

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.

November 7, 2023

Consolidated Financial Results for the Nine Months Ended September 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: November 10, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the nine months ended September 30, 2023 (from January 1, 2023 to September 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	%
Nine months ended September 30, 2023	129,311	9.3	4,683	11.8	5,391	6.5	3,859	14.3
September 30, 2022	118,259	–	4,188	–	5,063	–	3,376	–

Note: Comprehensive income For the nine months ended September 30, 2023: ¥4,576 million [9.4%]
 For the nine months ended September 30, 2022: ¥4,182 million [–%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2023	153.21	–
September 30, 2022	133.34	–

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 nine months ended September 30, 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
September 30, 2023	121,109	71,105	58.0	2,895.60
December 31, 2022	122,914	72,139	58.0	2,816.21

Reference: Equity

As of September 30, 2023: ¥70,234 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

- Notes: 1. Revisions to the forecast of cash dividends most recently announced: None
2. Breakdown of year-end dividends for the fiscal year ended December 2022
Ordinary dividend: 53.00 yen, Commemorative dividend: 50.00 yen

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: None

* **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 September 30, 2023	25,174,214 shares
As of December 31, 2022	25,563,814 shares

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

As of September 30, 2023	918,607 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)

Nine months ended September 30, 2023	25,192,180 shares
Nine months ended September 30, 2022	25,326,876 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 September 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.

Attached Material

Index

1. Qualitative information on quarterly financial results for the period under review.....	2
(1) Explanation of operating results.....	2
(2) Explanation on financial position.....	4
(3) Explanation on consolidated earnings forecasts and other forward-looking statements	4
2. Quarterly consolidated financial statements and significant notes thereto	5
(1) Quarterly consolidated balance sheet	5
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income	7
Quarterly consolidated statement of income	7
[For the nine months]	7
Quarterly consolidated statement of comprehensive income	8
[For the nine months]	8
(3) Notes to quarterly consolidated financial statements	9
Notes on premise of going concern	9
Notes when there are significant changes in amounts of equity.....	9
Segment information	9

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

(1) Explanation of operating results

During the first nine months ended September 30, 2023, the Japanese economy showed a trend toward moderate recovery as a result of strong personal consumption due to the easing of behavioral regulations, as well as increased inbound demand. There were also concerns about declining demand due to rising raw material prices caused by the weak yen and higher product prices resulting from increased personnel expenses, but industrial production decreased slightly.

In the U.S., the economy has been bullish on the back of a recovery in personal consumption driven by the service sector and an improved employment environment. Business confidence in the manufacturing sector has also bottomed out, and capital investment has been reasonably robust. At the same time, the outlook remains uncertain due to the lingering risk of economic recession due to monetary tightening. In China, the economy is slowing due to sluggish domestic and foreign demand, starting with investment in real estate development. There are also concerns about a global economic slowdown amid growing tensions in Israel as well as the situation in Ukraine.

In this economic situation, as for the machine tool orders index, domestic demand decreased 23.1% year on year and foreign demand decreased 12.1% year on year from July to September. Furthermore, the industrial production index decreased slightly, and decreased 3.7% year on year from July to September. In the construction related sector, new construction starts based on floor area for July-September decreased 11.5% year on year, and new housing starts for July-September decreased 7.7% 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 August, the Company disclosed the purchase of treasury shares for the purpose of investing in human resources, returning profits to shareholders, and investing in growth in accordance with our cash allocation policy, and at the same time, the Company purchased 1,133,500 shares through the Tokyo Stock Exchange’s off-hours trading system for listed companies reacquiring their own shares (ToSTNeT-3). For investment in human resources, we have resolved to introduce a restricted transfer incentive plan for employee stock ownership. In addition, 389,600 shares, or 1.52% of the total number of shares outstanding before cancellation, were cancelled as a shareholder return.

