

Moving to 2nd Stage of Medium-Term Management Plan UNISOL, Accelerated Growth

Executive Summary

- The Medium-Term Management Plan UNISOL includes the following FY26/12 targets, net sales of ¥200.0 bn, operating profit of ¥10.0 bn, and ROE of 8.5%. MARUKA FURUSATO will enter the 2nd stage of the plan, a period of accelerated growth, starting in FY24/12. During the 1st stage of the plan, which was centered on establishing a base, various initiatives were undertaken. The company promoted cross sales and expanded rebates through commercial flow integration, starting with streamlining administration departments, which included merging offices. The company also expanded the cutting-edge solutions it provides, such as ARUM Factory365 and UNI-MOW, by combining the know-how and services of multiple segments, and promoted external growth to broaden business fields, and this entailed acquiring TS Precision Co., Ltd., which manufactures and sells forming machines and constant velocity joint processing machines, and establishing Mtass Ref Corporation, a joint venture with Matsuhashi Reinetsu Co., Ltd., which imports, sells, installs, and maintains CO₂ refrigerators that are GHG emission regulation compliant.

- However, although there has been firm progress toward realizing “integrated synergies of ¥2.0 bn” and “strategic accumulations of ¥1.0 bn,” factors necessary to generate operating profit of ¥10.0 bn, the company has yet to fully do so; therefore, additional new measures are probably key for achieving its targets in the 2nd stage. There are expectations for developing more detailed additional measures to transform its business structure from that of a simple machinery and tool trading company into that of a company that provides UNIQUE SOLUTIONS for optimizing operations throughout manufacturing plants and starting to have that fully contribute to earnings. Another point of focus is that in FY23/12, the company made progress in adopting capital efficiency-oriented management, which includes setting management targets that take into consideration ROIC for individual segments and undertaking share buybacks, and attention should be paid to whether strategies are updated when FY24/12 guidance is released or later.

- As for the medium- to long-term, there are expectations for additional fruits from implementing such measures as growing the seeds planted during the 1st stage and having that make strong contributions to earning, but in the short term, it is necessary to keep in mind that overall machine tool orders have yet to bottom out. Although the company posted growth in consolidated net sales and profit for the June–September quarter, machinery orders for its core machinery and tool segment have softened just like macroeconomic indicators have, and there appears to be a dearth of factors that could bolster earnings in 1H 2024. Furthermore, the construction product segment, which makes strong contributions to profits, posted a decline in net sales and profit for the most recent quarter because of a falloff in sales of braces, a key product, due to weak demand for small- and medium-sized structures, including houses. The overall environment for the former is expected to start to improve in 1H 2024, and for the latter, demand is expected to strengthen due to an increase in inbound tourists.

FY	Net sales (¥mn)	YoY (%)	OP (¥mn)	YoY (%)	NP (¥mn)	YoY (%)	EPS (¥)	DPS (¥)
2019/12	175,395	-	6,892	-	5,620	-	-	-
2020/12	145,028	-17.3	4,539	-34.1	2,996	-	-	-
2021/12	143,180	-1.3	3,178	-30.0	3,065	-	-	-
2022/12	162,416	13.4	5,895	85.5	4,531	47.8	178.9	113.0
2023/12CE	171,000	5.3	6,000	1.8	4,700	3.7	185.1	65.0
2022/12 3Q	118,259	-	4,188	-	3,376	-	133.3	-
2023/12 3Q	129,311	9.3	4,683	11.8	3,859	14.3	153.2	-

Source: SIR from the company materials

Note: Before FY2021, The adjusted amount of the two groups' revenues for the period.
The DPS for FY22/12 includes a commemorative dividend of ¥50.

3Q Follow-up



Focus Points:

Launched through the management integration of two machine and tool trading companies. Focus is on progress in implementing technology trading measures that allow it to leverage its diverse functions to make in-depth proposals including areas in engineering, manufacturing, and factory management. Synergy generation is also a key focus.

Key Indicators

Share price (12/18)	2,528
YH (23/2/2)	3,595
YL (23/6/27)	2,251
10YH (22/5/23)	4,235
10YL (21/10/14)	1,863
Shrs out. (mn shrs)	25.174
Mkt cap (¥ bn)	63.63
EV (¥ bn)	40.63
Shr equity ratio (3/31)	58.0%
23.12 P/E (CE)	13.92x
22.12 EV/EBITDA (act)	0.92x
23.12 DY (CE)	2.5%

Stock Price and Vol. since Listing



Source: SPEEDA data

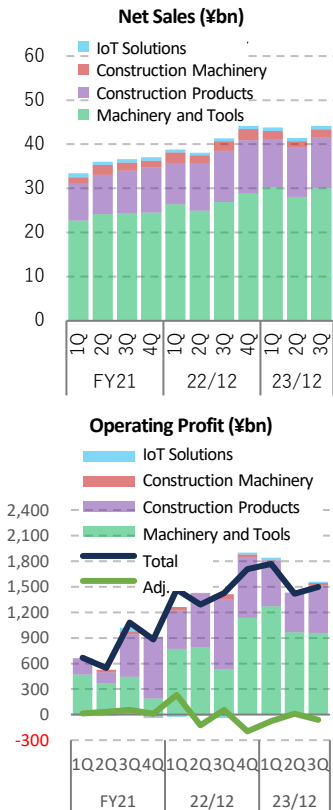
Shohei Hasegawa Analyst

research@sessapartners.co.jp



This report was prepared by Sessa Partners on behalf of the subject company. Please refer to the legal disclaimer at the end for details.

FY2023/12 3Q results



Source: Compiled by SIR from the company IR material.
 Note: Before FY2021, The adjusted amount of the two groups' revenues for the period.

Steady progress in current period, but keep an eye on macro trends in machinery orders

In the January-September FY23/12 results announced on November 7, 2023, the company reported net sales of ¥129.3 bn (+9.3% YoY) and operating profit of ¥4.68 bn (+11.8% YoY). This was generally in-line with the company's full-year plan, which was revised upward at the time of the 2Q results announcement, marking 75.6% progress for sales and 78.1% for operating profit. Operating profit was up YoY as the company managed to secure sales volume, centered on its mainstay Machinery & Tools segment, which offset higher material costs as well as increased human capital investments, mainly in overseas wages, including the impact of foreign exchange rates.

On the other hand, there is a slight slowdown in quarterly sales, as the company reported a 6.8% YoY increase to ¥44.15 bn in the July-September 2023 period, compared to a 12.8% YoY increase in January-March and an 8.6% YoY increase in April-June. By segment, sales rose 11.4% YoY to ¥30.0 bn in the Machinery & Tools segment and 17.3% YoY to ¥0.82 bn in the IoT Solutions segment, and fell 0.9% YoY to ¥11.46 bn in the Construction Products segment and 12.9% YoY to ¥1.89 bn in the Construction Machinery segment. The Construction Products segment was affected by a cautious investment stance in response to high construction costs and a prolonged slump in housing demand, while the Construction Machinery segment was affected by a drop in customer appetite following price hikes by manufacturers driven by higher manufacturing costs.

