

INTEGRATED REPORT 2022

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UNISOL

New Brand Name and Logo

“Open up ‘the present’ with impressive proposals, and accompany customers beyond the changes.”
In order to fulfill this mission, we want to draw out more and more reactions of “Why didn’t we think of this?” from our customers.

In line with this desire, we at MARUKA FURUSATO Corporation have established a new brand to encompass the services and products of the entire Group.
Our brand name is “UNISOL.”

It is comprised from “Unique” and “Solutions.”
‘Unique’ is our most cherished value.
It expresses our commitment to provide solutions that are not found anywhere else, cannot be imitated and are something different.

The logo is based on the letter “U,” the first letter of “Unique.”
It is combined with an exclamation mark “!” to express surprise.

We will take our customers to the world that lies beyond challenges and light up the world with unique people and ideas.

The “SOL” in “UNISOL” is Latin for the Sun.
Yellow is the brightest and most luminous of the chromatic colors.
It is also the color of our hopes that we wish to realize.

SLOGAN

Vows and password for society
“Why didn’t we think of this?” one after another.

VISION

The future we want to realize
Society filled with “I want to make it happen.”

MISSION

Mission we should fulfill every day
Open up “the present” with impressive proposals,
and accompany customers beyond the changes.

3 VALUES

Three values we possess



7 STANDARDS

Seven standards when we think and act as group members

- 1 We comply with all relevant laws and social rules, and maintain a high sense of ethics.
- 2 We respect human rights, protect the dignity of the individual, and recognize and accept diversity.
- 3 We recognize the importance of environmental and social activities for the realization of sustainability, and deal with them actively.
- 4 We value honesty and always try to be fair and equitable.
- 5 We always consider the option of taking a risk and consider challenging opportunities.
- 6 We strive to enhance public and private trust and value relationships in which we trust others based on appropriate information.
- 7 We understand the significance of our work and activities and see them as opportunities for self-fulfillment in order to continue to grow.

Message from Management



Our efforts to address social issues align with the company's economic value.

I want to instill this in each and every employee.

Ryohei Furusato,
President and Representative Director

We want to continue to be a company that can propose solutions from the customer's point of view, even ten or twenty years from now.

Kunihiro Iida,
Chairperson and Representative Director

MARUKA FURUSATO Corporation began through the business integration in October 2021. The Group was established without the intermediation of a third party such as a financial institution, and through exchanges between the management teams prior to the integration, we were convinced that we shared the same values and of the synergy effects of the integration. Chairperson Iida (who also serves as President and Representative Director of Maruka) and President Furusato (who also serves as President and Representative Director of Furusato Industries) sat down to discuss the current situation following the integration, the future issues, and the vision for the future.

Background and History of Business Integration—The Birth of MARUKA FURUSATO Corporation in 2021

President Furusato: We commenced a new chapter of history on October 1, 2021 in the form of MARUKA FURUSATO Corporation, which was born through the business integration of Furusato Industries, Ltd. and Maruka Corporation. Furusato Industries and Maruka were companies of

similar scale that were operating in similar fields. Following the relocation of Maruka's headquarters in August 2017, we have had the opportunity for regular exchanges of information. Amongst these exchanges of opinions between the management groups of the two companies, many "realizations" were had. The first was that, as management issues became clearer together with the recognition of the social issues that are becoming more diverse and complex, both companies came to question whether they could survive

independently in the future. Another was that, as the two companies improved their mutual understanding of each other's management policies and business strategies, there were many issues that we could cooperate together to address. These "realizations" germinated an idea, and after about a year, we entered into the core discussion of whether or not we should integrate our businesses. The first thing we discussed in preparation for the business integration was what we aspire to be in the medium to long term. We deepened the discussion on whether we matched on this most important issue about our direction. We were able to satisfy ourselves that "we can work together if this was the case," but underlying this I felt that, in order to overcome the various social and management issues, action was necessary for the two companies to combine their collective strengths and gather knowledge, rather than acting alone.

Chairperson Iida: After the business integration, we decided on a group philosophy and brand name for the new company. In a business integration, new value is created through activities as a new business entity while filling each other's missing pieces, but we shared the same fundamental philosophy and way of thinking about how we can grow together with our customers while offering new proposals from their perspective. Therefore, it was not that difficult to decide on a slogan based on that, which would show the way forward for the new company.

The new brand "UNISOL" was born from the fact that both companies valued the solution business. Coincidentally, Maruka already had a slogan of "Unique Solutions," and Furusato Industries also emphasized "Unique Ideas" as its mission, so there was a keyword that was in common. I had the thought that if we took this further, it would become a keyword for the success of both businesses.

Formulation of the Medium-Term Management Plan "UNISOL" in pursuit of the integration effect

President Furusato: Once the principle was decided upon, the next step is putting it into practice. We are into the second year since the business integration, and have formulated the Medium-Term Management Plan "UNISOL" to realize the results of the integration. In this plan, we have set a numerical target of operating profit of JPY10 billion in five years (the fiscal year ending December 31, 2026). The keys to achieving this goal are integration synergies. Integration synergies include the "4 pillars of collaboration," which are methods for

producing results in a relatively short period of time, and the "5 strategic fields" which aim for medium- to long-term results.

The first of the "4 pillars of collaboration" is increasing market share in industrial machinery and the second is expansion of our machine tools. The target is to increase our share of domestic industrial machinery sales by cross-selling to our respective customers products we each haven't handled until now, while sharing each other's know-how and supply chain. For example, while Maruka Group is strong in the field of mechanical equipment, Furusato Group also sells from machine tools down to small tools. By having Maruka, which has marketing strength, cooperate with Furusato Group to expand the range of products it handles will lead to increased opportunities for profit.

The third pillar is reinforcing the engineering business. Labor reduction and labor saving in manufacturing are urgent social issues for the domestic manufacturing industry. Furusato Group has the engineering functions to design, manufacture, install, and operate equipment that meets the customer's needs. This engineering function has become a highly competitive division through the business integration with Maruka.

The fourth pillar is increasing overseas sales. Furusato Group had almost no overseas business, but Maruka had a very strong sales force with many offices in the United States, China, and Southeast Asia. Our overseas strategy is to combine the products handled by Furusato Group with Maruka's network and the group strengths to develop them globally.

We treat collaboration between different segments very importantly, which can be said to be a common theme among all of these "4 pillars of collaboration." As an example between the Security Segment and the Machinery & Tools Segment, video solutions are already being sold by the Machinery & Tools sales team. Specifically, Maruka collaborated with the security division to develop a solution that identifies images of employees who are not wearing helmets and issues an alarm, so that Maruka's customers can ensure more thoroughly that helmets are being worn in their factories. Such collaboration between segments and between group companies is becoming very active. We plan to make further progress in the future, but I believe that mutual understanding will improve and collaboration between segments will progress naturally by accumulating successful experiences in the field.

Chairperson Iida: What President Furusato has explained just now is our policy to expand while demonstrating synergies between each other's existing businesses. In the medium term, however, not just the existing

Message from Management

businesses but also new measures in line with changes in the economic and social environment are required, and that direction is displayed in the “5 strategic fields.” Specifically, the five fields are EV-related, automation and labor saving, environment and energy-saving, food-related, and global.

The important one among these is the electrification of motor vehicles. Motors, storage batteries, and other necessary components are undergoing significant change. Vehicle manufacturers are important users of products we deal. As our users are trying to make changes, we also have to make changes so that the products we offer are aligned. Under these circumstances, we will continue the deepening and development of our EV-related businesses. In addition, as stated in the “4 pillars of collaboration,” we are also emphasizing automation and labor saving in our medium- to long-term strategy. Our approach is to take the path as a specialized technology trading company. I believe that our greatest strength lies in our ability to firmly propose automation and labor-saving technologies that also address the social issue of labor shortages, and to provide equipment that improves productivity for our customers. It is important for us to steadily develop this and dig even deeper, and this is also one of our strategies.

What MARUKA FURUSATO aspires to be in the long term

Chairperson Iida: In the Medium-Term Management Plan “UNISOL,” we first considered what we aspire to be in ten years. Therefore, we defined our mission as to “Open up ‘the present’ with impressive proposals, and accompany customers beyond the changes.” I think the basis of this mission will not change in the future. Even ten years and twenty years from now, what we can do is to continue to be a company that grows together with our customers while making good proposals and can



propose solutions from the customer’s point of view. Also, it is not necessarily the case that the current businesses will continue as they are in the future. I think the MARUKA FURUSATO Group will continue to exist by aiming even higher by either incorporating new things in existing fields, or working on new services in completely different fields. The name MARUKA FURUSATO may no longer exist ten or twenty years from now, and the organization may have changed. We have talked about a platform strategy from the beginning, and I think that we will join hands with companies that agree with our goals and have them participate more and more, or there may also be other forms of partnership, and I think that the ideal form is to create something that is like one big station from this variety of partnerships, and for the MARUKA FURUSATO Group to grow as it changes in form.

President Furusato: A company’s issues also change with time. We will possess many solutions and continue to propose ideas and resolve the issues that arise in our customers in each era, and this stance will not change in the future. That is why we created the name “UNISOL” as our group brand. I believe that our direction of continuing to provide solutions to our customers’ issues, and especially unique solutions at that, will probably remain the same now and after ten or twenty years.

Sustainability initiatives

President Furusato: Sustainability is a very important issue to us. Responding to sustainability issues has also brought us one step closer to integration. We feel the need for organizations and actions that have a way of thinking that aligns with social and economic values. Last year, we launched the Sustainability Committee and first identified the priority issues (materiality) related to sustainability. One of those issues is to achieve harmony and coexistence with the global environment and we are preparing to disclose information in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We have thus calculated our greenhouse gas emissions for Scope 1, Scope 2, and part of Scope 3.

Chairperson Iida: Global warming is important, but with the aging and declining population, revitalizing economic activities and social lives is also an important social issue, and we believe there is a role that companies are expected to play. We list “support sustainability in the manufacturing industry” and “realize a secure, safe, and comfortable society” as part of our theme in our Basic Policy on Sustainability. As I have already mentioned several times, our focus is on being able to produce

things safely with less human intervention, and being able to do it in a short period of time, through automation, labor saving, and labor reduction. This applies to all manufacturing industries, including the automotive industry, and the food business, into which we have newly entered. With sanitation issues and rising labor costs, the question of how to automate will become extremely important. I believe our job is to somehow solve these issues on a single line, rather than by combining two or three machines, and propose our solution to customers.

President Furusato: Sustainability is a really important issue to be addressed by the organization as a whole. It may take time for the concept of sustainability to take root in the organization and in each employee. Going forward, our worksites will be the epicenter of concrete action on sustainability. I think 2023 will probably be the year in which this commences.

Corporate governance of the MARUKA FURUSATO Group

President Furusato: Under our corporate governance system, Chairperson Iida focuses on supervision as Chair of the Board of Directors, while I focus on execution as the CEO.

Chairperson Iida: It means that even though we are both Directors, the division of roles and the check-and-balance function are working. Independent outside officers with diverse expertise and backgrounds were appointed by each company even before the business integration. Over the past year, various discussions regarding corporate governance issues have progressed, joined by these diverse outside officers, and as an objective self-evaluation, I am proud that this is an extremely good Board of Directors, where there is lively and constructive exchange of opinions regarding various issues. Of course, some stern opinions are also given, but there are also times when outside officers make proposals based on their experience and expertise and the proposals made by the internal officers are revised. Recently the effectiveness of boards of directors have been called into question, but I believe that our corporate governance system is working effectively.

Message to our stakeholders

Chairperson Iida: In substance, we have entered into the second year of business integration. I believe that our stakeholders are watching our business integration with surprise. A simple numerical logic or merely growing larger are meaningless. As expressed in the word



“UNISOL,” I think it is important that we offer solutions that nobody else can copy. To that end, the major premise here is that the employees that make up the Company should, after all, have a good understanding of this principle and be heading in the same direction, all the while leading fulfilling lives. I want to realize the environment in which each employee who joins the Company finds his or her work rewarding and is rightly happy. I do not know how many years it will take, but in the near future, I would like us to become a corporate entity that makes people feel that way. We are aiming for “UNISOL,” but this way of thinking is based on the customer’s point of view, and I do not think there is anything wrong with it from a management point of view, and I think that this way of thinking is extremely important both in business and in dealing with people in private.

I want to show and communicate the results of our business integration to our shareholders and other external stakeholders in a more visible form. On top of that, I would like them to understand the purpose of the business integration and watch over the growth and development that we are aiming for.

President Furusato: As I mentioned earlier, it cannot be denied that the concept of sustainability is not sufficiently understood within the Company yet. Even if the management team decides on a policy, unless the organization and its employees understand it, make plans, and put them into practice, our sustainability activities will bear no fruit. This fiscal year we intend to spearhead efforts aimed at driving home the concept of sustainability throughout the entire Group so that every employee understands that tackling social issues will lead to improvements in corporate value. In addition, for our external stakeholders, we will repeatedly send out messages that make them feel the significance of MARUKA FURUSATO Corporation—the existence of “UNISOL”—is linked to the resolution of social issues, and strive to have them better understand our true activities.

Outside Officers' Round-table Discussion

We aim to expand our corporate value over the long term by instilling in the post-integration organization an internal culture of resolving customer issues and social issues under our slogan of “‘Why didn’t we think of this?’ one after another.” To achieve this, we are fully utilizing the knowledge of our outside officers within our effective Board of Directors and using it as the basis for management decisions and strategy formulation. Here, we ask our three Outside Directors and two Outside Audit & Supervisory Board Members to talk about the post-business integration issues.



Hiroyuki Nakatsukasa

Outside Director (Independent Officer)

Representative of Nakatsukasa Certified Public Accountant and Tax Accountant Office, Outside Audit & Supervisory Board Member of The Bank of Kyoto, Ltd. Possesses ample knowledge and experience in finance and accounting as a Certified Public Accountant and a Certified Tax Accountant.

Kazuaki Kotani

Outside Director (Independent Officer)

Served as Representative Director and President, and Director and Chairman of the Board of Nabtesco Corporation, and possesses abundant experience in overall corporate management.

Yasuo Sasaki

Outside Audit & Supervisory Board Member (Independent Officer)

Possesses great insight through his ample experience at Toyota Motor Corporation, Futaba Industrial Co., Ltd., and Primearth EV Energy Co., Ltd.

Junko Takechi

Outside Director (Independent Officer)

Partner of Midosuji Legal Profession Corporation Possesses knowledge and experience nurtured through her career as an attorney-at-law, and also has a great awareness about compliance.

Kyoko Hikita

Outside Audit & Supervisory Board Member (Independent Officer)

General Manager of Hikita Certified Public Accountant Office, Professor at the Institute of Business and Accounting, Professional Graduate School, Kwansei Gakuin University. Has abundant auditing experience and possesses professional expertise in finance and accounting nurtured through her long career as a Certified Public Accountant.

Engaging in exhaustive discussions at effective Board of Directors meetings with a diverse range of outside officers

Progress of the business integration

Director Kotani: MARUKA FURUSATO Corporation was launched in 2021 through a business integration. Since then, matters have progressed with an extreme sense of speed, including defining a group philosophy and formulating the Medium-Term Management Plan “UNISOL.” It almost makes me think that we may be rushing too much. As an Outside Director overseeing the management, I believe that the business integration as a scheme is progressing smoothly. However, the Medium-Term Management Plan sets a target of operating profit of JPY10 billion in five years, but this target will become pie-in-the-sky if KPIs are not defined and their progress is not managed. Also, we may change the targets of the Medium-Term Management Plan if the external environment such as the global economy changes. As an Outside Director, I will respond flexibly to changes in the targets, but a prerequisite is that it must be thoroughly discussed by the Board of Directors. It is important for managers to be able to adapt to change. You cannot manage a business if you are afraid of change. The Group has five outside officers, including myself. Whether the executive side of management should step on the accelerator or step on the brake, we will support them by making use of our respective backgrounds and expertise.

Sustainability issues

Director Nakatsukasa: Regarding the new group philosophy, I think that the corporate slogan, “‘Why didn’t we think of this?’ one after another” is very good. The importance of sustainability management and stakeholder capitalism has been identified recently. The concept of “‘Why didn’t we think of this?’ one after another” is an easy-to-understand expression, not only in the business aspect of proposing solutions to our customers’ issues,

but also in promoting our sustainability management. For example, in their response to the Task Force on Climate-related Financial Disclosures (TCFD), companies are required to calculate and reduce greenhouse gas emissions throughout their supply chains. Of course there is the question of what the environmental impact of the Group is, but we should find and propose products with low environmental impact to our business partners. In addition, I think that we must seriously consider more specific details about how we can propose unique solutions to global environmental issues that will make people think, “‘Why didn’t we think of this?’”

Management risks

Audit & Supervisory Board Member Sasaki:

Ascertaining the supply chain has also become an important issue from the perspectives of economic security and respect for human rights, as well as the calculation of greenhouse gas emissions. That said, the longer a supply chain is, the harder it is to keep tabs on it. In fact, even in the automotive industry, it was previously thought that there are multiple supply chains, but actually all of the supply chains used a part from the same company, so production came grinding to a halt when the supply of that one part was cut off. I think the supply chain risks in the MARUKA FURUSATO Group’s business are not as serious as those for the automakers, but we still need to be alert to a wide range of risks, not just sustainability issues. Given that the basis of the Company’s business model is that of a trading company, I personally think there is room for improvement in reducing costs and lowering cost of goods sold based on my experience working in the manufacturing industry. I think the Company needs to set some productivity KPIs, such as earnings per employee or selling, general and administrative (SG&A) ratio, in an effort to further minimize costs.

Outside Officers' Round-table Discussion



Director Nakatsukasa:

Economists and commentators have been arguing for some time about a “happily declining Japan,” but I think this is also a risk to the Group that is difficult to see.

