COMPANY RESEARCH AND ANALYSIS REPORT

MARUKA FURUSATO Corporation

7128

Tokyo Stock Exchange Prime Market

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Summary

Increases in operating profit and ordinary profit forecast in FY12/25 as demand expected to pick up

MARUKA FURUSATO Corporation <7128> (hereafter, also “the Company”) is a holding company established through the management integration of Furusato Industries, Ltd. and Maruka Corporation in October 2021. It aims to evolve beyond being a technology trading company primarily focused on Machinery & Tools and Construction Products to become a unique solutions company. On January 1, 2026 (planned date), it will change its name to UNISOL Holdings Corporation. It is also carrying out restructuring within the Group and in January 2026, subsidiaries Maruka Corporation and G-NET CORPORATION will be merged to form UNISOL Corporation.

1. Strong solutions capabilities in the manufacturing market

The Company has four segments: Machinery & Tools, Construction Products, Construction Machinery, and IoT Solution. Also, its UNISOL (a word combining “unique” and “solutions”) brand covers the services and products of the Group overall. In Machinery & Tools, its strength lies in its ability to identify issues at customers’ production sites and propose solutions in the manufacturing market. Construction Products handles the manufacturing and sale of building products and piping products, mainly for the domestic steel frame construction and factory piping markets. The Company has a high market share for full braces, an earthquake-resistance structural part manufactured in-house and used in the framework of steel frame construction for warehouses, factories, and so forth. Construction Machinery handles the rental and sale of construction machinery and specializes in renting out elevating work vehicles with an operator. IoT Solution involves sales and deployment of security systems and equipment including security/surveillance cameras, which is playing an important role in the smart factory business, which is a focus of the Group.

2. Sales and profit declined in FY12/24 as recovery in demand was delayed

In the consolidated results for FY12/24, net sales decreased 6.5% year on year (YoY) to ¥161,716mn, operating profit decreased 32.3% to ¥3,860mn, ordinary profit declined 30.0% to ¥4,659mn, and profit attributable to owners of parent decreased 1.8% to ¥4,613mn. Each line of profit declined due to higher SG&A expenses, in addition to the impact of lower sales as the recovery in demand for mainstay Machinery & Tools and Construction Products was delayed. The gross margin increased by 0.3 percentage points (pp) due to improvements to the product mix among other contributions, while the SG&A expense ratio rose 1.2pp. As a result, the operating profit margin decreased 0.9pp to 2.4%. Additionally, despite recording gain on sale of investment securities of ¥2,378mn under extraordinary income due to the sale of cross-shareholdings, it also recorded an impairment loss of ¥419mn under extraordinary loss, resulting in a small decrease in profit attributable to owners of parent.

3. Increases in sales, operating profit, and ordinary profit forecast in FY12/25 as demand expected to pick up

In its FY12/25 consolidated results forecast, the Company is forecasting increases in sales, operating profit, and ordinary profit with net sales increasing 5.1% YoY to ¥170,000mn, operating profit increasing 16.6% to ¥4,500mn, ordinary profit increasing 9.4% to ¥5,100mn, and profit attributable to owners of parent decreasing 28.5% to ¥3,300mn. The recovery in demand for mainstay Machinery & Tools began to pick up momentum in 2H FY12/24 and in addition to the increase in sales, efforts to curb the increase in SG&A expenses will contribute to results. The gross margin is expected to remain level at 15.9% while the SG&A expense ratio is forecast to decrease 0.3pp. Profit attributable to owners of parent will decrease YoY due to the absence of the gain on sale of investment securities recorded in FY12/24. Looking at the outlook by fiscal half, in the 1H forecast, net sales will increase 1.5% YoY to ¥80,000mn and operating profit will increase 5.5% to ¥1,800mn, and in 2H, net sales will increase 8.6% to ¥90,000mn and operating profit will increase 25.4% to ¥2,700mn. As the recovery in orders for machinery picks up, sales are expected to fully recover in 2H, taking into account the lead times from order to delivery.

4. Expecting to achieve shareholder return target of DOE of at least 3.5% ahead of schedule in FY12/25

The Company is framing how it aspires to be in 10 years' time as "UNIQUE SOLUTIONS," in which it aims to be the "Solution Partner" whom customers choose first, by solving various challenges faced in manufacturing sites with unique ideas. It has revised the quantitative targets for the second stage (FY12/24–FY12/26) of its Medium-Term Management Plan "UNISOL" (FY12/22–FY12/26) due to the effects of a downturn in the market environment, but it will pursue its policy of maximizing synergies, which includes restructuring within the Group, and actively advancing business development in new areas. Its basic policy for shareholder return is to continuously increase dividends with a medium- to long-term shareholder return target for ordinary dividends of a dividend on equity ratio (DOE) of at least 3.5%. It is expected to achieve this target ahead of schedule in FY12/25.

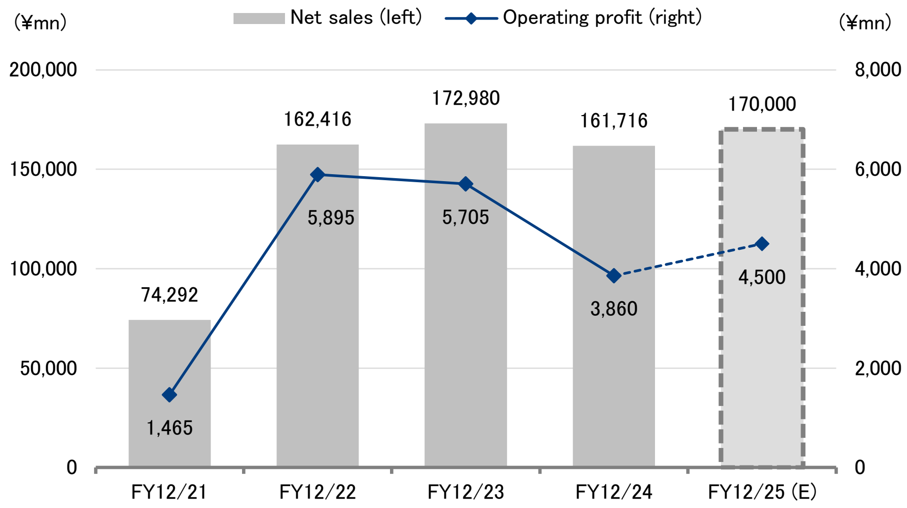
5. Attention on the possibilities of growing Group synergies

Although the Company recorded a considerable decline in profit in FY12/24 due to a downturn in the market environment, orders for machinery began to recover in 2H of the year and at FISCO, we expect to see a return to a growth trajectory in FY12/25. Additionally, the Company's strengths include its solutions capabilities for bringing to light and proposing solutions to issues at customer manufacturing sites in the manufacturing market, so despite the downward revision of the quantitative targets for the second stage of the Medium-Term Management Plan "UNISOL," there are possibilities emerging from Group synergies, which are growing at an accelerating rate due to efforts including the current restructuring within the Group. Therefore, we will be paying attention as to whether the Company can be expected to improve profit margins and further enhance shareholder return in line with these synergies.