In addition, investors should pay some attention to the momentum of orders, which is a leading indicator for the Machinery & Tools segment. The company was able to secure an 11.4% YoY rise in sales in the July-September period even as tools sales remained generally flat, thanks to the delivery of machinery order backlogs accumulated in the past, coupled with an increase in the yen value of overseas sales owing to the weaker yen. However, based on monthly statistics from the Japan Machine Tool Builders' Association, order trends at other machine manufacturers, and the tone of company disclosures, the downturn in macroeconomic conditions has not yet bottomed out, and there aren't many factors pointing toward positive sales trends in 1H FY2024/12. The company's revised plan for FY23/12 incorporates a sales plan based on weak orders, so downside risk in the current period is limited, but investors ought to exercise some caution in terms of guidance risk for FY24/12.

In September 2023, the company released new material related to advancing its medium-term management plan, including materials about reorganization and the launch of "UNI-MOW," a smart livestock production system based on AI analytics. Beginning in FY24/12, the company will enter the second stage of its medium-term management plan, a period of accelerated growth, and it appears that it is steadily making preparations for this.

Quarterly Financial Results

Maruka Furusato Corporation	unit	FY21				22/12				23/12			22/12	23/12 CE
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	Full Year	Full Year
Net sales	¥mn	33,452	36,014	36,631	37,081	38,819	38,092	41,347	44,157	43,781	41,378	44,152	162,416	171,000
YoY	%	-18.9	8.8	3.3	5.3	16.0	5.8	12.9	19.1	12.8	8.6	6.8	-	5.3
Machinery and Tools	¥mn	22,662	24,113	24,277	24,522	26,406	24,974	26,935	28,760	30,295	28,031	30,005	107,077	114,000
YoY	%	-21.4	13.3	3.7	9.6	16.5	3.6	10.9	17.3	14.7	12.2	11.4	-	6.5
Construction Products	¥mn	8,403	8,977	9,724	10,178	9,359	10,745	11,551	12,131	10,908	11,222	11,445	43,787	46,000
YoY	%	-6.7	4.5	11.6	9.1	11.4	19.7	18.8	19.2	16.6	4.4	-0.9	-	5.1
Construction Machinery	¥mn	1,441	2,221	1,845	1,578	2,373	1,785	2,164	2,516	1,825	1,423	1,886	8,839	7,800
YoY	%	-40.2	11.7	-13.5	-29.4	64.7	-19.6	17.3	59.4	-23.1	-20.3	-12.8	-	-11.8
Security	¥mn	945	701	784	801	679	586	695	750	751	703	815	2,711	3,000
YoY	%	19.0	-40.6	-28.7	-34.2	-28.1	-16.4	-11.4	-6.4	10.6	20.0	17.3	-	10.7
Cost of Sales	¥mn	-	-	-	-	32,629	31,876	34,814	36,818	36,896	34,692	37,298	136,137	-
sales ratio	%	-	-	-	-	84.1	83.7	84.2	83.4	84.3	83.8	84.5	83.8	-
Gross Profit	¥mn	-	-	-	-	6,189	6,216	6,534	7,339	6,885	6,685	6,855	26,278	-
sales ratio	%	-	-	-	-	15.9	16.3	15.8	16.6	15.7	16.2	15.5	16.2	-
SG&A	¥mn	-	-	-	-	4,720	4,924	5,107	5,632	5,118	5,266	5,357	20,383	-
sales ratio	%	-	-	-	-	12.2	12.9	12.4	12.8	11.7	12.7	12.1	12.5	-
Operating Profit	¥mn	666	549	1,080	883	1,469	1,291	1,428	1,707	1,767	1,419	1,497	5,895	6,000
sales ratio	%	2.0	1.5	2.9	2.4	3.8	3.4	3.5	3.9	4.0	3.4	3.4	3.6	3.5
Machinery and Tools	¥mn	471	364	445	188	771	795	533	1,135	1,269	967	958	3,235	3,560
Segment sales ratio	%	2.1	1.5	1.8	0.8	2.9	3.2	2.0	3.9	4.2	3.4	3.2	3.0	3.1
Construction Products	¥mn	190	134	499	726	449	628	815	713	540	467	556	2,606	2,370
Segment sales ratio	%	2.3	1.5	5.1	7.1	4.8	5.8	7.1	5.9	5.0	4.2	4.9	6.0	5.2
Construction Machinery	¥mn	-2	29	32	-22	43	4	63	31	4	-13	31	142	50
Segment sales ratio	%	-0.1	1.3	1.7	-1.4	1.8	0.2	2.9	1.2	0.2	-0.9	1.6	1.6	0.6
Security	¥mn	-8	-13	44	-17	-26	-13	-41	24	29	-10	14	-57	20
Segment sales ratio	%	-0.8	-1.9	5.6	-2.1	-3.8	-2.2	-5.9	3.2	3.9	-1.4	1.7	-2.1	0.7
Adjustments	¥mn	15	34	57	9	231	-123	56	-196	-77	9	-61	-32	0

Source: SIR from the company IR materials

Note: At FY2021, The adjusted amount of the two groups' revenues for the period. Segment sales refer to "sales to external customers".

Machinery and tools

For the machinery and tools segment, its core segment, MARUKA FURUSATO posted net sales of ¥30.00 bn (+11.4% YoY) and operating profit of ¥960 mn (+79.7% YoY) (operating profit margin rose to 3.2% from 2.0%) for the July–September quarter. Despite lackluster overseas sales of ¥7.63 bn (-15.5% YoY), which includes a boost from currency translations as the yen weakened, the company posted growth in both net sales and profit primarily because steady progress was made in eliminating the machinery order backlog for Japanese customers. In Japan, net sales rose as a result of not only an improvement in business conditions in the manufacturing industry but also recovery in the automobile industry's appetite for capital expenditures as the shortage of semiconductors was resolved. On the other hand, North American net sales fell to ¥4.38 bn (-25.5% YoY) due to a decline in sales of injection molding machines for medical equipment as strong demand due to COVID-19 subsided. Net sales in China, whose macroeconomic environment has softened, particularly in the manufacturing sector, declined to ¥340 mn (-¥570 mn YoY), which weighed down segment earnings.

It appears that machinery orders have not bottomed out and they are still trending downward. MARUKA FURUSATO expected orders to bottom out around the end of 2023 in line with the market consensus, but based on an in-house check of the trend in orders, it is now the company's opinion that orders will bottom out about three months later than initially thought. There is a slight difference in the trend in orders for products of manufacturers that boast high value added and that for normal-price-range products of manufacturers who focus on volume, and recently, there has been relatively firm demand for products in the normal price range. However, the company handles a wide range of products of multiple manufacturers, and SIR thinks there may be a recovery in orders at about the same time that overall conditions improve, not earlier.

Until around the March–June quarter, the “order backlog grew larger than normal, and even though new orders were weak, it was possible to secure sales volume by reducing the order backlog.” Since the order backlog has fallen to its normal level, the factors that could boost earnings in 1H 2024 are weaker than before. It is probably important to keep in mind the level of sales and profit margin in the short term.