Both the Maruka Group and Furusato Group are better than

average companies. They are blessed with good employees, their balance sheets are healthy, and the management are thinking about growth strategies and business strategies. However, it is necessary to have a sense of danger as to whether it is okay to continue on as is. In other words, we must not be in a position like the so-called “boiling frog.” I believe that I must pay attention to this as an Outside Director too.

Director Kotani: I completely agree. Our shareholders have invested their limited and valuable funds in our group. It is necessary to display in a visible manner whether the Medium-Term Management Plan, which is the premise for investment decisions, is progressing smoothly. As an outside officer, I always demand a response from the executive side of the management regarding this point.

Audit & Supervisory Board Member Sasaki: In our Medium-Term Management Plan, we plan to generate operating profit of JPY2 billion through integration synergy effects. How is that going to be realized and what kind of indicators will be used to confirm the progress? The JPY2 billion integration synergy effect is what all of our shareholders are most interested in. If we do not fully realize this, it will result in being told “there was no point in integrating” by the market participants.

Human rights management and diversity



Director Takechi: As Audit & Supervisory Board Member Sasaki pointed out regarding risks in the supply chain, I also feel that my interest in business and human rights is growing through my work as a lawyer. In Japan

too, many companies are formulating human rights policies and revising purchasing and procurement

policies, and there is a growing movement which requires business partners to provide representations and warranties regarding the protection of human rights when entering into business contracts. I believe that the Group will also be required to emphasize respect for human rights in its relationships with business partners in the future. However, because the legal system and culture related to human rights differs in each country and region, we also hear of cases where companies struggle with friction with international human rights standards. Also, I think that simply not doing business with countries or companies that pose a human rights violation risk does not mean that we are performing management that respects human rights.

I think that, as we strengthen our stance towards respecting human rights as a company, it will become necessary to implement something that leads to a fundamental solution to human rights issues. Concerning the human rights of employees, for example, the Japanese Constitution guarantees the right to the pursuit of happiness, but the sense of the value of happiness differs from person to person. As a company, first we will face the individuality of our employees in the same way that marketing does in sales. I think it is also important to strive to enhance the well-being of employees.



Audit & Supervisory Board

Member Hikita: Looking at employee well-being in terms of life stages, women may experience childbirth. In addition, regardless of whether an employee is a woman or not, there will come a life stage when

they will have to spend time on childcare or nursing care. I believe that the development of a work environment which allows employees to work in their own way during the various stages of life is also an important issue in terms of securing staff during the acceleration of the declining birthrate and aging population.

In terms of diversity, and this may be partly due to the nature of the industry, but it is still hard to describe the ratio of female employees and managers in the Group as being high. Director Takechi and I have now joined as outside officers. I believe that one of our roles is to have everyone in the management group reconsider diversity. Not only attributes such as gender, age, and nationality, but diversity in terms of individual ways of thinking and

values is also important. People who are called minorities will not be excluded, and individuals will recognize each other's values and work together. I hope that this corporate culture will lead to employee happiness and job satisfaction, which in turn will lead to an increase in corporate value.

Director Takechi: At the beginning of our discussion, Director Kotani said that innovation is important, but the possibility of innovation occurring is low when a uniform group of people gather, while new ideas and discoveries are born when diverse people come into contact. However, Japanese companies are not used to this. I think that it will be difficult to realize the creation of such a work environment unless there is the mutual recognition that Audit & Supervisory Board Member Hikita mentioned earlier, or in other words, trust. How do we create a corporate culture that enhances trust through this business integration? The communication ability of top management and company-wide communication are important.

Also, I think that the most eco-friendly engine is an individual's motivation, so how do we turn on that motivation button? In this regard as well, I think it is important for the company to face individuals properly and build trust and communication.

Corporate governance system and corporate culture



Audit & Supervisory Board

Member Sasaki: We have already discussed many things, but one thing I can say without a doubt about our Board of Directors is that “it does not have an atmosphere which makes it difficult to speak.”

At Board of Directors meetings, outside officers can speak and ask questions freely based on their respective experience and expertise. Of course, there are also issues that the Board of Directors has not been able to discuss, and there are many management issues that need to be resolved. To address these issues, I hope to continually enliven discussions at Board of Directors meetings.

Director Nakatsukasa: In this discussion, various topics have been raised such as the importance of financial KPIs and sustainability issues. It is something which is

common to all issues, but even if the direction to be taken is decided, the measures which should be taken and their extent will differ depending on the situation in which the company is placed. Outside officers with different backgrounds are gathered in order to make the best or better choices when making such difficult decisions. I have realized once again the importance of this.

Director Takechi: I believe that strengthening compliance, including legal compliance, is also an important role for outside officers. Compliance is often referred to as defensive governance, but compliance cannot be maintained unless there is a good atmosphere within the company. It can also be said that scandals are more likely to occur in a company with a bad atmosphere and lack of communication. I would like to contribute to the creation of such a culture that will lead to the sound growth of the company from the perspective of compliance.



Audit & Supervisory Board

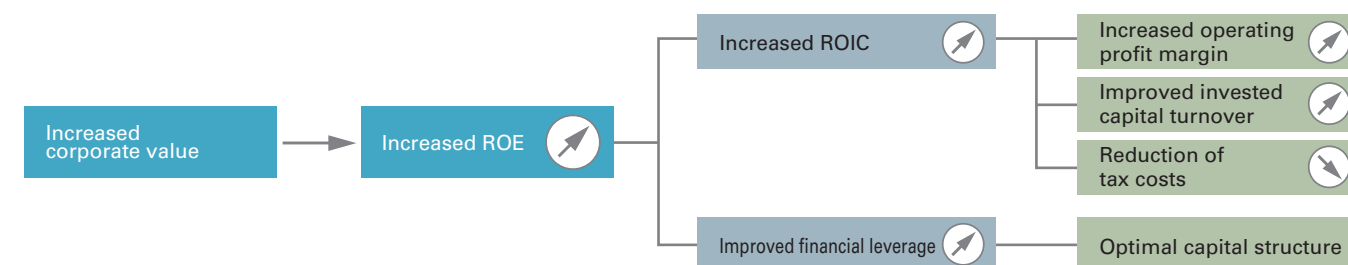
Member Hikita: I think it is a fact that in today's society the importance of non-financial information and unquantifiable portions are increasing. In fact, it tends to be avoided due to the

effort and cost required, but non-financial information is extremely important when considering relationships not only with shareholders and employees—in other words, the stakeholders of a company—but also with society, including suppliers and customers. Based on this recognition, I believe that it is important for the Group to work toward the disclosure of non-financial information as precisely as possible.

Director Kotani: As Audit & Supervisory Board Member Sasaki pointed out a moment ago, voicing one's opinion during meetings of the Group's Board of Directors is quite easy. We are able to thoroughly discuss the management issues that need to be resolved and think of countermeasures. It is important for the five outside officers that are here to use their respective expertise and experience at Board of Directors meetings to express frank opinions that are not in line with the MARUKA FURUSATO Group's culture. To avoid the risk of becoming the “boiling frog,” it is necessary to recognize that what is common sense within the Group may be lacking in common sense for the rest of the world. This is probably where the outside officers have an important role.

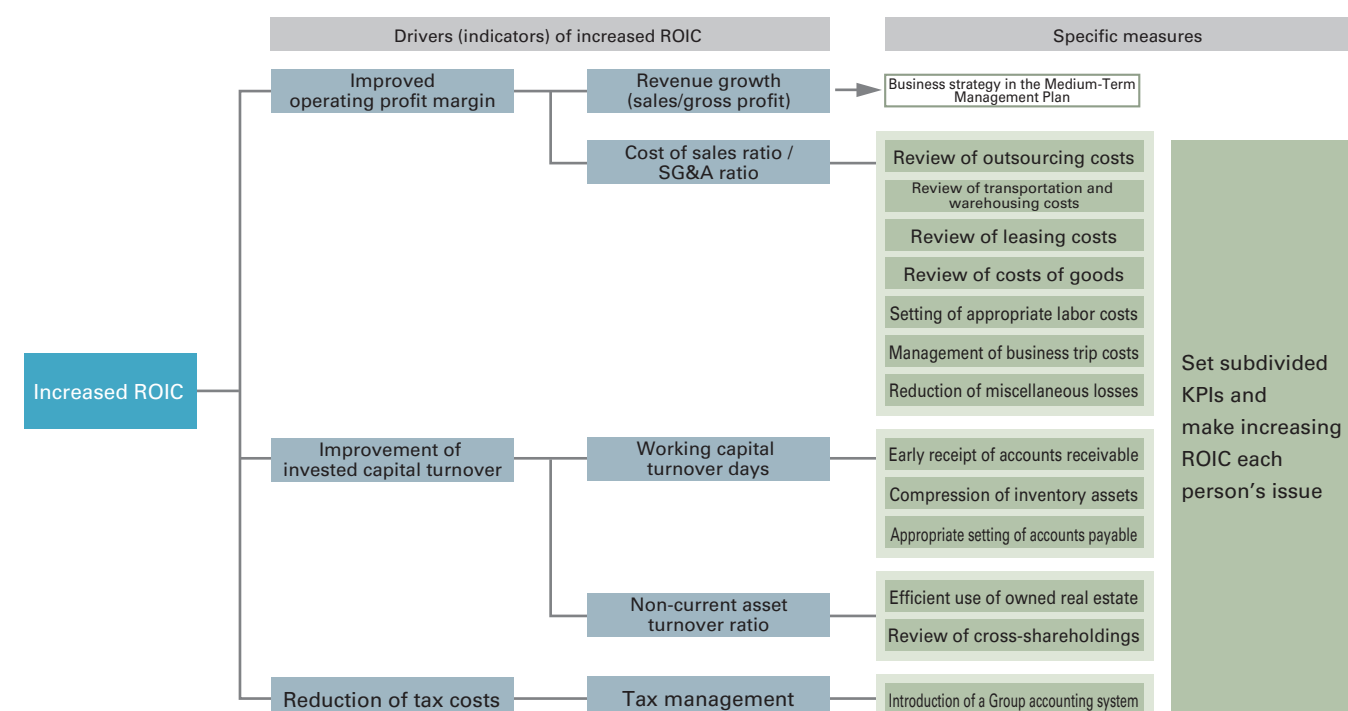
Financial and Capital Strategy

The Group adopts the principles of capital cost management to maximize corporate value by enhancing capital efficiency alongside growth in net sales and profit. To that end, we are introducing ROIC as one KPI with the aim of strengthening balance sheet management based on an optimal capital structure policy and continuously generating returns in excess of capital costs. Going forward, we will include ROIC amongst the KPIs for each segment and endeavor to practice capital cost management on a Company-wide level.



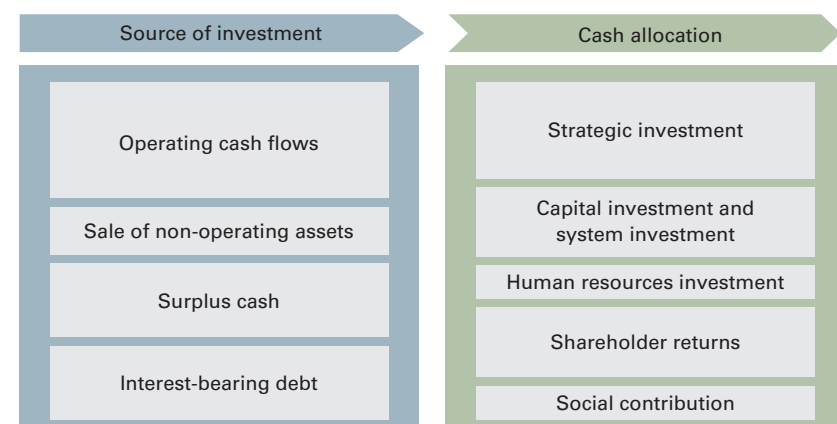
Measures aimed at increasing ROIC

The Group will promote the incorporation of specific initiatives so that each employee can make increasing ROIC their own issue and management and worksites work together as one.



Cash allocation

During the term of the Medium-Term Management Plan, the cash allocation plan emphasizes M&A to enhance platform functions and strategic investment to enter growth fields. The Company will also carry out capital and system investments flexibly and proactively.

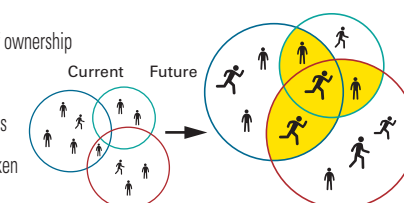


Human Resources Strategy

$$\text{The Group's growth} = \text{Growth of individual employees} \times \text{Integration of Group companies}$$

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
- 4 The state in which HR issues can be explained quantitatively based on evidence, and the PDCA cycle is implemented after measures are taken



Growth of individual employees

Group Human Resource Development Policy

Due to the characteristics of the Group's business as a trading company, the added value which the Group provides is highly dependent on "people," and we believe that it is necessary to strategically implement the acquisition, retention, development, and organic utilization of human resources. Within the rapidly changing economic climate, in order to explore customer issues and propose new solutions, we have set "Developing unique human resources with an ownership mindset" as our policy and are promoting the three pillars of creating an organization that "utilizes diversity," fostering awareness that "encourages challenges" and human resource development that "fosters autonomy."

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"

New Group Principle: 3 Values		Measures	
Co-creative spirit	Provide various career paths and promote active participation of human resources People who can recognize other people and their ideas that are different from their own and exchange opinions	Utilizing diversity	<ul style="list-style-type: none"> Start an integrated personnel system Mid-career hiring Hiring of employees with foreign nationality Career design training (women, by age, seniors) Office integration Hiring of returning employees Joint hosting of internal events (training, employment offer ceremonies, hiring ceremonies, etc.)
Growth motivation	Promote individual challenges and growth People who can aim for growth and maintain the will to take on challenges at all times	Encouraging challenges	<ul style="list-style-type: none"> Start an integrated personnel system Deploy the FA and open recruitment systems throughout the Group Deploy Unisol Awards throughout the Group Deploy correspondence education and e-learning throughout the Group Subsidies and allowances to encourage acquiring official qualifications
Thinking of issues as our own matters	Develop active employees who autonomously develop their careers People who can face others with sincerity and take action on their own	Fostering autonomy	<ul style="list-style-type: none"> Start an integrated personnel system Deploy the FA and open recruitment systems throughout the Group Career design training (women, by age, seniors) Deploy correspondence education and e-learning throughout the Group Subsidies and allowances to encourage acquiring official qualifications

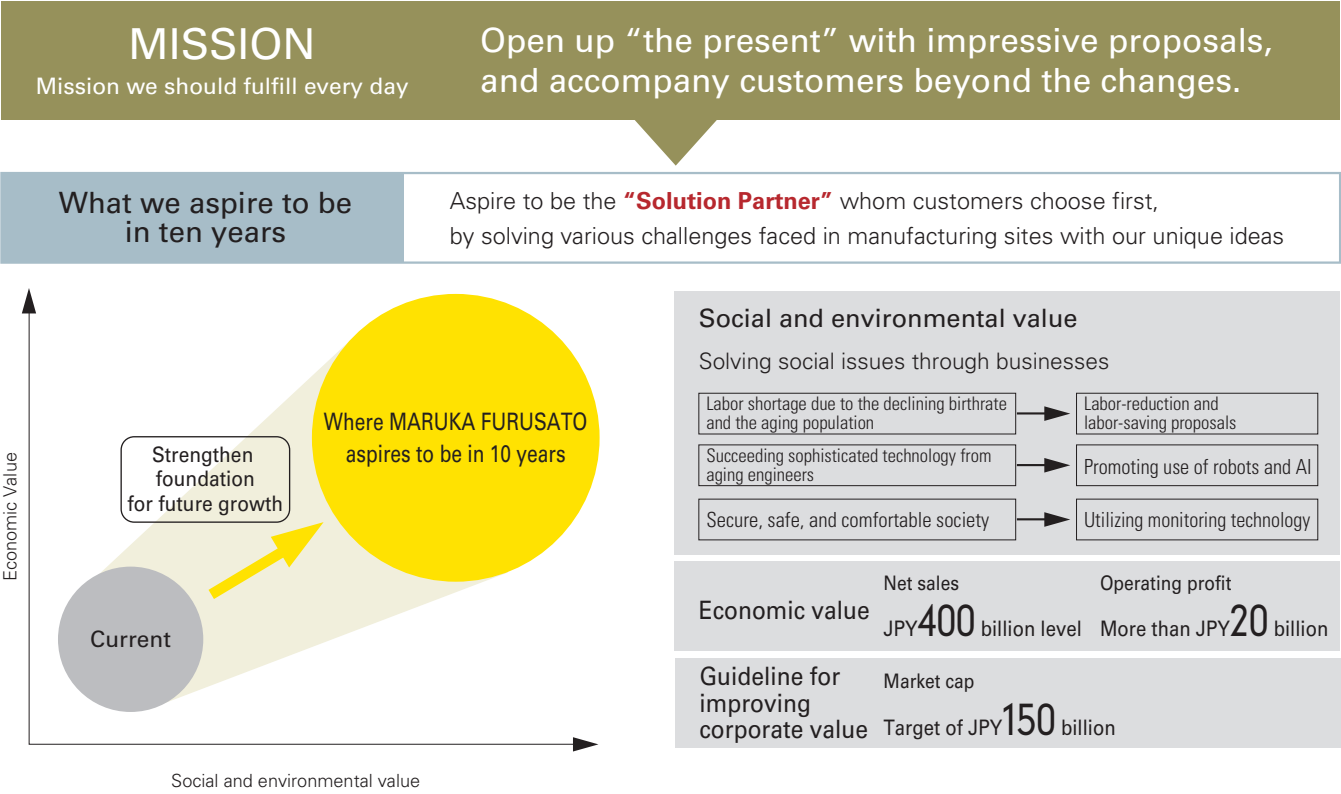
Integration of Group companies

Group's Human Resource Active Participation Promotion Policy

The Group will continue to develop the foundations to build an optimal human resources portfolio. By "fostering autonomy," one of the measures in the Group's human resource strategy, we want employees to be aware of the expectations and roles required of them by the organization and to be able to take action proactively with a sense of ownership. However, in order to fully capitalize on the potential of each individual, they need to autonomously acquire skills, which is something we will promote among employees whilst also fostering a mindset of "encouraging challenges." In addition, we will exert synergy effects across the entire Group by appointing the right people in the right places, including the appointment of external human resources, in order to accelerate productivity and efficiency improvement in strategic fields.

