



**UNISOL**

# **Continuously Improving Corporate Value**

**—Measures for Realizing Cost of Capital and  
Share Price-Conscious Management**

**MARUKA FURUSATO Corporation**

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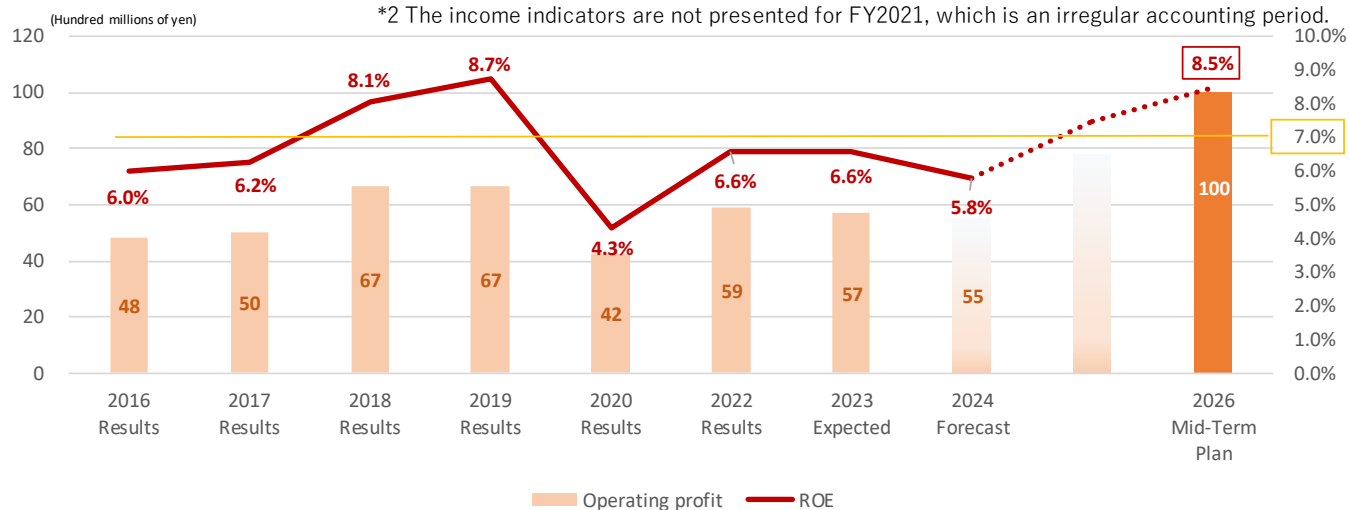
# Situation Analysis

- Return on Equity (ROE) has been improving since COVID-19, but it remains below the expected cost of shareholders' equity.
- Price Book-value Ratio (PBR) exceeded 1 directly after the integration, but is now below 1.

		FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
		Results	Results	Results	Results <sup>*1</sup>	(ended Dec. 31, 2021) Results <sup>*2</sup>	(ended Dec. 31, 2022) Results	(ended Dec. 31, 2023) Results
<b>Operating profit</b>	(Millions of yen)	5,020	6,652	6,674	4,237	1,465	5,895	5,705
<b>ROE</b>	%	6.2%	8.1%	8.7%	4.3%	-	6.6%	6.6%
Basic earnings per share	(Yen)	154	210	240	124	-	179	188
Net assets per share	(Yen)	2,532	2,668	2,823	2,911	2,633	2,816	2,946
Stock price at end of period	(Yen)	-	-	-	-	2,384	3,590	2,633
<b>ROIC</b>	%	6.2%	7.7%	7.1%	4.4%	-	5.9%	5.7%
<b>PBR</b>	(Times)	-	-	-	-	0.91	1.27	0.89
<b>PER</b>	(Times)	-	-	-	-	-	20.1	14.0

\*1 The figures for FY2020 and earlier are a simple aggregate of both companies' financial results (FY2020 is the sum of Maruka's financial results for the year ended November 2020 and Furusato's financial results for the year ended March 2021).

\*2 The income indicators are not presented for FY2021, which is an irregular accounting period.