Construction products

For its construction product segment, which entails the production and sales of such items as steel and piping material and sales of housing equipment, MARUKA FURUSATO posted net sales of ¥11.45 bn (-0.9% YoY) and operating profit of ¥560 mn (-31.8% YoY) (operating profit margin fell to 4.9% from 7.1%) for the July–September quarter. Construction demand related to medium-sized and large facilities was firm, such as urban redevelopment related, factories and logistics warehouses, while demand for other small and medium-sized structures including homes declined, which require large volumes of braces, the company's core product. Profitability also declined because of lower utilization rate of its factories as well as fiercer price competition due to overall weak demand. Despite the recent weak market prices, there is a certain level of expectation for a recovery in construction demand related to facilities for inbound tourists as the impact of COVID-19 fades.

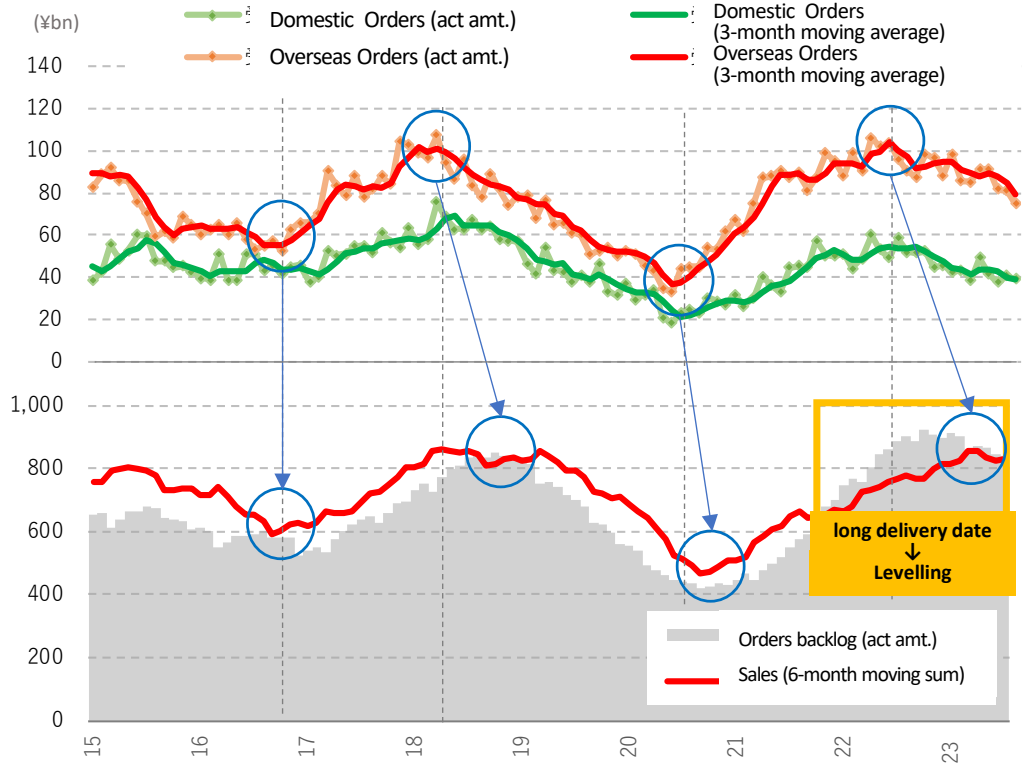
Construction machinery

For its construction machinery segment, which entails sales of new construction cranes and foundation machinery, sales of used construction machinery, and rental of construction machinery in the Kanto region, MARUKA FURUSATO posted net sales of ¥1.89 bn (-12.8% YoY) and operating profit of ¥31 mn (-¥32 mn YoY) (operating profit margin fell to 1.6% from 2.9%) for the July–September 2023 quarter. Sales of new construction machinery remains weak primarily for reasons beyond the control of the company, including a scandal regarding engine certification at a particular client. Although used machinery sales and construction machinery rentals compensated for this to a certain extent, they failed to generate enough volume to fully do so.

IoT Solution

For its IoT solution segment, which is primarily involved in the sale of security equipment, MARUKA FURUSATO posted net sales of ¥820 mn (17.3% YoY) and operating profit of ¥14 mn (+¥55 mn YoY) for the July–September quarter, returning the segment to profitability. Looking only at the security design business, the company moved forward with thoroughly implementing efforts to return to profitability, resulting in an improvement in profitability. The company also made steady progress in developing and promoting solutions that straddle segments, and focus is on when this trend strengthens and the business starts making full contributions to earnings.

Machine Tool Japan and Overseas Orders, and Sales and Orders Backlog



Source: compiled by SIR from Japan Machine Tool Builders' Association's Machine Tool Main Statistics

Machine Tool Order Statistic

Year	Month	Total orders						Sales amount		Order backlog					
		(¥mn)	YoY, %	Domestic (¥mn)	YoY, %	Overseas (¥mn)	YoY, %	Of which, U.S. (¥mn)	YoY, %	Of which, China (¥mn)	YoY, %	(¥mn)	YoY, %		
2018	1-12	1,815,771	110.3	750,343	119.2	1,065,428	104.8	287,140	121.9	285,044	82.1	1,684,768	114.8	826,197	119.0
2019	1-12	1,229,900	67.7	493,188	65.7	736,712	69.1	215,819	75.2	163,418	57.3	1,501,633	89.1	561,265	67.9
2020	1-12	901,835	73.3	324,455	65.8	577,380	78.4	156,381	72.5	201,877	123.5	1,033,616	68.8	430,794	76.8
2021	1-12	1,541,419	170.9	510,324	157.3	1,031,095	178.6	252,263	161.3	358,041	177.4	1,283,499	124.2	701,005	162.7
2022	1-12	1,759,601	114.2	603,231	118.2	1,156,370	112.1	311,904	123.6	376,996	105.3	1,568,350	122.2	896,813	127.9
2022	1-3	448,179	139.1	153,267	157.4	294,912	131.2	79,922	174.9	95,910	102.8	391,490	127.9	757,694	169.7
	4-6	463,043	121.9	161,313	141.6	301,730	113.4	82,450	141.2	100,196	95.8	362,729	117.4	858,008	165.7
	7-9	432,587	106.7	156,164	105.9	276,423	107.2	73,149	106.6	90,576	113.0	402,230	121.2	888,365	150.2
	10-12	415,792	95.8	132,487	87.5	283,305	100.3	76,383	96.0	90,314	112.9	411,901	122.3	896,813	127.9
2023	1-3	394,201	88.0	131,703	85.9	262,498	89.0	69,575	87.1	83,513	87.1	441,920	112.9	849,094	112.1
	4-6	374,236	80.8	120,380	74.6	253,856	84.1	69,158	83.9	68,476	68.3	380,609	104.9	842,594	98.2
	7-9	363,042	83.9	120,147	76.9	242,895	87.9	70,957	97.0	56,369	62.2	388,329	96.5	816,786	91.9
2022	10	141,062	94.5	44,560	88.6	96,502	97.5	27,401	97.7	31,114	128.8	109,338	106.3	920,089	144.3
	11	134,186	92.3	45,665	91.3	88,521	92.8	22,418	84.8	29,495	111.3	148,545	141.4	905,730	133.6
	12	140,544	100.9	42,262	82.6	98,282	111.6	26,564	106.0	29,705	101.3	154,018	119.5	896,813	127.9
2023	1	129,087	90.3	43,402	98.3	85,685	86.8	22,733	84.6	24,012	73.7	112,262	112.9	913,638	122.7
	2	124,095	89.3	38,932	79.7	85,163	94.5	21,312	92.8	29,417	98.2	136,450	117.4	901,283	117.5
	3	141,019	84.8	49,369	82.0	91,650	86.4	25,530	84.9	30,084	90.2	193,208	109.9	849,094	112.1
	4	132,688	85.6	41,723	78.5	90,965	89.3	24,672	90.7	25,876	80.5	113,084	105.8	868,509	107.8
	5	119,523	77.9	37,807	76.4	81,716	78.7	22,207	72.0	23,509	70.7	124,804	107.9	863,228	102.3
	6	122,025	78.9	40,850	69.6	81,175	84.5	22,279	91.2	19,091	54.9	142,721	101.8	842,594	98.2
	7	114,340	80.3	39,385	75.8	74,955	82.9	19,479	85.7	17,783	63.6	118,436	104.6	838,498	94.5
	8	114,746	82.4	35,680	68.9	79,066	90.3	22,504	98.5	19,012	63.7	113,804	90.4	838,933	93.1
	9	133,942	88.8	45,045	85.9	88,897	90.3	28,974	105.0	19,574	59.8	156,089	95.7	816,786	91.9
	10	112,053	79.4	33,644	75.5	78,409	81.3	24,687	90.1	19,495	62.7	119,344	109.2	809,495	88.0