Scheduled consolidation of the Group's HR system in July 2024 Reward employees fairly in order to realize the Group Principle	Human resource synergies through a platform strategy Mutual understanding between Group companies Strengthening the proposal capabilities of sales representatives
Linking of management strategy and human resources strategy	

What We Aspire to Be and Where We Are Heading

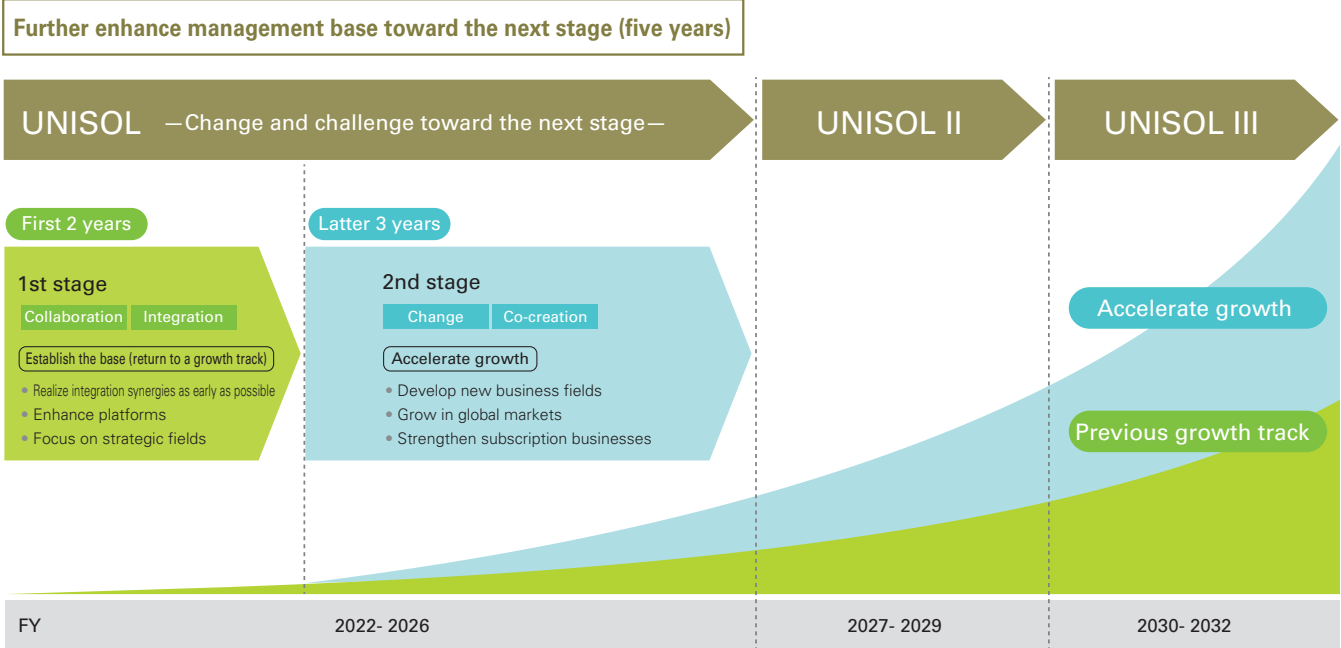


Positioning of This Medium-Term Management Plan

Expand customer base in Japan and overseas and greatly enhancing the business base through the integration of Maruka Group and Furusato Group.

“**Accelerate Growth**” by early realization of integrated synergies and promoting reforms toward the next stage.

Position this term as the period to establish “**Business Portfolio**” to realize stable growth and “**Solution Platform**” to respond to various challenges of customers and further enhance management base speedily.



Numerical Goals

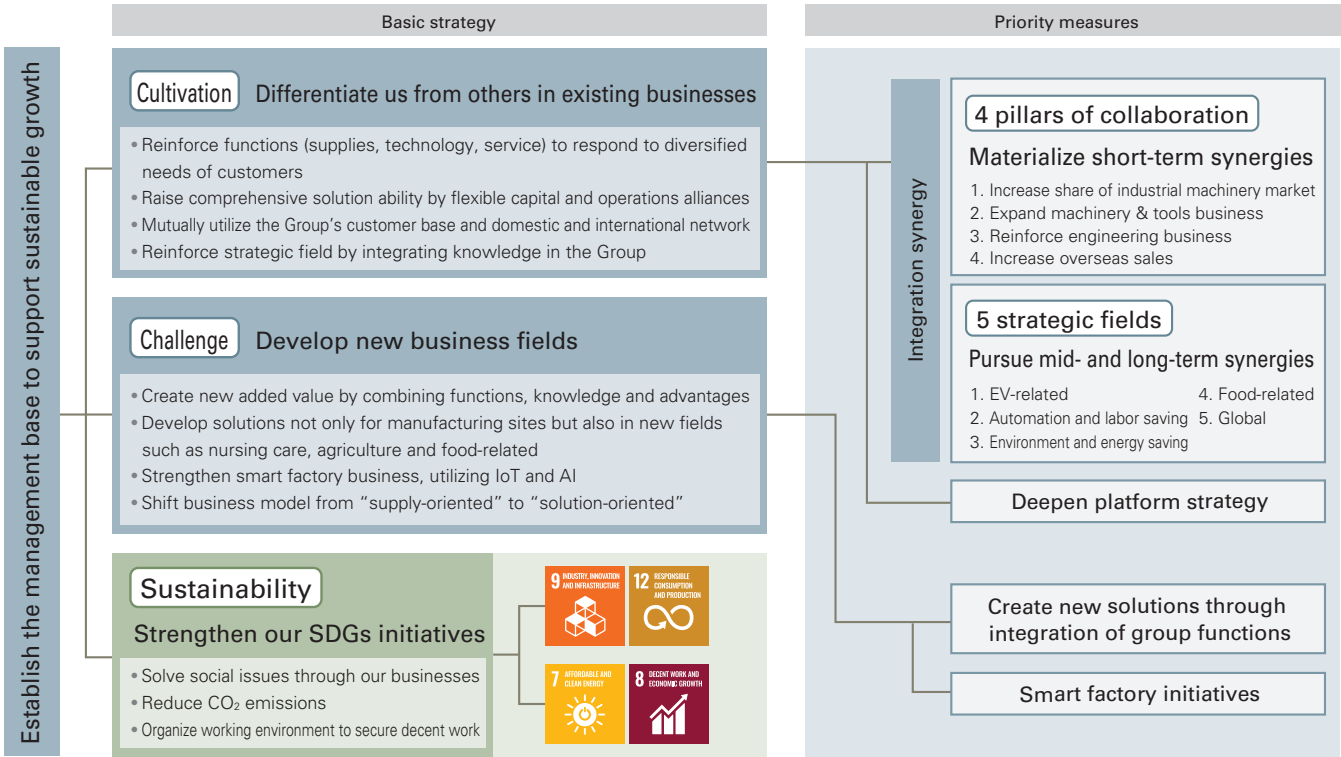
Numerical Goals (KPIs in 5 years)	Aim for early recovery to growth track and “ Accelerate Growth ” by implementing strategies in the Medium-Term Management Plan despite an inevitable decrease in profits due to the spread of COVID-19			
Net sales	Operating profit/Profitability	Adjusted EBITDA ^{*3}	ROE	
JPY200 billion (FY ending Dec. 31, 2026)	JPY10 billion / 5.0% (FY ending Dec. 31, 2026)	JPY11.5 billion (FY ending Dec. 31, 2026)	8.5% (FY ending Dec. 31, 2026)	
JPY142.7 billion (FY2020) ^{*1}	JPY4.2 billion / 3.0% (FY2020) ^{*1}	JPY5.7 billion (FY2020) ^{*1}	4.2% (FY2020) ^{*1}	
JPY173.8 billion (FY2019) ^{*2}	JPY6.6 billion / 3.8% (FY2019) ^{*2}	JPY7.8 billion (FY2019) ^{*2}	8.4% (FY2019) ^{*2}	

^{*1}: The figures for FY2020 are a simple sum of Maruka’s financial results for the fiscal year ended November 2020 and Furusato’s financial results for the fiscal year ended March 2021

^{*2}: The figures for FY2019 are a simple sum of Maruka’s financial results for the fiscal year ended November 2019 and Furusato’s financial results for the fiscal year ended March 2020

^{*3}: Adjusted EBITDA = Operating profit + Depreciation + Amortization of goodwill ± Other one-time expenses and income

Basic Strategy



Shareholder Return Policy During the Term of the Medium-Term Management Plan

Dividends based on earnings distribution linked to consolidated earnings	Dividend payout ratio on a consolidated base: Basically approx. 35% of profit attributable to owners of parent	Aim to continue to pay at least JPY15 per share as the stable dividend returns to shareholders
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Basic Policy on Sustainability

In order to realize the vision of a “society filled with ‘I want to make it happen,’” as called for in the “UNISOL” philosophy, the Group has formulated a Basic Policy on Sustainability, shown below, with the aim of achieving both economic and social value, and is actively contributing to the creation of a sustainable society.

Topics and What We Should Be

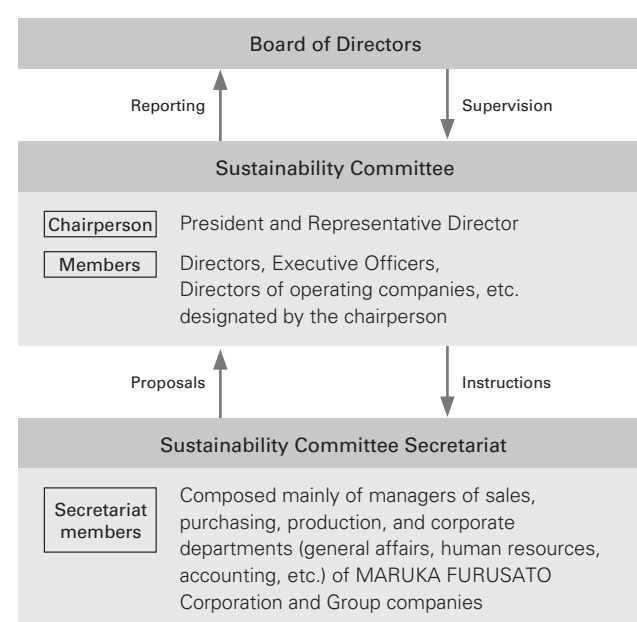
Topic	What we should be
1 Achieve harmony and coexistence with the global environment.	We believe that the global environment is a common asset of humankind, and we will strive to respond to climate change issues and conserve resources by visualizing and reducing the environmental load factors in our various business processes.
2 Support sustainability in the manufacturing industry.	We aim to be the “solution partner” with unique ideas that is chosen first to address the various social issues that manufacturing sites face, such as the declining labor force due to the declining birthrate and aging population, and responding to evolving technologies.
3 Realize a secure, safe, and comfortable society.	We will promote business activities that take into account the safety, security, and comfort of not only our business partners, but also end users, by developing a stable supply system for our products and merchandise and applying cutting-edge technologies such as IoT.
4 Increase job motivation, and promote growth and social contribution.	We will develop human resources by recognizing the importance of respecting human rights and practicing diversity management that emphasizes the individuality of each employee, so that each employee has motivation to work, grows autonomously and contributes to society.
5 Promote fair and honest corporate activities.	Guided by our corporate philosophy and as a public instrument for the benefit of society, we will abide by all laws and regulations, our code of conduct, and the spirit thereof, and promote compliance practices with a strong sense of ethics. We will also aim to continuously improve corporate value by undertaking activities to properly manage internal and external business risks.

Promotion Structure

In February 2022, the Group established a Sustainability Committee under the President and Representative Director to discuss and decide upon responses to issues related to sustainability. The Committee is chaired by the President and Representative Director, and is composed of members who are deemed appropriate, including Directors, Executive Officers, and Directors of each operating company that are designated by the chairperson.

Important proposals regarding the response to climate change are reported to the Board of Directors at least once a year and are subject to supervision.

In addition, a secretariat has been established under the Committee for the purpose of assisting the operation of the Committee. The secretariat formulates policies and measures related to sustainability, deliberates and examines their consistency with the strategies of each operating company, each department, etc., and submits proposals to the Committee.



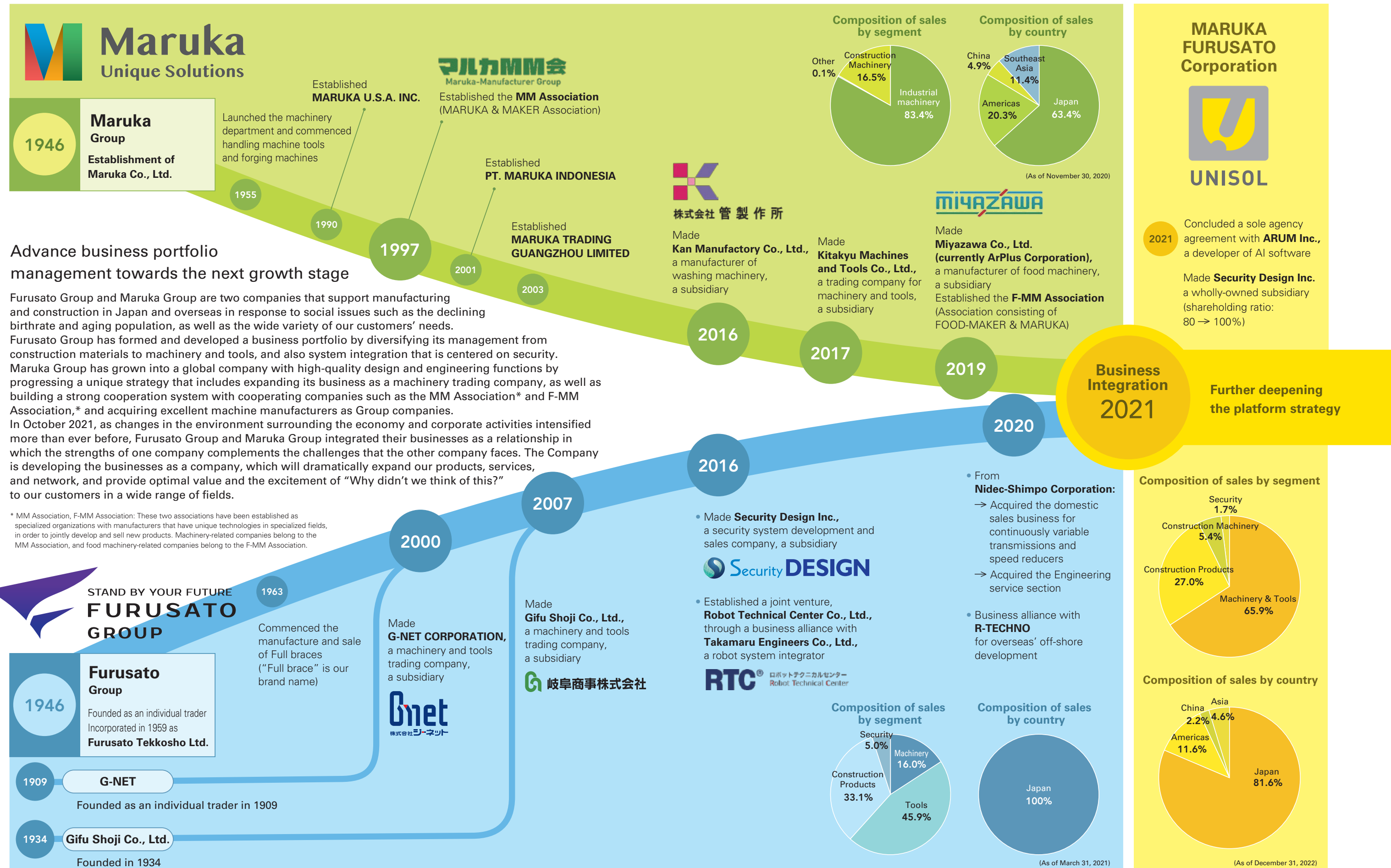
Materiality Identification Process

We have used the following process to identify five priority issues (materiality) related to sustainability as social responsibilities that the Group should fulfill towards realizing the basic policy.