**Expected cost of shareholders' equity**  
**Approx. 7.0%\***

\*Calculated based on the Company's standard

Performance below capital costs

**Market valuation PBR below 1**

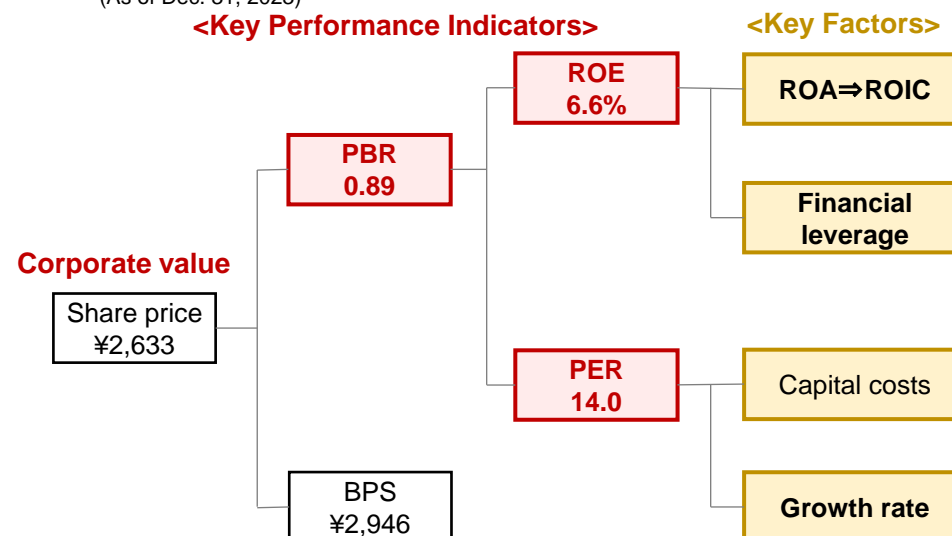
# Market Analysis and Policy on Initiatives Going Forward

Market Assessment

- Synergies from management integration are steadily being realized but are unrecognized by the market due to insufficient scale and speed.
- As a result, synergies have not been reflected in share price, and the PBR remains below 1. (at Dec. 31, 2023: 0.89)
- ROE has been improving since COVID-19, but remains below the expected cost of shareholders' equity (at Dec. 31, 2023: 6.6%)
- Mid-term Management Plan "UNISOL" target of ROE 8.5% for the final year (FY2026) is insufficient for medium- to long-term ROE level preferred by institutional investors.
- Despite efforts to maintain stable dividends based on a shareholder return policy of "dividend payout ratio basically approx. 35%," the market is starting to demand further shareholders returns (total return ratio, dividend payout ratio, etc.).
- Since recognition is low, trading volume is low mainly among individual shareholders, and the Company's initiatives are not easily understood by the market.

## ◆ Analysis of PBR factors

(As of Dec. 31, 2023)



Towards improving market evaluation

### Target Performance Indicators

(Main specific measures)

