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May 9, 2023

Consolidated Financial Results for the Three Months Ended March 31, 2023 (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: May 12, 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 three months ended March 31, 2023 (from January 1, 2023 to March 31, 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	%
Three months ended March 31, 2023	43,781	12.8	1,767	20.3	1,863	4.4	1,237	6.7
March 31, 2022	38,819	–	1,469	–	1,785	–	1,159	–

Note: Comprehensive income For the three months ended March 31, 2023: ¥1,020 million [(17.3)%]
 For the three months ended March 31, 2022: ¥1,233 million [–%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2023	48.86	–
March 31, 2022	45.79	–

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 three 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
March 31, 2023	120,119	70,531	58.0	2,752.62
December 31, 2022	122,914	72,139	58.0	2,816.21

Reference: Equity
 As of March 31, 2023: ¥69,723 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	–				
Fiscal year ending December 31, 2023 (Forecast)		10.00	–	51.00	61.00

Note: Revisions to the forecast of cash dividends most recently announced: None

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
Six months ending June 30, 2023 (Cumulative)	84,000	9.2	2,500	(9.4)	2,880	(13.0)	1,900	(13.0)	75.02
Fiscal year ending December 31, 2023	170,000	4.7	5,700	(3.3)	6,470	(8.3)	4,380	(3.3)	172.93

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 March 31, 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 March 31, 2023	233,926 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)

Three months ended March 31, 2023	25,327,784 shares
Three months ended March 31, 2022	25,325,006 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" (229,384 shares as of March 31, 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

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

(1) Explanation of operating results

During the first three months ended March 31, 2023, the Japanese economy saw a recovery against the backdrop of the normalization of economic activities with the easing of restrictions on activities related to COVID-19. Investment mainly in automation, labor saving, and personnel saving continued to be made, and while the parts shortages that had continued through last year improved, the delays in delivery schedules for products remained. Furthermore, with surging raw materials and energy prices and rising product prices due to personnel shortages, we are seeing diminishing purchasing desire at present with companies postponing capital investment, and there is concern over the future impact.

There is increasing uncertainty in the overseas economy. Aggressive investment is being postponed in North America amid an environment of high inflation and financial instability. In China, we have seen a recovery in demand with the large-scale easing of zero-COVID policy, but with fewer working days due to the lunar new year, there was no significant demand.

In this economic situation, as for machine tool orders index, domestic demand decreased 14.1% year on year and external demand decreased 11.0% year on year from January to March. Furthermore, the industrial production index is slowing, and decreased 1.5% year on year. In the construction related sector, new construction starts based on floor area decreased 2.7% year on year, and new housing starts increased 0.7% 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 is promoting Medium-Term Management Plan “UNISOL,” covering up until the end of 2026, by backcasting from its 10-year vision. The fiscal year ending December 31, 2023 is the second year of the first stage, which we have positioned as a year to build a foundation to return to a growth trajectory. We are focusing on the prompt realization of integrated synergies and on strategic fields such as improving our platform.

In March, we disclosed a notice on the conclusion of a business partnership agreement between the MARUKA FURUSATO Group and ARUM Inc. This business partnership is related to the exclusive sales in Japan of “ARUM Factory365,” a cloud-type subscription business newly launched by ARUM Inc. The partnership will allow us to deepen our cooperation even more greatly than in the past, and by utilizing both companies’ business platforms and knowhow, we will contribute to even greater productivity and the promotion of DX in the cutting and processing industry.

Amid these conditions, in terms of operating results for the three months ended March 31, 2023, net sales were ¥43,781 million, increasing by ¥4,962 million, or 12.8% year on year. In terms of profit, operating profit was ¥1,767 million, increasing by ¥298 million, or 20.3% year on year, due to increased revenue, despite surging raw materials and energy prices and increased selling, general and administrative expenses with the normalization of sales activities. Ordinary profit was ¥1,863 million, increasing by ¥77 million, or 4.4% year on year, and profit attributable to owners of parent was ¥1,237 million, increasing by ¥77 million, or 6.7% year on year.

