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February 13, 2024

Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (Under Japanese GAAP)

Company name: MARUKA FURUSATO Corporation
 Listing: Tokyo Stock Exchange
 Securities code: 7128
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 Scheduled date of annual general meeting of shareholders: March 28, 2024
 Scheduled date to commence dividend payments: March 29, 2024
 Scheduled date to file annual securities report: March 28, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for analysts and institutional investors)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	172,980	6.5	5,705	(3.2)	6,652	(5.7)	4,698	3.7
December 31, 2022	162,416	–	5,895	–	7,055	–	4,531	–

Note: Comprehensive income For the fiscal year ended December 31, 2023: ¥5,866 million [8.6%]
 For the fiscal year ended December 31, 2022: ¥5,403 million [–%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
December 31, 2023	188.26	–	6.6	5.5	3.3
December 31, 2022	178.91	–	6.6	6.1	3.6

Reference: Share of profit (loss) of entities accounted for using equity method

For the fiscal year ended December 31, 2023: ¥– million

For the fiscal year ended December 31, 2022: ¥– million

Note: Year on year percentage changes for the fiscal year ended December 31, 2022 are not indicated due to a difference in the duration between the previous fiscal year and the fiscal year under review, as the Company was established on October 1, 2021, through a joint share transfer, and the fiscal year-end was changed accordingly.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2023	120,342	72,719	59.7	2,945.65
December 31, 2022	122,914	72,139	58.0	2,816.21

Reference: Equity

As of December 31, 2023: ¥71,838 million

As of December 31, 2022: ¥71,328 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2023	6,031	(4,898)	(5,370)	20,174
December 31, 2022	3,795	(2,286)	(495)	24,132

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended December 31, 2022	Yen –	Yen 10.00	Yen –	Yen 103.00	Yen 113.00	Millions of yen 2,888	% 63.2	% 4.2
Fiscal year ended December 31, 2023	–	10.00	–	56.00	66.00	1,630	35.1	2.3
Fiscal year ending December 31, 2024 (Forecast)	–	10.00	–	50.50	60.50		35.1	

Note: Breakdown of year-end dividends for the fiscal year ended December 2022

Ordinary dividend: ¥53.00, Commemorative dividend: ¥50.00

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

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending June 30, 2024 (Cumulative)	83,500	(1.9)	2,300	(27.8)	2,700	(25.6)	1,800	(30.7)	73.80
Fiscal year ending December 31, 2024	174,000	0.6	5,500	(3.6)	6,300	(5.3)	4,200	(10.6)	172.22

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None
- (3) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2023	25,174,214 shares
As of December 31, 2022	25,563,814 shares

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

As of December 31, 2023	786,349 shares
As of December 31, 2022	236,017 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended December 31, 2023	24,957,171 shares
Fiscal year ended December 31, 2022	25,327,127 shares

Note: The number of treasury shares at the end of the period includes shares of the Company owned by trust accounts of the “director stock ownership plan” and the “employee stock ownership plan” (169,584 shares as of December 31, 2023, 231,684 shares as of December 31, 2022).

Shares of the Company owned by trust accounts of the “director stock ownership plan” and the “employee stock ownership plan” are included in the number of treasury shares excluded for the calculation of the weighted-average number of ordinary shares.

- * Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

- * Proper use of earnings forecasts, and other special matters

Caution regarding forward-looking statements and others

Forward-looking statements, including the earnings forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. Results may differ materially from the earnings forecasts due to various factors.

Means of access to supplementary material on financial results

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

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1. Results of Operations

(1) Overview of Consolidated Financial Results

During the fiscal year ended December 31, 2023, the Japanese economy came to a standstill as personal consumption began to show signs of slowing due to rising prices, despite firm inbound demand. Industrial production was on a downward trend due to uncertainty over the global outlook, although the parts shortage problem in the manufacturing industry and other issues are being alleviated.

In the U.S., tightened monetary policy remains in place in order to curb inflation, which has had an impact on the market. Capital investment and housing investment have remained reasonably robust, but the outlook is still uncertain. In China, the economy has slowed due to the depressed real estate market. There are also concerns about a global economic slowdown amid growing tensions in the Middle East as well as the situation in Ukraine.