Source: compiled by SIR from Japan Machine Tool Builders' Association's Machine Tool Main Statistics

Medium-term Management Plan

Growing the seeds planted in 1st stage and implementing additional measures

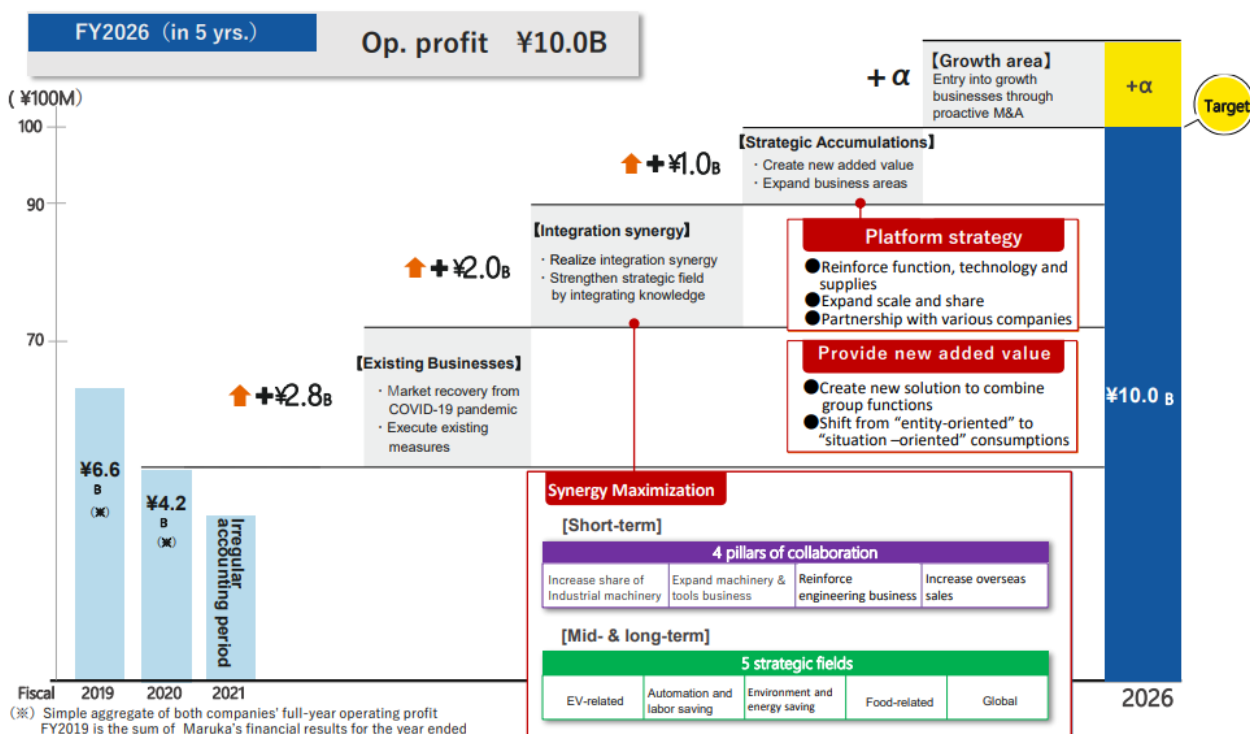
MARUKA FURUSATO’s medium-term management plan UNISOL consists of the 1st stage, in which the company works to establish a base through FY23/12, and a 2nd stage, in which the company will work to accelerate growth starting in the next quarter. Through the medium-term management plan, the company aims to post net sales of ¥200.0 bn, operating profit of ¥10.0 bn (operating profit margin of 5.0%), adjusted EBITDA that excludes transitory profit and losses of ¥11.5 bn, and ROE of 8.5% in FY26/12, the last year of the plan. Let’s examine what progress was made during the 1st stage.

In order to generate operating profit of ¥10.0 bn, the company has assumed not only an improvement in earnings from existing businesses due to a recovery from the COVID-19 pandemic, but also integration synergies of ¥2.0 bn and strategic accumulation of ¥1.0 bn, as shown in the below figure. The company is confident it will generate those additional amounts, but it will have to implement further measures to do so.

First, steady progress was made in streamlining administration departments during integration. Having moved forward with merging and sharing offices in both east and west Japan, the company has been able to rationalize costs by concentrating functions and assigning proper personnel to positions. In addition to constructing logistics facilities that can be jointly used by Furusato Industries and G-net Corporation, the company is making progress with efforts to address the feared logistics problem.

As for front office operations, MARUKA FURUSATO has increased rebates by integrating commercial flows, seconded G-net Corporation employees to Maruka, and conducted cross sales. Turning to measures to generate synergies within the group centered on IoT solutions, the company has introduced a series of solutions by acquiring (1) the distribution right to ARUM Factory365, an ARUM CODE subscription service for automating NC programming, and (2) the distribution right to products of Han’s Robot, which develops collaborative robots that support factory automation, and (3) developing and marketing UNI-MOW, a birthing prediction system for cows that contributes to labor reductions in the livestock industry. The company also promoted measures to generate external growth, which included acquiring TS Precision Co., Ltd. (formerly a wholly-owned subsidiary of Nabtesco), which manufactures and sells forming machines and constant velocity joint processing machines, and establishing Mtass Ref Corporation, a JV with Matsushita Reinetsu Co., Ltd., that imports, sells, installs, and maintains CO₂ refrigerators that are GHG emission regulation compliant.