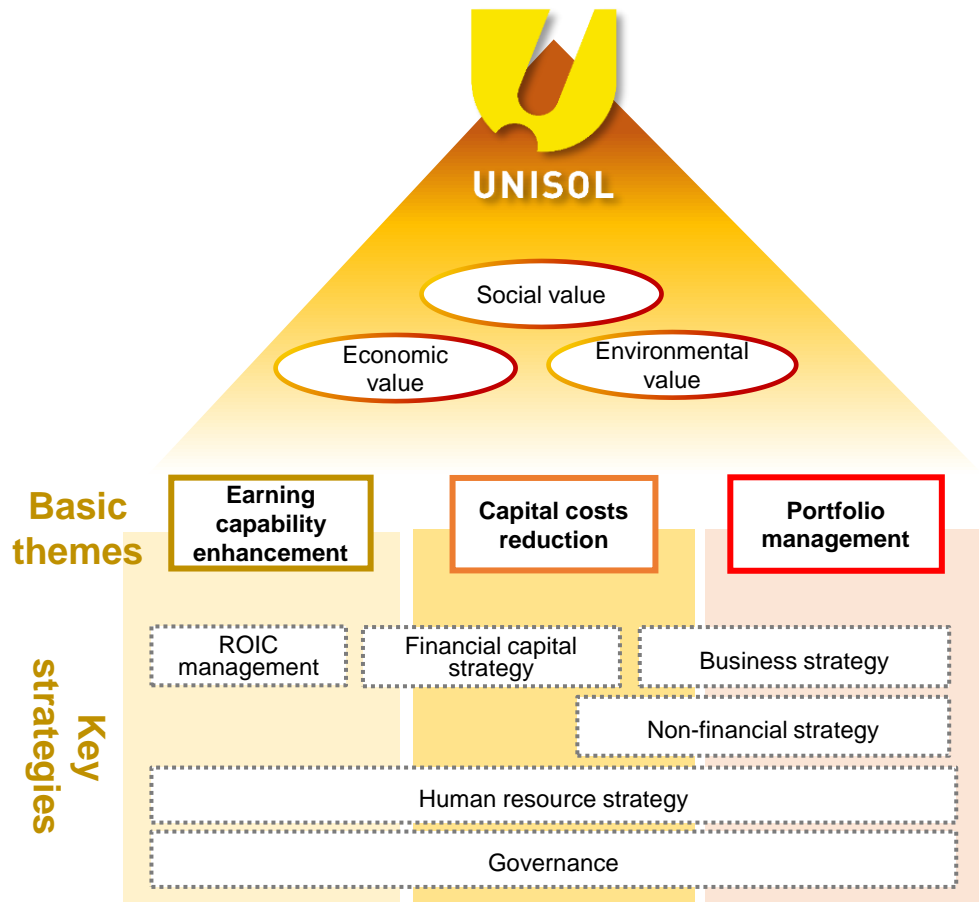
**Maintain PBR above 1, ROE of 10% or higher (Target 8.5% for FY2026, final year of Mid-term Management Plan)**

- Growth investment of around ¥20.0 billion using financial leverage
- Strengthen shareholder returns through flexible repurchase of treasury shares
- Stimulate share transactions by appealing to new individual investors



# Story for Sustainable Increase in Corporate Value

- We will work to grow net sales and profits and to engage in “capital cost management” aimed at maximizing corporate value by enhancing capital efficiency.
- We identified three basic themes for the long-term corporate value creation story: ① **Earning capability enhancement**, ② **Capital costs reduction**, and ③ **Portfolio management**. We selected **six priority strategies** for realizing these themes and we will promote individual measures.



## Corporate value increase

- ✓ Establish position as a solution partner
- ✓ PBR>1, which is a corporate value indicator from the market, and total market cap of ¥150.0 billion

## Maximize value

- ✓ Maximize economic value, social value, and environmental value

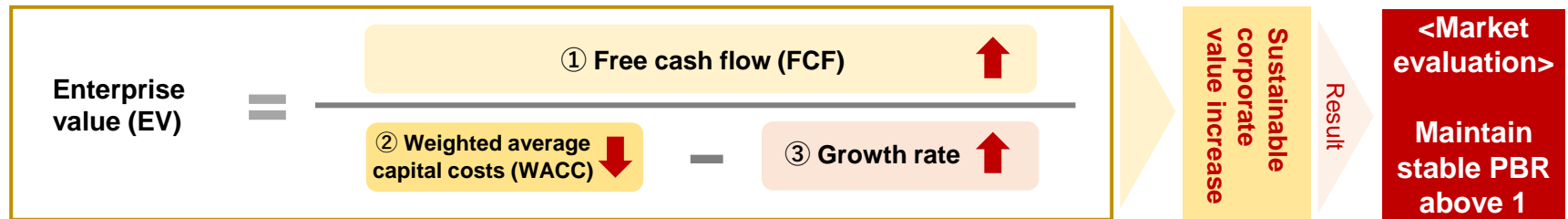
## Basic themes

- ✓ Maximize FCF
- ✓ Reduce capital costs through control of risk ( $\beta$ ) and leverage
- ✓ Portfolio management to enable sustainable growth

