

## Expectations of earning growth through its own efforts

### Large machine tool order backlog despite downward trend in orders

#### ● SUMMARY

FY22/12 results were better than the revised plan, and the year-end dividend was revised upward. The company guided for lower profit on higher sales in FY2023/12, primarily driven by the negative impact of foreign exchange rates and weakness in overseas earnings in the mainstay Machinery & Tools segment, while the company is expected to steadily improve earnings and create synergies excluding the exchange-rate effect.

● **Progress in implementing Medium-term Management Plan:** MARUKA FURUSATO is making steady progress in implementing the various measures promoted in its Medium-term Management Plan. Despite continuing harsh conditions in the automobile industry, investments are beginning to be made in the EV field through companies such as Hitachi Astemo in order to respond to the CASE era. As for cross sales, although one can argue that the scale of cross sales indicates the company is still in the trial phase, it is beginning to have success with sales of G-net Corporation products (mainly tools) to Maruka customers, who primarily purchase machinery. While tools have a rather low unit price compared to machinery, they have more than a minor impact on earnings if one considers lifetime value (LTV) because of their short consumption cycle and continuing semi-stock-like demand. Furthermore, in the field of automation and energy efficiency, the company announced that it captured the marketing rights for HAN'S Robot products. Close attention should be paid not only to these factors but also growth in sales of the AI software ARUMCODE for fully automating NC programming, one element of promoting the smart factory concept. MARUKA FURUSATO's ROE rose to 6.6% in FY2022/12, compared to a target ROE of 8.5% for the final year of its Medium-term Management Plan (FY2026/12), but it is projected to decline to 6.1% in FY2023/12 primarily because of a decline in net sales. ROE is expected to recover starting in FY2024/12.

● **Macro environment:** The overall upward trend in machine tool orders has weakened since the second half of 2022. Sales, however, are very likely not to fall dramatically as the company's order backlog is large compared to previous periods when orders trended downward. Turning to global trends, MARUKA FURUSATO's customers are receiving a smaller number of inquiries from North America as a result of rising interest rates and the risk of a recession. On the other hand, there are also

FY/	¥mn,%	Net sales	YoY	OP	YoY	RP	YoY	NP	YoY	EPS ¥	DPS ¥
2019/12		175,395				6,892		5,620		-	-
2020/12		145,028	-17.3			4,539	-34.1	2,996		-	-
2021/12		143,180	-1.3			3,178	-30.0	3,065		-	-
2022/12CE		158,000	10.4			5,500	73.1	4,100	33.8	161.9	107.0
2022/12		162,416	13.4			5,895	85.5	4,531	47.8	178.9	113.0
2023/12CE		170,000	4.7			5,700	-3.3	4,380	-3.3	172.9	61.0

Source: SIR from the company materials

Note: Before FY2021, The adjusted amount of the two groups' revenues for the period.

The DPS for FY22/12 includes a commemorative dividend of ¥50.

#### 4Q Follow-up



#### Focus Points:

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

#### Key Indicators

Share price (23/2/24)	2,942
YH (23/1/4)	3,335
YL (23/2/17)	2,879
10YH (22/5/23)	4,165
10YL (21/10/14)	1,906
Shrs out. (mn shrs)	25.564
Mkt cap (¥ bn)	75.2
EV (¥ bn)	50.9
Shr equity ratio (12/31)	58.0%
23.12 P/E (CE)	17.01x
22.12 EV/EBITDA (act)	1.04x
23.12 DY (CE)	2.07%

#### Stock Price and Volume since Listing



Source: SPEEDA data

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positive factors including expectations of a recovery in capital expenditures because of the model cycle for Japanese cars and a rebound from lockdowns in China. To determine the short-term upside, focus should probably be on to what extent the company can reverse the downward trend in orders through its own efforts, such as strengthening sales in fields that are trending upward compared to other fields and generating synergies.

● **Valuation:** MARUKA FURUSATO's shares outperformed those of broadly defined comparable companies in 2022 but are underperforming in 2023. Therefore, compared to 2022, the difference in valuations from other companies is shrinking.