Step	Process	Details
1	Extraction of issues from global guidelines	Social issues related to the current business of the Group were extracted based on international guidelines such as the Sustainable Development Goals (SDGs) and the Global Reporting Initiative (GRI)
2	Issue extraction	The Sustainability Committee Secretariat identified workplace issues from the social issues extracted in Step 1 and organized them into 17 priority issue candidates under five topics.
3	Selection of priority issues based on impact analysis	The 17 candidates were arranged by their degree of importance based on the direction of sustainability and five priority issues were identified
4	Confirmation of validity	The Sustainability Committee deliberated on the validity of the issues after considering the opinions of external experts, etc., and reported to the Board of Directors

Priority Issues (Materiality) and Direction of Long-Term Initiatives

Topic	Materiality	Relevant SDGs	Direction of long-term initiatives (aimed at 2030)
1 Achieve harmony and coexistence with the global environment.	Reducing the environmental impact in our business activities	 	<ul style="list-style-type: none"> Initiatives related to promoting the sale of environment-related products Initiatives to reduce greenhouse gas (GHG) emissions
2 Support sustainability in the manufacturing industry.	Improving productivity through proposals for automation and saving labor of production equipment and construction sites	 	<ul style="list-style-type: none"> Initiatives related to promoting the sale of automation and labor-saving products
3 Realize a secure, safe, and comfortable society.	A safe, secure and stable supply system for products and merchandise	 	<ul style="list-style-type: none"> Establishment of the Sustainable Procurement Policy Dialogue and initiatives with the partner companies that make up the supply chain
4 Increase job motivation, and promote growth and social contribution.	Promotion of diversity	 	<ul style="list-style-type: none"> Design and operation of organizations and personnel systems to secure diversity in human resources
5 Promote fair and honest corporate activities.	Strengthening the risk management and crisis management systems	 	<ul style="list-style-type: none"> Awareness and deployment of the Compliance Manual Strengthening of the risk management system related to financial reporting Establishment and execution of the risk management system related to illegal acts

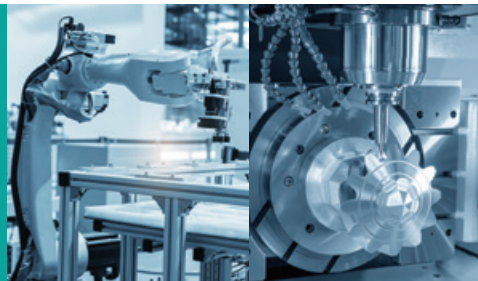


Segment Introduction

SEGMENT





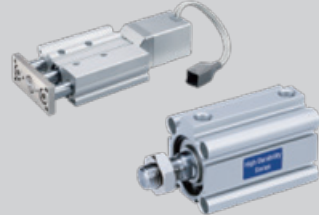

Machinery & Tools

Developing a uniform service from design and sales to maintenance for a wide range of products for the domestic and overseas manufacturing markets



Main products

Supply of a wide range of products, including industrial machinery such as machine tools and robots, as well as consumable equipment and tools

Machine tools	Cutting tools	Tooling components
		
Factory automation equipment	Pneumatic equipment	Injection molding machines
		

The pictures are examples of the product groups and services.

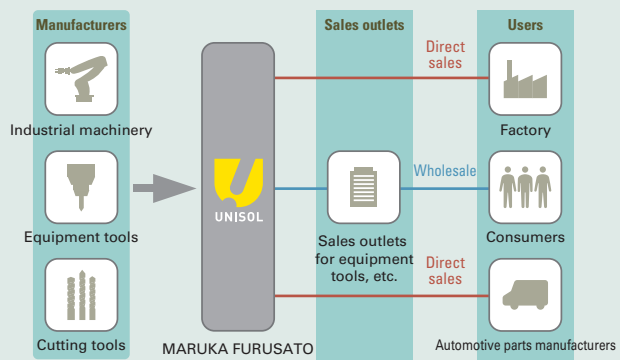
Business outline

Machinery	<p>The sale of industrial machinery such as machine tools, forging machines, and injection molding machines to the domestic and overseas factories of automotive, construction machinery, agricultural machinery, railroad, and food manufacturers and sales outlet nationwide</p> <p>The sale of industrial machinery to the aircraft, medical, and energy industries in the United States</p> <p>The sale of industrial machinery mainly to Japanese corporations in Asia</p>
Tools	<p>The sale of machine tool equipment, blades, tools, consumables, etc. to sales outlets nationwide</p> <p>The sale of special cutting tools mainly to Tier I parts manufacturers in the Chubu region</p>

BUSINESS FLOW

The Company resolves the various problems at manufacturing sites, with Maruka, G-NET, and Gifu Shoji at the center and in cooperation with other group Companies and functions.

The Company also supports changes on site, such as proposing and constructing automated production lines for labor-saving and efficiency, and measure for smart factories that make full use of technologies such as AI.



Business environment

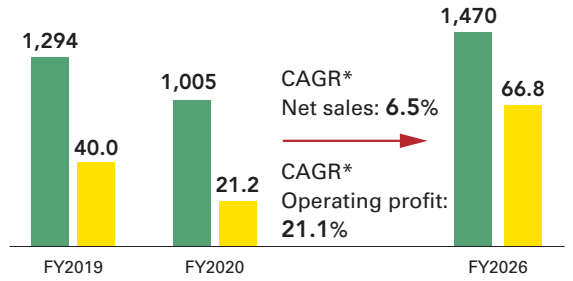
- The need for improved production efficiency such as factory automation and labor saving is increasing more and more in order to solve labor shortages
- Initiatives by the machine tool manufacturing companies are progressing due to growing interest in smart factories
- Changes to mounted part types and their quantity have decreased together with the progress of the change to EVs
New entrants from other industries are also predicted, and the possibility that the conventional parts supply chain will be replaced is high
- The manufacturing industry's shift to overseas production and the growing presence of emerging countries as consumer markets

Medium-Term Management Plan (Business strategy)

- Early realization and maximization of integration synergies
- Enhancement of responsiveness to automation and labor-saving needs
- Strengthening initiatives towards smart factories
- Market development in growth fields
- Acceleration of global expansion

Net sales / Operating profit

(Hundred millions of yen)



* CAGR (Compound Annual Growth Rate)
CAGR = (Target value/Initial value) ^ (1/Period) - 1
The average rate of growth for the six years from FY2020 to FY2026 is shown here.

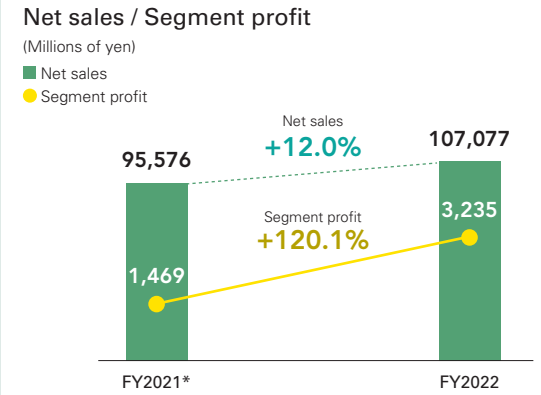
FY2022 financial status

In the Machinery & Tools Segment, domestic demand for the key indicator of machine tool orders from January to December increased 18.2% year on year. External demand rose 12.1% year on year. The Indices of Industrial Production from January to December slowed down, decreasing by 0.1% year on year. As a result, net sales amounted to JPY107,077 million, and segment profit was JPY3,235 million.

Investments in the automotive industry failed to reach full capacity due to the impact of component shortages. Meanwhile, even though the production situation in the semiconductor industry, which was struggling to keep up with demand, is now easing, demand remains strong. Capital investment appetite was also strong in the construction and food industries, which drove strong sales of machinery and tools. Overseas, earnings were brisk for machinery sales and services in North America, partly due to the effects of foreign exchange. In China, sales were firm owing to capital investment projects for automotive industry.

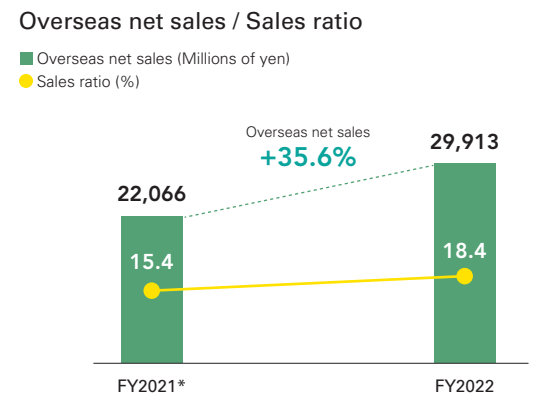
Net sales / Segment profit

(Millions of yen)



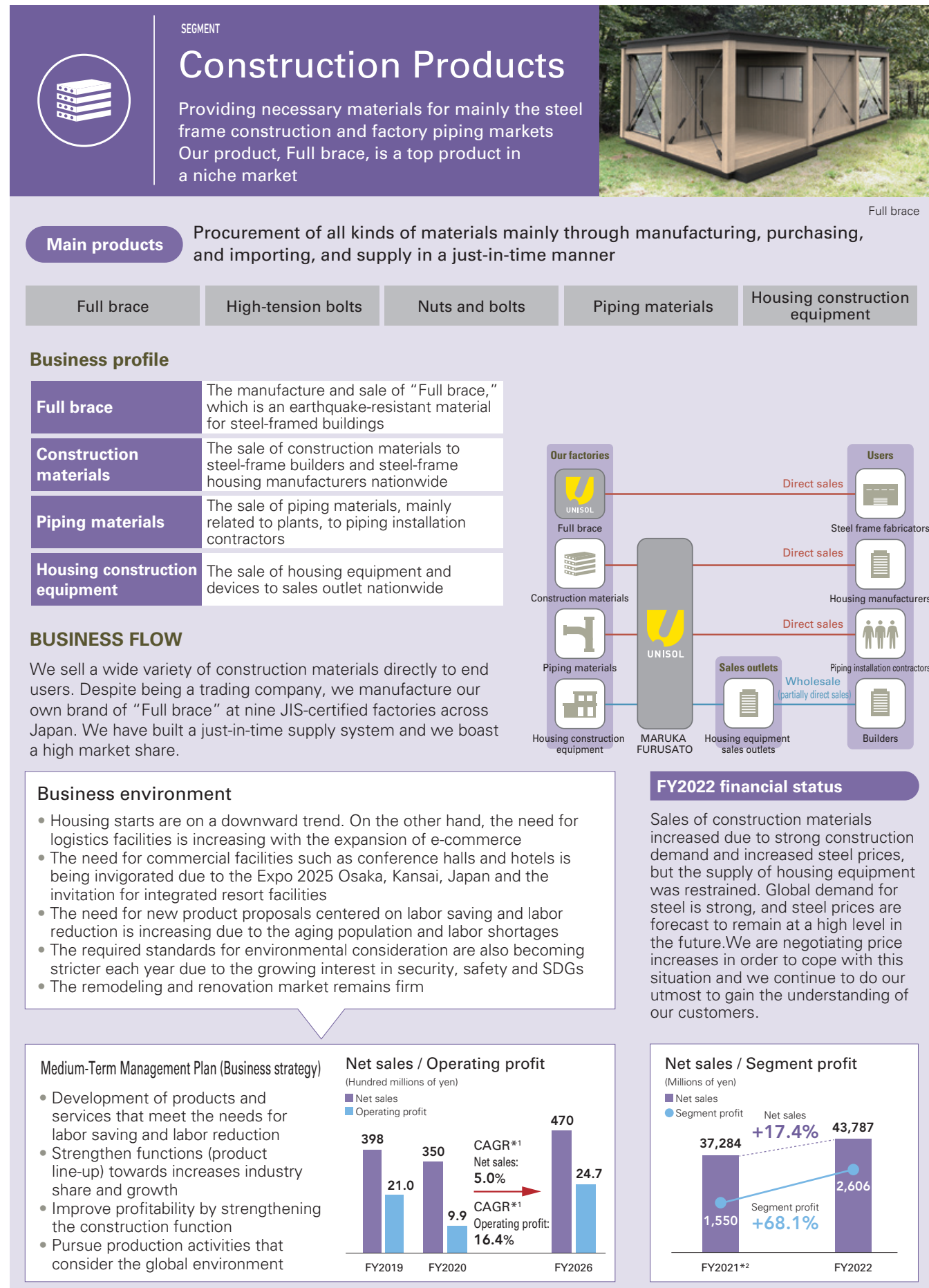
Overseas net sales / Sales ratio

Overseas net sales (Millions of yen)
Sales ratio (%)

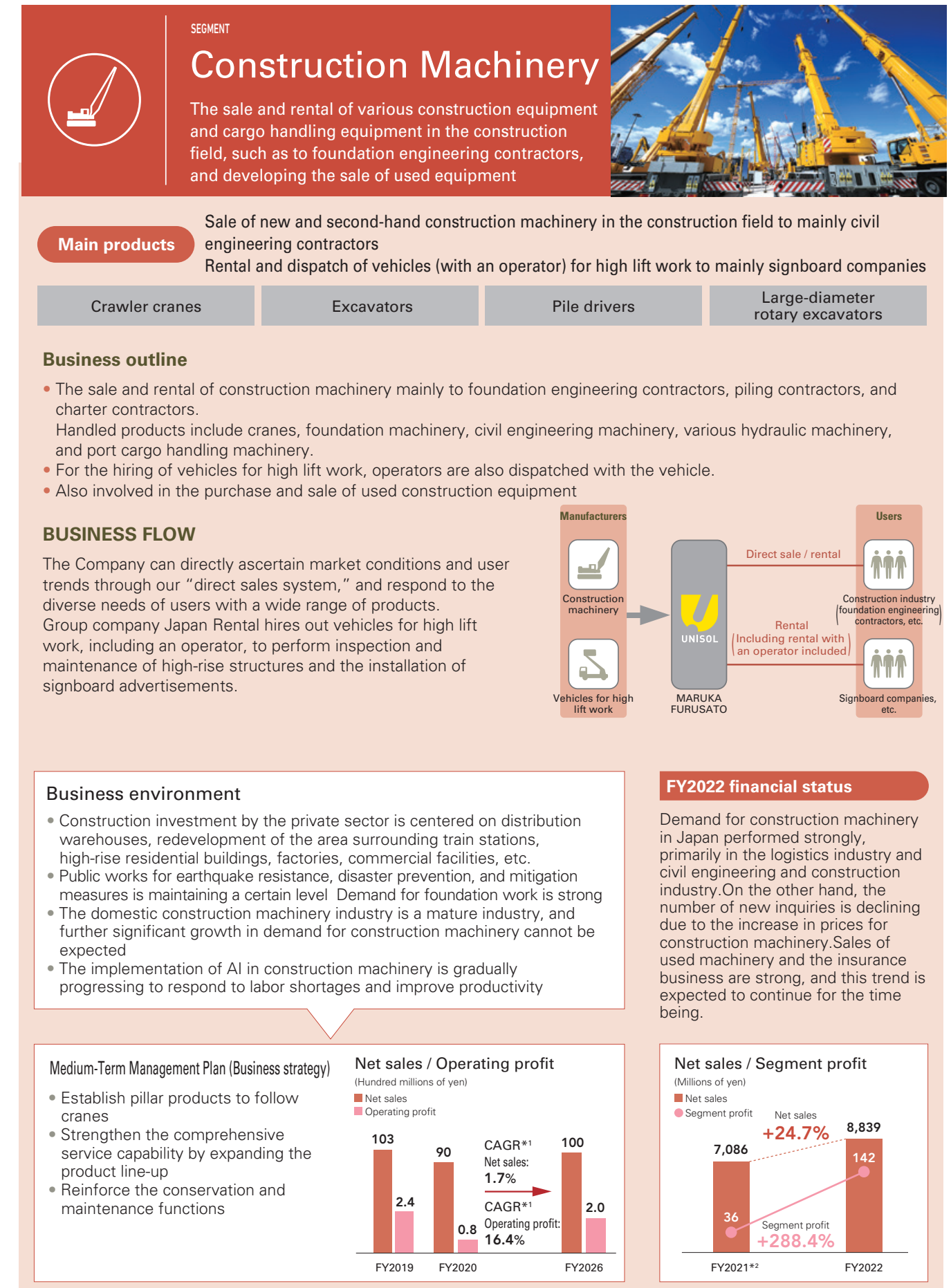


*Reference value for FY2021

Segment Introduction



*1: Compound Annual Growth Rate (CAGR) = (Target value/Initial value) ^{1/(Period) - 1} The average rate of growth for the six years from FY2020 to FY2026 is shown here.
*2: The previous year's results are a simple sum of the Furusato Group's financial results for the 2021 calendar year.



*1: Compound Annual Growth Rate (CAGR) = (Target value/Initial value) ^{1/(Period) - 1} The average rate of growth for the six years from FY2020 to FY2026 is shown here.
*2: The previous year's results are a simple sum of the Maruka Group's financial results from December 2020 to November 2021.

Achieve Harmony and Coexistence with the Global Environment

The Group thoroughly promotes corporate management that considers the global environment. In November 2022, the Company announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), based on the idea that initiatives for the global environment are essential for the survival and development as a company. The Company is enhancing the quality and quantity of information we disclose to our stakeholders regarding the impact of climate change, and are strengthening our efforts to decarbonize all of our business activities and supply chains.

Response to Climate Change (TCFD Initiatives)

In November 2022 the Group announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). With the recognition that addressing environmental issues is essential for the survival and growth of a company, we will promote information disclosure regarding our response to climate change based on the TCFD framework.



