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November 7, 2022

Consolidated Financial Results for the Nine Months Ended September 30, 2022 (Under Japanese GAAP)

Company name: MARUKA FURUSATO Corporation
 Listing: Tokyo Stock Exchange
 Securities code: 7128
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 Scheduled date to file quarterly securities report: November 11, 2022
 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, 2022 (from January 1, 2022 to September 30, 2022)

(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, 2022	118,259	–	4,188	–	5,063	–	3,376	–
September 30, 2021	–	–	–	–	–	–	–	–

Note: Comprehensive income For the nine months ended September 30, 2022: ¥4,182 million [–%]
 For the nine months ended September 30, 2021: ¥– million [–%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2022	133.34	–
September 30, 2021	–	–

Note: As the Company was established on October 1, 2021, through a joint share transfer, financial results of the corresponding period of the previous year and year-on-year changes are not indicated.

(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, 2022	117,902	70,918	59.5	2,768.56
December 31, 2021	108,594	67,361	61.4	2,632.94

Reference: Equity
 As of September 30, 2022: ¥70,122 million
 As of December 31, 2021: ¥66,680 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, 2021	–	0.00	–	14.50	14.50
Fiscal year ending December 31, 2022	–	10.00	–		
Fiscal year ending December 31, 2022 (Forecast)				97.00	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 2022
Ordinary dividend: 47.00 yen, Commemorative dividend: 50.00 yen
3. As the Company was established on October 1, 2021, through a joint share transfer, no actual dividends exist for the third quarter of the fiscal year ended December 31, 2021 and prior periods.

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

(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, 2022	158,000	–	5,500	–	6,350	–	4,100	–	161.88

- Notes: 1. Revisions to the earnings forecasts most recently announced: None
2. As the Company was established on October 1, 2021, through a joint share transfer, year-on-year changes are not indicated.

*** 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, 2022	25,563,814 shares
As of December 31, 2021	25,563,814 shares

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

As of September 30, 2022	235,864 shares
As of December 31, 2021	238,487 shares

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

Nine months ended September 30, 2022	25,326,876 shares
Nine months ended September 30, 2021	– shares

Note: As the Company was established on October 1, 2021, through a joint share transfer, the average number of shares outstanding for the corresponding period of the previous year are not shown.

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" (231,684 shares as of September 30, 2022; 235,934 shares as of December 31, 2021). 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
 - 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.

Attached Material

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

MARUKA FURUSATO Corporation (the “Company”) was established on October 1, 2021, as the wholly owning parent company of both Furusato Industries, Ltd. and Maruka Corporation through a joint share transfer. At the time of establishment, Furusato Industries, Ltd. implemented accounting for business combinations as the acquiring company, and the consolidated operating results of the previous fiscal year (April 1, 2021 to December 31, 2021) were prepared by using the consolidated operating results of the previous fiscal year (April 1, 2021 to December 31, 2021) of Furusato Industries, Ltd., as the basis and consolidating that with the consolidated operating results of Maruka Corporation’s previous fiscal year (From December 1, 2021 to December 31, 2021). Accordingly, year on year changes are not shown.

(1) Explanation on operating results

During the first nine months ended September 30, 2022, the Japanese economy was on a gradual trend of recovery, despite a resurgence in cases of the novel coronavirus disease (COVID-19). However, due to the resurgence in COVID-19 infections and turmoil in global affairs, various problems arose in relation to the supply chain and a situation where production has been unable to keep up with demand has continued. As a result of procurement activities being carried out amid these constraints, raw material prices and energy prices have been rising, which has caused adjustments to component prices and the prices of finished goods, which has in turn caused the consumer price index to rise. Corporate demand for capital expenditure and construction investment has been largely supported by subsidies, and amid an environment affected by interest rates and foreign exchange in financial markets, there is a possibility that there will be fluctuations in such investment activities depending on future government policy.