In September, the Company disclosed a Notice of Reorganization. To achieve the accelerated growth set out in the 2nd stage of the Medium Term Management Plan, which begins from 2024, it is essential to further speed up the execution of measures and further strengthen cooperation between businesses. In order to resolve these issues and create a structure that will bring about sustainable growth, G-NET CORPORATION and Security Design Inc. became wholly owned subsidiaries of the Company.

The Company also disclosed Notice regarding the Launch of Sales of “UNI-MOW,” a Smart Livestock Production System That Uses AI Analysis. We will continue to promote initiatives to solve social issues in other business areas, such as IT for dairy and livestock farming, using our expertise in, e.g., monitoring and monitoring technology in DX promotion projects in the manufacturing sector.

Amid these conditions, in terms of operating results for the nine months ended September 30, 2023, net sales were ¥129,311 million, increasing by ¥11,052 million, or 9.3% year on year. Operating profit was ¥4,683 million, increasing by ¥495 million, or 11.8% year on year.

Ordinary profit was ¥5,391 million increasing by ¥327 million, or 6.5% year on year. Profit attributable to owners of parent was ¥3,859 million, increasing by ¥482 million, or 14.3% year on year.

The operating results by segment are as follows:

Machinery & Tools Segment

Business confidence in the manufacturing sector in Japan has improved, and large companies are investing in AI, IoT, and environmental fields. In the automotive industry, the shortage of semiconductors has been resolved, 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, motors, and gigacasts. Although SMEs have a strong appetite to invest in personnel and labor saving, they are moving ahead cautiously with their capital investment plans. Equipment tools and consumable products declined slightly due to calm conditions in the semiconductor industry. Increased production in the semiconductor industry is expected in the spring of 2024.

Overseas, in North America, consumer spending was strong due to the drawdown of savings, but has begun to show signs of slowing due to sustained price increases. Although there has been no recession and there are expectations that the economy will pick up, it remains a fact that appetite for capital investment has yet to return. In China, the overall manufacturing sector is moving toward improvement, but there remain factors that could lead to an economic slowdown, such as unresolved real estate issues and youth unemployment, creating an uncertain situation. At Japanese automakers, sales have been sluggish due to the lack of progress in the shift to EVs, and capital investment was weak.

As a result of the above, net sales amounted to ¥88,331 million, increasing by ¥10,014 million, or 12.8% year on year. Operating profit was ¥3,194 million, increasing by ¥1,093 million, or 52.1% year on year.

Construction Products Segment

As for domestic construction demand, although urban redevelopment, manufacturing factories, and distribution warehouses continue to be planned, there are concerns that some projects may be postponed or revised due to soaring construction costs. Residential and small- and medium-scale properties also remained sluggish, resulting in a downward trend in the volume of demand for steel frames. In addition, with regard to housing equipment, demand for new building construction was sluggish due to soaring material prices and a declining population. Demand for remodeling has also declined due to a shift from inward-facing demand during the COVID-19 pandemic to outward-facing demand for recreation etc.

As a result of the above, net sales amounted to ¥33,575 million, increasing by ¥1,918 million, or 6.1% year on year, and operating profit was ¥1,563 million, decreasing by ¥330 million, or 17.4% year on year.

Construction Machinery Segment

Domestic construction investments are expected to increase compared to the previous year. On the other hand, customers' willingness to purchase products is declining as prices continue to rise at various manufacturers due to the increased cost of steel materials, various equipment, as well as logistics costs. In addition, delivery schedule problems persist due to engine and steel material issues, etc.

As a result of the above, net sales amounted to ¥5,134 million, decreasing by ¥1,188 million, or 18.8% year on year. Operating profit was ¥22 million, decreasing by ¥89 million, or 80.0% year on year.

IoT Solutions Segment

In the wholesale business, numerous Chinese manufacturers have entered the IP camera market, resulting in price competition even for high-quality products. Inquiries for commercial products with temperature measurement functions have decreased due to the easing of restrictions on movement. As demand for AI cameras capable of image analysis is expected to become fully-fledged in surveillance

systems and industrial applications, the Company is focusing on providing high value-added products including proposing solutions. Projects, including installation work at distribution warehouses for online stores were strong.

