36 |
| Merchandise and finished goods | 11,778 | 11,384 |
| Work in process | 3,133 | 2,809 |
| Raw materials and supplies | 382 | 439 |
| Other | 7,550 | 4,179 |
| Allowance for doubtful accounts | (25) | (24) |
| Total current assets | 92,077 | 87,760 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 7,753 | 8,483 |
| Machinery, equipment and vehicles, net | 918 | 894 |
| Tools, furniture and fixtures, net | 543 | 553 |
| Assets for rent, net | 1,030 | 949 |
| Leased assets, net | 157 | 236 |
| Land | 9,995 | 9,947 |
| Construction in progress | 1,636 | 1,679 |
| Total property, plant and equipment | 22,036 | 22,745 |
| Intangible assets | | |
| Goodwill | 227 | 211 |
| Trade right | 1,120 | 1,040 |
| Other | 912 | 846 |
| Total intangible assets | 2,260 | 2,098 |
| Investments and other assets | | |
| Investment securities | 4,003 | 4,941 |
| Retirement benefit asset | 797 | 797 |
| Deferred tax assets | 281 | 253 |
| Other | 1,540 | 2,007 |
| Allowance for doubtful accounts | (83) | (99) |
| Total investments and other assets | 6,540 | 7,900 |
| Total non-current assets | 30,837 | 32,743 |
| Total assets | 122,914 | 120,504 |

Note: All figures are rounded down to the nearest million yen.

(Millions of yen)

| | As of December 31, 2022 | As of June 30, 2023 |
|--|-------------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 20,250 | 19,470 |
| Electronically recorded obligations - operating | 15,508 | 16,459 |
| Short-term borrowings | 511 | 1,158 |
| Current portion of long-term borrowings | 54 | 47 |
| Lease liabilities | 115 | 101 |
| Income taxes payable | 1,306 | 1,029 |
| Contract liabilities | 6,602 | 4,558 |
| Provision for bonuses | 647 | 663 |
| Provision for bonuses for directors (and other officers) | 56 | 76 |
| Provision for share awards for employees | 148 | 64 |
| Provision for product warranties | 42 | 47 |
| Other | 3,771 | 2,382 |
| Total current liabilities | 49,016 | 46,061 |
| Non-current liabilities | | |
| Long-term borrowings | 498 | 474 |
| Lease liabilities | 145 | 173 |
| Deferred tax liabilities | 617 | 931 |
| Provision for retirement benefits for directors (and other officers) | 75 | 28 |
| Provision for share awards for directors (and other officers) | 49 | 40 |
| Retirement benefit liability | 126 | 131 |
| Other | 246 | 246 |
| Total non-current liabilities | 1,759 | 2,027 |
| Total liabilities | 50,775 | 48,089 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 5,000 | 5,000 |
| Capital surplus | 28,299 | 28,299 |
| Retained earnings | 35,734 | 35,700 |
| Treasury shares | (322) | (230) |
| Total shareholders' equity | 68,712 | 68,769 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,414 | 2,036 |
| Deferred gains or losses on hedges | 6 | (11) |
| Foreign currency translation adjustment | 1,296 | 887 |
| Remeasurements of defined benefit plans | (102) | (100) |
| Total accumulated other comprehensive income | 2,615 | 2,812 |
| Non-controlling interests | 810 | 832 |
| Total net assets | 72,139 | 72,415 |
| Total liabilities and net assets | 122,914 | 120,504 |

Note: All figures are rounded down to the nearest million yen.

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income**Quarterly consolidated statement of income
[For the six months]**

(Millions of yen)

| | Six months ended June 30, 2022 | Six months ended June 30, 2023 |
|--|-----------------------------------|-----------------------------------|
| Net sales | 76,911 | 85,159 |
| Cost of sales | 64,505 | 71,588 |
| Gross profit | 12,405 | 13,570 |
| Selling, general and administrative expenses | 9,644 | 10,384 |
| Operating profit | 2,760 | 3,186 |
| Non-operating income | | |
| Interest income | 21 | 28 |
| Dividend income | 73 | 84 |
| Purchase discounts | 230 | 227 |
| Rental income | 59 | 52 |
| Foreign exchange gains | 60 | 10 |
| Other | 158 | 114 |
| Total non-operating income | 604 | 518 |
| Non-operating expenses | | |
| Interest expenses | 7 | 16 |
| Rental costs | 21 | 26 |
| Other | 24 | 30 |
| Total non-operating expenses | 52 | 72 |
| Ordinary profit | 3,311 | 3,631 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 38 | 240 |
| Total extraordinary income | 38 | 240 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 10 | 0 |
| Total extraordinary losses | 10 | 0 |
| Profit before income taxes | 3,339 | 3,870 |
| Income taxes - current | 1,053 | 1,174 |
| Income taxes - deferred | 70 | 86 |
| Total income taxes | 1,124 | 1,260 |
| Profit | 2,215 | 2,610 |
| Profit attributable to non-controlling interests | 31 | 12 |
| Profit attributable to owners of parent | 2,183 | 2,598 |