## FY2022/12

### Full year results

#### **FY2022/12 full year results better than forecast because of successful price hike stems from raw materials increase and the impact of exchange rate**

Operating profit rose 85.5% on and adjusted basis, to ¥5.89 bn, on sales growth of 13.4%, to ¥162.4 bn. Results exceeded the revised plan announced in August 2022. In the Machinery and Tools, and Construction Products segments, the company passed on increases raw material prices more than expected, contributing to improved profitability. Operating profit grew ¥2.72 bn, which was primarily because of an increase in sales of ¥2.97 bn and contribution of ¥1.18 bn from greater profitability despite labor costs rising ¥1.48 bn. This includes the impact of exchange rates (the total increase in gross profit from translation to yen and increase in labor costs for all items) and revisions to the wage structure for the Furusato Industries Group. The year-end dividend per share was revised upward to ¥103.0, from ¥97.0, bringing the total per share dividend for the year to ¥113.0, from ¥107.0, including a commemorative dividend of ¥50.

As for actual 4Q (Oct.–Dec.) results, net sales rose 19.1% year on year, and operating profit grew 93.3% year on year. In addition to making progress in monetarizing the large order backlog, which include orders from the machine tool and semiconductor industries, MARUKA FURUSATO recorded firm sales of used construction machinery. Profits from Machinery and Tools were also boosted by the exchange rate. However, it is probably important to keep in the mind that for FY2023/12, the exchange rate may have a negative impact each quarter and growth in profit for the same segment may flatten.

**Quarterly results**

Maruka Furusato Corporation	unit	21/12				22/12			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net Sales	¥mn	33,452	36,014	36,631	37,081	38,819	38,092	41,347	44,157
YoY	%	-18.9	8.8	3.3	5.3	16.0	5.8	12.9	19.1
Machinery and Tools	¥mn	22,662	24,113	24,277	24,522	26,406	24,974	26,935	28,760
YoY	%	-21.4	13.3	3.7	9.6	16.5	3.6	10.9	17.3
Construction Products	¥mn	8,403	8,977	9,724	10,178	9,359	10,745	11,551	12,131
YoY	%	-6.7	4.5	11.6	9.1	11.4	19.7	18.8	19.2
Construction Machinery	¥mn	1,441	2,221	1,845	1,578	2,373	1,785	2,164	2,516
YoY	%	-40.2	11.7	-13.5	-29.4	64.7	-19.6	17.3	59.4
Security	¥mn	945	701	784	801	679	586	695	750
YoY	%	19.0	-40.6	-28.7	-34.2	-28.1	-16.4	-11.4	-6.4
Cost of Sales	¥mn	-	-	-	-	32,629	31,876	34,814	36,818
sales ratio	%	-	-	-	-	84.1	83.7	84.2	83.4
Gross Profit	¥mn	-	-	-	-	6,189	6,216	6,534	7,339
sales ratio	%	-	-	-	-	15.9	16.3	15.8	16.6
SGA	¥mn	-	-	-	-	4,720	4,924	5,107	5,632
sales ratio	%	-	-	-	-	12.2	12.9	12.4	12.8
Operating Profit	¥mn	666	549	1,080	883	1,469	1,291	1,428	1,707
sales ratio	%	2.0	1.5	2.9	2.4	3.8	3.4	3.5	3.9
Machinery and Tools	¥mn	471	364	445	188	771	795	533	1,135
Segment sales ratio	%	2.1	1.5	1.8	0.8	2.9	3.2	2.0	3.9
Construction Products	¥mn	190	134	499	726	449	628	815	713
Segment sales ratio	%	2.3	1.5	5.1	7.1	4.8	5.8	7.1	5.9
Construction Machinery	¥mn	-2	29	32	-22	43	4	63	31
Segment sales ratio	%	-0.1	1.3	1.7	-1.4	1.8	0.2	2.9	1.2
Security	¥mn	-8	-13	44	-17	-26	-13	-41	24
Segment sales ratio	%	-0.8	-1.9	5.6	-2.1	-3.8	-2.2	-5.9	3.2
Adjustments	¥mn	15	34	57	9	231	-123	56	-196

Source: compiled by SIR from company IR material

Note: For FY2021, earnings were compiled for the period and then adjusted.

Sales by segment refer to sales to external customers.