As a result, net sales amounted to ¥2,269 million, increasing by ¥308 million, or 15.7% year on year, and operating profit was ¥33 million, an improvement of ¥115 million compared with operating loss of ¥81 million in the same period of the previous fiscal year.

(2) Explanation on financial position

Total assets

Regarding total assets as of the end of the third quarter under review, cash and deposits decreased due to purchase of treasury shares. As a result, total assets decreased by ¥1,805 million from the end of the previous fiscal year to ¥121,109 million.

Liabilities

Liabilities as of the end of the third quarter under review were ¥50,004 million, a decrease of ¥771 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 third quarter under review were ¥71,105 million, a decrease of ¥1,033 million from the end of the previous fiscal year, due to a decrease in shareholders' equity resulting from dividend payments and purchase of treasury shares.

(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, there have been no revisions to the figures published in 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.

The above earnings forecasts are based on information currently available to the Company and actual results may differ from the forecasts due to a variety of factors. Should any changes occur in the future, the relevant information will be duly disclosed.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of December 31, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	25,648	22,484
Notes and accounts receivable - trade	34,085	31,563
Electronically recorded monetary claims - operating	9,424	11,190
Investments in leases	100	28
Merchandise and finished goods	11,778	12,695
Work in process	3,133	2,736
Raw materials and supplies	382	420
Other	7,550	4,498
Allowance for doubtful accounts	(25)	(21)
Total current assets	92,077	85,598
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,753	8,616
Machinery, equipment and vehicles, net	918	952
Tools, furniture and fixtures, net	543	545
Assets for rent, net	1,030	942
Leased assets, net	157	204
Land	9,995	10,413
Construction in progress	1,636	2,774
Total property, plant and equipment	22,036	24,449
Intangible assets		
Goodwill	227	1,021
Trade right	1,120	1,000
Other	912	894
Total intangible assets	2,260	2,916
Investments and other assets		
Investment securities	4,003	5,040
Retirement benefit asset	797	803
Deferred tax assets	281	400
Other	1,540	1,999
Allowance for doubtful accounts	(83)	(98)
Total investments and other assets	6,540	8,145
Total non-current assets	30,837	35,511
Total assets	122,914	121,109

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

(Millions of yen)

	As of December 31, 2022	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,250	20,126
Electronically recorded obligations - operating	15,508	17,546
Short-term borrowings	511	432
Current portion of long-term borrowings	54	47
Lease liabilities	115	92
Income taxes payable	1,306	882
Contract liabilities	6,602	4,688
Provision for bonuses	647	1,245
Provision for bonuses for directors (and other officers)	56	107
Provision for product warranties	42	64
Provision for share awards for employees	148	111
Other	3,771	2,427
Total current liabilities	49,016	47,771
Non-current liabilities		
Long-term borrowings	498	463
Lease liabilities	145	156
Deferred tax liabilities	617	806
Provision for retirement benefits for directors (and other officers)	75	46
Provision for share awards for directors (and other officers)	49	40
Retirement benefit liability	126	132
Other	246	586
Total non-current liabilities	1,759	2,232
Total liabilities	50,775	50,004
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	28,299	27,336
Retained earnings	35,734	36,705
Treasury shares	(322)	(2,072)
Total shareholders' equity	68,712	66,969
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,414	2,098
Deferred gains or losses on hedges	6	(25)
Foreign currency translation adjustment	1,296	1,290
Remeasurements of defined benefit plans	(102)	(99)
Total accumulated other comprehensive income	2,615	3,264
Non-controlling interests	810	870
Total net assets	72,139	71,105
Total liabilities and net assets	122,914	121,109