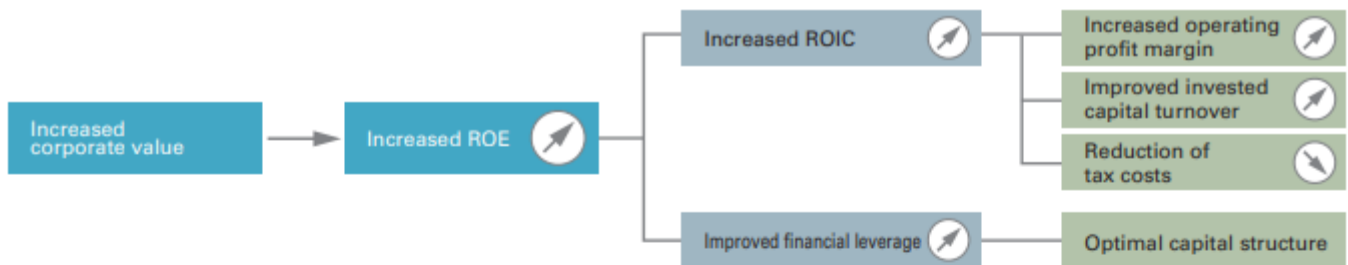
Roadmap for Achieving Earnings Goal OP ¥10.0 bn



Source: Excerpt from the company IR material

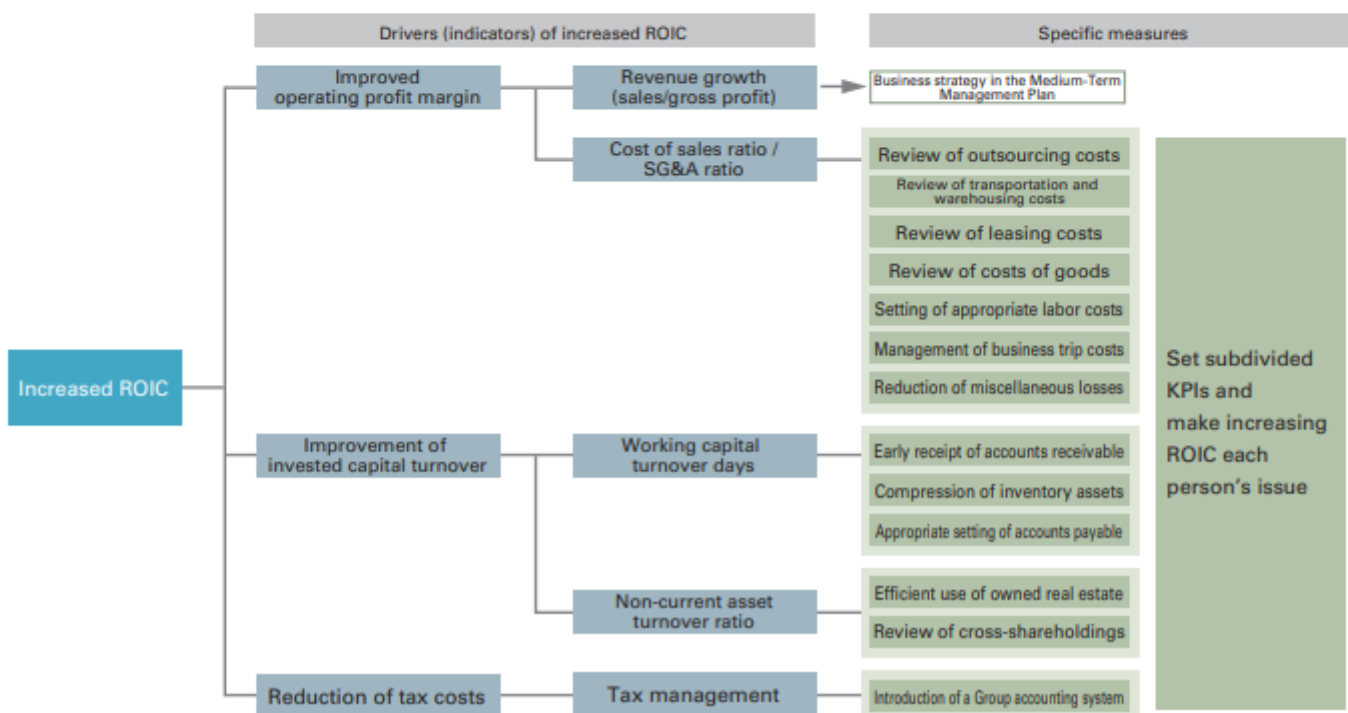
Focus should be on the fact that the company’s financial strategy to improve capital efficiency has grown more concrete and is being implemented. In its first integrated report, which was released in May 2023, MARUKA FURUSATO did not disclose any quantitative targets but adopted ROIC as a key management indicator and referred to promoting management that incorporates KPI for individual segments and making company-wide efforts to spread cost-of-capital-conscious management. In August, the company also announced that it would conduct its first share buyback (ceiling of ¥4.0 bn), and it appears that the company is also examining an appropriate level of leverage. With the start of the 2nd stage of the medium-term management plan, another point of focus in the short term is formulating more detailed business and financial strategies for the second half of the medium-term management plan.

Overview of financial capital strategy and measures to improve ROIC



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.



Source: Compiled by SIR from the company IR material.