In this economic situation, as for the machine tool orders index, domestic demand decreased 21.0% year on year and foreign demand decreased 12.7% year on year from October to December. Furthermore, the industrial production index showed a slight decline of 0.3% year on year for October-December. In the construction related sector, new construction starts based on floor area for October-December decreased 1.2% year on year, and new housing starts for October-December decreased 6.3% year on year.

The MARUKA FURUSATO Group has set its mission to “Open up “now” with impressive proposals. Lead customers beyond the changes” on a daily basis and has formulated Medium Term Management Plan “UNISOL,” covering up until the end of 2026, by planning backward from its 10 year vision. The fiscal year ending December 31, 2023 is the second year of the first stage and is positioned as the year in which we establish a base to go back to a growth track. We realized integrated synergy early, enhanced platform, and focused on strategic fields.

Amid these conditions, for the fiscal year ended December 31, 2023, net sales amounted to ¥172,980 million, increasing by ¥10,563 million, or 6.5% year on year, and operating profit was ¥5,705 million, decreasing by ¥190 million, or 3.2% year on year. Furthermore, ordinary profit was ¥6,652 million, decreasing by ¥402 million, or 5.7% year on year, and profit attributable to owners of parent was ¥4,698 million, increasing by ¥166 million, or 3.7% year on year. In addition, although a forecast for ROE of 6.1% was set at the beginning of the fiscal year ended December 31, 2023, the actual ROE was 6.6%.

The operating results by segment are as follows:

Machinery & Tools Segment

Business confidence in the manufacturing sector in Japan is at a standstill, with conditions differing by industry. In the automotive industry, parts shortages were resolved and production was robust. With regard to capital investment, the main focus is on electric vehicle-related investments, being considered mainly in batteries, motors, and gigacast. Equipment tools and consumable products declined slightly due to continued calm conditions in the semiconductor industry. Increased production in the semiconductor industry is expected in the Spring of 2024 onward. In addition, SMEs are postponing capital investment due to rising machinery prices and interest rates.

In North America, price increases have been high, but the rate of increase has begun to slow. Among our customers, it appears that the appetite for capital investment in machine tools is returning. Sales of injection molding machines have decreased significantly, and there is no increased appetite for new capital investment. In China, the economy continues to slow due to weakness in consumption, including high unemployment among young people and sluggish demand for real estate. On the other hand, automobile sales have remained strong, mainly among Chinese manufacturers. Sales of Japanese automakers, our customers, have been sluggish due to the slow development of new energy vehicles.

As a result of the above, net sales amounted to ¥117,128 million, increasing by ¥10,051 million, or 9.4% year on year. Operating profit was ¥3,758 million, increasing by ¥522 million, or 16.2% year on year.

Construction Products Segment

Domestic construction demand was sluggish for small and medium-sized properties, while projects for urban redevelopment, semiconductor-related projects, and distribution warehouses were planned. Even for some large properties, construction plans are beginning to come under review due to rising construction prices. On the materials side, the Company has taken a price maintenance stance due to rising costs, and building materials prices are expected to remain at high levels going forward. As for housing equipment, the situation is returning to the pre-COVID pandemic environment, but prices are still high, as with building material prices. The demand for eligible products is increasing under the subsidy program toward achieving a carbon neutral society.

As a result of the above, net sales amounted to ¥45,241 million, increasing by ¥1,453 million, or 3.3% year on year, and operating profit was ¥1,987 million, decreasing by ¥619 million, or 23.8% year on year.

Construction Machinery Segment

Domestic construction investment remained steady due to increased public works investment. However, private investment has come to a standstill as construction costs have remained high. In the construction industry, the industry is taking a cautious stance on capital investment in consideration of the “2024 problem.” In addition, with regard to the manufacture of construction machinery, products we handle, we were affected by engine issues throughout the year.

As a result of the above, net sales amounted to ¥7,605 million, decreasing by ¥1,233 million, or 14.0% year on year. Operating profit was ¥81 million, decreasing by ¥61 million, or 42.7% year on year.

IoT Solutions Segment

In all industries, demand for surveillance cameras is on the rise, but profit margins in the wholesale market continue to decline due to an increase in the number of new entrants, and rise in raw material price, and distribution costs. While the availability of Chinese-made surveillance cameras is limited due to U.S.-China relations, they are being offered as no-brand products or OEM products, and competition is expected to continue on a product-by-product basis. The Company is shifting to a high value-added solution business and is increasing the number of projects through collaboration with Group companies. Our own in-house products have been affected by the supply chain, but this is expected to be resolved in FY2024.