Key Points

- The Company aims to evolve beyond being a technology trading company primarily focused on Machinery & Tools and Construction Products to become a unique solutions company
- Sales and profit declined in FY12/24 as recovery in demand was delayed, but a recovery was seen in 2H
- Increases in sales, operating profit, and ordinary profit forecast in FY12/25 as demand expected to pick up
- Expecting to achieve shareholder return target of DOE of at least 3.5% ahead of schedule in FY12/25
- Attention on the possibilities of growing Group synergies

Results trends



Source: Prepared by FISCO from the Company's financial results

Company profile

Scheduled to change name to UNISOL Holdings Corporation on January 1, 2026 (planned date)

1. Company profile

The Company is a holding company established in October 2021 through a joint stock transfer by Furusato Industries and Maruka. As Group principles, the slogan (declaration to society) is, "'Why didn't we think of this?' one after another;" the mission (duties that should be fulfilled) is, "Open up now with impressive proposals;" the vision (the future that should be achieved) is, "Society filled with the idea of 'I want to make it happen;'" and the three values put forth are "co-creative spirit," "growth motivation," and "thinking of issues as our own matters." To realize these, the Company aims to go beyond its position as a technology trading company primarily focused on Machinery & Tools and Construction Products, to raise Group synergies and be a unique solutions company that generates unique solutions found nowhere else.

As of the end of FY12/24, the Company has its head office in Chuo-ku, Osaka, and the Group consists of the Company, 21 consolidated subsidiaries, 7 non-consolidated subsidiaries, and 2 non-equity-method affiliates, for a total of 31 companies. The main consolidated subsidiaries, other than Furusato Industries, Maruka, and G-NET, are Gifu Shoji Co., Ltd., Security Design Inc., Sonoruka Engineering Co., Ltd, KAN MANUFACTORY CO., LTD., Kitakyu Machine and Tools Co., Ltd., ArPlus Corporation, and TS Precision Co., Ltd. Overseas, the Company has 28 sites in North America, China, and Southeast Asia primarily. As of the end of FY12/24, the Company had total assets of ¥120,821mn, net assets of ¥73,373mn, capital of ¥69,937mn, an equity ratio of 59.9%, and 25,143,642 shares outstanding (including 1,101,368 treasury shares).

In January 2025, the Company established UNISOL BUSINESS PARTNERS Corporation to take over the corporate administrative operations of Furusato Industries, G-NET, and Maruka. Additionally, on January 1, 2026 (planned date), it will change its name to UNISOL Holdings Corporation. It is also carrying out restructuring within the Group and in January 2026, Maruka and G-NET will be merged to form UNISOL Corporation.

2. History

In October 2021, Furusato Industries and Maruka established the holding company MARUKA FURUSATO Corporation through a joint stock transfer and listed the shares on the First Section of the Tokyo Stock Exchange (TSE). Thereafter, it was transferred to the Prime Market when the TSE restructured its markets in April 2022.

History

<Reference> History of Furusato Industries, Ltd.

Date	Major Event
May 1959	Established Furusato Tekkosho Ltd. in Fukushima-ku, Osaka
February 1973	Changed name to Furusato Industries, Ltd.
October 1986	Listed on the Second Section of the Osaka Securities Exchange (OSE)
August 2000	Made G-NET Corporation a subsidiary
November 2004	Listed on the Second Section of the Tokyo Stock Exchange (TSE)
March 2006	Listed on First Sections of the TSE and OSE
October 2007	Made Gifu Shoji Co., Ltd. a subsidiary
October 2016	Made Security Design Inc. a subsidiary
May 2021	Agreed to management integration of Furusato Industries, Ltd. and Maruka Corporation
September 2021	Delisted shares

<Reference> History of Maruka Corporation

Date	Major Event
December 1946	Established Maruka Co., Ltd. in Higashi-ku, Osaka
February 1970	Changed name to Maruka Machinery Co., Ltd.
February 1974	Established Sonoruka Engineering Co., Ltd.
September 1998	Listed on the Second Section of the OSE
October 2005	Listed on the Second Section of the TSE
November 2006	Designated for the First Section of the TSE
April 2016	Made KAN MANUFACTORY CO., LTD. a subsidiary
December 2017	Made Kitakyu Machine and Tools Co., Ltd. a subsidiary
April 2019	Changed name to Maruka Corporation
July 2019	Made Miyazawa Co., Ltd. (name changed to ArPlus Corporation in April 2023) a subsidiary
May 2021	Agreed to management integration of Furusato Industries, Ltd. and Maruka Corporation
September 2021	Delisted shares

History of MARUKA FURUSATO Corporation

Date	Major Event
October 2021	Established the holding company MARUKA FURUSATO Corporation through a joint stock transfer by Furusato Industries, Ltd. and Maruka Corporation Listed MARUKA FURUSATO Corporation newly on the First Section of the TSE
April 2022	Transferred to the TSE Prime Market following the TSE market reorganization
April 2023	Established a joint venture Mtass Ref Corporation (non-consolidated subsidiary) between Maruka and Matsuhashi Reinetsu
August 2023	Maruka makes TS Precision Co., Ltd. a subsidiary
May 2024	G-NET invested in ARUM Inc.
December 2024	Maruka invested in EUREKA ROBOTICS PTE. LTD. in Singapore
January 2025	Established UNISOL BUSINESS PARTNERS Corporation to take over the corporate administrative operations of Furusato Industries, G-NET, and Maruka

Source: Prepared by FISCO from the Company's materials

Business overview

Machinery & Tools and Construction Products the mainstays; solutions capability in manufacturing market is characteristic and strength

1. Business overview, features and strengths

The Company has four segments: Machinery & Tools, Construction Products, Construction Machinery, and IoT Solution. It aims to be a unique solutions company that generates solutions found nowhere else. Its overall brand for its products is UNISOL, a word combining “unique” and “solutions.” On a Company-wide basis, it has a business base of 4,500 suppliers and 16,000 customers.