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 nine months]**

(Millions of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Net sales	118,259	129,311
Cost of sales	99,319	108,886
Gross profit	18,939	20,425
Selling, general and administrative expenses	14,751	15,741
Operating profit	4,188	4,683
Non-operating income		
Interest income	33	51
Dividend income	91	110
Purchase discounts	342	340
Rental income	86	75
Foreign exchange gains	122	70
Other	281	165
Total non-operating income	958	814
Non-operating expenses		
Interest expenses	10	26
Rental costs	30	36
Other	42	43
Total non-operating expenses	83	106
Ordinary profit	5,063	5,391
Extraordinary income		
Gain on sale of non-current assets	39	260
Total extraordinary income	39	260
Extraordinary losses		
Loss on sale of non-current assets	-	1
Loss on retirement of non-current assets	10	7
Loss on valuation of investments in capital of subsidiaries and associates	-	7
Total extraordinary losses	10	17
Profit before income taxes	5,091	5,634
Income taxes - current	1,778	1,902
Income taxes - deferred	(108)	(157)
Total income taxes	1,669	1,744
Profit	3,421	3,889
Profit attributable to non-controlling interests	44	30
Profit attributable to owners of parent	3,376	3,859

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

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

(Millions of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Profit	3,421	3,889
Other comprehensive income		
Valuation difference on available-for-sale securities	(247)	684
Deferred gains or losses on hedges	(7)	(32)
Foreign currency translation adjustment	1,048	31
Remeasurements of defined benefit plans, net of tax	(32)	3
Total other comprehensive income	760	686
Comprehensive income	4,182	4,576
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,038	4,508
Comprehensive income attributable to non-controlling interests	144	67

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**Purchase and cancellation of treasury shares**

In accordance with a resolution of the meeting of the Board of Directors held on August 21, 2023, the Company purchased 1,133,500 treasury shares, and treasury shares for the nine months ended September 30, 2023 increased by ¥2,805 million. Furthermore, in accordance with a resolution of the meeting of the Board of Directors held on September 19, 2023, the Company cancelled 389,600 treasury shares on September 29, 2023, and capital surplus and treasury shares for the nine months ended September 30, 2023 each decreased by ¥962 million.

Accordingly, the amount of capital surplus as of September 30, 2023 was ¥27,336 million, and the amount of treasury shares was ¥2,072 million.

Segment information

I Nine months ended September 30, 2022 (from January 1, 2022 to September 30, 2022)

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

	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	78,317	31,656	6,323	1,961	118,259	–	118,259
Intersegment revenue or transfers	1,283	36	–	19	1,339	(1,339)	–
Total	79,600	31,692	6,323	1,981	119,598	(1,339)	118,259
Segment profit (loss)	2,100	1,893	111	(81)	4,023	164	4,188

Notes: 1. Adjustment of segment profit (loss), amounting to ¥164 million, includes ¥166 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.

II Nine months ended September 30, 2023 (from January 1, 2023 to September 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	88,331	33,575	5,134	2,269	129,311	–	129,311
Intersegment revenue or transfers	837	36	–	41	915	(915)	–
Total	89,169	33,612	5,134	2,311	130,227	(915)	129,311
Segment profit	3,194	1,563	22	33	4,813	(129)	4,683

- Notes: 1. Adjustment of segment profit, amounting to ¥(129) million, includes ¥(128) million from elimination of intersegment transactions and HD management cost not allocated to each business segment reported, ¥(2) million from reconciliation of inventories, and ¥1 million from reconciliation of non-current assets.
2. Segment profit 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 third quarter of the previous fiscal year is also presented under the new name.

3. Information regarding impairment losses on non-current assets and goodwill, etc. for each reportable segment

Significant change in the amount of goodwill

In the Machinery & Tools segment, goodwill was newly recognized as a result of the Company’s consolidated subsidiary Maruka Corporation acquiring the acquisition of all shares of TS Precision Co., Ltd., making it a subsidiary. TS Precision Co. Ltd by the Company’s consolidated subsidiary Maruka Corporation Machinery Co., Ltd. The increase in goodwill due to this event was ¥817 million for the nine months ended September 30, 2023.

The amount of goodwill was calculated on a provisional basis because the allocation of acquisition cost was not completed as of September 30, 2023.