## Key strategies

- ✓ Steady implementation of individual measures

# Basic Themes and Key Strategies for Increasing Corporate Value



## Basic themes

### ① Earning capability enhancement

- ◆ Maximization of integration synergies
- ◆ Realization of strategic accumulation
- ◆ Provision of new added value
- ◆ Expansion of platform
- ◆ CCC improvement
- ◆ Rigorous ROIC management

### ② Capital costs reduction

- ◆ Strengthen balance sheet management (Pursuit appropriate capital structure)
- ◆ Realize optimal shareholder composition through expansion of individual shareholders
- ◆ Appropriate disclosure and engagement
- ◆ Strengthen shareholder returns

### ③ Portfolio management

- ◆ Rebuild business portfolio
- ◆ Transform business model to suit market characteristics
- ◆ Enter growth businesses
- ◆ Cash allocation to realize sustainable growth

## Key strategies

#### ① ROIC management

##### [Earning capability creation]

- Internal promotion of ROIC management
- Incorporation into front-line KPIs
- Rigorous application of PDCA for measures for integration synergies/strategies
- Creation of new value through fusion of Group functions

#### ② Financial and capital strategy

##### [Cash flow generation ability enhancement]

- CCC improvement
- Balance sheet management
- Optimal financial leverage
- Divestment of non-business assets

##### [Improvement of capital costs]

- Appropriate disclosure and dialogue
- Realization of optimal shareholder composition
- Enhancement of shareholder returns

#### ③ Business strategy

##### [Sustainable growth]

- Business portfolio management
- Strategic cash allocation
- Entry into growth businesses

#### ④ Non-financial strategy

##### [Maximization of social value]

- Internal promotion of sustainability policy
- Steady execution of materiality measures
- Visualization of activity details
- Social contribution activities
- Appropriate disclosure

#### ⑤ Human resource strategy

##### [Human capital management]

- Introduction of share allocation system for employees
- Enhancement of training systems
- Organization diagnoses through engagement survey
- Recruitment capability enhancement
- D&I promotion
- Increase personnel exchanges within the Group

#### ⑥ Governance

##### [Governance enhancement]

- Construction and enhancement of Group governance structure to support business domain expansion

# Initiatives for ROIC Management

- We will strive to promote ROIC management by working to raise awareness among all employees through workshops for officers and the delivery, etc. of ROIC e-learning for employees.
- Moreover, each employee will be personally engaged in increasing ROIC and management and front lines will work together to promote the incorporation of specific initiatives.