In Machinery & Tools, G-NET, Gifu Shoji, Maruka, KAN MANUFACTORY, ArPlus, TS Precision, Mtass Ref (non-consolidated subsidiary), Sonoruka Engineering, Kitakyu Machine and Tools, and overseas subsidiaries (in North America, China, and Southeast Asia) sell (some products and parts are manufactured in-house) and engineer machine tools, FA devices, industrial machinery, injection molding machines, robots, washers, food machinery, logistics machines, forming machines, CO_2 refrigeration systems, machinery tools, pneumatic devices, cutting tools, and others. Around 20% of the Company’s sales are overseas.

The Company does not simply buy and wholesale machinery and tools; rather, it provides a wide range of industrial machinery and tools in manufacturing markets in Japan and overseas, including major automakers and automotive parts manufacturers, and has the proposal, design and construction capabilities to combine them and achieve labor savings, energy savings and higher efficiency for customer production lines. In particular, it can bring to light issues on the customer’s production sites and propose solutions. This solutions capability is a strength. Moreover, it can also accommodate smart factories that use cutting-edge technologies, like AI, sensing, and clouds, to provide broad support for manufacturing sites. In March 2023, to strengthen the smart factory field, G-NET signed a business partnership agreement with ARUM Inc. that includes exclusive distribution rights in Japan for a cloud-based subscription service that makes possible the use of the ARUMCODE series and other products. In addition, G-NET invested in ARUM in May 2024.

Furthermore, in December 2024, Maruka invested in EUREKA ROBOTICS PTE. LTD. (hereafter “EUREKA”) in Singapore. EUREKA is a startup company that develops and sells AI-based next-generation robotics control technologies (cutting-edge robot controllers and specialized 3D cameras). The Company will use EUREKA’s exceptional technology to drive technological innovation in the manufacturing and logistics industries and it is building a robust sales cooperation framework for global markets, especially Japan and the U.S.

In Construction Products, Furusato Industries and G-NET manufacture and sell building products and piping products, and housing equipment systems, etc., to construction companies (general contractors) primarily in domestic markets for steel frame construction and factory piping. In particular, the Company’s full braces, etc., made in-house, boast a high share of the market. The full brace is used in the framework of steel frame construction like warehouses and factories. Around 90% of sales is non-housing related and around 10% is related to housing.

In Construction Machinery, Maruka and Japan Rental Co., Ltd. sell and rent construction machinery like crawler cranes, foundation construction machinery, and elevating work vehicles. Distinguishing characteristics include providing total support that goes beyond just the machines themselves to include insurance and after-services, and the option to rent elevating work vehicles with an operator.

In IoT Solution, Security Design operates businesses such as selling security equipment and deploying security systems, including security and surveillance cameras, access control, and biometric authentication to meet the needs of offices, factories and warehouses, etc. Previously, device sales were central, but the Company is promoting total solutions and has expanded into the IoT field with monitoring and sensing, etc., playing an important role in the smart factory business, which is a focus of the Group. In addition, in September 2023, Security Design began sales of UNI-MOW, a system that detects signs of birth labor in cows, as a smart livestock system that uses AI analysis. This was developed via joint research with Kyoto University's Graduate School of Agriculture and with the assistance of Farmers Support Corporation.

2. Results by business segment

In regard to results by business segment, looking at the breakdown of net sales, Machinery & Tools accounted for 60–70% and Construction Products for nearly 30%. Looking at the breakdown of operating profit, Machinery & Tools accounted for around 50% and Construction Products for about 40%. Therefore, Machinery & Tools and Construction Products are the Company's mainstays. Also, the operating profit margin declined in FY12/24 for Machinery & Tools due to the impact of lower sales, and for Construction Products due to the impact of competition. The operating profit margin for Construction Machinery increased in FY12/24 due to factors such as an increase in sales of second-hand vehicles. IoT Solution recorded an operating loss in FY12/22, owing to the drop-off of extraordinary demand for thermal cameras related to the COVID-19 pandemic. However, it returned to an operating profit in FY12/23 as the impact from that demand drop-off ran its course and cost management was bolstered, and in FY12/24, the operating profit margin rose a notch, buoyed by contributions from large-scale projects.

Results by business segment

Net sales (sales to external customers) (¥mn)

	FY12/22	FY12/23	FY12/24
Machinery & Tools	107,077	117,128	104,767
Construction Products	43,787	45,241	44,947
Construction Machinery	8,839	7,605	8,413
IoT Solution	2,711	3,004	3,588
Consolidated net sales	162,416	172,980	161,716

Net sales composition (%)

	FY12/22	FY12/23	FY12/24
Machinery & Tools	65.9	67.7	64.8
Construction Products	27.0	26.2	27.8
Construction Machinery	5.4	4.4	5.2
IoT Solution	1.7	1.7	2.2
Consolidated net sales	100.0	100.0	100.0

Operating profit (¥mn)

	FY12/22	FY12/23	FY12/24
Machinery & Tools	3,235	3,758	2,019
Construction Products	2,606	1,987	1,576
Construction Machinery	142	81	200
IoT Solution	-57	38	188
Total	5,928	5,865	3,985
Adjustment	-32	-160	-124
Consolidated operating profit	5,895	5,705	3,860

Composition of operating profit before adjustments (%)

	FY12/22	FY12/23	FY12/24
Machinery & Tools	54.6	64.1	50.7
Construction Products	44.0	33.9	39.5
Construction Machinery	2.4	1.4	5.0
IoT Solution	-1.0	0.6	4.7
Total	100.0	100.0	100.0

Operating profit margin (%)

	FY12/22	FY12/23	FY12/24
Machinery & Tools	3.0	3.2	1.9
Construction Products	6.0	4.4	3.5
Construction Machinery	1.6	1.1	2.4
IoT Solution	-2.1	1.3	5.2
Operating profit margin before adjustments	3.6	3.4	2.5
Adjustment	-	-	-
Consolidated operating profit margin	3.6	3.3	2.4

Note: The operating profit margin for each segment is calculated by dividing the operating profit margin before adjustments by net sales to external customers
Source: Prepared by FISCO from the Company's financial results

Differentiation with unique solutions

3. Risk factors, feature of earnings, issues and countermeasures

As for general risk factors, they include demand fluctuations caused by the business climate, lower sales and worse profitability caused by intensified competition, currency fluctuations, being slow to adjust prices in light of higher raw material costs, and being slow to accommodate product development and technological innovations. Mainstay Machinery & Tools is impacted by capital investment, primarily by manufacturers, and Construction Products is impacted by construction investment, so it is possible that demand will fluctuate due to the business climate. For this reason, to analyze results fluctuation risk, the Company is promoting business portfolio management that analyzes multiple businesses with differing business models and sensitivity to the business climate. Regarding competition, there are many similar companies, but the Company is working to differentiate itself through its strength in making unique proposals and providing solutions.

