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August 9, 2024

Consolidated Financial Results for the Six Months Ended June 30, 2024 (Under Japanese GAAP)

Company name: MARUKA FURUSATO Corporation
 Listing: Tokyo Stock Exchange
 Securities code: 7128
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 Scheduled date to file semi-annual securities report: August 9, 2024
 Scheduled date to commence dividend payments: September 2, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of 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, 2024 (from January 1, 2024 to June 30, 2024)

(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, 2024	78,845	(7.4)	1,706	(46.4)	2,160	(40.5)	2,862	10.2
June 30, 2023	85,159	10.7	3,186	15.4	3,631	9.7	2,598	19.0

Note: Comprehensive income For the six months ended June 30, 2024: ¥2,024 million [(28.1)%]
 For the six months ended June 30, 2023: ¥2,814 million [12.3%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2024	117.71	-
June 30, 2023	102.55	-

(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, 2024	119,761	72,717	59.9	2,984.74
December 31, 2023	120,342	72,719	59.7	2,945.65

Reference: Equity

As of June 30, 2024: ¥71,768 million
 As of December 31, 2023: ¥71,838 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, 2023	–	10.00	–	56.00	66.00
Fiscal year ending December 31, 2024	–	30.00			
Fiscal year ending December 31, 2024 (Forecast)			–	77.00	107.00

- Notes: 1. Revisions to the forecast of cash dividends most recently announced: None
2. Breakdown of year-end dividends for the fiscal year ending December 2024
Ordinary dividend: 45.00 yen, Special dividend: 32.00 yen

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

(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, 2024	163,200	(5.7)	3,800	(33.4)	4,600	(30.9)	4,550	(3.2)	187.08

- Note: Revisions to the earnings forecasts most recently announced: None
For details regarding the revisions to the consolidated earnings forecasts, please refer to the “Notice Regarding Revision of the Consolidated Earnings Forecasts for the Six Months Ended June 30, 2024 and for the Fiscal Year Ending December 31, 2024” announced on July 26, 2024.

*** Notes**

- (1) Significant changes in the scope of consolidation during the period: None
- (2) Adoption of accounting treatment specific to the preparation of semi-annual 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, 2024	25,174,214 shares
As of December 31, 2023	25,174,214 shares

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

As of June 30, 2024	1,128,958 shares
As of December 31, 2023	786,349 shares

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

Six months ended June 30, 2024	24,320,501 shares
Six months ended June 30, 2023	25,336,307 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," the "employee stock ownership plan" and the "stock-granting ESOP trust" (290,373 shares as of June 30, 2024; 169,584 shares as of December 31, 2023). In addition, the number of the Company's shares owned by trust accounts of the "director stock ownership plan," the "employee stock ownership plan" and the "stock-granting ESOP trust" are included in the number of treasury shares, which are deducted in calculating the average number of shares outstanding during the period.

* Semi-annual financial results reports are exempt from 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 financial results

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

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1. Qualitative information on semi-annual financial results for the period under review

(1) Overview of consolidated financial results for the period under review

During the first six months ended June 30, 2024, the Japanese economy as a whole continued to show a moderate recovery trend. However, there were some causes for concern, such as the impact of production and shipment suspensions by some automakers. In the U.S. economy, consumer spending remained strong against the backdrop of a favorable employment environment, but given the recent slowdown in inflation indicators, the market is starting to try to ascertain when interest rates will be lowered. The Chinese economy continues to feel the impact of the property recession, and the harsh employment environment has slowed consumer confidence, posing a downside risk to the economy.

Statistical indices closely related to the MARUKA FURUSATO Group are as follows.

In the machine tools related sector, as for the machine tool orders index, domestic demand decreased 6.9% year on year and external demand increased 5.3% year on year in April-June. Industrial production fell 2.8% in April-June, following a 4.3% decline in January-March, mainly due to double-digit contractions in the automobile industry in February and April.

In the construction-related sector, total building starts based on floor area for the April-June quarter fell 4.2% year on year, the eighth consecutive monthly decline through June. Although the number of new housing starts showed double-digit year on year growth in April, it turned negative again from May, resulting in a 0.5% year on year increase for the entire April-June period.