Note: All figures are rounded down to the nearest million yen.

Quarterly consolidated statement of comprehensive income
[For the six months]

(Millions of yen)

| | Six months ended June 30, 2022 | Six months ended June 30, 2023 |
|--|-----------------------------------|-----------------------------------|
| Profit | 2,215 | 2,610 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (206) | 621 |
| Deferred gains or losses on hedges | (12) | (17) |
| Foreign currency translation adjustment | 530 | (402) |
| Remeasurements of defined benefit plans, net of tax | (21) | 2 |
| Total other comprehensive income | 289 | 204 |
| Comprehensive income | 2,504 | 2,814 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 2,406 | 2,795 |
| Comprehensive income attributable to non-controlling interests | 98 | 19 |

Note: All figures are rounded down to the nearest million yen.

(3) Notes to quarterly consolidated financial statements**Notes on premise of going concern**

Not applicable.

Notes when there are significant changes in amounts of equity

Not applicable.

Segment information

I Six months ended June 30, 2022 (from January 1, 2022 to June 30, 2022)

Information of sales and profit (loss) for each reportable segment

(Millions of yen)

| | Reportable segment | | | | | Adjustment (Note 1) | Amounts recorded in the quarterly consolidated statement of income (Note 2) |
|--------------------------------------|----------------------|--------------------------|---------------------------|------------------|--------|------------------------|---|
| | Machinery & Tools | Construction Products | Construction Machinery | IoT Solutions | Total | | |
| Net sales | | | | | | | |
| Sales to external customers | 51,381 | 20,105 | 4,158 | 1,265 | 76,911 | – | 76,911 |
| Intersegment revenue or transfers | 863 | 22 | – | 13 | 899 | (899) | – |
| Total | 52,244 | 20,127 | 4,158 | 1,279 | 77,810 | (899) | 76,911 |
| Segment profit (loss) | 1,566 | 1,077 | 47 | (39) | 2,652 | 108 | 2,760 |

Notes: 1. Adjustment of segment profit (loss), amounting to ¥108 million, includes ¥111 million from elimination of intersegment transactions and HD management cost not allocated to each business segment reported, ¥(4) million from reconciliation of inventories, and ¥1 million from reconciliation of non-current assets.

2. Segment profit (loss) is adjusted to operating profit in the quarterly consolidated statement of income.

II Six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

1. Information of sales and profit (loss) for each reportable segment

(Millions of yen)

| | Reportable segment | | | | | Adjustment (Note 1) | Amounts recorded in the quarterly consolidated statement of income (Note 2) |
|--------------------------------------|----------------------|--------------------------|---------------------------|------------------|--------|------------------------|---|
| | Machinery & Tools | Construction Products | Construction Machinery | IoT Solutions | Total | | |
| Net sales | | | | | | | |
| Sales to external customers | 58,326 | 22,130 | 3,248 | 1,454 | 85,159 | – | 85,159 |
| Intersegment revenue or transfers | 552 | 20 | – | 33 | 605 | (605) | – |
| Total | 58,878 | 22,150 | 3,248 | 1,487 | 85,765 | (605) | 85,159 |
| Segment profit (loss) | 2,236 | 1,007 | (9) | 19 | 3,254 | (68) | 3,186 |

Notes: 1. Adjustment of segment profit (loss), amounting to ¥(68) million, includes ¥(65) million from elimination of intersegment transactions and HD management cost not allocated to each business segment reported, ¥(3) million from reconciliation of inventories, and ¥1 million from reconciliation of non-current assets.