In this economic situation, internal demand increased 5.9% year on year and external demand increased 7.2% year on year from July to September with steady machine tool orders index. Furthermore, the industrial production index is showing a gradual trend of recovery, and increased 4.3% year on year from July to September. In the construction related sector, new construction starts based on floor area for July-September rose 4.0% year on year, and new housing starts for July-September decreased 0.0%.

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 backcasting from its 10-year vision. On October 12, 2022, the Company announced that it had concluded a joint research agreement with Kyoto University in an initiative for smart factory business, which constitutes the core part of automation and labor saving measures, which is one of the priority measures of our medium- to long-term strategy. This research is expected to lead to the realization of future smart farms by building systems that employ monitoring and sensing technologies and providing impetus for the use of IT in the livestock industry. We plan on providing timely updates as future developments worth disclosing unfold.

As a result, for the first nine months ended September 30, 2022, net sales amounted to ¥118,259 million, operating profit was ¥4,188 million, ordinary profit was ¥5,063 million, and profit attributable to owners of parent was ¥3,376 million.

The operating results by segment are as follows:

Machinery & Tools Segment

Amid demand from the semiconductor industry and the food industry, strong performance was achieved in the areas of machinery and tools. The order backlog from SMEs continues to be high for machinery such as machine tools. Capital expenditures for the automotive-related products did not proceed as scheduled, partly due to the impact of component shortage and the effect from heavy rain damage. In addition, in North America, demand within the U.S. has firm underpinnings, and in conjunction with solid exports from Japan, and boosted by the foreign exchange effect, sales and services related to machinery were strong. In China, there was some effect from the lockdowns, such as suspension of operations at factories, but the manufacturing sector was showing signs of recovery. As a result, net sales amounted to ¥78,317 million, and operating profit was ¥2,100 million.

Construction Products Segment

The increase in construction demand and high prices in the steel products market led to growth in sales for steel-framework construction, but housing equipment was impacted by supply bottlenecks. Demand fell due to the lockdowns in China, and scrap metal prices are in decline. However, steel product prices in Japan are consistently at a high level and we continue to help customers understand price increases. As a result, net sales amounted to ¥31,656 million, and operating profit was ¥1,893 million.

Construction Machinery Segment

Demand for construction machinery in Japan performed strongly, primarily in the logistics industry and civil engineering and construction industry. Nevertheless, the delays in delivery schedules for products caused by the component shortage continues to be unresolved. Looking ahead, we envisage that product prices will be increased, which raises concerns that customers will hold back on purchases. As a result, net sales amounted to ¥6,323 million, and operating profit was ¥111 million.

Security Segment

The demand for the wholesale of thermal cameras has reached its end, and there was no particular demand arising from the resurgence of COVID-19 infections. On the other hand, constraints on the flow of people has tended to weaken performance for new projects. As a result, net sales amounted to ¥1,961 million, and despite efforts to reduce selling, general and administrative expenses, operating loss was ¥81 million.

(2) Explanation on financial position

Total assets

Total assets as of the end of the third quarter under review were ¥117,902 million, an increase of ¥9,307 million from the end of the previous fiscal year, due to an increase in current assets in conjunction with an increase in net sales.

Liabilities

Liabilities as of the end of the third quarter under review were ¥46,983 million, an increase of ¥5,750 million from the end of the previous fiscal year, due mainly to an increase in notes and accounts payable - trade.

Net assets

Net assets as of the end of the third quarter under review were ¥70,918 million, an increase of ¥3,557 million from the end of the previous fiscal year, due mainly to an increase in retained earnings.

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

Looking ahead to the fiscal year ending December 31, 2022, earnings are expected to perform well amid robust machine tool orders and demand for components due to high factory utilization rates in the manufacturing industry. However, considering the production trends in the automotive industry, the effect of recent shortages in the supply of parts such as semiconductors and related components, which are expected to cause delays in the delivery schedule for machinery and equipment, along with the surging prices in the steel products market and other material shortages that could affect the construction products segment, a considerable level of uncertainty exists regarding future impacts on the Company's earnings.