Governance

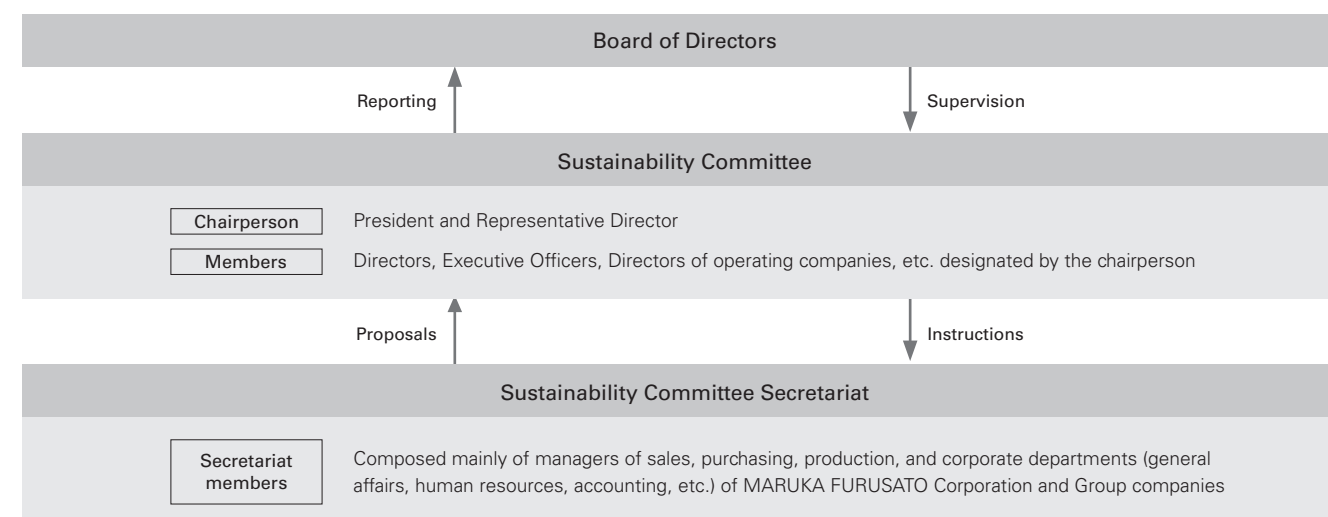
In February 2022, the Group established a Sustainability Committee (hereinafter the “Committee”) under the President and Representative Director. The Committee meets twice a year, in principle, and has started discussing and deciding upon responses to issues related to sustainability. The Committee is chaired by the President and Representative Director, and is composed of members including Directors, Executive Officers, and Directors of each operating company that are designated by the chairperson. Important proposals regarding the response to climate change are reported to the Board of Directors at least once a year and are subject to supervision.

In addition, the Sustainability Committee Secretariat

(hereinafter the “Secretariat”) has been established under the Committee for the purpose of assisting the operation of the Committee. The Secretariat formulates sustainability policies, identifies risks and opportunities, formulates initiatives and measures, deliberates and examines their consistency with the strategies of each operating company, each department, etc., submits proposals to the Committee, and receives instructions from the Committee.

The Group will formulate targets and plans, select key issues to address, and confirm progress on plans as necessary, as well as disclosing risks and opportunities and impacts on its financial position to stakeholders.

Organizational Structure



Strategy

Scenario Analysis

The Group has conducted scenario analysis for 2030 and 2050 that assume rises in global temperatures of 1.5°C, 2°C, and 4°C in the year 2100. In the first year, we focused the scenario analysis on MARUKA FURUSATO Corporation and four domestic companies (Maruka Corporation, G-NET CORPORATION, Gifu Shoji Co., Ltd., and Furusato Industries,

Ltd.). In the future, we will expand it to other businesses and other group companies (including overseas bases). We have evaluated the materiality and analyzed the financial impact with reference to the scenarios disclosed by the government agencies and research institutes shown below.

IEA	World Energy Outlook 2021 (2021)	NZE2050 SDS STEPS
IPCC	AR6	SSP1-1.9 (1.5°C scenario) SSP1-2.6 (2°C scenario) SSP5-8.5 (4°C scenario)

Risks and Opportunities

The Company has disclosed eight risks and three opportunities that are expected to have a particularly large impact and have a high probability of actually occurring.

	Type	Cause of risk/opportunity occurring	Specific details	Financial effect in 2030	
				1.5°C/2°C	4°C
Transition risks	Policies and regulations	Pricing of greenhouse gas emission progresses	Purchasing costs and energy costs such as electricity will increase due to the progress of pricing of greenhouse gas emissions, such as a carbon tax	Large	-
		Obligations and restriction imposed on existing products/services	Decrease in sales due to purchasers choosing to reduce or suspend transactions if regulatory compliance towards low-carbon and decarbonization measures is inadequate	Large	-
	Market	Changes in consumer behavior	Decrease in sales of products and services that are not environmentally friendly	Large	-
			Decrease in sales due to decreased demand for metal processing parts and machine tools related to internal combustion engines	Small	-
Physical risks	Reputation	Criticism of the sector Increased concerns of stakeholders	Decrease in corporate value due to delays in responding to climate change and asymmetry of information with investors regarding environmental responses	Large	-
	Acute	Increase in severity and frequency of abnormal weather events such as typhoons and floods	Increase in damage to the Company and suppliers due to typhoons, floods, etc., resulting in increased recovery costs and decreased sales due to lost opportunities	Small	Medium
	Chronic	Increase in average temperatures	Increase in energy costs due to the increase in the amount of electricity required to operate air conditioning	Small	Small
			Increase in capital investment costs as a countermeasure to the increase in the risk of heatstroke for employees engaged in manufacturing in the summer and decrease in production volumes	Small	Small
Opportunities	Products and services	Stronger demand for low-carbon products/services	Increase in demand for environmentally friendly products and increase in sales that accompanies the increased need for low-carbon and low-cost when using energy	Medium	-
		Changes in consumer preferences	Contribute to stable operation under severe conditions such as rising average temperatures by providing products related to saving labor	Small	Small
		Responses and countermeasures to changes in rainfall patterns, extreme changes in weather patterns, and increased severity and frequency of abnormal weather events	Contribute to improved resilience against the increase and intensification of natural disasters through the provision of products related to disaster prevention, mitigation, recovery, and reconstruction	Small	Small

Countermeasures

The Company will continue to implement and evaluate the effects of medium- to long-term countermeasures against the identified risks and opportunities to enhance the resilience of our business activities.

	Countermeasures	Specific details
1	Decarbonize products and packaging materials through collaboration in the supply chain	• Search for and provide environmentally friendly products that meet customer demand, such as converting to energy saving and EVs (electric vehicles) /FCVs (fuel cell vehicles)
2	Promote customers' automation, labor saving, and improved resilience in light of climate change	• Strengthen the proposal on automation and labor saving • Explore possible disaster prevention/mitigation products • Develop systems to swiftly provide disaster recovery/reconstruction products
3	Promote decarbonization of business activities	• Reduce energy consumption at major offices and factories (installation of energy-efficient equipment and promotion of paperless offices) • Promote the use of renewable energy
4	Improve resilience of business activities	• Strengthen the business continuity plan (BCP) • Restructure the production system, such as factory automation and labor saving and reduce the risk of heatstroke by strengthening measures against heatstroke
5	Strengthen appropriate information disclosure and communication with stakeholders	• Appropriately disclose TCFD disclosures, annual environmental data, and the implementation status of the above countermeasures, etc.

Achieve Harmony and Coexistence with the Global Environment

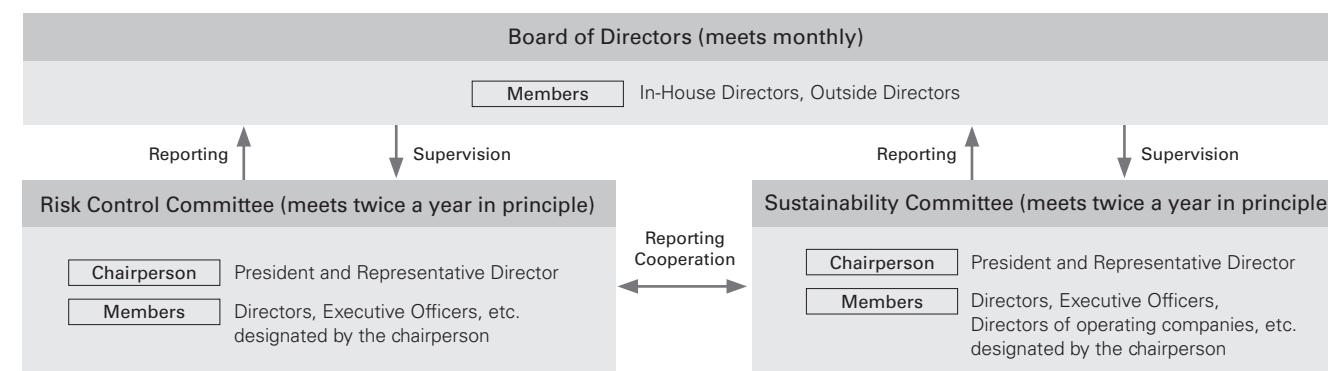
Risk management

The Sustainability Committee is central to the formulation of policies and drafting of countermeasures for avoidance, mitigation, and control of identified climate change-related risks and the prompt commencement of opportunities, reporting to and being supervised by the Board of Directors, and conducting risk management throughout the Company. It also monitors the implementation status of countermeasures and their effects.

- Climate change-related scenario analysis
- Identification and materiality assessment of short-, medium- and long-term climate change-related risks and opportunities
- Policy for strategic initiatives against identified, material climate change-related risks and opportunities
- Consideration of specific countermeasures against climate change-related risks and opportunities
- Progress management of the adopted measures regarding climate change-related risks and opportunities

Regarding overall risks that the Group faces, a Risk Control Committee (convenes twice a year in principle) has been established to identify and assess the risks, and identify and review material risks, while taking into consideration the

impact on management and financial status. The material risks related to climate change are also reported to the Risk Control Committee at least once a year, and coordination with the company-wide risks is planned.



Indicators and targets

From 2022, the Group has started work to ascertain the CO₂ emissions in our business activities ("Scope 1 and 2") and the CO₂ emissions that are in our supply chain, including the procurement of raw materials and the use of products which are sold ("Scope 3").

In the first year, in similar fashion to our scenario analysis, we focused on MARUKA FURUSATO Corporation and four domestic companies (Maruka Corporation, G-NET CORPORATION, Gifu Shoji Co., Ltd., and Furusato Industries, Ltd.). In 2022 our Scope 1 and 2 emissions were 4,938 tons. We will proceed to disclose Scope 3 emissions

in the future. In addition, we will proceed to set and disclose our 2030 CO₂ emission reduction targets in the future as we aim towards reducing our CO₂ emissions. We will work with the aim to achieve Scope 1 and 2 net zero emissions in FY2050, in line with the carbon neutrality advocated by the Japanese government.

Regarding Scope 3 as well, we will contribute to reductions by developing and exploring environmentally friendly products, automation and labor-saving related products, and products related to disaster prevention, mitigation, recovery and reconstruction.

Initiative to Propose Switching to Environmentally Friendly Products

Case example: Machine tools

The Company is proposing products that can reduce CO₂ in factories, from work clothes to compressors.

We have prepared the Simple Solution Catalog as a tool for this purpose.

Topic

Factory CO₂ Reduction Measures (issued 2022)

Contains products from 19 manufacturers.



Example of product proposal

Kobelco Compressors Corporation

Switching from a general-purpose compressor to an inverter will result in an annual energy saving effect of approximately 23.1%.

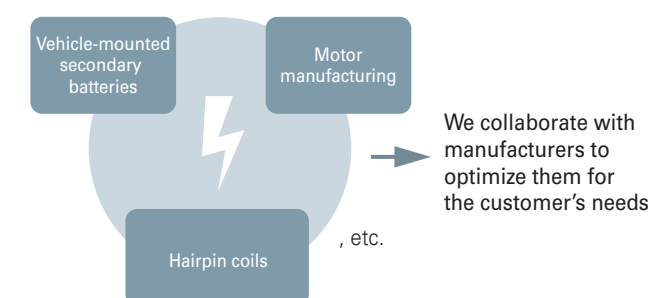


We are deploying energy-saving diagnosis for this purpose. We submit a diagnosis that allows customers to compare their current electricity costs and the costs after the proposal is implemented.

Case example: Automotive industry

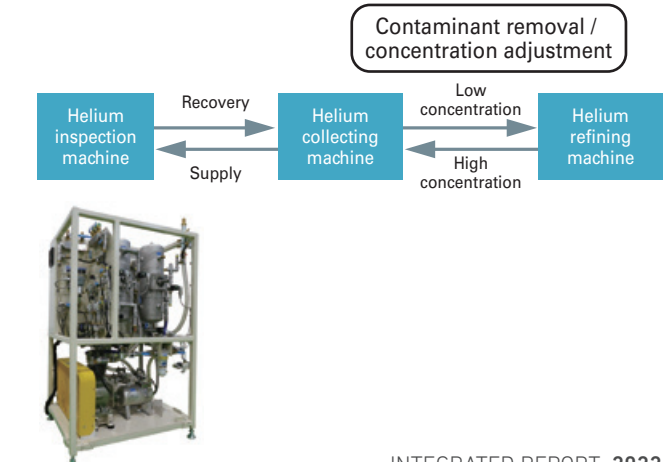
The automotive industry is in the midst of a big wave of EV shift, and it is necessary to keep up with the changes and offer products that meet our customers' needs. As a countermeasure, the Company has established an internal EV Promotion Office to collect information on the latest technology and products associated with the shift to EVs, and we have a system that allows us to work with various manufacturers in order to propose to our customers the optimal equipment and systems for various processes such as the manufacturing of motors and vehicle-mounted secondary batteries. (Diagram 1)

Diagram 1 EV-related parts



For example, by combining a helium collecting machine and a helium refining machine with the helium inspection machine that is required for leak detection of vehicle-mounted secondary batteries, we are providing a system that can recover more than 80% of the helium gas used for inspection and reuse it efficiently and stably. These devices can be combined with multiple existing machines and their specifications can be adjusted, according to the customer's needs. (Diagram 2 and photograph of machine)

Diagram 2 Helium re-use



Achieve Harmony and Coexistence with the Global Environment

Initiatives of Production Departments

Using electric arc furnaces for all steel used in Full braces

Currently, blast furnaces account for three quarters of steel production in Japan, while electric arc furnaces account for one quarter. Further, the amount of CO₂ emitted per ton of steel production in an electric arc furnace is about one-fourth of that of blast furnaces. For the steel in our Full braces, we use steel from electric arc furnaces, which emit fewer CO₂ emissions and can manufacture steel from recycled iron.



Appropriate wastewater management (including reduction of environmental impact of wastewater)

Wastewater used in the degreasing process flows directly to a wastewater treatment facility and neutralized. The water quality is regularly tested and managed with a target standard of -3% for each city, town, and village as prescribed in the Water Pollution Prevention Act, before being released into the public sewer.

The sludge generated in the water treatment facility is processed, managed and disposed in accordance with the Waste Management and Public Cleansing Act.



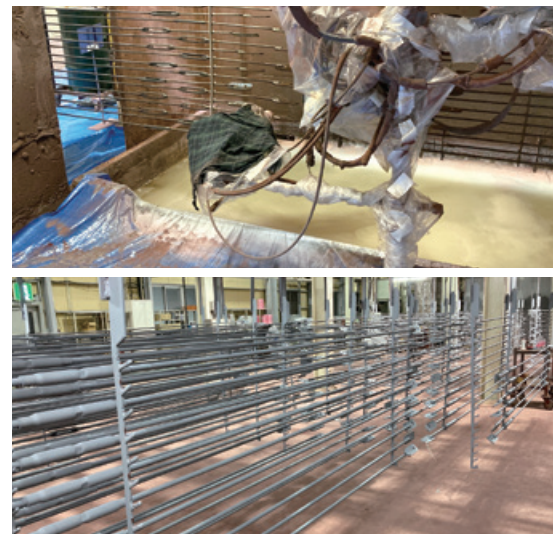
Water usage

Water usage in 2022 was 11,651 m³ (aggregate at Furusato Industries). Roughly half of that amount is used in the degreasing process at factories before painting, while the remainder is domestic wastewater from business activities.



Management of hazardous chemicals

Chemicals are used in welding and painting processes at our plants. For both processes, we appoint qualified supervisors as prescribed in the Industrial Safety and Health Act to implement worker safety measures by checking legally required safety data sheets, taking environmental measurements, using protective equipment, installing ventilation equipment, encouraging health checkups, and submitting reports to the Labour Standards Bureau.



Appropriate management of waste material

Waste material generated in our business activities is sorted so that recyclable rubbish can be collected by a recycling contractor. Waste material that needs to be disposed of is processed and managed in accordance with the Waste Management and Public Cleansing Act and a report is submitted to the prefectural government.

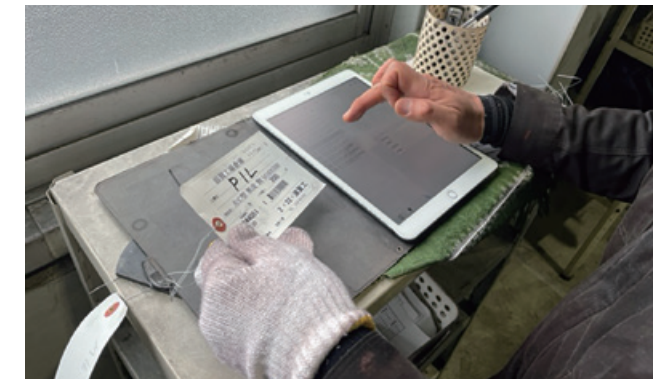


Paper Waste Reduction by Converting to Paperless

The Group is realizing the conversion to paperless, centered around the Group companies with a large business scale, by utilizing cloud facsimiles for the sending and receiving of facsimiles and digitizing facsimile forms. This has led to a reduction in paper output of approximately 4 million sheets per year.

We are currently digitizing the paper forms that are output from the sales management system and storing them in cloud storage, which is expected to reduce paper output by more than 1.2 million sheets per year.

Proceeding with the transition from the conventional business processing method of printing on paper to digitalization and making it possible to conduct business processes on personal computers will lead to a reduction in paper waste of more than 5 million sheets or about 20 tons per year.



Energy-saving Measures

The Group is conducting initiatives such as the following.