Under these circumstances, the MARUKA FURUSATO Group has set its sights on a future in which we aim to achieve both economic value and social and environmental value as we move “Toward a society full of dreams that come true.” Under the policy of “capital cost management” that seeks to sustainably enhance corporate value, we promote ROIC management, strengthen shareholder returns, and develop our human capital management.

As a result, in terms of operating results for the six months ended June 30, 2024, net sales were ¥78,845 million, decreasing by ¥6,314 million, or 7.4% year on year. In terms of profit, operating profit was ¥1,706 million, decreasing by ¥1,479 million, or 46.4% year on year, due to effects of the lower net sales, and increases in labor costs and freight charges. Ordinary profit was ¥2,160 million, decreasing by ¥1,470 million, or 40.5% year on year. Profit attributable to owners of parent was ¥2,862 million, increasing by ¥264 million, or 10.2% year on year, due to recording of extraordinary income upon sale of policy shareholdings.

The operating results by segment are as follows:

Machinery & Tools Segment

The domestic machinery sector was affected by the suspension of new capital investment projects in the wake of a continued series of certification test data falsification issues in the automotive sector that are not expected to be resolved until the beginning of next year. In the semiconductor industry, capital investment is being kept in a wait-and-see mode, as the recovery of demand has been patchy, with production and inventory conditions and the market outlook varying from one application to another. The majority of investors expect a recovery in investment related to semiconductor manufacturing equipment to occur at the end of the year. Much of the capital investment by SMEs generally continued to depend on the adoption of policy subsidies. Due to these circumstances, net sales in this sector experienced a double-digit decline year on year.

The overseas machinery sector in the U.S. has witnessed a reluctance to buy new machinery due to high interest rates, but also the fact that many companies introduced injection molding machines and other equipment during the COVID-19 pandemic. The automotive sector, meanwhile, has seen the postponement of new investment due to uncertainty over the future of EVs. Current orders in U.S. operations are on a recovery trend. In the China business, however, there has been no recovery in orders, especially from Japanese automakers, and this trend is expected to continue. In the Southeast Asia business, the production and sale of new vehicles was affected by the automobile certification test data falsification issue in Japan, and plans for capital investment have been postponed indefinitely. Due to these circumstances, net sales in this sector fell by over 30% year on year.

The domestic equipment tools sector suffered the effects of production stoppages from the middle of the period resulting from the automobile certification test data falsification issue. Some manufacturers will continue to feel the impact on their production plans into the second half of the fiscal year. In semiconductors, although demand recovered for some applications, overall demand remained weak. Due to these circumstances, net sales in this sector experienced a slight decline year on year.

As a result of the above, net sales in the Machinery & Tools Segment amounted to ¥51,226 million, decreasing by ¥7,099 million, or 12.2% year on year. Operating profit declined by ¥1,393 million, or 62.3% year on year, to ¥843 million.

Construction Products Segment

In the steel frame materials sector, demand for steel-framed buildings fell short of initial forecasts due to the postponement or revision of plans for both large and medium-sized projects owing to factors such as longer construction periods and higher construction costs. The sales volume nevertheless increased for some product lines, but profit margins declined, especially for large-scale projects. Although there are signs that demand has bottomed out, uncertainty remains regarding the recovery of small and medium-sized projects. Due to these circumstances, net sales in this sector experienced slight growth year on year.

In the piping materials sector, orders for plants and construction facilities, mainly in heavy industry, were sluggish, and there was a particularly noticeable decline in orders for major projects. Declining market prices for stainless steel products and other key products had a negative impact. Due to these circumstances, net sales in this sector experienced a double-digit decline compared to the first half of the previous fiscal year.

In the housing equipment and fixtures sector, sales and profits were lifted by a recovery in sales owing to the resolution of the previous year's shortage of water heaters, as well as an increase in direct demand projects and projects that include installation work. Due to these circumstances, net sales in this sector experienced slight growth year on year.

As a result of the above, net sales in the Construction Products Segment amounted to ¥21,780 million, decreasing by ¥349 million, or 1.6% year on year. Operating profit declined by ¥261 million, or 26.0% year on year, to ¥745 million.