As a result, net sales amounted to ¥3,004 million, increasing by ¥293 million, or 10.8% year on year, and operating profit was ¥38 million, an improvement of ¥95 million compared with operating loss of ¥57 million in the same period of the previous fiscal year.

(2) Overview of Consolidated Financial PositionTotal assets

Total assets as of December 31, 2023 were ¥120,342 million, a decrease of ¥2,572 million from the end of the previous fiscal year, mainly due to a decrease in cash and deposits resulting from purchase of treasury shares.

Liabilities

Liabilities as of December 31, 2023 were ¥47,623 million, a decrease of ¥3,152 million from the end of the previous fiscal year, mainly due to a decrease in contract liabilities.

Net assets

Net assets as of December 31, 2023, were ¥72,719 million, an increase of ¥580 million from the end of the previous fiscal year. This was mainly owing to the recording of profit attributable to owners of parent of ¥4,698 million, and dividends of surplus of ¥2,888 million.

(3) Overview of Consolidated Cash Flows

Cash and cash equivalents (hereinafter referred to as “cash”) as of December 31, 2023 were ¥20,174 million, a decrease of ¥3,957 million year on year.

The breakdowns of consolidated cash flows for the reporting period are as follows:

Net cash from operating activities

In the fiscal year ended December 31, 2023, net cash provided by operating activities was ¥6,031 million (compared with net cash provided of ¥3,795 million in the previous fiscal year). This was mainly owing to the recording of profit before income taxes of ¥6,894 million, depreciation of ¥1,626 million, an increase in trade receivables of ¥1,428 million, a decrease in inventories of ¥1,476 million, and income taxes paid of ¥2,378 million.

Net cash from investing activities

In the fiscal year ended December 31, 2023, net cash used in investing activities was ¥4,898 million (compared with net cash used of ¥2,286 million in the previous fiscal year). This was mainly owing to purchase of property, plant and equipment of ¥3,346 million and purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥1,690 million.

Net cash from financing activities

In the fiscal year ended December 31, 2023, net cash used in financing activities was ¥5,370 million (compared with net cash used of ¥495 million in the previous fiscal year). This was mainly owing to dividends paid of ¥2,880 million, and purchase of treasury shares of ¥2,807 million.

(Reference) Cash flow-related indicators

	1st Fiscal year ended December 31, 2021	2nd Fiscal year ended December 31, 2022	3rd Fiscal year ended December 31, 2023
Equity-to-asset ratio (%)	61.4	58.0	59.7
Equity-to-asset ratio based on market value (%)	56.1	74.0	53.4
Ratio of interest-bearing debt to cash flow (years)	–	0.3	0.2
Interest coverage ratio (times)	–	262.2	204.7

Equity-to-asset ratio: Equity / total assets

Equity-to-asset ratio based on market value: Total market value of stock / total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt / cash flows from operating activities

Interest coverage ratio: cash flows from operating activities / interest payment

- Notes
- All indicators are calculated using consolidated financial figures.
 - Total market capitalization was computed based on the closing stock price at the end of the period multiplied by the number of outstanding shares at the end of the period after deducting treasury shares
 - Operating cash flows represent cash flows from operating activities on the consolidated statements of cash flows. Interest-bearing debts represent all debts on the consolidated financial position for which interest is paid. In addition, interest payment represents amount of interest paid on the consolidated statements of cash flows.
 - As operating cash flow was negative during the fiscal year ended December 31, 2021, the ratio of interest-bearing debt to cash flow and the interest coverage ratio were omitted.

(4) Consolidated Earnings Forecasts for Fiscal 2024

In the fiscal year ending December 31, 2024, although the domestic economy in Japan is expected to proceed with a gentle recovery, it will be necessary to pay attention to the trend of capital investments, considering issues of improper conduct, etc. in the automotive industry, which is a major customer in the Machinery & Tools Segment. Meanwhile, looking overseas, although the current situation of the U.S. economy is steady, the present slowdown in the Chinese economy is expected to continue. In the Machinery & Tools Segment, the outlook for its business environment is uncertain.