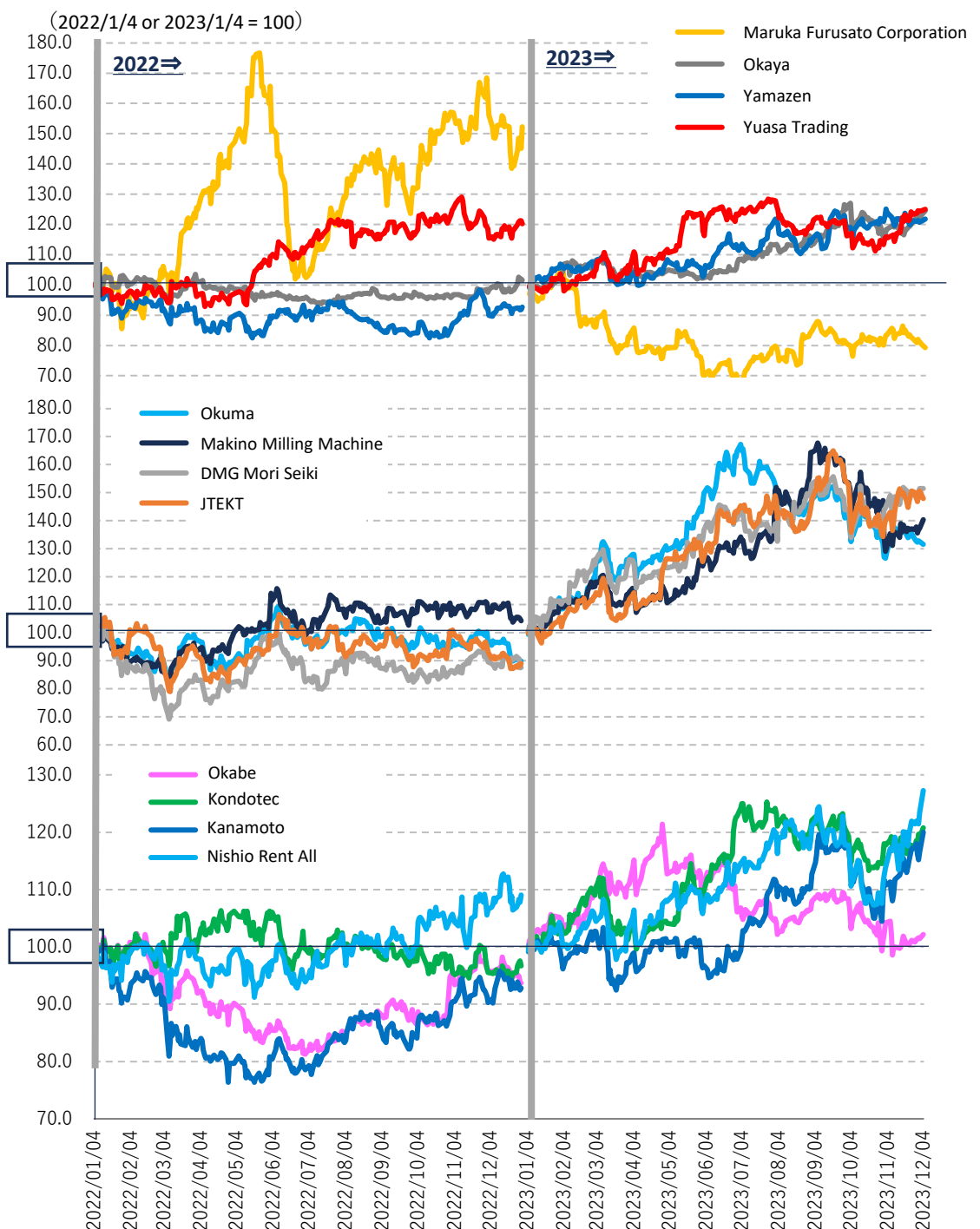
Note: Figures shown in the Integrated Report are excerpted directly in order to share an accurate image of the allocation for each item.

Valuation

Still largely underperforming, with less expensive multiples

The company's share performance since the beginning of the year is still far off from that of broad-based peers, although the share price has begun to bottom out and recover as a result of new developments in its financial and capital strategy. The company's forward P/E ratio is currently 14.2x (lower if factoring in the impact of share buybacks), a slight discount to the TOPIX P/E ratio of over 15x, and a level that does not diverge too much from the 10-13x ratio for machinery stocks. Although there is still a gap from the 6 to 11 times of machinery trading stocks, a certain premium is warranted in light of the relatively high shareholder returns and management changes.

Share prices relative to that of broad-defined comparable companies (indexed at the beginning of each year)



Valuation Sheet for Broadly-defined Comparable Companies

Code	Company	EOFY	Stock price	Market value	P/E			PBR	Net Cash	Operating profit	Operating profit margin		
			(12/18)	(12/18)	FY21	FY22E	FY23E	Most recent FY	Most recent FY	FY22E	FY21	FY22	FY23E
-	-	-	yen	¥mn	X			X	¥mn		%		
7128	MARUKA FURUSATO Corporation	Dec.	2,528	63,640	20.9	14.1	13.7	0.90	24,325	5,895	(30.0)	85.5	1.8
-	Machinery and tool trading company	-	-	-	9.2	7.7	8.2	0.79	-	-	50.7	16.4	(3.0)
7485	Okaya & Co., Ltd.	Feb.	12,350	120,042	6.2	5.1	5.9	0.41	(146,405)	29,448	67.2	29.6	(4.9)
8051	Yamazzen	Mar.	1,164	110,936	8.7	8.3	10.3	0.92	56,181	16,563	52.5	-3.3	(9.4)
8074	Yuasa Trading	Mar.	4,610	101,881	12.6	9.9	8.3	1.03	48,530	14,599	32.2	22.9	5.5
-	Machine tool manufacturers	-	-	-	18.7	10.9	10.5	0.87	-	-	160.8	63.2	6.4
6103	Okuma Corporation	Mar.	5,817	196,354	15.9	9.4	9.2	0.88	64,703	24,804	200.0	71.5	2.8
6135	Makino Milling Machine Co., Ltd.	Mar.	5,860	145,878	11.7	8.7	11.0	0.71	(7,784)	17,492	TB	54.8	(24.2)
6141	DMG Mori Seiki Co.	Dec.	2,536	319,356	27.6	13.4	10.0	1.29	(54,101)	41,213	116.1	78.7	27.4
6473	JTEKT Corporation	Mar.	1,185	406,623	19.6	11.9	11.6	0.61	(131,319)	62,658	166.1	48.0	19.7
-	Construction product manufacturers	-	-	-	13.1	10.4	22.4	0.71	-	-	1.8	21.4	(9.4)
5959	Okabe Co. Ltd.	Dec.	712	35,095	13.2	8.8	34.7	0.50	5,936	5,271	(3.6)	21.6	(22.2)
7438	Kondotec Inc.	Mar.	1,140	30,033	13.1	12.0	10.0	0.93	6,387	4,355	7.2	21.2	3.3
-	Construction machinery rental company	-	-	-	11.8	11.9	11.1	0.85	-	-	11.6	-0.5	7.8
9678	Kanamoto Co. Ltd.	Oct.	2,753	106,657	11.7	12.3	11.9	0.77	(6,610)	13,229	2.6	-9.5	5.8
9699	Nishio Rent All Co., Ltd.	Sep.	3,815	108,313	12.0	11.5	10.3	0.92	(46,022)	14,884	20.6	8.5	9.8