Because of the aforementioned factors, we do not have any changes for the earnings forecasts for the fiscal year ending December 31, 2022, that were announced on August 1, 2022 in the Notice of Revisions to Consolidated Earnings Forecasts and Dividend Forecasts.

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, 2021	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	24,172	27,499
Notes and accounts receivable - trade	29,347	31,726
Electronically recorded monetary claims - operating	9,003	7,643
Investments in leases	204	118
Merchandise and finished goods	8,304	11,804
Work in process	1,499	2,764
Raw materials and supplies	408	691
Other	5,447	5,670
Allowance for doubtful accounts	(8)	(12)
Total current assets	78,378	87,905
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,657	7,653
Machinery, equipment and vehicles, net	914	873
Tools, furniture and fixtures, net	480	539
Assets for rent, net	1,107	1,064
Leased assets, net	107	93
Land	9,952	9,985
Construction in progress	263	545
Total property, plant and equipment	20,484	20,755
Intangible assets		
Goodwill	259	235
Trade right	1,280	1,160
Other	1,001	944
Total intangible assets	2,541	2,339
Investments and other assets		
Investment securities	4,074	3,829
Retirement benefit asset	1,178	1,202
Deferred tax assets	363	422
Other	1,662	1,516
Allowance for doubtful accounts	(90)	(68)
Total investments and other assets	7,189	6,901
Total non-current assets	30,215	29,996
Total assets	108,594	117,902

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

(Millions of yen)

	As of December 31, 2021	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,057	19,563
Electronically recorded obligations - operating	14,761	15,416
Short-term borrowings	496	491
Current portion of long-term borrowings	25	47
Lease obligations	214	121
Income taxes payable	781	1,296
Provision for bonuses	457	1,023
Provision for bonuses for directors (and other officers)	37	42
Provision for product warranties	67	69
Provision for share awards for employees	-	72
Other	5,613	7,352
Total current liabilities	39,513	45,497
Non-current liabilities		
Long-term borrowings	378	318
Lease obligations	108	88
Deferred tax liabilities	760	595
Provision for retirement benefits for directors (and other officers)	67	72
Provision for share awards for directors (and other officers)	34	24
Retirement benefit liability	99	120
Other	269	267
Total non-current liabilities	1,720	1,486
Total liabilities	41,233	46,983
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	28,270	28,299
Retained earnings	31,829	34,580
Treasury shares	(321)	(321)
Total shareholders' equity	64,778	67,558
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,545	1,298
Deferred gains or losses on hedges	(3)	(10)
Foreign currency translation adjustment	137	1,086
Remeasurements of defined benefit plans	222	189
Total accumulated other comprehensive income	1,901	2,563
Non-controlling interests	681	796
Total net assets	67,361	70,918
Total liabilities and net assets	108,594	117,902

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
Net sales	118,259
Cost of sales	99,319
Gross profit	18,939
Selling, general and administrative expenses	14,751
Operating profit	4,188
Non-operating income	
Interest income	33
Dividend income	91
Purchase discounts	342
Rental income	86
Foreign exchange gains	122
Other	281
Total non-operating income	958
Non-operating expenses	
Interest expenses	10
Rental costs	30
Other	42
Total non-operating expenses	83
Ordinary profit	5,063
Extraordinary income	
Gain on sale of non-current assets	39
Total extraordinary income	39
Extraordinary losses	
Loss on retirement of non-current assets	10
Total extraordinary losses	10
Profit before income taxes	5,091
Income taxes - current	1,778
Income taxes - deferred	(108)
Total income taxes	1,669
Profit	3,421
Profit attributable to non-controlling interests	44
Profit attributable to owners of parent	3,376

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
Profit	3,421
Other comprehensive income	
Valuation difference on available-for-sale securities	(247)
Deferred gains or losses on hedges	(7)
Foreign currency translation adjustment	1,048
Remeasurements of defined benefit plans, net of tax	(32)
Total other comprehensive income	760
Comprehensive income	4,182
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	4,038
Comprehensive income attributable to non-controlling interests	144

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

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

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

(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	Security	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, negative ¥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.