**Steady progress in synergy creation**

One of the highlights of these results is the quantitative disclosure of the progress on two main thrusts of the medium-term management plan: 1) strengthening of group synergies and 2) strategic expansion. The company claims to have generated ¥130 mn from measures related to group synergies, such as cross-selling, strengthening of cross-division effort in strategic end markets such as electronic vehicles, and reduction in overhead costs. An additional ¥80 mn in operating profit came from strategic expansion measures, including the introduction of new products such as compact braces and laser KEREN, a laser cleaning tools. The target is to add ¥1bn - ¥2bn in operating profit from each source by FY2026/12, with most of the gains scheduled to come in the later half of the plan.

For example, despite continuing harsh conditions in the automobile industry, investments are beginning to be made in the EV field through companies such as Hitachi Astemo in order to respond to the CASE era. The automobile parts manufacturer Hitachi Astemo, 2/3 of whose shares are held by Hitachi, Ltd., (6501) and 1/3 by Honda Motor Co., Ltd., (7267), was established through the management merger of four major companies—Hitachi Automotive Systems Ltd., Keihin Corporation, Showa Corporation, and Nissin Kogyo Co. Ltd. Attention should be paid to this company, a global leader actively promoting a response to CASE, as one element driving an expansion of the scope of business.

Furthermore, it appears that steady progress is being made in cross-sales measures that involve G-net Corporation employees being seconded to Maruka and selling G-net Corporation products (mainly tools) to Maruka customers, who primarily purchase equipment. This makes it possible to directly approach parties such as board members at customers who have the authority to make decisions regarding machinery and other expensive products, and steady progress is being made with replacements and bundled sales. Although the unit price for tools is low compared to equipment, they are no less important than equipment if one considers LTV as their consumption cycle is short and continuing semi-stock-like demand while the same equipment is used. Current conditions are such that only one employee has been assigned to each of three cities (total of three)—Tokyo, Nagoya, and Osaka. Although MARUKA FURUSATO is still in the trial phase, the number of such employees is expected to increase and full synergies start to be generated if a sales method is established and sales are projected to increase.

**Machinery and Tools cycle image**

Type	Price	First year	...	12th year						
<b>Machinery</b>	<b>¥10 mn over</b>	★								
<b>Tools</b>	<b>¥X,000- ¥X0,000yen</b>	★	★	★	★	...	★	★	★	★
Cutting tools		★	★	★	★	...	★	★	★	★
jig (tools)	"	★	★	★	★	...	★	★	★	★
...	"	★	★	★	★	...	★	★	★	★

**Tool Cycle**

Source: compiled by SIR

In the field of automation and energy efficiency, G-net Corporation announced that it captured the marketing rights for HAN'S Robot products. These are cooperative robots that are highly safe and people can work closely with. At the time of writing this report, it appears that full-scale sales activities will be launched in the spring of 2023 or after although a specially-designed website has yet to be launched, but there is a growing shift toward smart factories and more material for related proposals. Close attention should be paid to trends in this field, which include growth in sales of ARUCODE, AI software that fully automates NC programming.