Code	Company	EOFY	ROE		Operating profit margin		Asset turnover		Equity ratio		Payout ratio		Dividend return
			FY21	FY22E	FY21	FY22E	FY21	FY22E	FY21	FY22E	FY21	FY22E	current period
-	-	-	%		%		times		%		%		%
7128	MARUKA FURUSATO Corporation	Dec.	4.6	6.6	2.2	3.6	1.32	1.40	61.4	58.0	-	63.2*	2.57
-	Machinery and tool trading company	-	9.2	10.0	2.8	3.0	1.84	1.74	39.9	39.2	23.9	22.8	3.21
7485	Okaya & Co., Ltd.	Feb.	7.7	8.5	2.4	3.1	1.75	1.46	44.5	40.2	11.7	10.0	2.02
8051	Yamazzen	Mar.	10.9	10.6	3.4	3.1	1.90	1.85	39.9	42.6	26.2	28.4	3.87
8074	Yuasa Trading	Mar.	8.9	10.8	2.6	2.9	1.86	1.90	35.5	34.9	33.7	30.0	3.73
-	Machine tool manufacturers	-	6.0	8.7	5.8	7.7	0.78	0.86	51.7	52.5	27.5	29.7	2.96
6103	Okuma Corporation	Mar.	6.5	9.9	8.4	10.9	0.72	0.83	71.5	70.8	24.5	29.2	3.44
6135	Makino Milling Machine Co., Ltd.	Mar.	7.1	8.6	6.1	7.7	0.62	0.68	54.6	56.6	12.0	22.3	2.56
6141	DMG Mori Seiki Co.	Dec.	6.8	11.1	5.8	8.7	0.70	0.74	35.7	36.1	43.6	37.1	3.16
6473	JTEKT Corporation	Mar.	3.5	5.3	3.0	3.7	1.07	1.19	45.0	46.3	29.8	30.0	2.70
-	Construction product manufacturers	-	6.1	7.0	6.1	6.3	0.98	1.05	59.7	59.2	36.8	32.7	3.51
5959	Okabe Co. Ltd.	Dec.	4.4	6.0	6.7	6.9	0.71	0.78	65.6	64.6	36.9	29.5	3.51
7438	Kondotec Inc.	Mar.	7.7	7.9	5.4	5.8	1.25	1.32	53.7	53.8	36.7	35.9	3.51
-	Construction machinery rental company	-	7.9	7.4	8.1	7.9	0.65	0.64	42.4	43.5	28.2	31.8	2.84
9678	Kanamoto Co. Ltd.	Oct.	7.2	6.4	7.7	7.0	0.63	0.62	41.8	43.2	29.7	33.4	2.72
9699	Nishio Rent All Co., Ltd.	Sept.	8.5	8.3	8.5	8.7	0.68	0.67	43.1	43.8	26.7	30.3	2.96

Source: compiled by SIR from the company's IR material

Note: The value for MARUKA FURUSATO Corporation is the simple sum for the two groups before the integration, adjusted for the fiscal year. It is provided as reference. Furthermore, keep in the mind that the annual dividend per share for fiscal 2022 is ¥113 yen, of which ¥50 is a commemorative dividend. In place of the various IFRS operating profit-related figures for JTEKT Corporation, business profit is used.

*TB= Turn Black

Full year results table(1)

MARUKA FURUSATO Corporation		Actual										Co's		
	unit	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	2021/12*	2022/12	2023/12 CE	2026/12 CE
Net Sales	¥mn	117,053	127,760	134,942	146,451	141,818	151,246	172,385	173,818	142,696	74,292	162,416	171,000	200,000
YoY	%	10.4	9.1	5.6	8.5	(3.2)	6.6	14.0	0.8	(17.9)	-	-	5.3	-
Machinery and Tools	¥mn	83,677	88,582	92,927	102,875	98,685	106,273	124,359	121,033	94,381	43,635	109,059	-	147,000
		83,677	88,582	92,927	102,875	98,685	106,273	124,359	121,033	94,381	42,698	107,077	114,000	-
YoY	%	11.6	5.9	4.9	10.7	(4.1)	7.7	17.0	(2.7)	(22.0)	-	-	6.5	-
Construction Products	¥mn	27,247	31,972	33,599	34,464	34,619	35,833	39,129	39,879	35,038	28,893	43,847	-	47,000
		27,247	31,972	33,599	34,464	34,619	35,833	39,129	39,879	35,038	28,880	43,787	46,000	-
YoY	%	8.6	17.3	5.1	2.6	0.4	3.5	9.2	1.9	(12.1)	-	-	5.1	-
Construction Machinery	¥mn	6,126	7,201	8,412	9,109	8,505	9,133	8,894	10,121	8,830	425	8,839	-	10,000
		6,126	7,201	8,412	9,109	8,505	9,133	8,894	10,121	8,830	425	8,839	7,800	-
YoY	%	1.7	17.5	16.8	8.3	(6.6)	7.4	(2.6)	13.8	(12.8)	-	-	(11.8)	-
Security	¥mn	0	0	0	0	0	0	0	2,779	4,442	2,300	2,738	-	6,000
		0	0	0	0	0	0	0	2,779	4,442	2,287	2,711	3,000	-
YoY	%	-	-	-	-	-	-	-	-	59.8	-	-	10.7	-
Adjustments	¥mn	0	0	0	0	0	0	0	0	0	(963)	(2,068)	-	(10,000)
Cost of Sales	¥mn	100,089	108,990	115,147	125,554	121,800	130,046	148,429	148,861	120,400	62,551	136,137	-	-
Gross Profit	¥mn	16,981	18,769	19,795	20,876	20,027	21,196	23,923	24,888	22,251	11,741	26,278	-	-
sales ratio	%	14.5	14.7	14.7	14.3	14.1	14.0	13.9	14.3	15.6	15.8	16.2	-	-
SGA	¥mn	12,456	13,468	14,232	14,985	15,206	16,176	17,272	18,214	18,013	10,275	20,383	-	-
Operating Profit	¥mn	4,525	5,301	5,563	5,891	4,821	5,020	6,652	6,674	4,237	1,465	5,895	6,000	10,000
sales ratio	%	3.9	4.1	4.1	4.0	3.4	3.3	3.9	3.8	3.0	2.0	3.6	3.5	5.0
Machinery and Tools	¥mn	-	-	-	-	-	-	-	-	-	191	3,235	3,560	6,680
Segment sales ratio	%	-	-	-	-	-	-	-	-	-	0.4	3.0	3.1	4.5
Construction Products	¥mn	-	-	-	-	-	-	-	-	-	1,269	2,606	2,370	2,470
Segment sales ratio	%	-	-	-	-	-	-	-	-	-	4.4	6.0	5.2	5.3
Construction Machinery	¥mn	-	-	-	-	-	-	-	-	-	-32	142	50	200
Segment sales ratio	%	-	-	-	-	-	-	-	-	-	(7.5)	1.6	0.6	2.0
Security	¥mn	-	-	-	-	-	-	-	-	-	0	-57	20	700
Segment sales ratio	%	-	-	-	-	-	-	-	-	-	0.0	(2.1)	0.7	11.7
Adjustments	¥mn	-	-	-	-	-	-	-	-	-	36	-32	0	-50
Non-Operating Income	¥mn	775	970	988	984	878	941	1,056	970	877	627	1,268	-	-
Non-Operating Expenses	¥mn	317	336	348	377	543	401	441	568	407	59	107	-	-
Ordinary Profit	¥mn	4,983	5,935	6,203	6,498	5,155	5,560	7,267	7,076	4,708	2,033	7,055	6,830	-
Extraordinary Gain	¥mn	17	51	92	4	40	81	47	1,269	43	92	42	-	-
Extraordinary Loss	¥mn	187	573	31	115	264	192	102	27	23	72	17	-	-
Pretax Profit	¥mn	4,920	5,100	5,286	5,290	2,904	4,040	5,711	8,018	3,161	2,053	7,080	-	-
Income Taxes	¥mn	2,074	2,464	2,380	2,215	1,715	1,891	2,373	2,775	1,784	999	2,490	-	-
Tax rate	%	42	48	45	42	59	47	42	35	56	49	35	-	-
Net Profit	¥mn	2,740	2,948	3,884	4,172	3,217	3,559	4,838	5,543	2,943	1,054	4,590	-	-
Net Profit Attribute to non-controlling shareholders	¥mn	85	73	40	26	-48	12	23	40	116	16	59	-	-
Net Profit Attribute to parent company shareholders	¥mn	2,655	2,875	3,844	4,147	3,265	3,547	4,816	5,503	2,827	1,038	4,531	4,700	-

Note: Sales by segment in past years were prepared by adding up sub-segment sales disclosed by rounding down to the nearest million yen, and the fractional amount is inconsistent with the company-wide sales.