As shown by the results of orders received in 2023 announced by the Japan Machine Tool Builders' Association, as a result of sluggish orders beginning from the second half of last year, the order backlog of the MARUKA FURUSATO Group at the start of the year also declined compared to the previous year. Overseas, the same occurred at local companies in the U.S. and China, and the first half of the year is expected to be difficult. A recovery is expected in Japan and the U.S. starting from around the middle of the year. Conditions in China are expected to be difficult throughout the year, however strong performance is expected in Asia.

Over the full year, selling, general and administrative expenses are expected to increase as a result of factors including operation of our new logistics center and system investment, and on a profit base the results are expected to fall below the level of the previous year.

The Construction Products Segment is facing such issues as businesses refraining from ordering due to the increased cost of construction materials, and a shortage of skilled workers. In addition to that, there is uncertainty as to how much effect the "2024 problem" (curbing of trucker overtime) will have on transportation. Consequently, the outlook for this segment's business environment is also uncertain.

Under such conditions, we will commence the third year of the Medium Term Management Plan "UNISOL," which the MARUKA FURUSATO Group has formulated, and steadily implement the measures of this plan.

Because of the aforementioned factors, for the earnings forecasts for the fiscal year ending December 31, 2024, we expect net sales of ¥174,000 million, operating profit of ¥5,500 million, ordinary profit of ¥6,300 million and profit attributable to owners of parent of ¥4,200 million. Forecast ROE will be 5.8%.

The above earnings forecasts are based on information currently available to the Company and actual results may differ from the forecasts due to a variety of factors. Should any changes occur in the future, the relevant information will be duly disclosed.

(5) Basic Policy for Distribution of Profits, Consolidated Dividends for Fiscal 2023 and Consolidated Dividends Forecasts for Fiscal 2024

The Company regards our dividend policy as one of the critical management issues.

The target annual dividend payout ratio is approximately 35% of consolidated net profit. Also, the Company aims to maintain ¥15.00 of dividends per share annually as minimum for the stable dividend returns to our shareholders.

(Note) Amount is rounded up by ¥0.5.
From ¥0.01 to ¥0.49; ¥0.5
From ¥0.51 to ¥0.99; ¥1.0

The amount of annual dividend paid for the reporting period is planned to be resolved to be ¥66.00 per share.

The total dividends payment will be ¥1,630 million and the Payout Ratio calculated from the profit attributable to owners of parent of ¥4,698 is higher than 35%.

For the next period, the Company is planning to pay the annual dividends of ¥60.50 per share based on the earnings forecasts.

2. Selection of Accounting Standards

The MARUKA FURUSATO Group compiled its consolidated financial statements in accordance with the generally accepted accounting principles and accounting standards in Japan (Japanese GAAP) taking into consideration availability to compare with competitors in Japan.

The Company is preparing to adopt International Financial Reporting Standards (IFRS) in consideration of various domestic and international circumstances.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated balance sheet

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	25,648	21,750
Notes and accounts receivable - trade	34,085	31,365
Electronically recorded monetary claims - operating	9,424	11,743
Investments in leases	100	23
Merchandise and finished goods	11,778	11,535
Work in process	3,133	2,884
Raw materials and supplies	382	442
Other	7,550	4,487
Allowance for doubtful accounts	(25)	(24)
Total current assets	92,077	84,207
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,343	16,494
Accumulated depreciation	(7,589)	(7,948)
Buildings and structures, net	7,753	8,546
Machinery, equipment and vehicles	4,490	4,670
Accumulated depreciation	(3,571)	(3,747)
Machinery, equipment and vehicles, net	918	922
Tools, furniture and fixtures	1,870	1,940
Accumulated depreciation	(1,326)	(1,372)
Tools, furniture and fixtures, net	543	567
Assets for rent	2,648	2,667
Accumulated depreciation	(1,618)	(1,617)
Assets for rent, net	1,030	1,049
Leased assets	362	511
Accumulated depreciation	(204)	(272)
Leased assets, net	157	239
Land	9,995	10,416
Construction in progress	1,636	2,887
Total property, plant and equipment	22,036	24,628
Intangible assets		
Goodwill	227	992
Trade right	1,120	960
Other	912	884
Total intangible assets	2,260	2,837
Investments and other assets		
Investment securities	4,003	5,145
Retirement benefit asset	797	1,082
Deferred tax assets	281	415
Other	1,540	2,112
Allowance for doubtful accounts	(83)	(87)
Total investments and other assets	6,540	8,669
Total non-current assets	30,837	36,134
Total assets	122,914	120,342