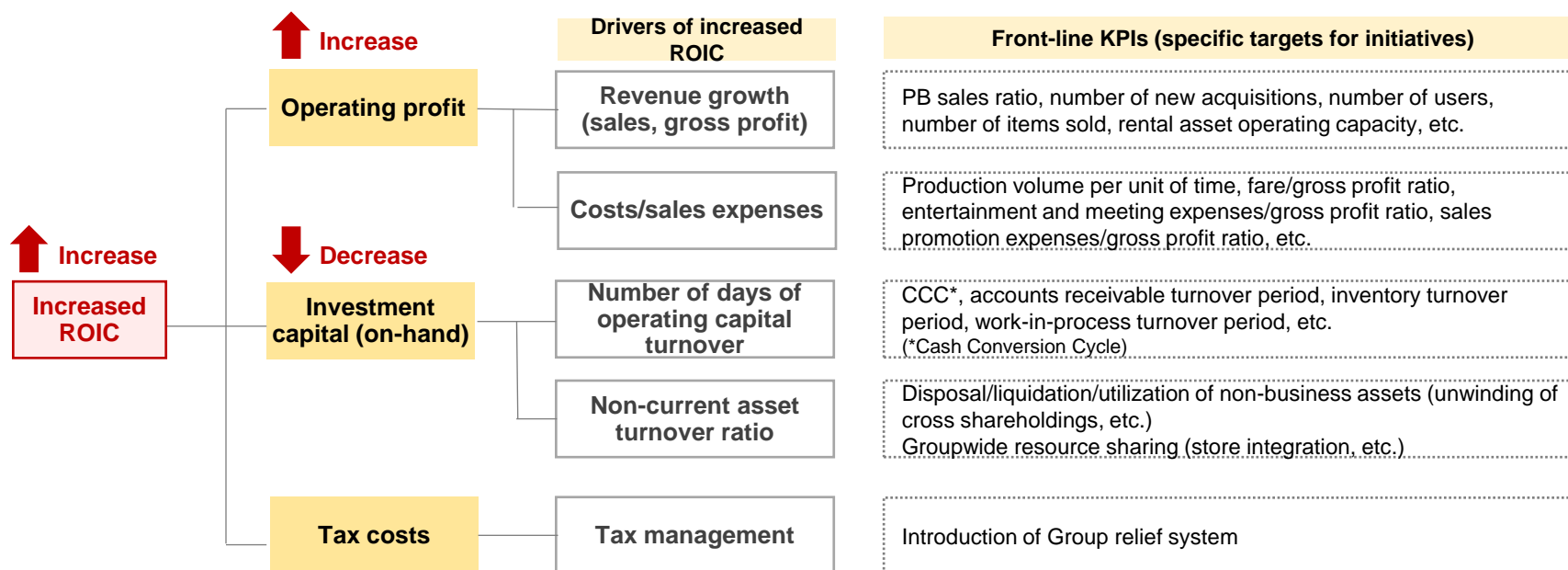
Awareness cultivation

## Internal promotion of ROIC management

- Holding ROIC workshops for officers
- Delivery of ROIC e-learning for employees
- Incorporation into front-line KPIs



## <Incorporation into front-line KPIs>



# Financial and Capital Strategy (Optimal Shareholder Composition)

- We will increase “supportive long-term shareholders” by striving to disclose clear information through individual IR presentations and proactive press release announcements.
- By increasing employee shareholders, we will enhance management awareness of shareholders’ perspectives and promote initiatives for increasing corporate value.

## <Changes in individual and other shareholders>

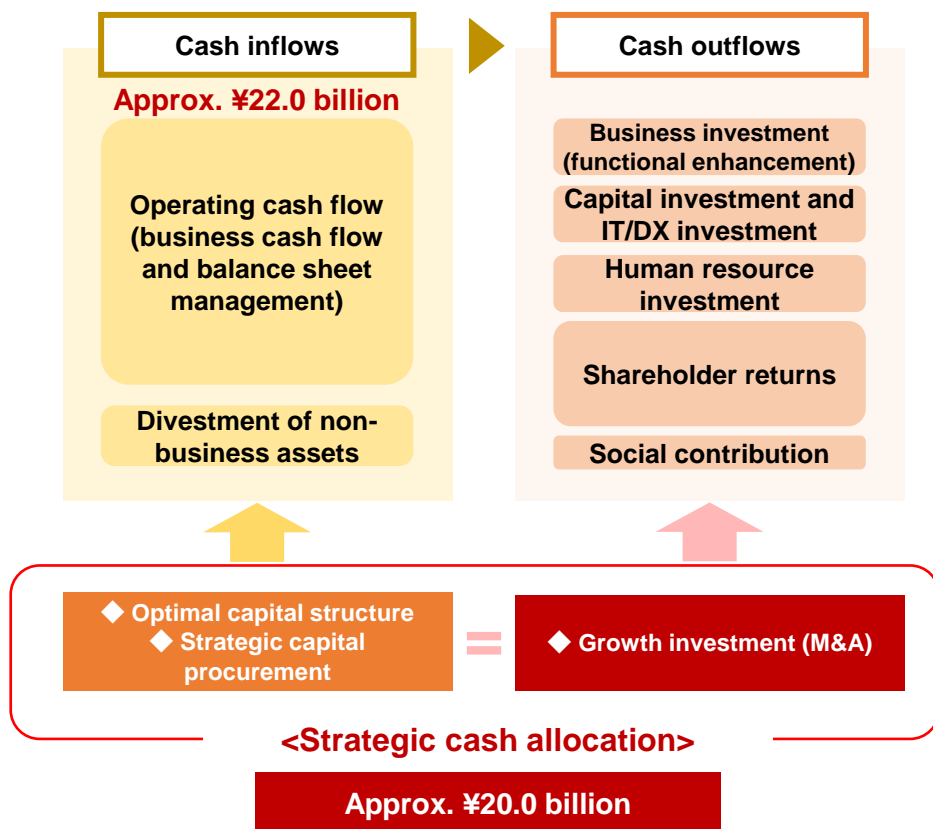
Individuals and other investors	2021 Year-end	2022		2023		Targeted direction
		Interim	Year-end	Interim	Year-end	
Number of shareholders	9,918	7,021	9,620	7,384	11,942	-
Number of shares	7,115,340	6,186,873	6,620,465	6,339,413	7,234,248	-
(Ratio)	27.8%	24.2%	25.9%	24.8%	28.7%	35~40%