- Prioritizing replacement with hybrid vehicles when vehicles are replaced
- Energy-saving initiatives with the use of demand management systems and energy-saving breakers
- Promoting the use of renewable energy
- Calling on each business site to thoroughly save electricity by optimizing the temperature settings and diligently turning off lights



Support Sustainability in the Manufacturing Industry

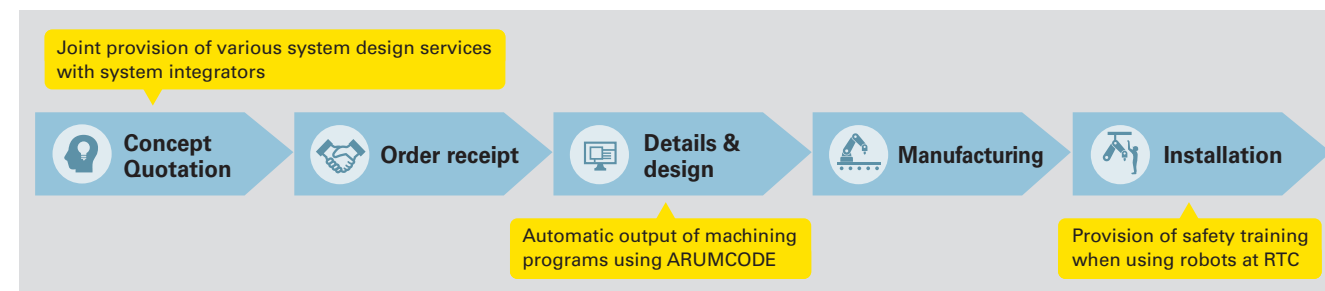
The Group is working to provide unique solutions that solve the issues faced on site by the manufacturing industry, such as improving productivity through automation and labor saving, dealing with serious labor shortages, and succession of technology to young workers. The Company will open up the future of manufacturing, including smart factories, by combining the engineering technology and know-how that has been accumulated over many years with the cutting-edge knowledge regarding IoT, AI, robotics, etc. that is possessed by the Group's companies.

Productivity Improvement Proposals Through Automation and Labor Saving: The Fusion of Technology and Know-How

Solving problems in the production process and proposals

The Group's engineering function addresses problems and issues that the production sites of manufacturing companies face, including production efficiency enhancements, automation, and labor saving. We do this

by drawing up a plan according to individual circumstances, improving equipment layout, production management methods, and production processes, and automating production lines with the use of robots. The following is an example of our services.



Joint provision of various system design services with system integrators

The Group's engineering function performs in-house production of concept drawings using 3D CAD and proposal activities towards realization in response to requests (equipment specifications) from customers such as automation and labor saving. Most of these requests (equipment specifications) are special or dedicated specifications, which require a concept made from scratch and flexible and high technical capabilities. In addition, equipment specifications are realized by cooperating with manufacturers both inside and outside the Group.

Provision of safety training program when using robots at RTC (Robot Technical Center)

In the last few years, enormous strides have been made in automation and labor saving at all kinds of factories with the use of robots. Robot programming and teaching are highly specialized and require a certain level of education. Robot Technical Center Co., Ltd. (RTC) provides classroom lectures on safety and legal regulations based on Article 36 (31) and (32), etc. of the Ordinance on Industrial Safety and Health, as well as education on basic operations and programming using actual machines.

Sales promotions with the Simple Solution Catalog

As one solution for solving the issues of production worksites, we have produced the Simple Solution Catalog. In addition, the specialized department conducts PR

demonstrations, seminars, and exhibitions for customers, and also has a showroom.

Case example

ARUMCODE[®] 1
Computer Does Everything

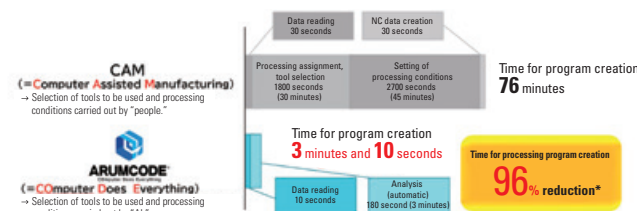
Depending on the user's circumstances, the use of (ARUM CODE1 Ver. 2.1.0) has been reported to reduce machining program creation time by 96% as a result of the following test results.



Automatic output of machining programs using ARUMCODE

Most parts processing for received orders is for a large quantity of products in small lots due to the nature of the equipment, so it is necessary to create processing programs for each lot, which means processing requires a lot of man-hours and experience. Automatic bulk analysis of drawing data using ARUMCODE converts processing conditions, processing time, quotes, and work instructions into files, thereby improving productivity mainly by reducing manufacturing costs and raising processing machine utilization rates.

Note: The results mentioned above are based on the research conducted within the Group. Actual results may differ depending on the usage environment.



*Significant reduction of the time for processing program creation will lead to the reduction of labor costs and enhancement of machine utilization rates.
*The effect from the usage environment may differ as these are based on the results of the data from testing carried out by the Company.

Development of private brand products

The Group is striving to improve customer satisfaction by proposing private brand products that meet the needs of manufacturing sites and contribute to improving productivity and reducing costs for our users, and are working to further strengthen our lineup of private brand products.



- Improved productivity of cemented carbide tools and cost reduction proposals are promoted by the Cutting Expert Division
- Development of environment-improving products
Development of products that lead to environmental improvement at relatively low cost, such as oil skimmers, fine bubble purifiers and fatigue reduction mats
- Development of products at low cost that enhance productivity (magnesium boring bars, wide-ranging lineup of soft jaw products, etc.)
- Proposal of a "cleaning quill" that contributes to labor saving in chip removal from machining center machines

Promotion of Digitalization and Information Visualization

Smart factory initiatives ①

The Group has started working on a smart factory where equipment works in harmony with each other and with people, which is attracting attention as a measure to improve productivity at manufacturing sites and address the problem of the declining birthrate and aging population, by connecting all of the equipment in the factory to the Internet, visualizing various information and realizing the clarification of causal relationships between information. We are working to accumulate know-how by utilizing the IT knowledge of Group company Security Design Inc. and conducting tests to acquire data from mechanical equipment at the production facilities owned by the Group companies, such as Furusato Industries and ArPlus Corporation (formerly Miyazawa Co., Ltd.).

Smart factory initiatives ②

It is thought that AI will be used in smart factories to analyze data acquired by IoT and achieve overall optimization. The Company has concluded a general distributorship agreement for ARUMCODE1, which is AI software that achieves complete automation of numerical-control programming and is attracting attention as a DX solution that dramatically improves manufacturing



productivity. The Company plans to collaborate with ARUM Inc. through the sale of this software and proceed with research and development on AI utilization methods in smart factories.

Smart farm initiatives

As part of the Group's development into new business areas, we are working on joint research with the Graduate School of Agriculture of Kyoto University, with the goal of building an integrated monitoring system for cattle behavior and vital signs information.* Japan's livestock industry is seeing the number of farmers raising beef cattle decrease each year due to a chronic shortage of workers and an aging population on the one hand, while the number of cattle raised per farm is on the rise, so reducing the labor burden through improved efficiency and labor saving has become an urgent issue. We will help bring about a sustainable livestock industry by making use of the surveillance and monitoring technology know-how of Group company Security Design Inc. to establish new livestock management with the use of ICT (smart farming).

* Building a system to detect anomalies by acquiring and analyzing image information of cattle from surveillance cameras and vital information (body temperature, heart rate, etc.) from sensors



Realize a Secure, Safe, and Comfortable Society

The Group is aiming to contribute to a sustainable society through its business activities. Together with everyone in the manufacturing and construction industries with whom we have built close ties, we are developing initiatives that will lead to the realization of resilient infrastructure that supports society. In addition, we are building a supply chain that emphasizes sustainability in order to overcome environmental changes and continue to create products and goods that have social and economic value in any era.

Providing Safe Products

The Group's Full braces undergo strict quality control inspections by a government-registered third-party certification body, and JIS certification has been acquired at nine factories nationwide. The Full braces manufactured by the Group display the JIS mark, which indicates that they have acquired JIS certification, indicating to our customers that the products we provide are safe, secure, and high quality.



Social Infrastructure

Response to large-scale disaster

The Group has established a system so that we can fully cooperate in the supply of Full braces to companies that supply emergency temporary housing in the event of large-scale disasters such as earthquakes and floods. We have been working so that we can contribute to the protection of victims and the maintenance of social order by supplying Full braces for a large number of emergency temporary housing even in the event of an emergency such as the Great East Japan Earthquake or the Kumamoto Earthquake.

Disaster prevention, mitigation, recovery and reconstruction

The Group provides our customers in the construction industry with a consistent service that matches the business life cycle of construction machinery sales, rental, after-sales service, and repurchase. Within the construction machinery, construction cranes and foundation machinery are our main products, and in particular the foundation industry are our main users. Foundation work is the building of the foundation that supports and stabilizes structures in construction work. Foundation work is important for disaster prevention and mitigation work such as seawall construction and river improvement work, and for recovery and reconstruction following a disaster, and construction machinery is indispensable. The Group is contributing to the development of social infrastructure by providing equipment to these industries.

Sustainable Procurement Policy

Under the group philosophy “UNISOL,” it is the Group’s principle to invite our customers to the wide world which lies beyond the challenges by “accompanying customers beyond the changes” with unique people and ideas, towards a “society filled with ‘I want to make it happen.’” The Company considers it an important responsibility to consider all aspects of the environment, society, and economy, respond to requests, work to solve problems, and create new value in order to be a company that grows

together with our customers and various stakeholders in society. In terms of procurement activities as well, the Company has formulated the following procurement policy and will fulfill our social responsibility through dialogue and collaboration with the partner companies that make up the supply chain, in order to achieve sustainable procurement throughout the supply chain.

Sustainable Procurement Policy

1	Legal compliance	We comply with the laws and social norms that apply in the countries and regions where business activities are conducted.
2	Fair, equitable and honest transactions	When conducting transactions, we seek suppliers from around the world and provide fair and equitable trading opportunities based on transactions through free competition.
3	Respect for human rights	Based on the spirit of respect for human rights, we will eliminate forced labor, child labor, harassment, and all forms of discrimination from the entire supply chain.
4	Securing safety and health	We strive to improve the working environment and maintain and improve safety and health in the countries and regions where we operate.
5	Consideration of the environment	We will work to reduce our environmental impact, use resources efficiently, and prevent pollution in the promotion of our business activities.
6	Securing quality	We will ensure the safety and quality that are required of our products and services, strive for further improvement, and ensure they are continually provided.
7	Building a disaster risk management system	We will strive to develop a risk management system in preparation for emergencies such as large-scale disasters, so that we can continue our business activities.
8	Securing information security	We will thoroughly manage and protect personal information, confidential information, customer information, etc., and prevent unauthorized or improper use, disclosure, and leakage.
9	Promotion of green procurement	We will strive to procure goods and services that have a low environmental impact and take into consideration the various environmental impacts in the life cycle of products and services.

Established February 7, 2023

Future initiatives

The Group will ensure that its business partners have an understanding of this Sustainable Procurement Policy and will undertake initiatives on various themes, including human rights, health and safety, and the environment. As a first step, alongside our efforts to exhaustively

measure our Scope 3 emissions, we will gain an understanding of the GHG emissions and sustainability measures of the business partners in our supply chains and work on concrete solutions to the issues they face.

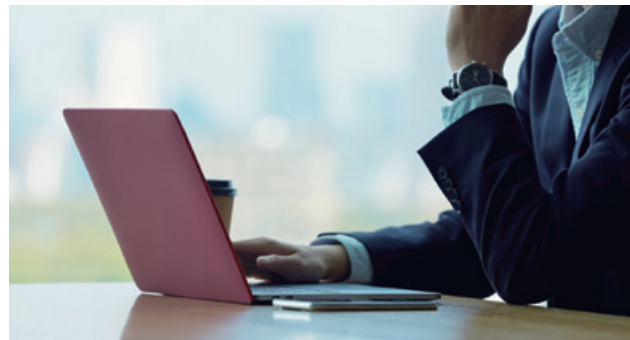
Increase Job Motivation, and Promote Growth and Social Contribution

To be the Group that realizes “Open up ‘the present’ with impressive proposals, and accompany customers beyond the changes.” In order for the Group to realize this form that it is aiming for, it must be a company where human resources work enthusiastically. So that each person can work safely and healthily. Or, so that they can enjoy working while interacting with their colleagues. And so that employees can grow towards their own goals and dreams. The Group is working to create an environment in which diverse human resources can find job satisfaction, as the management foundation that supports sustainable growth.

Work Styles

Work style reform initiatives

The Group is progressing the improvement of business processes and their efficiency, such as through the promotion of paperless operations, the promotion of smooth communication using cloud services, and automation of operations using RPA, in order to create an environment for work styles that are not bound by time or place. We will embody a cycle that will lead to our social contribution being highly regarded by creating an environment in which all employees can maximize their abilities in conjunction with changes in the internal and external environment.



Diversity and Equal Opportunity

Utilizing diversity

The Group recognizes the promotion of diversity as one of its materiality issues. The form that the Group is aiming by utilizing diversity is the state in which we can grasp change positively, recognize each other's individuality, and meld various values. We will remove all factors that hinder the creation of new values and innovation.



Initiatives to promote women's active participation

Following the business integration, the Group has set “UNISOL” as its principle and aims for long-term and sustainable growth. As it will be necessary to secure a working population for growth as the working population decreases and the social background changes in the future, we regard efforts to promote the active participation of women as an opportunity to revitalize the organization. While supporting the balance between work and life events such as childbirth, childcare and nursing care, we will strengthen training to foster awareness regarding matters such as career development and appointment to managerial positions, and actively participate in the realization of gender diversity.



Occupational Safety and Health

Health Management Declaration and occupational health and safety structure

In order to achieve sustainable improvements in corporate value for the entire Group, a Health Management Declaration has been established to promote the creation of an environment in which all employees of the Group can work actively and in good physical and mental health, and the following initiatives are being implemented.

Health Committee meetings are held monthly

Reports regarding occupational accidents, long-term absences, and long working hours were made at the Health Committee meeting and guidance was received from an industrial physician

Stress checks are conducted

Safety confirmation tests are conducted regularly

Fire drills are conducted regularly

UNISOL Group Health Management Declaration

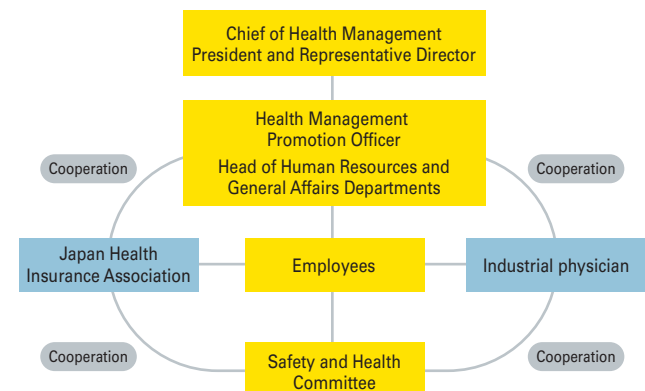
In order to achieve sustainable improvements in corporate value for the entire Group, MARUKA FURUSATO Corporation is promoting the creation of an environment in which all employees of the Group can work actively and in good physical and mental health.

- 1 The Company will realize a work environment in which all employees of the Group can work actively, safely and in good health.
- 2 The Company, industrial physicians, and health insurance association will work together to maintain and improve the mental and physical health of employees.
- 3 The Company actively supports each and every employee to be aware of their own health and to proactively work to maintain and improve their physical and mental health.

October 1, 2022

Ryohei Furusato, President and Representative Director

Health management organization diagram



Safe driving initiative

The Group uses many vehicles in each process such as sales, distribution, and delivery, and we are implementing the following initiatives with the recognition that it is an important mission to obey the traffic rules and strive to drive safely.

Checks before driving and after work using alcohol detectors are conducted at all business sites (all operating companies)

Driving management using drive recorders (Maruka, Sonoruka Engineering)

Improvement of the driving awareness of drivers and ensuring thorough awareness of cautions by holding safe driving management seminars (Maruka)

Notification of traffic safety weeks (all operating companies)



Education

Training programs

The Group is promoting the integration of education programs of each group company to promote the penetration of the group philosophy and the development of unique human resources. By activating employee

interaction, the Company will foster a sense of unity within the Group and demonstrate the synergy effects. Each operating company conducts specialized training and study sessions related to its business as well as training aimed at supplementing technical skills.