Results trends

Sales and profit declined in FY12/24 as recovery in demand was delayed, but a recovery was seen in 2H

1. Overview of FY12/24 consolidated results

In the consolidated results for FY12/24, net sales decreased 6.5% YoY to ¥161,716mn, operating profit decreased 32.3% to ¥3,860mn, ordinary profit declined 30.0% to ¥4,659mn, and profit attributable to owners of parent decreased 1.8% to ¥4,613mn. Each line of profit declined due to higher SG&A expenses, in addition to the impact of lower sales as the recovery in demand for mainstay Machinery & Tools and Construction Products was delayed. Gross profit decreased 4.9% but the gross margin rose 0.3pp to 15.9%. This was due to improvements to the Machinery & Tools and Construction Machinery product mixes among other contributions. SG&A expenses increased by 2.4% and the SG&A expense ratio rose 1.2pp to 13.5%. As a result, the operating profit margin decreased 0.9pp to 2.4%.

Analyzing the factors behind the ¥1,844mn decrease in operating profit, a ¥1,757mn decrease in gross profit due to lower revenue was a negative factor, a ¥429mn improvement in the gross margin was a positive factor, a ¥235mn increase in operating expenses was a negative factor (a ¥53mn increase in freight and packing costs, ¥89mn increase in advertising expenses, and ¥46mn increase in provision for allowance for doubtful accounts were all negative factors), a ¥90mn increase in labor costs was a negative factor (although a ¥98mn decrease in director's remuneration was a positive factor, a ¥242mn increase in salary allowance bonus was a negative factor), and a ¥190mn increase in SG&A expenses was a negative factor (although an ¥84mn decrease in rent expenses was a positive factor, a ¥150mn increase in depreciation and an ¥81mn increase in commission expenses were negative factors). Despite recording gain on sale of investment securities of ¥2,378mn under extraordinary income due to the sale of cross-shareholdings, it also recorded an impairment loss of ¥419mn under extraordinary loss, resulting in a small decrease in profit attributable to owners of parent. Compared with the Company's previous forecasts (revised on July 26, 2024 to net sales of ¥163,200mn, operating profit of ¥3,800mn, ordinary profit of ¥4,600mn, and profit attributable to owners of parent of ¥4,550mn), results were generally in line with expectations.

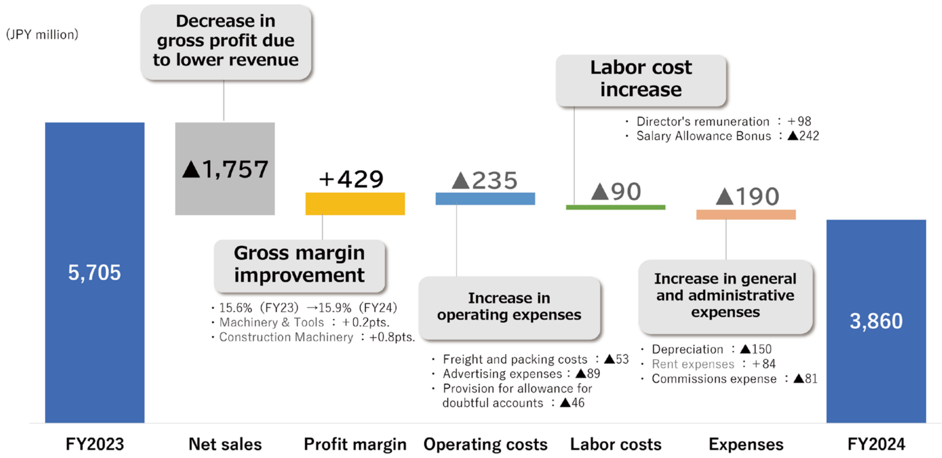
Overview of FY12/24 consolidated results

(¥mn)

	FY12/23		FY12/24		YoY		Previous forecast amount	vs previous forecast	
	Results	vs net sales	Results	vs net sales	Change	% change		Change	% change
Net sales	172,980	100.0%	161,716	100.0%	-11,263	-6.5%	163,200	-1,484	-0.9%
Gross profit	26,994	15.6%	25,666	15.9%	-1,328	-4.9%	-	-	-
SG&A expenses	21,289	12.3%	21,806	13.5%	517	2.4%	-	-	-
Operating profit	5,705	3.3%	3,860	2.4%	-1,844	-32.3%	3,800	60	1.6%
Ordinary profit	6,652	3.8%	4,659	2.9%	-1,992	-30.0%	4,600	59	1.3%
Profit attributable to owners of parent	4,698	2.7%	4,613	2.9%	-85	-1.8%	4,550	63	1.4%

Note: Previous forecasts announced on July 26, 2024
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Operating profit analyis (by factor)



Source: The Company's results briefing materials

Poor performance by Machinery & Tools and Construction Products, but good performance by Construction Machinery and IoT Solution

2. Trends by business segment

In Machinery & Tools, net sales decreased 10.6% YoY to ¥104,767mn and operating profit (before adjustments for corporate expenses, etc.) decreased 46.3% to ¥2,019mn. Sales and profit declined significantly as the recovery in demand was delayed across the board. Domestic machinery sales declined 11.5%. Although this represented a double-figure decrease for the full year, orders began to increase in 2H, especially for engineer machine tools, as capital investment rose slightly, primarily in the auto industry. Overseas machinery sales decreased 23.9%. In the key area of North America (decrease of 25.6%), customers continued to hold off on purchases due to high interest rates and the presidential election, but there was a gradual increase in inquiries. In China (decrease of 53.5%), the decrease in capital investment by Japanese automakers continued due to the impact of the economic slowdown. In Southeast Asia (increase on 0.3%), although sales declined in Indonesia and Malaysia, there were contributions from multiple investment projects in Thailand. The ratio of the Company's total sales accounted for by overseas sales decreased 3.4pp to 14.9%. Domestic tool sales declined 0.2%. amid lackluster growth in sales of consumables in the metal working sector, including the auto industry.