The operating results by segment are as follows:

Machinery & Tools Segment

Although demand for tools increased in the domestic automotive industry due to higher capacity utilization toward the end of March, investment in machinery and equipment was mainly related to electric vehicles. The semiconductor industry is shifting its investment objectives from production expansion to maintenance and repair as production facilities are being built to meet demand. Regarding the situation overseas, while solid demand for machine tools for the automotive industry has been maintained in North America, changes in the market environment for pharmaceutical products have been observed and inquiries for injection molding machines declined. Despite the impact of lockdowns in China, capital investment progressed in the automotive industry. As a result of the above, net sales was ¥30,295 million, increasing by ¥3,889 million, or 14.7% year on year, and operating profit was ¥1,354 million, increasing by ¥583 million, or 75.6% year on year.

Construction Products Segment

Domestic construction demand was firm for large-scale factories, logistics facilities, and redevelopment projects, but demand for small- and medium-scale projects declined. As for housing equipment, there was demand for remodeling in preparation for new lifestyles, although the number of newly built properties is on the decline. As a result of the above, net sales was ¥10,908 million, increasing by ¥1,548 million, or 16.5% year on year, and operating profit was ¥540 million, increasing by ¥91 million, or 20.3% year on year.

Construction Machinery Segment

In the domestic construction machinery market, the number of inquiries for new equipment is decreasing due to price hikes for machinery and circulation on the used market is on the decline. In the rental business, operations were stable during the demand period. As a result, net sales was ¥1,825 million, decreasing by ¥548 million, or 23.1% year on year, and operating profit was ¥4 million, decreasing by ¥38 million, or 89.4% year on year.

(IoT Solutions Segment)

Sales to logistics facilities and mass merchandisers were strong, but the intensification of competition made it difficult to secure profits. In order to strengthen synergy among segments, the segment name was changed from Security to IoT Solutions from this fiscal year, and we will promote differentiation from other companies by proposing solutions. In this segment, net sales was ¥751 million, increasing by ¥72 million, or 10.6% year on year, and operating profit was ¥29 million due mainly to cost-reduction effects, increasing by ¥56 million year on year, returning to profitability.

(2) Explanation on financial positionTotal assets

Total assets as of the end of the first quarter under review were ¥120,119 million, a decrease of ¥2,795 million from the end of the previous fiscal year, due to decreases in cash and deposits as well as electronically recorded monetary claims - operating and others.

Liabilities

Liabilities as of the end of the first quarter under review were ¥49,587 million, a decrease of ¥1,188 million from the end of the previous fiscal year, due to decreases in contract liabilities and others.

Net assets

Net assets as of the end of the first quarter under review were ¥70,531 million, a decrease of ¥1,607 million from the end of the previous fiscal year, due to decreases in retained earnings and others.

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

In the second quarter of the fiscal year ending December 31, 2023 and beyond, the domestic business is expected to perform well against a backdrop of stable demand. However, overseas, the impacts on the Company's performance of the relationship between Russia and Ukraine, financial instability in Europe and the U.S., and deteriorating relations between the U.S. and China remain uncertain. Yet, given there is no significant change from the situation forecast at the beginning of the current fiscal year, we do not have any changes for the earnings forecasts for the six months ending June 30, 2023 and the fiscal year ending December 31, 2023, that were announced on February 13, 2023 in the Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (Under Japanese GAAP).

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 March 31, 2023
Assets		
Current assets		
Cash and deposits	25,648	24,929
Notes and accounts receivable - trade	34,085	34,353
Electronically recorded monetary claims - operating	9,424	8,636
Investments in leases	100	82
Merchandise and finished goods	11,778	12,190
Work in process	3,133	2,544
Raw materials and supplies	382	432
Other	7,550	5,123
Allowance for doubtful accounts	(25)	(36)
Total current assets	92,077	88,256
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,753	7,844
Machinery, equipment and vehicles, net	918	922
Tools, furniture and fixtures, net	543	560
Assets for rent, net	1,030	985
Leased assets, net	157	258
Land	9,995	9,954
Construction in progress	1,636	1,685
Total property, plant and equipment	22,036	22,212
Intangible assets		
Goodwill	227	219
Trade right	1,120	1,080
Other	912	882
Total intangible assets	2,260	2,182
Investments and other assets		
Investment securities	4,003	4,406
Retirement benefit asset	797	792
Deferred tax assets	281	334
Other	1,540	2,026
Allowance for doubtful accounts	(83)	(92)
Total investments and other assets	6,540	7,467
Total non-current assets	30,837	31,862
Total assets	122,914	120,119

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

(Millions of yen)