### Individual shareholders

Shareholder characteristics	Expansion measures	Details of initiatives
General shareholders	① IR activities targeting individuals	Holding of individual IR presentations, proactive information disclosure
	② Expansion of shareholder benefits	Review of long-term shareholder incentives and complimentary gifts
	③ Compliance with new NISA	Examination of measures to stimulate trading among individual investors
Corporate officer shareholders and shareholding association	① Expansion of ratio of share compensation	
Employee shareholders and shareholding association	① Implementation of shareholding association RS	(Already implemented)
	② Introduction of share compensation plan	(Already introduced)
	③ Review of incentive payments	

# Financial Capital Strategy / Business Strategy (Cash Allocation Policy)

- Capital generated from business cash flows and balance sheet management will be used effectively for business investments, capital investments, and investments in IT/DX, human resources, and social contributions; while shareholder returns will also be conducted flexibly and proactively in accordance with dividend policy and through acquisition of treasury shares.
- Strategic cash allocation of approx. ¥20.0 billion has been established, with cash generated from optimal capital structure and strategic fund procurement to be allocated for growth investment.



## Business investment

- M&As to enhance platform functions
- Capital alliance and funding to provide new solutions

## Capital investment

- Construction of new logistics center
- Capital investment for productivity improvement

## IT/DX investment

- System investment for operational efficiency
- Construction of a sales management system to support DX strategy

## Human resource investment

- Training enhancement for employee upskilling
- Revision of compensation system to strengthen competitiveness
- Increase in employee engagement
- Introduction of HR tech

## Shareholder returns

- Dividend payout ratio 35% or higher, dividend per share at least ¥15
- Flexible acquisition of treasury shares