In Construction Products, sales and profit both decreased, with net sales declining 0.7% YoY to ¥44,947mn and operating profit decreasing 20.6% to ¥1,576mn. Sales of building products decreased 0.6% as demand for steel-framed buildings declined due to factors including rising materials prices, labor shortages, and workstyle reforms in the construction industry (requirement to close sites for eight days every four weeks). Sales of piping products decreased 6.1% due as the overall business was impacted by price competition, despite receiving an order for a large project. Sales of housing equipment increased 8.6% due to factors including the effects of price revisions.

In Construction Machinery, net sales increased 10.6% YoY to ¥8,413mn and operating profit increased 144.8% to ¥200mn. This represents considerable increases in both sales and profit, surpassing previous forecasts. In addition to an increase in orders for crawler cranes, the Company's focus on sales of used vehicles also made a contribution.

In IoT Solution, sales and profit both increased with net sales increasing 19.4% YoY to ¥3,588mn and operating profit rising 393.7% to ¥188mn. In addition to receiving ongoing orders for projects for clients such as major private security companies and the earnings structure becoming more stable as the number of top-tier customers increased, factors such as expenses reductions also contributed.

Overview of FY12/24 by segment

(¥mn)

	FY12/23		FY12/24		YoY		Previous forecast amount	vs previous forecast	
	Results	vs net sales	Results	vs net sales	Change	% change		Change	% change
Net sales									
Machinery & Tools	117,128	67.7%	104,767	64.8%	-12,361	-10.6%	105,980	-1,213	-1.1%
Construction Products	45,241	26.2%	44,947	27.8%	-294	-0.7%	45,540	-593	-1.3%
Construction Machinery	7,605	4.4%	8,413	5.2%	808	10.6%	8,060	353	4.4%
IoT Solution	3,004	1.7%	3,588	2.2%	583	19.4%	3,620	-32	-0.9%
Consolidated net sales	172,980	100.0%	161,716	100.0%	-11,263	-6.5%	163,200	-1,484	-0.9%
Operating profit									
Machinery & Tools	3,758	3.2%	2,019	1.9%	-1,739	-46.3%	1,810	209	11.5%
Construction Products	1,987	4.4%	1,576	3.5%	-410	-20.6%	1,720	-144	-8.4%
Construction Machinery	81	1.1%	200	2.4%	118	144.8%	130	70	53.8%
IoT Solution	38	1.3%	188	5.2%	150	393.7%	140	48	34.3%
Total	5,865	3.4%	3,985	2.5%	-1,880	-32.1%	3,800	185	4.9%
Adjustment	-160	-	-124	-	-	-	0	-124	-
Consolidated operating profit	5,705	3.3%	3,860	2.4%	-1,844	-32.3%	3,800	60	1.6%

Notes: 1. Previous forecasts announced on July 26, 2024
2. Operating profit vs net sales is operating profit as a percentage of the segment's net sales
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Strong financial health

3. Financial position

On the financial front, total assets were ¥120,821mn at the end of FY12/24, down ¥479mn from the end of FY12/23. This is mainly because cash and deposits increased by ¥5,783mn and property, plant and equipment increased by ¥747mn, whereas notes and accounts receivable-trade declined by ¥2,757mn and investment securities declined by ¥2,028mn. Total liabilities were ¥47,448mn, down ¥175mn. This is mainly because electronically recorded obligations – operating increased by ¥416mn and contract liabilities increased by ¥453mn, whereas deferred tax liabilities decreased by ¥892mn, and the total of long-term and short-term borrowings decreased by ¥477mn to ¥917mn. Total net assets increased by ¥654mn to ¥73,373mn. Retained earnings increased by ¥2,508mn and treasury shares (subtraction) increased by ¥630mn, whereas valuation difference on available-for-sale securities decreased by ¥1,153mn. As a result, the equity ratio increased 0.2pp to 59.9%.

At the Board of Directors meeting on March 28, 2024, the Company resolved to reduce policy shareholdings. This applies to shareholdings in roughly 40 companies for which its total balance sheet carrying value is about ¥647mn (as of the end of December 2023). The Company plans to proceed with sales of such shareholdings after careful dialogue with investee companies. FISCO believes the Company's financial health is strong, with nothing of concern in particular as a whole, including the status of cash flows.

Consolidated balance sheet and statement of cash flows (summarized version)

(¥mn)

Item	End-FY12/22	End-FY12/23	End-FY12/24	Change
Total assets	122,914	120,342	120,821	479
Current assets	92,077	84,207	86,599	2,392
Non-current assets	30,837	36,134	34,221	-1,913
Total liabilities	50,775	47,623	47,448	-175
Current liabilities	49,016	45,105	45,350	245
Non-current liabilities	1,759	2,517	2,097	-420
Net assets	72,139	72,719	73,373	654
Shareholder's equity	68,712	68,132	69,937	1,805
Equity ratio (%)	58.0%	59.7%	59.9%	0.2pp

	End-FY12/22	End-FY12/23	End-FY12/24
Cash flows from operating activities	3,795	6,031	7,863
Cash flows from financing activities	-2,286	-4,670	1,433
Cash flows from investing activities	-495	-5,370	-3,368
Cash and cash equivalents at end of period	24,132	20,174	26,129

Source: Prepared by FISCO from the Company's financial results

Outlook

Increases in sales, operating profit, and ordinary profit forecast in FY12/25 as demand expected to pick up

1. Overview of FY12/25 consolidated forecast

In its FY12/25 consolidated results forecast, the Company is forecasting increases in sales, operating profit, and ordinary profit with net sales increasing 5.1% YoY to ¥170,000mn, operating profit increasing 16.6% to ¥4,500mn, ordinary profit increasing 9.4% to ¥5,100mn, and profit attributable to owners of parent decreasing 28.5% to ¥3,300mn. The recovery in demand for mainstay Machinery & Tools began to pick up momentum in 2H FY12/24 and in addition to increases in sales and profit, efforts to curb the increase in SG&A expenses will contribute to results. The Company expects gross profit to increase 5.2%, the gross margin to remain level at 15.9%, SG&A expenses to increase 3.2% YoY, and the SG&A expense ratio to decrease 0.3pp. Profit attributable to owners of parent will decrease YoY due to the absence of the gain on sale of investment securities recorded in FY12/24. Looking at the outlook by fiscal half, in the 1H forecast, net sales will increase 1.5% YoY to ¥80,000mn and operating profit will increase 5.5% to ¥1,800mn, and in 2H, net sales will increase 8.6% to ¥90,000mn and operating profit will increase 25.4% to ¥2,700mn. As the recovery in orders for machinery picks up, sales are expected to fully recover in 2H, taking into account the lead times from order to delivery.