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

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,250	17,777
Electronically recorded obligations - operating	15,508	16,706
Short-term borrowings	511	896
Current portion of long-term borrowings	54	47
Lease liabilities	115	90
Income taxes payable	1,306	1,152
Contract liabilities	6,602	4,631
Provision for bonuses	647	703
Provision for bonuses for directors (and other officers)	56	57
Provision for share awards for employees	148	111
Provision for product warranties	42	68
Other	3,771	2,862
Total current liabilities	49,016	45,105
Non-current liabilities		
Long-term borrowings	498	451
Lease liabilities	145	189
Deferred tax liabilities	617	1,070
Provision for retirement benefits for directors (and other officers)	75	52
Provision for share awards for directors (and other officers)	49	49
Retirement benefit liability	126	158
Other	246	546
Total non-current liabilities	1,759	2,517
Total liabilities	50,775	47,623
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	28,299	27,334
Retained earnings	35,734	37,544
Treasury shares	(322)	(1,746)
Total shareholders' equity	68,712	68,132
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,414	2,161
Deferred gains or losses on hedges	6	(1)
Foreign currency translation adjustment	1,296	1,462
Remeasurements of defined benefit plans	(102)	83
Total accumulated other comprehensive income	2,615	3,705
Non-controlling interests	810	881
Total net assets	72,139	72,719
Total liabilities and net assets	122,914	120,342

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

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
Consolidated Statement of Income

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net sales	162,416	172,980
Cost of sales	136,137	145,985
Gross profit	26,278	26,994
Selling, general and administrative expenses	20,383	21,289
Operating profit	5,895	5,705
Non-operating income		
Interest income	46	77
Dividend income	140	175
Purchase discounts	466	454
Rental income	116	99
Foreign exchange gains	172	108
Other	325	182
Total non-operating income	1,268	1,097
Non-operating expenses		
Interest expenses	14	29
Rental costs	38	46
Litigation expenses	-	22
Other	54	51
Total non-operating expenses	107	150
Ordinary profit	7,055	6,652
Extraordinary income		
Gain on sale of investment securities	-	0
Gain on sale of non-current assets	42	272
Total extraordinary income	42	272
Extraordinary losses		
Loss on sale of non-current assets	1	2
Loss on retirement of non-current assets	15	20
Loss on valuation of investments in capital of subsidiaries and associates	-	7
Total extraordinary losses	17	31
Profit before income taxes	7,080	6,894
Income taxes - current	2,362	2,188
Income taxes - deferred	127	(27)
Total income taxes	2,490	2,161
Profit	4,590	4,733
Profit attributable to non-controlling interests	59	34
Profit attributable to owners of parent	4,531	4,698

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

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit	4,590	4,733
Other comprehensive income		
Valuation difference on available-for-sale securities	(131)	746
Deferred gains or losses on hedges	10	(7)
Foreign currency translation adjustment	1,258	208
Remeasurements of defined benefit plans, net of tax	(324)	185
Total other comprehensive income	813	1,133
Comprehensive income	5,403	5,866
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,245	5,788
Comprehensive income attributable to non-controlling interests	158	78

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

(3) Consolidated Statement of Changes in Shareholders' Equity

Fiscal Year Ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total
Balance at beginning of period	5,000	28,270	31,829	(321)	64,778
Changes during period					
Dividends of surplus			(626)		(626)
Profit attributable to owners of parent			4,531		4,531
Purchase of treasury shares				(5)	(5)
Disposal of treasury shares				5	5
Purchase of additional shares of consolidated subsidiaries		29			29
Net changes in items other than shareholders' equity					-
Total changes during period	-	29	3,905	(0)	3,934
Balance at end of period	5,000	28,299	35,734	(322)	68,712

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,545	(3)	137	222	1,901	681	67,361
Changes during period							
Dividends of surplus							(626)
Profit attributable to owners of parent							4,531
Purchase of treasury shares							(5)
Disposal of treasury shares							5
Purchase of additional shares of consolidated subsidiaries							29
Net changes in items other than shareholders' equity	(131)	10	1,159	(324)	714	129	843
Total changes during period	(131)	10	1,159	(324)	714	129	4,777
Balance at end of period	1,414	6	1,296	(102)	2,615	810	72,139