Ownership mind development	Career development	Diversity training	Objective-specific training	OJT	Global human resource development	Qualifications/specialist knowledge	Self-development support
Executive training		Senior training					
Manager training	40-49yo training						
Mid-career employee training	30-39yo training						
Elective voluntary training	20-29yo training						
Follow-up training							
New employee training		Women's career training					

Promote Fair and Honest Corporate Activities

Corporate Governance

Basic approach to corporate governance

The Company's basic approach to corporate governance is to realize unifying group management through agile and efficient decision-making under a fair and highly transparent management system, and aim for sustainable growth and medium- to long-term improvement in corporate value, in order to fulfill the Company's responsibilities to our stakeholders and the future society. In addition to setting the strategic direction of the Group and performing its role in the efficient securing and appropriate allocation of the Group's management resources, and the formulation and implementation of capital policies, the Company's Board of Directors is

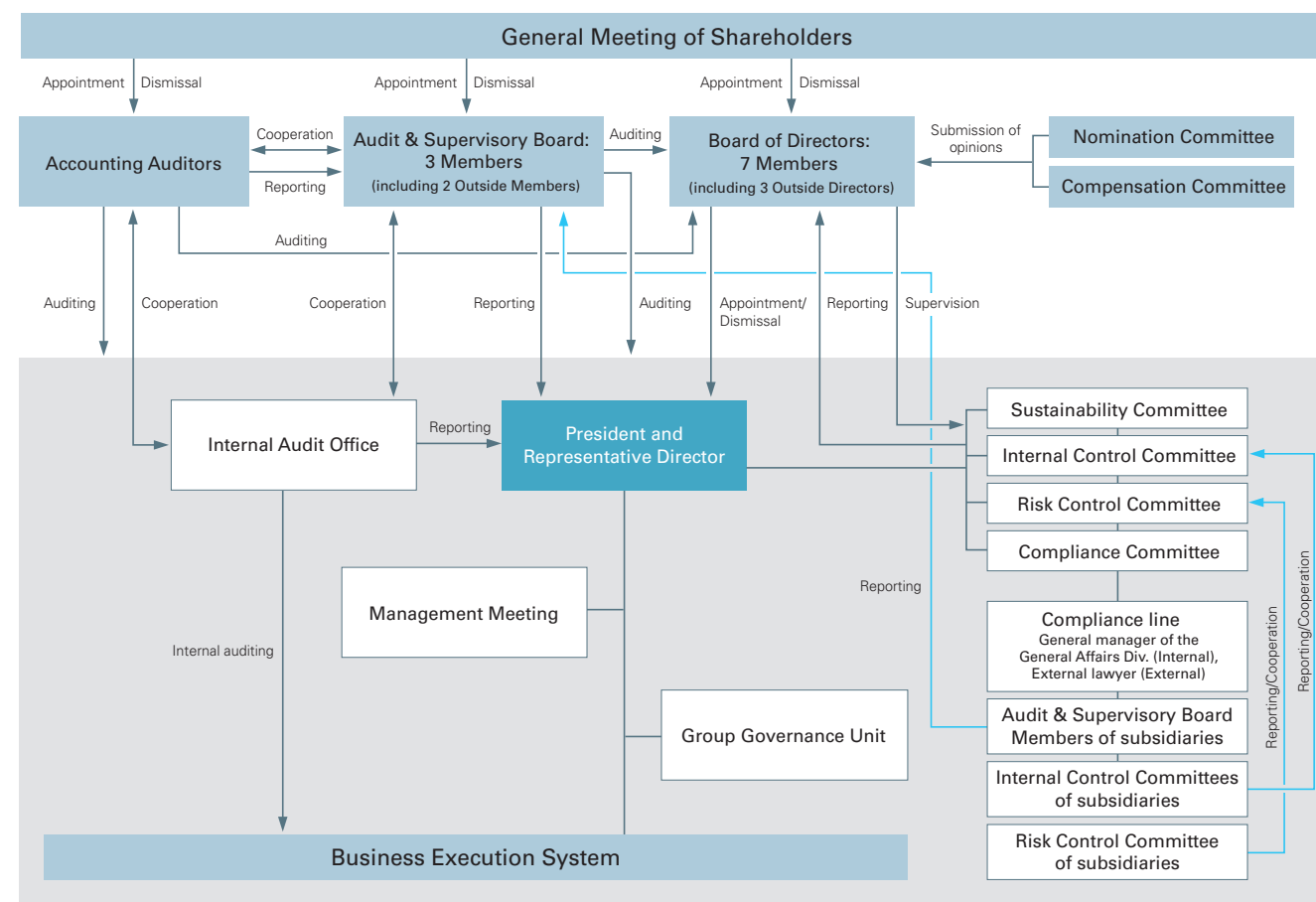
working to build a group business management system that will accurately grasp the management risks in the Group and thoroughly manage the profits and risks of the entire group, by establishing an internal control system for the entire Group, including the Company, and supervising its operation.

In addition, the Company has established the MARUKA FURUSATO Group Principle that consists of a Slogan, Vision, Mission, 3 Values and 7 Standards as the basic management principles shared by all employees of the Group, and will continue to work to enhance corporate governance through the practice of this philosophy.

Corporate governance structure

The Company is a company with an Audit & Supervisory Board, and it has a Board of Directors, an Audit & Supervisory Board, and Accounting Auditors. Further, an Internal Audit Office is established to cooperate with the Audit & Supervisory Board members to strengthen the monitoring function for all day-to-day operations. Also, as a management supervision function, the Company has one Standing Audit & Supervisory Board Member and two Outside Audit & Supervisory Board Members that audit the Directors' performance of their duties. The two

Outside Audit & Supervisory Board Members are designated as independent officers, and they attend the Board of Directors meetings and other important meetings from the standpoint of outsiders with a certain distance from management, which enhances the effectiveness of the management supervision. The current system is in place since the Company has a governance system in which Outside Directors and Outside Audit & Supervisory Board Members monitor the performance of each Director's duties from an independent and fair standpoint.



Board of Directors

The Company's Board of Directors consists of seven Directors, three of whom are Outside Directors. In addition to regular monthly meetings of the Board of Directors, extraordinary meetings are held flexibly as necessary to ensure accurate and prompt decision-making based on sufficient discussion. In addition, the Board of Directors decides matters stipulated by laws and regulations and important matters related to management, and also discusses the progress of business performance and considers countermeasures.

Nomination Committee and Compensation Committee

The Company has established a Nomination Committee and a Compensation Committee under the Board of Directors (each an advisory committee) and chaired by an Outside Director, with the aim of strengthening the independence, objectivity, and accountability of the Board of Directors regarding matters related to the nomination and remuneration of Directors. The Nomination Committee discusses, at the request of the Board of Directors, proposals for the General Meeting of Shareholders regarding the election and dismissal of Directors, while the Compensation Committee discusses matters concerning the policy and procedures for determining compensation for Directors, and reports on the details of these discussions to the Board of Directors. The Nomination Committee and the Compensation Committee each consist of five members, three of whom are Outside Directors.

Audit & Supervisory Board

The Company's Audit & Supervisory Board consists of three members, two of whom are Outside Audit & Supervisory Board Members. The activities of the Audit & Supervisory Board are to attend Board of Directors meetings and conduct audits of the Directors' performance of their duties and the Company's business and financial conditions. Further, they participate in opinion exchange meetings with the Representative Directors, and conduct the inspection and monitoring of important documents such as resolution documents.

Internal Audit Office

The Company has established an Internal Audit Office for the purpose of thoroughly implementing internal control, optimizing business processes, complying with laws and regulations, and evaluating effectiveness, including the fair execution of procedures.

Accounting Auditors

The Company has concluded a contract with Deloitte Touche Tohmatsu LLC as its Accounting Auditors, and is subject to accounting audits from the position of independent professionals. Further, the Company has been subject to continuous audits by the executive members of this audit firm for a period of 21 years. The Company is a holding company that was established in October 2021 through a joint share transfer by Furusato Industries, Ltd. and Maruka Corporation, and this continuous audit period includes the continuous auditing of Furusato Industries, Ltd.

Mutual cooperation between internal audit, audit by Audit & Supervisory Board Members, and accounting audits

Audit & Supervisory Board Members receive the policies,

implementation plans, and results reports for internal audits from the Internal Audit Office, and mutually exchange opinions as needed when formulating plans at the beginning of the fiscal year and when inspecting the periodic internal audit reports and follow-up audit reports, in order to ensure the effectiveness of audits and improve their efficiency. Further, the Audit & Supervisory Board is working to ensure the effectiveness of audits by conducting hearings on the Accounting Auditors' audit plans, quarterly review reports and audit reports, and attending inventory audits conducted by the Accounting Auditors, etc., and periodically exchanging information when they visit for an audit. In addition to witnessing inventory audits conducted by the Accounting Auditors, the Internal Audit Office mutually cooperates with the Accounting Auditors by sharing the audit results and other information through timely and appropriate exchanges of opinions and meetings.

Sustainability Committee

The Company established the Sustainability Committee in February 2022 to discuss and make decisions regarding responses to issues related to sustainability. The Sustainability Committee is chaired by the President and Representative Director, and its members include Directors, Executive Officers, and Directors of each operating company that are designated by the chairperson, and important proposals are reported to the Board of Directors and subject to supervision.

Internal Control Committee

The Company has established an Internal Control Committee, whose purpose is to develop an internal control system for the entire Group, and the appropriateness of the financial reporting and effectiveness of internal control audits are being confirmed based on the Financial Instruments and Exchange Act.

Risk Control Committee

The Company established a Risk Control Committee which gathers information from inside and outside the main Group companies, analyzes risks from a variety of perspectives, and considers and implement countermeasures according to the risks. In addition, a system has been defined in the Crisis Management Regulations that establishes a countermeasures headquarters with the President and Representative Director as its head, in order to respond in the event of a large-scale disaster, accident, etc.

Compliance Committee

The Company has established a Compliance Committee to examine and formulate basic policies and measures to ensure thorough compliance, and continuously conducts education on compliance to employees through in-house training and meetings. In addition, in order to prevent and correct illegal acts, and acts that violate social norms or corporate ethics, a "compliance line" has been established with the general manager of the General Affairs Div. as the internal point of contact and a law firm as the external point of contact, and we have specified in the Whistleblowing Regulations that employees will not be treated unfavorably for the reason of making a report to these points of contact. There were nine cases of whistleblowing during the fiscal year, but no serious incidents.

Promote Fair and Honest Corporate Activities

Reason for nomination and expected role

Directors

Kunihiko Iida

Chairperson and Representative Director

Attendance status

Attended all 12 Board of Directors meetings held in FY2022

Kunihiko Iida has served as Head of Corporate Administration Unit and Vice President at Maruka Machinery Co., Ltd. (currently Maruka Corporation), and has been serving as President of the company since 2021. He has abundant experience and knowledge concerning overall management and administrative operations of Maruka Corporation. In light of the above, the Company has determined that, as Director of the Company, he will conduct appropriate decision-making and supervision of the Group's management.

Ryohei Furusato

President and Representative Director

Attendance status

Attended all 12 Board of Directors meetings held in FY2022

Ryohei Furusato, as Director of FURUSATO INDUSTRIES, LTD. and director of its group companies, has led the management of the entire Group for many years and contributed to the enhancement of corporate value. He has good achievement, abilities, and abundant experience as a corporate manager. In light of the above, the Company has determined that, as Director of the Company, he will conduct appropriate decision-making and supervision of the Group's management.

Toshiaki Takeshita

Director and Senior Managing Executive Officer

Attendance status

Attended all 12 Board of Directors meetings held in FY2022

Toshiaki Takeshita served as Head of Industrial Machinery Unit and Managing Executive Officer at Maruka Machinery Co., Ltd. (currently Maruka Corporation), and has been serving as Representative Director from 2011. He has abundant experience and knowledge regarding overall management and administrative operations of Maruka Corporation and its group. In light of the above, the Company has determined that, as Director of the Company, he will conduct appropriate decision-making and supervision of the Group's management.

Katsuhiro Yamashita

Director and Senior Managing Executive Officer

Attendance status

Attended all 12 Board of Directors meetings held in FY2022

Katsuhiro Yamashita is a financial specialist with a wealth of experience and knowledge cultivated in both commercial and investment banks and has experience in working overseas. He has leveraged these to direct the growth strategies of FURUSATO INDUSTRIES, LTD. and its group as a whole, and contributed to the enhancement of corporate value. In light of the above, the Company has determined that, as Director of the Company, he will conduct appropriate decision-making and supervision of the Group's management.

Kazuaki Kotani

Outside Director

Attendance status

Attended all 12 Board of Directors meetings held in FY2022

Kazuaki Kotani served as Representative Director and President, and Director and Chairman of the Board of Nabtesco Corporation. With the use of his experience in corporate management in general, he has provided advice on the overall management of the Company from a practical perspective and has contributed to strengthening the management structure of the Company, as Outside Director. The Company has appointed him as an Outside Director based on its judgment that he will continue to play a role in providing advice and supervision regarding the Group's management with the use of his broad insight and abundant experience. As there is no special interest between him and the Company, and because he does not own the Company's shares, it is judged that there is no risk of a conflict of interest with general shareholders.

Hiroyuki Nakatsukasa

Outside Director

Attendance status

Attended all 12 Board of Directors meetings held in FY2022

Based on his wealth of knowledge and experience in finance and accounting as a Certified Public Accountant and Certified Tax Accountant, Hiroyuki Nakatsukasa has contributed to improving the quality of discussions by actively making remarks throughout meetings of the Board of Directors in general, and has played an appropriate role such as in supervising the execution of the business as Outside Director of the Company. The Company has appointed him as an Outside Director

based on its judgment that he will continue to play a role in providing advice and supervision regarding the Group's management with the use of his broad insight and abundant experience. As there is no special interest between him and the Company, and because he does not own the Company's shares, it is judged that there is no risk of a conflict of interest with general shareholders.

Junko Takechi

Outside Director

Attendance status

Attended all 12 Board of Directors meetings held in FY2022

Junko Takechi possesses the knowledge and experience cultivated as an attorney as well as a strong spirit of legal compliance. She has contributed to improving the quality of discussions by actively making remarks throughout meetings of the Board of Directors in general, and has played an appropriate role such as in supervising the execution of the business as Outside Director of the Company. The Company has appointed her as an Outside Director based on its judgment that she will continue to play a role in providing advice and supervision regarding the Group's management with the use of her broad insight and abundant experience. As there is no special interest between her and the Company, and because she does not own the Company's shares, it is judged that there is no risk of a conflict of interest with general shareholders.

Audit & Supervisory Board Members

Satoshi Onishi

Standing Audit & Supervisory Board Member

Attendance status

Attended all 12 Board of Directors meetings and all 13 Audit & Supervisory Board meetings held in FY2022

Satoshi Onishi has many years of experience working at financial institutions and possesses considerable knowledge of finance and accounting. He also has experience as a Managing Director at Furusato Industries, Ltd. The Company has determined that he will leverage this wealth of experience and track record to appropriately execute his duties as an Audit & Supervisory Board Member.

Kyoko Hikita

Outside Audit & Supervisory Board Member

Attendance status

Attended all 12 Board of Directors meetings and all 13 Audit & Supervisory Board meetings held in FY2022

Kyoko Hikita possesses abundant experience and professional expertise in finance and accounting as a Certified Public Accountant, and provides advice and suggestions to ensure the validity and appropriateness of the decision-making of the Board of Directors, including expressing opinions from her professional point of view. In addition, she provides necessary remarks as appropriate at Audit & Supervisory Board meetings. The Company has appointed her as an Outside Audit & Supervisory Board Member based on the judgment that she will continue to apply her specialized knowledge and expertise to the supervision of the overall management and appropriate audit activities from an objective and independent standpoint. As there is no special interest between her and the Company, it is judged that there is no risk of a conflict of interest with general shareholders.

Yasuo Sasaki

Outside Audit & Supervisory Board Member

Attendance status

Attended all 12 Board of Directors meetings and all 13 Audit & Supervisory Board meetings held in FY2022

Yasuo Sasaki possesses great insight through his ample experience at Toyota Motor Corporation, Futaba Industrial Co., Ltd., and Primearth EV Energy Co., Ltd., and provides advice and suggestions to ensure the validity and appropriateness of the decision-making of the Board of Directors, including expressing opinions that contribute to the deliberation of resolutions. In addition, he provides necessary remarks as appropriate at Audit & Supervisory Board meetings. The Company has appointed him as an Outside Audit & Supervisory Board Member based on the judgment that he will be able to supervise overall management and perform appropriate audit activities from a fair, objective and independent perspective. As there is no special interest between him and the Company, it is judged that there is no risk of a conflict of interest with general shareholders.

Promote Fair and Honest Corporate Activities

Leadership

Directors



Kunihiko Iida
Chairperson and
Representative Director



Ryohei Furusato
President and
Representative Director



Toshiaki Takeshita
Director and Senior Managing
Executive Officer



Katsuhiko Yamashita
Director and Senior Managing
Executive Officer



Kazuaki Kotani
Outside Director



Hiroyuki Nakatsukasa
Outside Director



Junko Takechi
Outside Director

Audit & Supervisory Board Members



Satoshi Onishi
Standing Audit &
Supervisory Board Member



Kyoko Hikita
Outside Audit &
Supervisory Board Member



Yasuo Sasaki
Outside Audit &
Supervisory Board Member

Remuneration of officers

In order to ensure transparency and objectivity when determining Director remuneration, the Compensation Committee, which is established under the Board of Directors, is chaired by an Outside Director and is composed of a majority of Outside Directors, considers remuneration and reports to the Board of Directors, which makes a decision after deliberation. The basic remuneration policy for the Company's officers is that remuneration (1) is

appropriate to the scope of the role and responsibilities of each position; (2) is linked to company performance; (3) increases awareness of the contribution to medium- to long-term corporate value; (4) focuses on sharing profit awareness with shareholders; (5) ensures transparency and objectivity in the process of determining remuneration; and (6) is at level that can secure excellent management personnel.

Basic remuneration	Consists of the basic remuneration according to the Director's position, etc. and a responsibility allowance that is paid to Directors with representation rights, and is paid monthly in cash.
Non-monetary remuneration, etc.	In order to motivate eligible Directors to achieve sustainable growth and medium- to long-term improvement in corporate value of the Group, and to increase their awareness of contributing to increasing corporate value by sharing with shareholders the alignment of interests due to share price fluctuations, points are granted according to the degree of achievement of the operating profit and ROE to the forecasts on a consolidated basis at the beginning of each fiscal year, and a quantity of the Company shares, etc. that is equivalent to the number of points granted will be issued at the time of the Director's retirement.
Performance-linked remuneration, etc.	The standard amount is 20% of the basic remuneration for each position (25% for the President and Representative Director), and the amount obtained by multiplying the standard amount by 0% to 30% depending on the performance results in the fiscal year will be paid, in principle, on the first business day of April in the following fiscal year. The degree of achievement of the consolidated operating profit plan (internal target value) is adopted as the performance coefficient.