Construction Machinery Segment

While price revisions by construction machinery manufacturers have led to a downward trend in inquiries for new vehicle projects, focusing on second-hand vehicle sales resulted in net sales in this segment of ¥4,036 million, up ¥787 million (24.2%) year on year, and operating profit of ¥77 million, an improvement of ¥87 million year on year.

IoT Solutions Segment

Amid steady demand for security equipment, strengthened sales efforts, etc. produced results, including orders for large-scale projects. Inquiries about automated transportation robots are also on the rise.

As a result, net sales in the IoT Solutions Segment amounted to ¥1,802 million, increasing by ¥347 million, or 23.9% year on year, and operating profit was ¥124 million, increasing by ¥104 million, or 527.6% year on year.

(2) Overview of consolidated financial position for the period under reviewTotal assets

Current assets and non-current assets as of June 30, 2024 were ¥84,542 million and ¥35,219 million, respectively, resulting in total assets of ¥119,761 million, a decrease of ¥580 million from the end of the previous fiscal year. This was mainly due to increases in cash and deposits of ¥4,874 million and property, plant and equipment of ¥937 million, and decreases in notes and accounts receivable - trade of ¥5,324 million and investment securities of ¥1,665 million.

Liabilities

Current liabilities as of June 30, 2024 were ¥44,987 million, and non-current liabilities were ¥2,057 million, resulting in total liabilities of ¥47,044 million, a decrease of ¥578 million from the end of the previous fiscal year. This was mainly due to an increase in contract liabilities of ¥1,556 million, and decreases in notes and accounts payable - trade of ¥1,590 million and short-term borrowings of ¥444 million.

Net assets

Total net assets as of June 30, 2024 were ¥72,717 million, a decrease of ¥2 million from the end of the previous fiscal year. This was mainly due to increases in treasury shares of ¥743 million and retained earnings of ¥1,539 million, and decreases in valuation difference on available-for-sale securities of ¥853 million.

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

With regard to the earnings forecasts for the fiscal year ending December 31, 2024, there have been no revisions to the figures published in the “Notice Regarding Revision of the Consolidated Earnings Forecasts for the Six Months Ended June 30, 2024 and for the Fiscal Year Ending December 31, 2024” announced on July 26, 2024. Should any changes occur in the future, the relevant information will be duly disclosed.

2. Semi-annual consolidated financial statements and significant notes thereto

(1) Semi-annual consolidated balance sheet

(Millions of yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	21,750	26,624
Notes and accounts receivable - trade	31,365	26,041
Electronically recorded monetary claims - operating	11,743	10,907
Investments in leases	23	14
Merchandise and finished goods	11,535	12,211
Work in process	2,884	3,511
Raw materials and supplies	442	415
Other	4,487	4,835
Allowance for doubtful accounts	(24)	(20)
Total current assets	84,207	84,542
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,546	12,047
Machinery, equipment and vehicles, net	922	1,173
Tools, furniture and fixtures, net	567	737
Assets for rent, net	1,049	947
Leased assets, net	239	213
Land	10,416	10,418
Construction in progress	2,887	27
Total property, plant and equipment	24,628	25,566
Intangible assets		
Goodwill	992	936
Trade right	960	880
Other	884	994
Total intangible assets	2,837	2,811
Investments and other assets		
Investment securities	5,145	3,479
Retirement benefit asset	1,082	1,089
Deferred tax assets	415	442
Other	2,112	1,940
Allowance for doubtful accounts	(87)	(109)
Total investments and other assets	8,669	6,841
Total non-current assets	36,134	35,219
Total assets	120,342	119,761

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

(Millions of yen)