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

Fiscal Year Ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total
Balance at beginning of period	5,000	28,299	35,734	(322)	68,712
Changes during period					
Dividends of surplus			(2,888)		(2,888)
Profit attributable to owners of parent			4,698		4,698
Purchase of treasury shares				(2,807)	(2,807)
Disposal of treasury shares		(2)		420	417
Cancellation of treasury shares		(962)		962	-
Purchase of additional shares of consolidated subsidiaries		(0)			(0)
Net changes in items other than shareholders' equity					-
Total changes during period	-	(965)	1,810	(1,424)	(580)
Balance at end of period	5,000	27,334	37,544	(1,746)	68,132

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,414	6	1,296	(102)	2,615	810	72,139
Changes during period							
Dividends of surplus							(2,888)
Profit attributable to owners of parent							4,698
Purchase of treasury shares							(2,807)
Disposal of treasury shares							417
Cancellation of treasury shares							-
Purchase of additional shares of consolidated subsidiaries							(0)
Net changes in items other than shareholders' equity	746	(7)	165	185	1,089	70	1,160
Total changes during period	746	(7)	165	185	1,089	70	580
Balance at end of period	2,161	(1)	1,462	83	3,705	881	72,719

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

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	7,080	6,894
Depreciation	1,532	1,626
Amortization of goodwill	31	51
Increase (decrease) in provision for bonuses for directors (and other officers)	18	1
Increase (decrease) in retirement benefit liability	27	31
Decrease (increase) in retirement benefit asset	380	(284)
Increase (decrease) in provision for bonuses	187	(23)
Increase (decrease) in allowance for doubtful accounts	1	2
Increase (decrease) in provision for share awards for employee	148	(37)
Interest and dividend income	(187)	(252)
Interest expenses	14	29
Loss (gain) on sale of investment securities	-	(0)
Loss (gain) on sale of property, plant and equipment	(41)	(270)
Loss on retirement of non-current assets	15	20
Loss on valuation of investments in capital	-	7
Decrease (increase) in trade receivables	(1,090)	(1,428)
Decrease (increase) in inventories	(4,381)	1,476
Increase (decrease) in trade payables	1,879	316
Other, net	(441)	25 -
Subtotal	5,175	8,186
Interest and dividends received	183	252
Interest paid	(14)	(29)
Income taxes paid	(1,548)	(2,378)
Net cash provided by (used in) operating activities	3,795	6,031
Cash flows from investing activities		
Payments into time deposits	(1,093)	(859)
Proceeds from withdrawal of time deposits	1,179	1,013
Purchase of property, plant and equipment	(2,486)	(3,346)
Proceeds from sale of property, plant and equipment	179	608
Purchase of intangible assets	(107)	(148)
Purchase of investment securities	(120)	(54)
Proceeds from sale of investment securities	94	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(1,690)
Loan advances	(0)	(504)
Proceeds from collection of loans receivable	3	6
Other, net	65	75
Net cash provided by (used in) investing activities	(2,286)	(4,898)

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(14)	382
Repayments of long-term borrowings	(55)	(54)
Proceeds from long-term borrowings	204	–
Purchase of treasury shares	(5)	(2,807)
Dividends paid	(624)	(2,880)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(10)
Net cash provided by (used in) financing activities	(495)	(5,370)
Effect of exchange rate change on cash and cash equivalents	246	51
Net increase (decrease) in cash and cash equivalents	1,260	(4,186)
Cash and cash equivalents at beginning of period	22,872	24,132
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	–	228
Cash and cash equivalents at end of period	24,132	20,174

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

(5) Notes to Consolidated Financial Statements**Notes on premise of going concern**

Not applicable.

Change of indication method

Consolidated Statement of Income

In the previous fiscal year, “Surrender value of insurance policies” under “Non-operating income” was indicated separately. Because its monetary importance declined in the current fiscal year, it is indicated included in “Other” under “Non-operating income” beginning from the current fiscal year. In order to apply this change in indication method, the consolidated financial statements for the previous fiscal year have been converted.

As a result, the ¥33 million in “Surrender value of insurance policies” and ¥291 million in “Other” that had been listed separately under “Non-operating income” in the consolidated statement of income for the previous fiscal year have been converted to ¥325 million in “Other.”

Consolidated Statement of Cash Flows

In the previous fiscal year, “Loss (gain) on cancellation of insurance policies” under “Cash flows from operating activities” was indicated separately. Because its monetary importance declined in the current fiscal year, it is indicated included in “Other, net” under “Cash flows from operating activities” beginning from the current fiscal year. In order to apply this change in indication method, the consolidated financial statements for the previous fiscal year have been converted.