Overview of FY12/25 consolidated forecast

(¥mn)

	FY12/24		FY12/25		YoY		1H		2H	
	Results	vs net sales	Forecast	vs net sales	Change	% Change	Amount	% Change	Amount	% Change
Net sales	161,716	100.0%	170,000	100.0%	8,283	5.1%	80,000	1.5%	90,000	8.6%
Gross profit	25,666	15.9%	27,000	15.9%	1,333	5.2%	12,800	2.1%	14,200	8.2%
SG&A expenses	21,806	13.5%	22,500	13.2%	693	3.2%	11,000	1.6%	11,500	4.8%
Operating profit	3,860	2.4%	4,500	2.6%	639	16.6%	1,800	5.5%	2,700	25.4%
Ordinary profit	4,659	2.9%	5,100	3.0%	440	9.4%	2,100	-2.8%	3,000	20.0%
Profit attributable to owners of parent	4,613	2.9%	3,300	1.9%	-1,313	-28.5%	1,420	-50.4%	1,880	7.4%

Source: Prepared by FISCO from the Company's financial results and results briefing materials

2. Trends by business segment

For Machinery & Tools, the Company is forecasting net sales to increase 6.8% YoY to ¥111,850mn and operating profit to increase 26.3% to ¥2,550mn (with net sales increasing 2.5% to ¥52,500mn and operating profit rising 17.4% to ¥990mn in 1H, and net sales increasing 10.9% to ¥59,350mn and operating profit rising 32.6% to ¥1,560mn in 2H). Demand is expected to recover due to factors including increased automobile production and an increase in sales in the U.S. from customers who previously held off on purchases.

For Construction Products, the Company is forecasting net sales to increase 1.8% YoY to ¥45,760mn and operating profit to increase 9.1% to ¥1,720mn (with net sales increasing 1.0% to ¥22,000mn and operating profit decreasing 6.1% to ¥700mn in 1H, and net sales increasing 2.6% to ¥23,760mn and operating profit rising 22.7% to ¥1,020mn in 2H). Although a full-scale recovery in demand is unlikely, the Company will aim to achieve growth through the effects of efforts to enhance productivity and Group synergies.

For Construction Machinery, the Company is forecasting net sales to decrease 0.2% YoY to ¥8,400mn and operating profit to decline 10.2% to ¥180mn (with net sales decreasing 9.6% to ¥3,650mn and operating profit declining 22.6% to ¥60mn in 1H, and net sales increasing 8.5% to ¥4,750mn and operating profit decreasing 2.3% to ¥120mn in 2H). Despite predicting steady sales, the forecast is conservative, taking into account factors such as a rebound from the sales and profit recorded in FY12/24, which increased considerably and surpassed forecasts.

For IoT Solution, the Company is forecasting net sales to increase 11.2% YoY to ¥3,990mn and operating profit to decline 20.5% to ¥150mn (with net sales increasing 2.6% to ¥1,850mn and operating profit declining 19.4% to ¥100mn in 1H, and net sales increasing 19.8% to ¥2,140mn and operating profit decreasing 22.4% to ¥50mn in 2H). While sales promotions, particularly for security equipment, will drive net sales upward, the Company's forecast of a decrease in profit is conservative, taking into account factors such as advance investments.

Overview of FY12/25 by segment

(¥mn)

	FY12/24		FY12/25		YoY		1H		2H	
	Results	vs net sales	Forecast	vs net sales	Change	% change	Amount	% change	Amount	% change
Net sales										
Machinery & Tools	104,767	64.8%	111,850	65.8%	7,083	6.8%	52,500	2.5%	59,350	10.9%
Construction Products	44,947	27.8%	45,760	26.9%	813	1.8%	22,000	1.0%	23,760	2.6%
Construction Machinery	8,413	5.2%	8,400	4.9%	-13	-0.2%	3,650	-9.6%	4,750	8.5%
IoT Solution	3,588	2.2%	3,990	2.3%	402	11.2%	1,850	2.6%	2,140	19.8%
Consolidated net sales	161,716	100.0%	170,000	100.0%	8,283	5.1%	80,000	1.5%	90,000	8.6%
Operating profit										
Machinery & Tools	2,019	1.9%	2,550	2.3%	531	26.3%	990	17.4%	1,560	32.6%
Construction Products	1,576	3.5%	1,720	3.8%	144	9.1%	700	-6.1%	1,020	22.7%
Construction Machinery	200	2.4%	180	2.1%	-20	-10.2%	60	-22.6%	120	-2.3%
IoT Solution	188	5.2%	150	3.8%	-38	-20.5%	100	-19.4%	50	-22.4%
Total	3,985	2.5%	4,600	2.7%	615	15.4%	1,850	3.4%	2,750	25.3%
Adjustment	-124	-	-100	-	-	-	-50	-	-50	-
Consolidated operating profit	3,860	2.4%	4,500	2.6%	639	16.6%	1,800	5.5%	2,700	25.4%

Note: Operating profit vs net sales is operating profit as a percentage of the segment's net sales
Source: Prepared by FISCO from the Company's financial results and results briefing materials

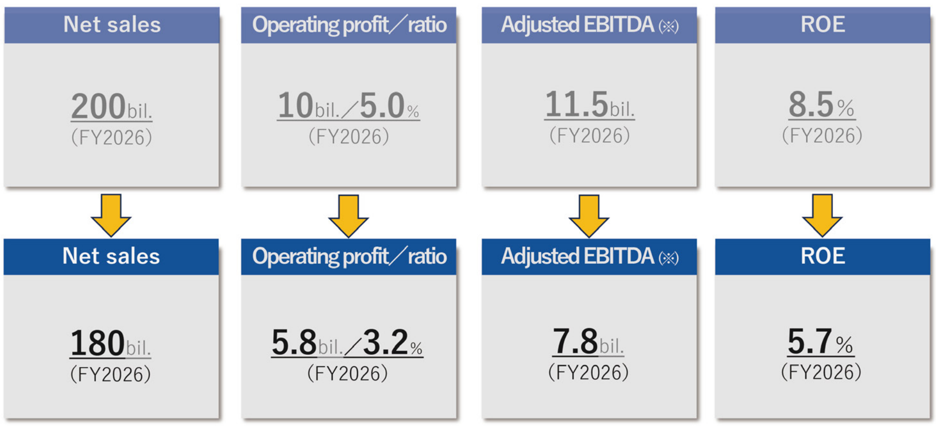
Growth strategy

Medium-Term Management Plan “UNISOL”