	As of December 31, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,777	16,187
Electronically recorded obligations - operating	16,706	17,178
Short-term borrowings	896	452
Current portion of long-term borrowings	47	47
Lease liabilities	90	68
Income taxes payable	1,152	1,656
Contract liabilities	4,631	6,187
Provision for bonuses	703	728
Provision for bonuses for directors (and other officers)	57	23
Provision for share awards for employees	111	-
Provision for product warranties	68	69
Other	2,862	2,387
Total current liabilities	45,105	44,987
Non-current liabilities		
Long-term borrowings	451	427
Lease liabilities	189	176
Deferred tax liabilities	1,070	660
Provision for retirement benefits for directors (and other officers)	52	57
Provision for share awards for directors (and other officers)	49	48
Retirement benefit liability	158	167
Other	546	518
Total non-current liabilities	2,517	2,057
Total liabilities	47,623	47,044
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	27,334	27,327
Retained earnings	37,544	39,032
Treasury shares	(1,746)	(2,489)
Total shareholders' equity	68,132	68,869
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,161	1,307
Deferred gains or losses on hedges	(1)	(34)
Foreign currency translation adjustment	1,462	1,549
Remeasurements of defined benefit plans	83	76
Total accumulated other comprehensive income	3,705	2,898
Non-controlling interests	881	948
Total net assets	72,719	72,717
Total liabilities and net assets	120,342	119,761

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

(2) Semi-annual consolidated statement of income and semi-annual consolidated statement of comprehensive income**Semi-annual consolidated statement of income**
[For the six months]

(Millions of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Net sales	85,159	78,845
Cost of sales	71,588	66,306
Gross profit	13,570	12,539
Selling, general and administrative expenses	10,384	10,832
Operating profit	3,186	1,706
Non-operating income		
Interest income	28	49
Dividend income	84	93
Purchase discounts	227	211
Rental income	52	40
Foreign exchange gains	10	29
Other	114	124
Total non-operating income	518	549
Non-operating expenses		
Interest expenses	16	13
Rental costs	26	24
Other	30	57
Total non-operating expenses	72	96
Ordinary profit	3,631	2,160
Extraordinary income		
Gain on sale of non-current assets	240	1
Gain on sale of investment securities	–	2,265
Total extraordinary income	240	2,267
Extraordinary losses		
Loss on sale of non-current assets	–	0
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	3,870	4,426
Income taxes - current	1,174	1,549
Income taxes - deferred	86	(40)
Total income taxes	1,260	1,509
Profit	2,610	2,917
Profit attributable to non-controlling interests	12	54
Profit attributable to owners of parent	2,598	2,862

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

Semi-annual consolidated statement of comprehensive income
[For the six months]

(Millions of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Profit	2,610	2,917
Other comprehensive income		
Valuation difference on available-for-sale securities	621	(853)
Deferred gains or losses on hedges	(17)	(32)
Foreign currency translation adjustment	(402)	0
Remeasurements of defined benefit plans, net of tax	2	(7)
Total other comprehensive income	204	(893)
Comprehensive income	2,814	2,024
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,795	1,955
Comprehensive income attributable to non-controlling interests	19	68

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

(3) Notes to semi-annual consolidated financial statements**Notes on premise of going concern**

Not applicable.

Notes when there are significant changes in amounts of equity

In accordance with a resolution of the meeting of the Board of Directors held on August 21, 2023, the Company purchased 378,700 treasury shares.

As a result, treasury shares increased by ¥743 million during the first six months ended June 30, 2024, including purchase of odd-lot shares, resulting in treasury shares of ¥2,489 million at the end of the first six months ended June 30, 2024.

Notes on segment information, etc.

[Segment information]

I 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

	Reportable segment					Adjustment (Note 1)	Amounts recorded in the semi- annual 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 on the semi-annual consolidated statement of income.

II Six months ended June 30, 2024 (from January 1, 2024 to June 30, 2024)

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

(Millions of yen)

	Reportable segment					Adjustment (Note 1)	Amounts recorded in the semi- annual consolidated statement of income (Note 2)
	Machinery & Tools	Construction Products	Construction Machinery	IoT Solutions	Total		
Net sales							
Sales to external customers	51,226	21,780	4,036	1,802	78,845	–	78,845
Intersegment revenue or transfers	484	25	–	28	538	(538)	–
Total	51,710	21,805	4,036	1,830	79,383	(538)	78,845
Segment profit	843	745	77	124	1,790	(83)	1,706

Notes: 1. Adjustment of segment profit, amounting to ¥(83) million, includes ¥(82) million from elimination of intersegment transactions, ¥(2) million from reconciliation of inventories, and ¥1 million from reconciliation of non-current assets.

2. Segment profit is adjusted to operating profit on the semi-annual consolidated statement of income.