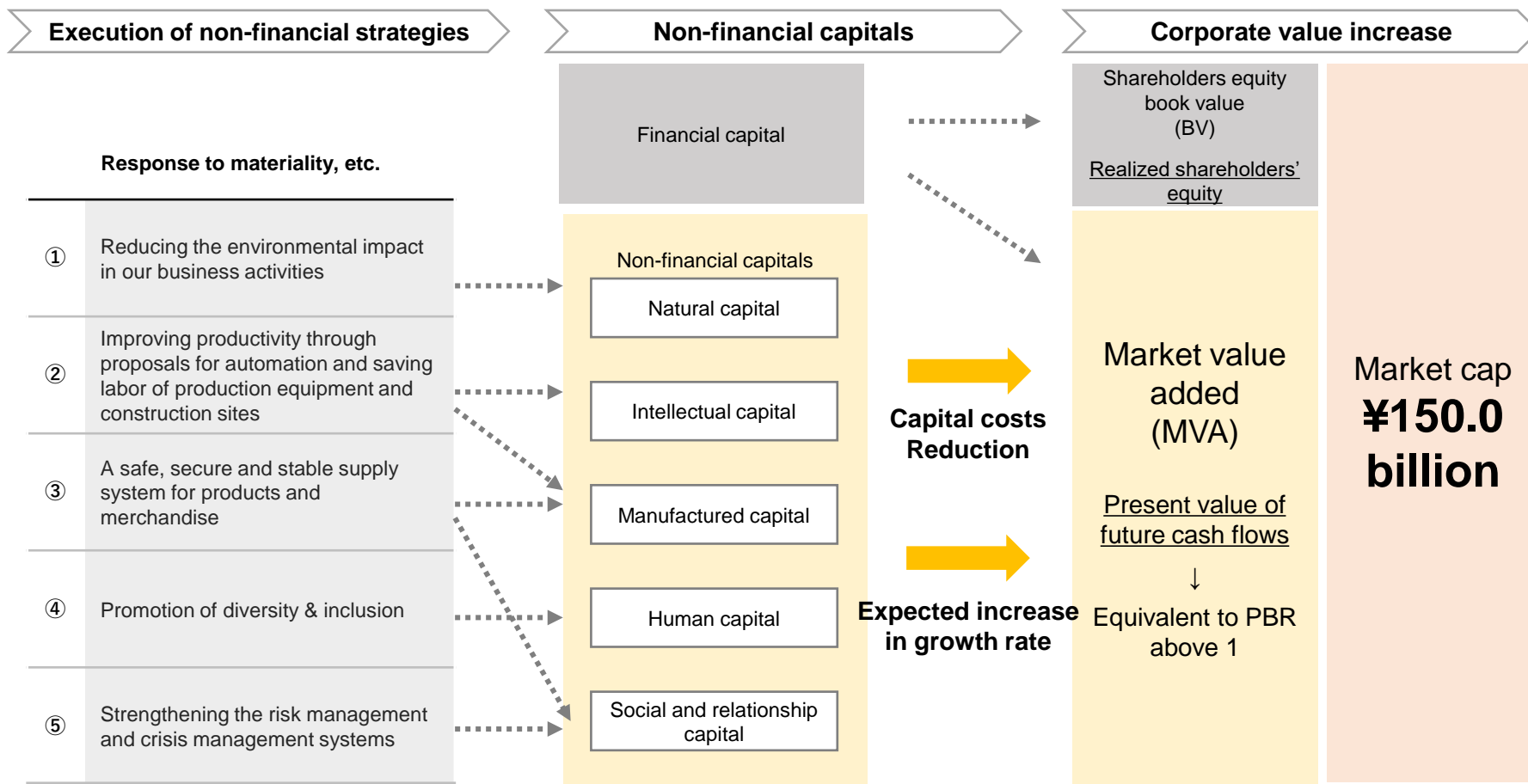
## Social contribution

- Contribution of funds for solving social issues (donations/subsidies)
- Contribution to R&D expenses for industry-government-academia collaboration



# Non-Financial Strategy (Sustainability Policy)

- To realize our Basic Policy on Sustainability, we have identified five priority issues (materiality) for sustainability as the Group's social responsibility.
- Through our actions to address materiality, we aim to reduce the cost of shareholders' equity and increase the expected growth rate. By combining this with our efforts to promote ROIC management, we aim to increase corporate value.



# Materiality Initiative Targets

Sustainability

## Policy on Materiality Initiatives

**\*Establishment of policies for initiatives and quantitative targets for each materiality**

	Materiality	Approach to materiality	FY2026 Quantitative targets	Other monitoring items
①	Reducing the environmental impact in our business activities	We will take initiatives to reduce Scope 1 and 2 emissions, and to reduce the Group's load on the environment. Moreover, we will take steps to understand the status of Scope 3 emissions.	Scope 1 and 2 emissions <b>6,893 t</b> (-1,854 t vs. 2022)	—
②	Improving productivity through proposals for automation and saving labor of production equipment and construction sites	By promoting the mid-term management plan (5 Strategic Fields: Environment and Energy saving, EV-related, Automation Labor-reduction, etc.), we will work to solve social issues through our main business.	Sustainability sales ratio <b>10% or higher (*)</b>	Sustainability product data organization and expansion initiatives
③	A safe, secure and stable supply system for products and merchandise	We will establish and maintain a system for continuing to respond to social demands from customers while providing appropriate information disclosure as a trusted partner.	—	Organization of CSR-related internal policies and guidelines and strengthening of initiatives Information disclosure for stakeholders
④	Promotion of diversity & inclusion	Through the creation of environments where people of various skills and backgrounds can participate actively, we aim to be an innovative organization that generates impressive proposals.	Ratio of female managers <b>3.0%</b> Number of foreign national employees <b>30</b> Hiring rate for science/tech background employees <b>9.0%</b>	—
⑤	Strengthening the risk management and crisis management systems	Through the establishment and advancement of a Group risk management system along with rigorous compliance, we will build an essential foundation for sustainable growth.	Compliance training rate <b>100%</b>	Establishment of risk management structure centered on Risk Control Committee