Total amount of remuneration, etc. for FY2022

Category	Total remuneration, etc. (Millions of yen)	Total remuneration, etc. by type (Millions of yen)			Number of eligible officers
		Basic remuneration	Performance-linked remuneration, etc.	Non-monetary remuneration, etc.	
Director	243	194	37	11	8
(of these, Outside Directors)	(18)	(18)	(-)	(-)	(3)
Audit & Supervisory Board Members	24	24	-	-	3
(of these, Outside Audit & Supervisory Board Members)	(10)	(10)	(-)	(-)	(2)
Total	268	219	37	11	11
(of these, outside officers)	(28)	(28)	(-)	(-)	(5)

Effectiveness assessment of the Board of Directors

The Company conducts an assessment of the effectiveness of the Board of Directors as a whole on the basis of each business year in order to build an enhanced corporate governance system and increase medium- to long-term corporate value, by verifying whether the Board

of Directors is properly fulfilling its role and responsibilities, is functioning properly, and working to improve the same. The assessment method for the fiscal year ended December 31, 2022 and an overview of the results are as follows.

Evaluation items	Overall evaluation
1 Size and composition of the Board of Directors	As a result of the assessment of the effectiveness of the Board of Directors for FY2022, which was conducted for the first time following the business integration in October 2021, it was confirmed that the effectiveness of the Company's Board of Directors was generally secured in respect of all items, including its size, composition, operation, deliberations, and support structure, and that it has structures in place for making decisions on and supervising the execution of the business. On the other hand, in the responses to the questions there were opinions and proposals such as, "because not much time has passed since the business integration, there are some areas where there have not been deep deliberations regarding the direction and issues of the entire Group," and "the scope of deliberations on capital costs, risk management, and internal control should be expanded," and it was confirmed that the consideration of initiatives to address these issues are required. In FY2023, the Board of Directors will improve the quality of its deliberations on the direction and issues of the entire Group, while taking into account the content of deliberations held in the last fiscal year, and will aim to improve strengthen the corporate governance structure and improve medium- to long-term corporate value through the appropriate monitoring of initiatives in response to risks and opportunities.
2 Operation of the Board of Directors	
3 Deliberations of the Board of Directors	
4 Appointment, dismissal and remuneration of Directors, and the succession plan	
5 Structure to support the Board of Directors	
6 Sustainability	
7 Relationship with shareholders and investors	

Promote Fair and Honest Corporate Activities

Risk Information

Among matters related to the business and accounting conditions of the Group, as for the major risks recognized by managements that may have a material impact on business performance, please refer to the Business Risks section (on pages 12 to 14) of the Annual Securities Report. The Group recognizes the possibility of these risks occurring, and will strive to avoid their occurrence and to

respond in the event of an occurrence.

The matters in the text which are related to the future are based on judgments made by the Group as of the end of FY2022. Further, there are various other risks in addition to these, and the risks which are described here are not all of the Group's risks.

https://www.unisol-gr.com/wp-content/uploads/2023/03/sr_2212_jp.pdf

Information Security Initiatives

The Group has created various regulations for information security management, and has taken measures against the risks of system failures and information leaks due to cyber-attacks. The Company is working to improve employees' knowledge of information security by conducting e-learning on security and regular cyberattack email drills.

Led by the IT Planning Div. of the Corporate Strategy Unit,

the Company aims to build security infrastructure that can respond to changes in the business and organizations by implementing centralized management of networks, IT assets, and IDs. The Company plans to increase our previous security investment and further strengthen our information security management for the early detection and early recovery of security incidents.

Tax Policy

Basic policy	The Group makes every effort to abide by relevant laws and societal rules and engage in sound corporate conduct based on its 7 Standards—the seven criteria for judging the thoughts and actions of every Group employee—with the aim of realizing our vision of a “society filled with ‘I want to make it happen,’” as called for in the “UNISOL” principle. Regarding taxation as well, the Company recognizes that fair and appropriate tax filing and tax payment are important social responsibilities, complies with tax-related laws and regulations in all countries and regions where we operate, and strives to improve corporate value through the proper payment of tax.
1 Tax compliance	The Group complies with the tax laws and regulations of each country and region, as well as OECD Transfer Pricing Guidelines, etc., and implements appropriate tax processes. In addition, the Group raises awareness of legal compliance and maintains and improves tax compliance through the Compliance Manual.
2 Tax governance	The Group works to develop a governance system to properly execute the business based on this policy and internal regulations. In addition, the Group strives to maintain and improve the tax awareness of the entire Group through active communication with external experts.
3 Tax risk mitigation	The Group conducts a thorough preliminary examination in the event of transactions whose tax interpretation is unclear, and when necessary, obtains prior confirmation from the tax authorities and obtains advice and guidance from external experts in order to reduce tax risks.
4 Tax planning	The Group does not engage in transactions that do not involve a legitimate business purpose or are not actual business, and does not engage in tax planning that uses tax havens for the purpose of tax avoidance.
5 Transfer pricing	The Group appropriately distributes profits at arm's length prices for international transactions within the Group, in accordance with the OECD Transfer Pricing Guidelines. In addition, the Group prepares appropriate transfer pricing documentation based on each country's transfer pricing taxation system.
6 Relationship with tax authorities	The Group provides tax information in a timely and appropriate manner in response to requests from the tax authorities of each country and region, and strives to build and maintain healthy and good relationships.

Stakeholder Engagement

The Group contributes to manufacturing that considers the efficiency of production lines, the safety of factories, and the improvement of working environments, centered around our role as a machinery and tools trading company. In addition, the Company manufactures and sells construction materials and utilizes its network in Japan to respond in a timely manner. The Company also engages in dialogue with various

stakeholders through the sale and rental of construction machinery and the sale of security products. Utilizing the MARUKA FURUSATO Group's community, and having “‘Why didn't we think of this?’ one after another” as our slogan, we aim to sustainable corporate value improvement by receiving issues from our stakeholders and working on solutions as if they are our own issues.

Suppliers and customers	The Company complies with laws and regulations and conducts fair and impartial transactions with business partners.	<ul style="list-style-type: none"> • Company websites
Shareholders, investors, financial institutions	The Company engages in wide-ranging dialogue with stakeholders, including shareholders and investors, and strives to raise awareness of our business. We take onboard opinions about management to improve corporate value.	<ul style="list-style-type: none"> • General meeting of shareholders • Financial results briefing • Shareholder newsletter
Employees and their families	The Company faces each and every employee as a company where all employees are motivated to work.	<ul style="list-style-type: none"> • Information provision through the company intranet and magazine • Various training and seminars • Employee awards system • Employees' Stockholding Association system • Internal free agent system

Local Contribution

Sponsorship of Hitachi Astemo

MARUKA FURUSATO Corporation and Hitachi Astemo, Ltd. have concluded a sponsorship agreement for Hitachi Astemo's women's volleyball team, “Hitachi Astemo Rivalé.”

The team concept of Hitachi Astemo Rivalé is to “play tenaciously and fight passionately together with our supporters,” and is a team that fights together towards victory with an awareness of making calm decisions, mutual trust and helping each other at all times. They aim to create joy, excitement, and a sense of unity through volleyball, and be a strong and attractive team that its supporters are proud of.

As this is in line with our mission to “Open up ‘the present’ with impressive proposals, and accompany customers beyond the changes,” which is the part of the Group's Principle that we should fulfill every day, and is an aim that the Company strongly sympathizes with, we have concluded a sponsorship contract to support their activities.

Through this agreement, the Group will support Hitachi Astemo Rivalé together with its supporters and the local community, and support regional development and social contribution through sports.



Period: From October 1, 2022 to September 30, 2024
Arrangement: Uniform sponsor (lower back)
*The “UNISOL” logo is displayed at the bottom of the back side of the official uniform

Internships at factories and factory tours

The Group actively accepts local high school students for internships and factory tours at each of our factories in response to requests from local high schools. In recent years, the Saitama Plant, Shiga Plant, and Kurume Plant have been accepting interns on a continuous basis. In addition, the Shiga Plant, which has a large scale of production, has been hosting factory tours for local high school students on a continuous basis.



Consolidated Financial Data

Consolidated balance sheet

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	24,172	25,648
Notes and accounts receivable - trade	29,347	34,085
Electronically recorded monetary claims - operating	9,003	9,424
Investments in leases	204	100
Merchandise and finished goods	8,304	11,778
Work in process	1,499	3,133
Raw materials and supplies	408	382
Other	5,447	7,550
Allowance for doubtful accounts	(8)	(25)
Total current assets	78,378	92,077
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,688	15,343
Accumulated depreciation	(7,030)	(7,589)
Buildings and structures, net	7,657	7,753
Machinery, equipment and vehicles	4,274	4,490
Accumulated depreciation	(3,360)	(3,571)
Machinery, equipment and vehicles, net	914	918
Tools, furniture and fixtures	1,722	1,870
Accumulated depreciation	(1,241)	(1,326)
Tools, furniture and fixtures, net	480	543
Assets for rent	2,648	2,648
Accumulated depreciation	(1,540)	(1,618)
Assets for rent, net	1,107	1,030
Leased assets	230	362
Accumulated depreciation	(122)	(204)
Leased assets, net	107	157
Land	9,952	9,995
Construction in progress	263	1,636
Total property, plant and equipment	20,484	22,036
Intangible assets		
Goodwill	259	227
Trade right	1,280	1,120
Other	1,001	912
Total intangible assets	2,541	2,260
Investments and other assets		
Investment securities	4,074	4,003
Retirement benefit asset	1,178	797
Deferred tax assets	363	281
Other	1,662	1,540
Allowance for doubtful accounts	(90)	(83)
Total investments and other assets	7,189	6,540
Total non-current assets	30,215	30,837
Total assets	108,594	122,914

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,057	20,250
Electronically recorded obligations - operating	14,761	15,508
Short-term borrowings	496	511
Current portion of long-term borrowings	25	54
Lease obligations	214	115
Income taxes payable	781	1,306
Contract liabilities	2,909	6,602
Provision for bonuses	457	647
Provision for bonuses for Directors (and other officers)	37	56
Provision for share awards for employee	–	148
Provision for product warranties	67	42
Other	2,703	3,771
Total current liabilities	39,513	49,016
Non-current liabilities		
Long-term borrowings	378	498
Lease obligations	108	145
Deferred tax liabilities	760	617
Provision for retirement benefits for Directors (and other officers)	67	75
Provision for share awards for Directors (and other officers)	34	49
Retirement benefit liability	99	126
Other	269	246
Total non-current liabilities	1,720	1,759
Total liabilities	41,233	50,775
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	28,270	28,299
Retained earnings	31,829	35,734
Treasury shares	(321)	(322)
Total shareholders' equity	64,778	68,712
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,545	1,414
Deferred gains or losses on hedges	(3)	6
Foreign currency translation adjustment	137	1,296
Remeasurements of defined benefit plans	222	(102)
Total accumulated other comprehensive income	1,901	2,615
Non-controlling interests	681	810
Total net assets	67,361	72,139
Total liabilities and net assets	108,594	122,914

Consolidated statement of income

(Millions of yen)

	Fiscal period ended December 31, 2021 (April 1 to December 31, 2021)	Fiscal year ended December 31, 2022 (January 1 to December 31, 2022)
Net sales	74,292	162,416
Cost of sales	62,551	136,137
Gross profit	11,741	26,278
Selling, general and administrative expenses	10,275	20,383
Operating profit	1,465	5,895
Non-operating income		
Interest income	6	46
Dividend income	69	140
Purchase discounts	344	466
Surrender value of insurance policies	89	33
Rental income	45	116
Foreign exchange gains	13	172
Other	57	291
Total non-operating income	627	1,268
Non-operating expenses		
Interest expenses	0	14
Rental costs	5	38
Amortization of organization expenses	35	–
Other	17	54
Total non-operating expenses	59	107
Ordinary profit	2,033	7,055
Extraordinary income		
Gain on sale of investment securities	91	–
Gain on sale of non-current assets	1	42
Total extraordinary income	92	42
Extraordinary losses		
Loss on sale of non-current assets	–	1
Loss on retirement of non-current assets	–	15
Loss on valuation of investments in capital of subsidiaries and associates	31	–
Loss on abolishment of stock ownership plan	40	–
Total extraordinary losses	72	17
Profit before income taxes	2,053	7,080
Income taxes - current	821	2,362
Income taxes - deferred	177	127
Total income taxes	999	2,490
Profit	1,054	4,590
Profit attributable to non-controlling interests	16	59
Profit attributable to owners of parent	1,037	4,531

(Millions of yen)

	Fiscal period ended December 31, 2021 (April 1 to December 31, 2021)	Fiscal year ended December 31, 2022 (January 1 to December 31, 2022)
Profit	1,054	4,590
Other comprehensive income		
Valuation difference on available-for-sale securities	10	(131)
Deferred gains or losses on hedges	(0)	10
Foreign currency translation adjustment	45	1,258
Remeasurements of defined benefit plans, net of tax	34	(324)
Total other comprehensive income	90	813
Comprehensive income	1,145	5,403
(Breakdown)		
Comprehensive income attributable to owners of parent	1,144	5,245
Comprehensive income attributable to non-controlling interests	1	158

Company Information / Stock Information

Corporate Profile

Company name	MARUKA FURUSATO Corporation
Chairperson and Representative Director	Kunihiko Iida
President and Representative Director	Ryohei Furusato
Established	October 1, 2021
Details of business	Formulation and promotion of Group management strategies, business management of Group companies, and related operations
Employees	Non-consolidated: 82 (as of December 31, 2022) Group: 1,951 (as of December 31, 2022)
Share capital	JPY5 billion
Fiscal year	January 1 to December 31

List of Affiliated Associations

Furusato Industries	Kansai Economic Federation Osaka Chamber of Commerce and Industry Japanese Standards Association Construction Turn Buckle Council of Japan Japan Foundation Bolt Manufacturers Association Association of Structural Design Office
G-NET	Japan Machine Tool Federation Japan Machine Tool Distributors Association
Maruka	Sendai Branch, Japan Crane Construction Constructors Association Tokyo Construction Machinery Association (under the Japan Crane Construction Constructors Association) Kinki Foundation Construction Association (under the Japan Federation of Foundation Contractors Associations) Japan Press-in Association Japan Machine Tool Distributors Association Japan External Trade Organization The Osaka Chamber of Commerce and Industry The Japan Food Machinery Manufacturers' Association Center for Information on Security Trade Controls Japan Bakery and Confectionery Machinery Manufacturers' Association

Stock Information

Stock status (as of December 31, 2022)

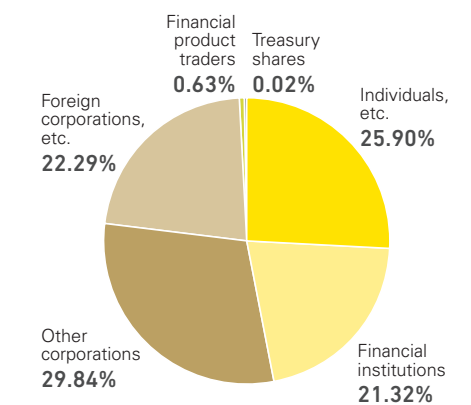
Number of shares authorized	100,000,000 shares
Number of shares issued	25,563,814 shares
Number of shareholders	10,066

Major shareholders (Top 10) (as of December 31, 2022)

Name of shareholder	Shares held	Shareholding ratio (%)
FRT, Ltd.	2,753,861	10.77
THE SFP VALUE REALIZATION MASTER FUND LTD.	2,487,800	9.73
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,885,300	7.38
MUFG Bank, Ltd.	1,036,790	4.06
Kobelco Construction Machinery Co., Ltd.	766,260	3.00
NACHI-FUJIKOSHI CORP.	743,040	2.91
THE CHASE MANHATTAN BANK, N. A. LONDON SPECIAL OMNIBUS SECS LENDING ACCOUNT	683,793	2.68
Custody Bank of Japan, Ltd. (Trust Account)	675,484	2.64
Resona Bank, Limited	562,843	2.20
Aioi Nissay Dowa Insurance Co., Ltd.	516,000	2.02

(Note) The shareholding ratio is calculated after the deduction of treasury shares (4,358).

Share distribution by shareholder
(as of December 31, 2022)



Editorial Policy

The Group was founded in 2021 through a business integration between the Maruka Group and the Furusato Group. We publish this Integrated Report in order to present financial and non-financial information in an easy-to-understand value creation story and so readers can comprehensively evaluate how the Group intends to generate value in the future.

Referenced Guidelines, etc.

- International Integrated Reporting Framework of the International Integrated Reporting Council
- GRI Standards of the Global Reporting Initiative

Coverage Period

Fiscal year 2022 (January 1 to December 31, 2022)

*Some content is from outside of the coverage period

Reporting Scope

The MARUKA FURUSATO Group and its consolidated subsidiaries. However, non-financial information pertaining to MARUKA FURUSATO Corporation and the following four domestic companies is included: Maruka Corporation, G-NET CORPORATION, Gifu Shoji Co., Ltd. and Furusato Industries, Ltd.

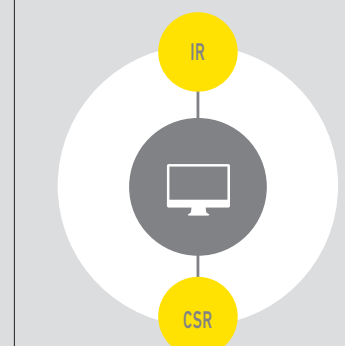
*Matters for which the scope of reporting differs are specified as such.

Disclaimer

This report includes future forecasts based on plans, forecasts, management plans, and policies as of the time of publication. Future forecasts are based on information available as of the time of writing and the results and outcomes of future business activities may differ from those forecasts due to changes in circumstances.

The Company's website provides various information about the MARUKA FURUSATO Corporation, including sustainability and information for investors. Please read it together with this report.

<https://www.unisol-gr.com/en>





UNISOL

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