1. Medium-Term Management Plan “UNISOL”

The Company is framing how it aspires to be in 10 years’ time as “UNIQUE SOLUTIONS,” in which it aims to be the “Solution Partner” whom customers choose first, by solving various challenges faced in manufacturing sites with unique ideas. The Medium-Term Management Plan “UNISOL” (FY12/22–FY12/26) is a roadmap with the first two years (FY12/22–FY12/23) positioned as the first stage for establishing a base (getting back on a growth track), and the last three years (FY12/24–FY12/26) as the second stage for accelerating growth. FY12/24 results fell short of the plan’s targets due to the effects of a downturn in the market environment, including a decline in demand for capital investment, especially in the auto industry, in the Machinery & Tools sector, and rising materials prices and the prolonging of construction periods due to construction industry workstyle reforms in the Construction Products sector. Therefore, the Company has revised the quantitative targets for FY12/26, the final year of the plan, downward to net sales of ¥180.0bn, operating profit of ¥5.8bn (¥4.4bn from existing businesses and ¥1.4bn from developing synergies and strategy), an operating profit margin of 3.2%, adjusted EBITDA (=operating profit + depreciation + goodwill amortization + other temporary revenue and expenses) of ¥7.8bn, and ROE of 5.7%.

Revisions to the quantitative targets for the final year of the Medium-Term Management Plan “UNISOL”



(※) Adjusted EBITDA＝Operating profit＋Depreciation + Amortization of goodwill ± Other one-time expenses and income

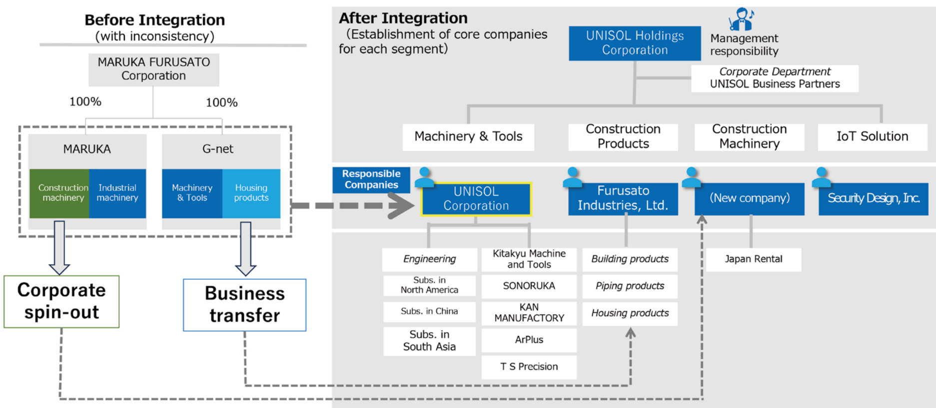
Source: The Company’s results briefing materials

The plan’s basic strategies are “cultivation,” to differentiate the Company from others in existing businesses, “challenge,” to develop new business fields, and “sustainability,” to strengthen SDGs initiatives. Under the “cultivation” strategy, initiatives will include reinforcing supply, technology, and service functions to respond to diversified needs of customers, raising the Company’s ability to provide comprehensive solutions by forming alliances, and strengthening engagement in strategic fields by integrating knowledge. Under the “challenge” strategy, initiatives will include creating new added value by combining the Group’s functions, knowledge, and advantages, strengthening smart factory business, and shifting from supply-oriented business models to solution-oriented models. Under the “sustainability” strategy, initiatives will include contributing to solutions for social issues through the Company’s businesses, reducing CO_2 emissions, and establishing working environments that provide job satisfaction.

As for progress made in FY12/24, in the "cultivation" area, it created outcomes amounting to ¥0.56bn from synergies and carried out growth investments aimed at enhancing platform functions to the value of about ¥2.8bn (acquisition of TS Precision and investments in EUREKA and ARUM). In the "challenge" area, although the Company recognizes that the lack of significant results as yet is an issue, it is working to maximize synergies through restructuring within the Group and by actively advancing development in new business areas.

As a first step, the Company established UNISOL BUSINESS PARTNERS Corporation in January 2025 to take over the corporate administrative operations of Furusato Industries, G-NET, and Maruka. It is aiming to foster a core group of personnel who can lead management in the future by further developing the skills of staff in corporate divisions through efforts to enhance operational efficiency and quality. In March 2025, it transitioned into a Company with Audit and Supervisory Committee in order to further strengthen its corporate governance structure. Additionally, on January 1, 2026 (planned date), it will change its name to UNISOL Holdings Corporation. Alongside Group restructuring efforts, it is adopting the UNISOL name as the Group's unified brand. As part of Group restructuring, Maruka and G-NET will be merged to form UNISOL Corporation in January 2026. During this process, Maruka's Construction Machinery Business will be spun out into a new company and G-NET's Housing Equipment System Business will be transferred to Furusato Industries. This restructuring will eliminate inconsistency between businesses and create synergies by clarifying business responsibility and facilitating self-direction.

Reorganization within the Group: Maruka and G-NET



Source: The Company's results briefing materials

In addition, the Company announced measures for realizing cost-of-capital and share price-conscious management to continuously improve its corporate value on March 28, 2024. Although return on equity ratio (ROE) is on an improvement track at 6.6% as of FY12/23, the level is below the expected cost of shareholders' equity of about 7.0% (calculated based on the Company's standards). Moreover, the market values the Company at a PBR (price to book value ratio) below 1x, which the Company attributes to its efforts to realize synergies not being recognized by the market. Based on this analysis of the current situation, the Company is implementing concrete measures to improve market valuation, such as making growth investments of around ¥20.0bn using financial leverage, bolstering shareholder returns through flexible repurchasing of treasury shares, enhancing IR activities, and invigorating trading in its stock by appealing to new individual investors.