(\*) The Group's products and services that are in fields related to environmental response, automation and labor reduction are designated as "sustainability sales," (calculated by simple addition), and the ratio of sustainability sales within total net sales is referred to as the "sustainability sales ratio."



# Human Resources Strategy (Basic Policy)

- In formulating and promoting our human resource strategy, we recognize that corporate growth is realized “growth of individual employees” and “integration of Group companies.” Based on this, we have established what the Group aspires to be.



## **What the Group aspires to be**

- ① The state in which all employees are aware of the expectations and roles that the organization requires, and act proactively with a sense of ownership
- ② The state in which the human resources of each Group company are integrated, and each person is striving to improve corporate value
- ③ The state in which employee exchanges accompanying business restructuring have progressed, leading to the creation of business synergies

**Growth of individual employees × Integration of Group companies**

### **Human Resource Development Policy**

Developing unique human resources  
with an ownership mindset

### **Human Resource Active Participation Promotion Policy**

Construction of a foundation where individual employees can demonstrate their  
abilities and contribute, with the right people in the right positions

**Establishment of an environment where people can continue to work with motivation**

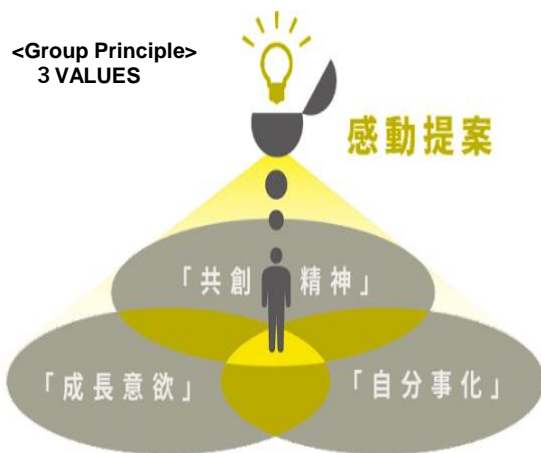


# Human Resources Strategy (Human Resource Development Policy)

## Human Resource Development Policy

### Developing unique human resources with an ownership mindset

Human resources that can realize the Company's Mission to "Open up 'the present' with impressive proposals, and accompany customers beyond the changes"



### Theme of initiatives

#### Co-creative spirit

We recognize people and their ideas that are different from our own and exchange our opinions.

Creating an organization for "utilizing diversity"

#### Growth motivation

We are always seeking challenges to grow.

Fostering awareness of "encourages challenges"

#### Thinking of issues as our own matters

We face any issues with sincerity and take action on our own initiatives.

Human resource development for "fosters autonomy"

### Groupwide measures

Holding Group principle promotion workshops

Group integrated personnel system (July 2024)

Organization diagnosis through engagement survey

### Main measures

#### Creating an organization for "utilizing diversity"

- Creation of an innovative environment through integration of main offices
- Personnel reassignments across companies
- Mid-career hiring, hiring of employees with foreign nationality, hiring of people with science/technology background, hiring of returning employees, etc.

#### Cultivating an awareness of "encouraging growth"

- Level-specific training
- Management level-specific training (manager, general manager)
- Deploy correspondence education and e-learning throughout the Group
- Establishment of new Unisol Awards, etc.

#### Human resource development for "fostering autonomy"

- Career design training (women, by age, seniors)
- Deployment of the FA and open recruitment systems throughout the Group
- Subsidies and allowances to encourage acquiring qualifications
- Employees' Stockholding Association RS system
- Introduction of share allocation system for employees, etc.



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