21/12 is discontinuous due to an irregular accounting period that includes April-December (9 months) for the Furusato Group and December (1 month) for the Maruka Group.

See the Initiation Report for a detailed breakdown of prior year results prior to the merger.

Full year results table(2)

MARUKA FURUSATO Corporation	unit	Actual										Co's		
		FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	2021/12*	2022/12	23/12CE	26/12 CE
EPS	yen	-	-	-	-	-	-	-	-	-	67.1	178.9	185.1	-
BPS	yen	-	-	-	-	-	-	-	-	-	2,632.9	2,816.2	-	-
DPS	yen	-	-	-	-	-	-	-	-	-	14.5	113.0	65.0	-
Payout ratio	%	-	-	-	-	-	-	-	-	-	21.6	63.2	35.1	About 35%
ROE	%	6.3	6.4	7.9	8.0	6.0	6.2	8.1	8.7	4.3	-	6.6	-	8.5
ROA (Operating Profit)	%	6.1	6.7	6.4	6.3	5.0	5.0	6.0	5.7	3.7	-	5.1	-	-
Equity ratio	%	57.5	56.6	55.4	55.3	56.7	55.7	52.6	54.5	60.9	61.4	58.0	-	-
EBITDA	¥mn	4,525	5,301	5,563	5,891	4,821	5,020	6,652	6,674	4,237	2,254	7,458	-	11,500
sales ratio	%	3.9	4.1	4.1	4.0	3.4	3.3	3.9	3.8	3.0	3.0	4.6	-	5.8
Capital expenditures	¥mn	1,175	1,619	1,033	2,234	2,551	3,419	1,896	5,419	2,063	566	2,777	-	-
Net Cash	¥mn	15,686	16,420	19,376	20,272	19,879	18,053	22,404	19,902	21,445	22,951	24,325	-	-
Total Assets	¥mn	75,707	82,879	91,252	96,395	97,368	104,815	116,163	118,612	109,143	108,594	122,914	-	-
Cash & Cash Equivalents	¥mn	15,985	16,864	20,051	20,902	20,724	19,281	23,262	22,071	23,944	24,172	25,648	-	-
Accounts Receivables	¥mn	32,416	36,640	39,792	42,923	41,222	46,232	52,707	51,454	39,150	38,554	43,609	-	-
Inventories	¥mn	5,222	6,080	7,081	6,821	6,735	7,228	7,981	9,896	9,123	10,211	15,293	-	-
Other Current Assets	¥mn	2,603	2,279	2,589	3,137	3,505	4,360	4,695	3,730	4,675	5,441	7,527	-	-
Property, Plant & Equipment	¥mn	13,359	13,980	14,197	15,865	17,479	19,135	19,597	21,083	21,826	20,484	22,036	-	-
Intangible Assets	¥mn	479	496	487	499	629	640	544	3,618	3,334	2,541	2,260	-	-
Investments and Other Assets	¥mn	5,643	6,540	7,055	6,248	7,074	7,940	7,376	6,760	7,091	7,189	6,540	-	-
Total Liabilities	¥mn	31,801	35,436	40,101	42,424	41,656	45,868	54,398	53,061	41,721	41,233	50,775	-	-
Trade Payables	¥mn	25,230	28,629	33,021	35,800	34,586	36,970	44,913	41,335	32,157	31,818	35,758	-	-
Interest-bearing Debt	¥mn	299	445	675	630	845	1,227	859	2,168	2,499	1,221	1,323	-	-
Other Liabilities	¥mn	6,272	6,363	6,404	5,994	6,226	7,670	8,626	9,558	7,066	8,194	13,694	-	-
Total Net Assets	¥mn	43,907	47,443	51,152	53,971	55,712	58,948	61,765	65,551	67,422	67,361	72,139	-	-
Capital Stock	¥mn	43,515	46,905	50,547	53,320	55,173	58,342	61,127	64,695	66,464	66,679	71,327	-	-
Other Net Assets	¥mn	392	538	605	651	539	606	637	856	958	682	812	-	-
Cash Flows from Operating Activities	¥mn	-	-	-	-	-	-	-	-	-	(853)	3,795	-	-
Cash Flows from Investing Activities	¥mn	-	-	-	-	-	-	-	-	-	(112)	(2,286)	-	-
Free Cash Flow (FCF)	¥mn	-	-	-	-	-	-	-	-	-	(965)	1,509	-	-
Cash Flows from Financial Activities	¥mn	-	-	-	-	-	-	-	-	-	(541)	(495)	-	-
Effect of Forex rate change on cash equivalents	¥mn	-	-	-	-	-	-	-	-	-	16	246	-	-
Increase in Cash Equivalents	¥mn	-	-	-	-	-	-	-	-	-	(1,491)	1,260	-	-
Cash Equivalent - Beginning	¥mn	-	-	-	-	-	-	-	-	-	14,093	22,872	-	-
Increase from newly consolidated subsidiary	¥mn	-	-	-	-	-	-	-	-	-	10,270	-	-	-
Cash Equivalent - Ending	¥mn	-	-	-	-	-	-	-	-	-	22,872	24,132	-	-

Source: compiled by SIR from the Company's IR material

Note: Sales by segment in prior years were prepared by adding up sub-segment sales disclosed by rounding down to the nearest million yen, and the fractional amount is inconsistent with the company-wide sales.

FY21/12 is discontinuous due to an irregular accounting period that includes April-December (9 months) for the Furusato Group and December (1 month) for the Maruka Group.

See the Initiation Report for a detailed breakdown of prior year results prior to the merger.

LEGAL DISCLAIMER

This report is intended to provide information about the subject company, and it is not intended to solicit or recommend investment. Although the data and information contained in this report have been determined to be reliable, we do not guarantee their authenticity or accuracy.

This report has been prepared by Sessa Partners on behalf of the concerned company for which it has received compensation. Officers and employees of Sessa Partners may be engaged in transactions such as trading in securities issued by the company, or they may have the possibility of doing so in the future. For this reason, the forecasts and information contained in this report may lack objectivity. Sessa Partners assumes no liability for any commercial loss based on use of this report. The copyright of this report belongs to Sessa Partners. Modification, manipulation, distribution or transmission of this report constitutes copyright infringement and is strictly prohibited.



Sessa Partners Inc.

#5a i-o Azabu, 2-8-14
Azabujyuban, Minato-ku, Tokyo
info@sessapartners.co.jp