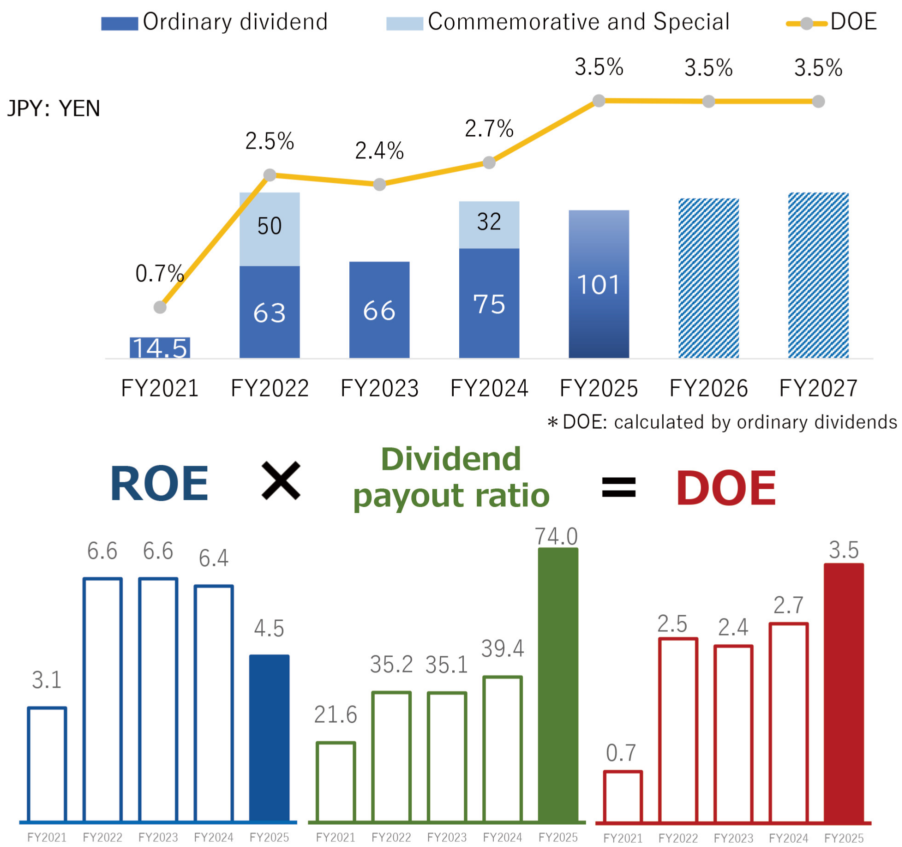
Expecting to achieve shareholder return target of DOE of at least 3.5% ahead of schedule in FY12/25

2. Shareholder return policy

On April 15, 2024, the Company announced changes to its shareholder returns policy. Previously, it strived to provide a stable minimum annual dividend of ¥15.00 per share based on a consolidated payout ratio of about 35%. Following the changes, its basic policy for ordinary dividends is to continuously increase dividends, with a medium- to long-term shareholder return target of dividend on equity ratio (DOE) of at least 3.5%. The Company plans to raise DOE in stages starting from FY12/24, aiming to achieve DOE of 3.5% during the period of the next Medium-Term Management Plan (FY12/27–FY12/29). In addition to ordinary dividends, it will utilize special dividends and treasury share repurchases to flexibly provide additional returns to shareholders according to profit levels and financial conditions.

Under this basic policy, the Company paid a dividend of ¥107.00 per share in FY12/24 (¥30.00 at the end of 1H, ¥77.00 at year-end = ordinary dividend of ¥45.00 + special dividend of ¥32.00), an increase of ¥41.00 on FY12/23. In FY12/25, it is forecasting an annual dividend of ¥101.00 (¥30.00 at the end of 1H, ¥71.00 at year-end), a decrease of ¥6.00 on FY12/24. While the amount for FY12/25 is a decrease overall, it represents an increase in the ordinary dividend (annual ordinary dividend of ¥75.00 in FY12/24 and ¥101.00 in FY12/25). Furthermore, DOE calculated using the ordinary dividend is 2.7% for FY12/24 and 3.5% for FY12/25, meaning the Company is expected to achieve its shareholder return target of DOE of at least 3.5% ahead of schedule.

Dividend Policy



Source: The Company's results briefing materials

Also, the Company announced revisions to its shareholder benefits program (revisions to benefit content and preferential treatment for long-term holdings) on May 13, 2024. The Company previously gave shareholders food gifts according to two categories based on the number of shares held, whereas the revised program sets three categories based on the number of shares held and provides QUO cards of different values according the period of continuous shareholding. The program will be implemented from December 31, 2024 for shareholders who own at least one unit of shares as of the record date of December 31 of each year.

Revision of shareholder benefits program

Before revision

No. of shares held	Benefit content
100 to 499 shares	Food gift (assortment of Western sweets worth ¥1,000)
500 shares or more	Food catalog gift (catalog for choosing a food gift worth ¥3,500)

After revision

No. of shares held	Benefit content	
	Shares held continuously for less than three years	Shares held continuously for at least three years*
100 to 199 shares	QUO card worth ¥500	QUO card worth ¥1,000
200 to 499 shares	QUO card worth ¥1,000	QUO card worth ¥3,000
500 shares or more	QUO card worth ¥5,000	QUO card worth ¥10,000

* Listed consecutively for at least seven times in the shareholder registry at the end of June and end of December under the same shareholder number
Source: Prepared by FISCO from the Company's press releases

Bolstering sustainability management initiatives

3. Sustainability management

The Company is also strengthening initiatives for sustainability management. In February 2022, it established the Sustainability Committee and put forth five basic themes: 1) Achieve harmony and coexistence with the global environment (reducing the environmental impact in our business activities), 2) Support sustainability in the manufacturing industry (improving productivity through proposals for automation and saving labor of production equipment and construction sites), 3) Realize a secure, safe and comfortable society (a safe, secure and stable supply system for products and merchandise), 4) Increase job motivation, and promote growth and social contribution (promotion of diversity), and 5) Promote fair and honest corporate activities (strengthen the risk management and crisis management systems).

Attention on the possibilities of growing Group synergies

4. FISCO's view

Although the Company recorded a considerable decline in profit in FY12/24 due to a downturn in the market environment, orders for machinery began to recover in 2H of the year and at FISCO, we expect to see a return to a growth trajectory in FY12/25. Additionally, the Company's strengths include its solutions capabilities for bringing to light and proposing solutions to issues at customer manufacturing sites in the manufacturing market, so despite the downward revision of the quantitative targets for the second stage of the Medium-Term Management Plan "UNISOL," there are possibilities emerging from Group synergies, which are growing at an accelerating rate due to efforts including the current restructuring within the Group. Therefore, we will be paying attention as to whether the Company can be expected to improve profit margins and further enhance shareholder return in line with these synergies.

FISCO

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