2. Segment profit (loss) is adjusted to operating profit in the quarterly consolidated statement of income.

2. Changes to reportable segments and other matters

Effective from the first quarter of the current fiscal year, the Company changed the name of its reportable segment “Security” to “IoT Solutions” to reflect the Company’s change and challenge toward the next stage as stated in its Medium-Term Management Plan. Traditionally, we have developed our business as a system integrator of physical security, focusing on sales of surveillance cameras and security equipment. However, in recent years we have been focusing on solutions business utilizing IoT technology. In particular, we expect that Security Design Inc. will create new added value through the fusion of its know-how and expertise in IoT and AI with existing business areas, and this is an important part of the smart factory business initiatives. After the name change, the reportable segment classification will remain unchanged.

The segment information for the second quarter of the previous fiscal year is also presented under the new name.

Significant subsequent event

Making a subsidiary through acquisition of shares

As announced in the “Notice of Conclusion of Share Transfer Agreement (Acquisition of a Second-Tier Subsidiary) by a Subsidiary” released on July 19, 2023, the Company’s subsidiary Maruka Corporation (“Maruka”), has decided by resolution of its Board of Directors on July 18, 2023 to acquire all shares of TS Precision Co., Ltd. (“TS Precision”), a wholly owned subsidiary of Nabtesco Corporation (“Nabtesco”), thereby making TS Precision a subsidiary of Maruka, and concluded a share transfer agreement with Nabtesco on July 18, 2023.

1. Reason for acquiring the shares

In the MARUKA FURUSATO Group’s Medium-Term Management Plan “UNISOL,” which ends in 2026, management has identified five medium- to long-term strategic fields: “EV-related,” “Automation and labor saving,” “Environment and energy saving,” “Food-related,” and “Global.” As the core operating company of the Machinery & Tools business, Maruka is playing a leading role in promoting the five strategic fields.

TS Precision, on the other hand, provides the automobile manufacturing industry, etc. with production systems based on its one-of-a-kind technologies, centering on forming machines and constant velocity joint (CVJ) processing machines. Forming machines are used in the mass production of motors and battery parts for EVs, and TS Precision’s machines maintain a competitive edge in production efficiency. TS Precision also has a strong customer base in the automobile manufacturing industry as a supplier of constant velocity joint (CVJ) processing machines.

We determined that the functions of TS Precision will play an important role in the MARUKA FURUSATO Group’s aim to establish an “engineering chain that integrates the functions of a trading company with those of a manufacturer” and in our medium- to long-term strategy to expand into EV-related fields, and therefore decided to make TS Precision a subsidiary through this acquisition of shares.

2. Overview of second-tier company to be transferred (TS Precision)

| | | |
|---|---|----------------|
| (1) Name | TS Precision Co., Ltd. | |
| (2) Location | 2-36 Hinode-machi, Iwakuni, Ymaguchi | |
| (3) Title and name of representative | Yasuhiro Tsukuda, President | |
| (4) Description of business | Manufacture and sale of forming machines, constant velocity joint (CVJ) processing machines, etc. | |
| (5) Share capital | ¥50 million | |
| (6) Date of establishment | December 6, 1995 | |
| (7) Major shareholder and shareholding ratio | Nabtesco Corporation 100.00% | |
| (8) Relationship between the Company and said company | Capital relationship | Not applicable |
| | Personnel relationship | Not applicable |
| | Transactional relationship | Not applicable |

3. Number of shares to be acquired, acquisition price and status of shares held before and after the acquisition

| | |
|---|---|
| (1) Number of shares held before the transfer | 0 shares (Number of voting rights: 0) (Holding ratio of voting rights: 0%) |
| (2) Number of shares acquired | 1,000 shares (Number of voting rights: 1,000) |
| (3) Acquisition price | The Company plans to acquire the shares at a price calculated based on an independent third-party evaluation. |
| (4) Number of shares held after the transfer | 1,000 shares (Number of voting rights: 1,000) (Holding ratio of voting rights: 100%) |

4. Schedule

| | |
|--|-----------------|
| (1) Date of conclusion of share transfer agreement | July 18, 2023 |
| (2) Date of share transfer | August 31, 2023 |

5. Future outlook

The impact of this transaction on the Company's consolidated financial results for the fiscal year ending December 31, 2023 is expected to be negligible. Should any matters arise that require disclosure in the future, we will promptly disclose them as soon as they become known.