	As of December 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,250	21,687
Electronically recorded obligations - operating	15,508	15,294
Short-term borrowings	511	1,250
Current portion of long-term borrowings	54	51
Lease liabilities	115	153
Income taxes payable	1,306	756
Contract liabilities	6,602	4,792
Provision for bonuses	647	1,169
Provision for bonuses for directors (and other officers)	56	44
Provision for share awards for employees	148	162
Provision for product warranties	42	47
Other	3,771	2,377
Total current liabilities	49,016	47,789
Non-current liabilities		
Long-term borrowings	498	486
Lease liabilities	145	192
Deferred tax liabilities	617	610
Provision for retirement benefits for directors (and other officers)	75	79
Provision for share awards for directors (and other officers)	49	46
Retirement benefit liability	126	121
Other	246	260
Total non-current liabilities	1,759	1,797
Total liabilities	50,775	49,587
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	28,299	28,299
Retained earnings	35,734	34,339
Treasury shares	(322)	(320)
Total shareholders' equity	68,712	67,319
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,414	1,686
Deferred gains or losses on hedges	6	2
Foreign currency translation adjustment	1,296	816
Remeasurements of defined benefit plans	(102)	(101)
Total accumulated other comprehensive income	2,615	2,404
Non-controlling interests	810	808
Total net assets	72,139	70,531
Total liabilities and net assets	122,914	120,119

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 three months]**

(Millions of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Net sales	38,819	43,781
Cost of sales	32,629	36,896
Gross profit	6,189	6,885
Selling, general and administrative expenses	4,720	5,118
Operating profit	1,469	1,767
Non-operating income		
Interest income	10	16
Dividend income	17	22
Purchase discounts	114	111
Rental income	27	26
Foreign exchange gains	53	–
Other	119	57
Total non-operating income	343	234
Non-operating expenses		
Interest expenses	2	6
Rental costs	10	9
Foreign exchange losses	–	111
Other	13	9
Total non-operating expenses	26	138
Ordinary profit	1,785	1,863
Extraordinary income		
Gain on sale of non-current assets	35	1
Total extraordinary income	35	1
Extraordinary losses		
Loss on retirement of non-current assets	10	2
Total extraordinary losses	10	2
Profit before income taxes	1,810	1,862
Income taxes - current	699	780
Income taxes - deferred	(63)	(159)
Total income taxes	636	620
Profit	1,174	1,242
Profit attributable to non-controlling interests	14	4
Profit attributable to owners of parent	1,159	1,237

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

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

(Millions of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Profit	1,174	1,242
Other comprehensive income		
Valuation difference on available-for-sale securities	(97)	271
Deferred gains or losses on hedges	(7)	(3)
Foreign currency translation adjustment	174	(490)
Remeasurements of defined benefit plans, net of tax	(10)	1
Total other comprehensive income	58	(221)
Comprehensive income	1,233	1,020
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,195	1,025
Comprehensive income attributable to non-controlling interests	37	(5)

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

Three months ended March 31, 2022 (from January 1, 2022 to March 31, 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	IoT Solutions	Total		
Net sales							
Sales to external customers	26,406	9,359	2,373	679	38,819	–	38,819
Intersegment revenue or transfers	402	11	–	6	421	(421)	–
Total	26,808	9,371	2,373	686	39,240	(421)	38,819
Segment profit (loss)	771	449	43	(26)	1,237	231	1,469

Notes: 1. Adjustment of segment profit (loss), amounting to ¥231 million, including ¥235 million from elimination of intersegment transactions totaling, ¥(4) million from reconciliation of inventories, and ¥0 million from reconciliation of non-current assets.

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

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

Three months ended March 31, 2023 (from January 1, 2023 to March 31, 2023)

(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	30,295	10,908	1,825	751	43,781	–	43,781
Intersegment revenue or transfers	272	10	–	13	297	(297)	–
Total	30,568	10,919	1,825	765	44,078	(297)	43,781
Segment profit (loss)	1,354	540	4	29	1,929	(162)	1,767

Notes: 1. Adjustment of segment profit (loss), amounting to ¥(162) million, including ¥(160) million from elimination of intersegment transactions, ¥(2) million from reconciliation of inventories, and ¥0 million from reconciliation of non-current assets.

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

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 first quarter of the previous fiscal year is also presented under the new name.