As a result, the ¥(33) million in “Loss (gain) on cancellation of insurance policies” and ¥(407) million in “Other, net” that had been listed separately under “Cash flows from operating activities” in the consolidated statement of cash flows for the previous fiscal year have been converted to ¥(441) million in “Other, net.”

In the previous fiscal year, “Loan advances” and “Proceeds from collection of loans receivable” were listed included in “Other, net” under “Cash flows from investing activities.” However as the monetary importance of these items has increased, they are listed separately beginning from the current fiscal year. In order to apply this change in indication method, the consolidated financial statements for the previous fiscal year have been converted.

As a result, the ¥68 million in “Other, net” that had been listed under “Cash flows from investing activities” in the consolidated statement of cash flows for the previous fiscal year has been converted to ¥(0) million in “Loan advances,” ¥3 million in “Proceeds from collection of loans receivable,” and ¥65 million in “Other, net.”

(Additional information)
(Restricted shares-based compensation)

With respect to the disposal of treasury shares as incentives with transfer restrictions for the Employee Stock Ownership Plan, which was resolved at the Board of Directors meeting held on August 21, 2023, the Company completed the payment procedures on December 27, 2023.

Segment information, etc.

1. Outline of reportable segments

The reportable segments are the segments of the MARUKA FURUSATO Group for which separate financial information is available and for which operating profit /loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance.

The MARUKA FURUSATO Group comprises of four segments, the “Machinery & Tools Segment,” the “Construction Products Segment,” “Construction Machinery Segment,” and the “IoT Solutions Segment,” which are segmented by supplies, products and services the Group provides.

Segments are as follows:

Reportable segment	Segment overview
Machinery & Tools Segment	Sales of machinery, tools and consumable products for manufactures in Japan and overseas
Construction Products Segment	Partial manufacturing and sales of products including in house manufacturing products for construction sectors, sales of housing equipment
Construction Machinery Segment	Sales and rental of construction machinery, rental of construction machinery with operators
IoT Solutions Segment	Introduction of physical security*1 system, sales of devices, providing subscription business and others

*1. Physical security: Security measures that are designed to deny unauthorized access to facilities, equipment and resources and to protect personnel and property from damage or harm among information security

Effective from the fiscal year ended December 31, 2023, the Company changed the name of its reportable segment “Security” to “IoT Solutions” to reflect the Company’s change and challenge toward the next stage as stated in its Medium Term Management Plan. Traditionally, we have developed our business as a system integrator of physical security, focusing on sales of surveillance cameras and security equipment. However, in recent years we have been focusing on solutions business utilizing IoT technology. In particular, we expect that Security Design Inc. will create new added value through the fusion of its know-how and expertise in IoT and AI with existing business areas, and this is an important part of the smart factory business initiatives. After the name change, the reportable segment classification will remain unchanged.

The segment information for the previous fiscal year is also presented under the new name.

2. Method for calculating net sales, profit (loss), assets and other items by reportable segment

The method for accounting treatment for operating segments reported is a method that is compliant with the accounting policies stated in “The important items as a basis for preparing consolidated financial statements.”

Profit of reportable segments represents a figure based on operating profit.

Intersegment revenues and transfers are based on prevailing market prices.

3. Information on net sales, profit (loss), assets and other items by reportable segment

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

(Millions of yen)

	Reportable segment					Adjustment (Note 1)	Total amounts on the consolidated statement of income (Note 2)
	Machinery & Tools	Construction Products	Construction Machinery	IoT Solutions	Total		
Net sales							
Sales to external customers	107,077	43,787	8,839	2,711	162,416	–	162,416
Intersegment revenue or transfers	1,981	59	–	26	2,068	(2,068)	–
Total	109,059	43,847	8,839	2,738	164,484	(2,068)	162,416
Segment profit (loss)	3,235	2,606	142	(57)	5,928	(32)	5,895
Segment assets	62,665	30,219	5,906	1,526	100,319	22,595	122,914
Other items							
Depreciation	789	458	216	67	1,532	0	1,532
Amortization of goodwill	31	–	–	–	31	–	31
Increase in property, plant and equipment and intangible assets	663	1,894	119	97	2,775	1	2,777

Notes: 1. Adjustments are as follows:

- (1) Adjustment of segment profit (loss), amounting to ¥(32) million, include ¥(31) million from elimination of intersegment transactions, ¥(4) million from reconciliation of inventories, and ¥2 million from reconciliation of non-current assets.
 - (2) Adjustment of assets amounted to ¥22,595 million includes elimination of intersegment transaction of ¥(179) million and corporate assets not allocated to each reportable segment of ¥22,775 million. The majority of corporate assets are surplus funds, long term investment funds and assets in Administration section, which do not belong to each reportable segment.
 - (3) The majority of adjustment of depreciation of ¥0 million does not belong to reportable segments.
2. Segment profit (loss) is adjusted to operating profit on the consolidated statement of income.

Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(Millions of yen)

	Reportable segment					Adjustment (Note 1)	Total amounts on the consolidated statement of income (Note 2)
	Machinery & Tools	Construction Products	Construction Machinery	IoT Solutions	Total		
Net sales							
Sales to external customers	117,128	45,241	7,605	3,004	172,980	–	172,980
Intersegment revenue or transfers	1,169	55	–	64	1,289	(1,289)	–
Total	118,297	45,296	7,605	3,069	174,269	(1,289)	172,980
Segment profit (loss)	3,758	1,987	81	38	5,865	(160)	5,705
Segment assets	65,297	30,403	5,524	1,602	102,829	17,513	120,342
Other items							
Depreciation	890	456	205	75	1,628	(2)	1,626
Amortization of goodwill	51	–	–	–	51	–	51
Increase in property, plant and equipment and intangible assets	2,006	1,419	207	56	3,690	–	3,690

Notes: 1. Adjustments are as follows:

- (1) Adjustment of segment profit, amounting to ¥(160) million, include ¥(159) million from elimination of intersegment transactions, ¥(3) million from reconciliation of inventories, and ¥2 million from reconciliation of non-current assets.
 - (2) Adjustment of assets amounted to ¥17,513 million includes elimination of intersegment transaction of ¥(129) million and corporate assets not allocated to each reportable segment of ¥17,642 million. The majority of corporate assets are surplus funds, long term investment funds and assets in Administration section, which do not belong to each reportable segment.
 - (3) The majority of adjustment of depreciation of ¥(2) million does not belong to reportable segments.
2. Segment profit is adjusted to operating profit on the consolidated statement of income.

Earnings per share

(Yen)

	Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)
Net assets per share	2,816.21	2,945.65
Basic earnings per share	178.91	188.26

Notes: 1. Diluted earnings per share are omitted because there are no latent shares such as bonds with stock acquisition rights.

2. For the calculation of basic earnings per share, shares of the Company owned by a trust account, which are recorded as treasury shares in shareholders' equity, are included in the number of treasury shares excluded for the calculation of the average number of shares outstanding. And for the calculation of Net Assets per share, they are included in the number of treasury shares excluded from the number of shares outstanding at the end of the fiscal year.

For the fiscal year ended December 31, 2023, the excluded number of treasury shares from the average number of shares outstanding for the calculation of basic earnings per share is 196 thousand shares, compared with 233 thousand shares for the fiscal year ended December 31, 2022.

For the fiscal year ended December 31, 2023, the excluded number of treasury shares from the number of shares outstanding for the calculation of Net Assets per share is 169 thousand shares, compared with 231 thousand shares for the fiscal year ended December 31, 2022.

3. Basis for calculating net assets per share is as follows:

	As of December 31, 2022	As of December 31, 2023
Total net assets as reported in the consolidated balance sheets (millions of yen)	72,139	72,719
Amount to be deducted from total net assets (millions of yen)	810	881
(of which, non-controlling interests (millions of yen))	(810)	(881)
Net assets pertaining to common stock shareholders (millions of yen)	71,328	71,838
Number of common stock shares outstanding as of December 31 used to calculate net assets per share (thousands of shares)	25,327	24,387

4. Basis for calculating basic earnings per share are as follows:

	Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (from April 1, 2023 to December 31, 2023)
Profit attributable to owners of parent (millions of yen)	4,531	4,698
Profit not attributable to common shareholders (millions of yen)	–	–
Profit attributable to owners of parent pertaining to common shares (millions of yen)	4,531	4,698
Average number of outstanding common shares during the period (thousands of shares)	25,327	24,957

Significant subsequent event

Not applicable.