#### HAN'S ROBOT Product image



Source: the company's material

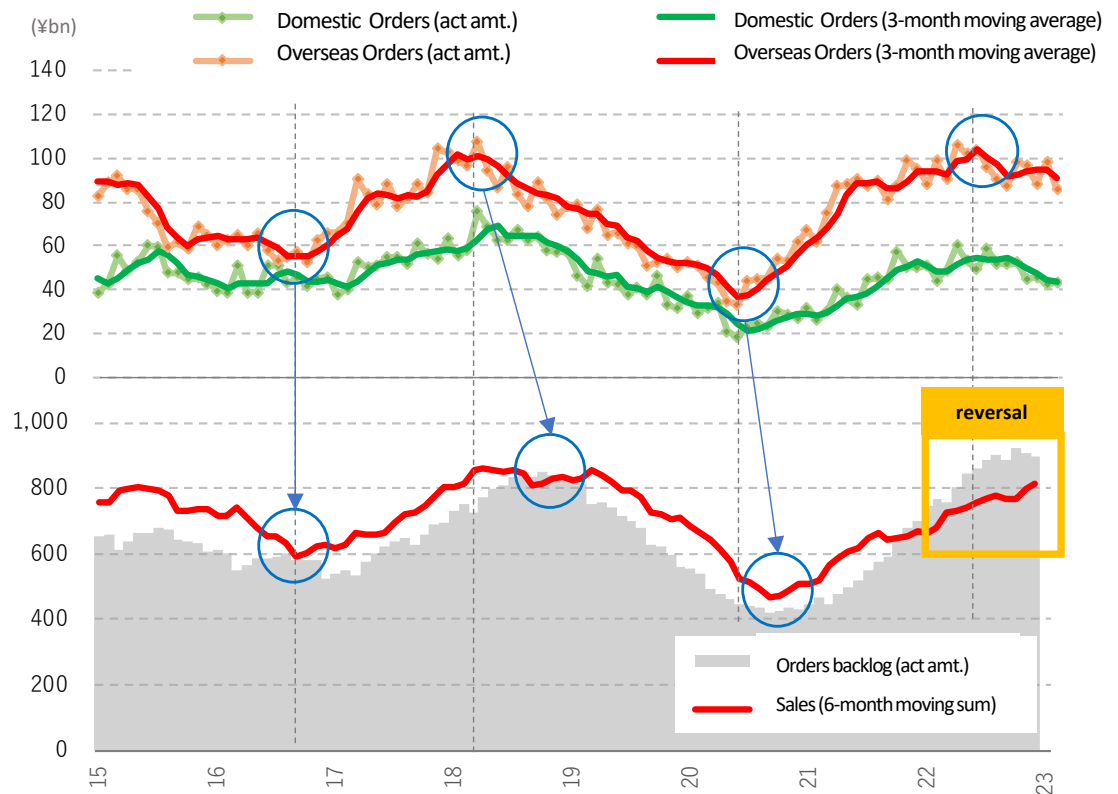
#### **Overall downward trend in sales, but soft landing possible due to large order backlog**

As for the outlook for short- and medium-term earnings, it is probably necessary to keep in mind that growth in overall machine tool orders is slowing and domestic and overseas demand has weakened. Actual sales peaked around the middle of 2022, and since October 2022, there has been a downward trend in year-on-year figures. Earnings from equipment and tools, the company's core products, tend to track sales of machine tool despite the small share, and it can be argued that overall orders are a leading indicator.

However, unlike for previous periods when orders were trending downward, demand for capital expenditures is strong, and there is a large order backlog as supply cannot keep up with demand for various reasons, including semiconductor shortages. MARUKA FURUSATO normally has an order backlog of about five months, but recently the order backlog has grown to seven months. Although the company has not disclosed the state of orders, it appears that there is a similar order backlog, and there are no major concerns about short-term earnings. As long as the trough of the order cycle is not deep, orders will most likely not fall too much, and it is SIR's opinion that there is no need now to be overly concerned about a deterioration in profits.

Looking at a breakdown by industry and destination reveals that for products destined to Japan’s automobile industry, there has yet to be a full recovery in investment on account of lingering parts shortage despite a recover in investments for new models. On the other hand, for products destined for the semiconductor industry, demand remains strong as production is catching up. Overseas, there has been a downward trend in the number of inquiries from North America, but for China, there appears to be not only a gradual recovery from the impact of lockdowns but also a recovery in automobile related capital expenditures. It can be argued that this is generally in line with macroeconomic statistics. To determine the short- to medium-term upside, focus should be on to what extent the decline in orders in countries and sectors sensitive to economic conditions can be compensated for by fields that are trending upward because of model changes and the efforts of the company itself.

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



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

Machine Tool Order Statistic Sheet

Year	Month	Total orders				Sales amount				Order backlog	
		¥ mn	y-y, %	Domestic ¥ mn	y-y, %	Overseas ¥ mn	y-y, %	¥ mn	y-y, %	¥ mn	y-y, %
2006	-	1,436,970	5.4	733,009	(1.8)	703,961	14.2	1,407,258	10.3	684,266	6.2
2007	-	1,589,991	10.6	726,424	(0.9)	863,567	22.7	1,522,632	8.2	758,815	10.9
2008	-	1,301,147	(18.2)	566,820	(22.0)	734,327	(15.0)	1,472,029	(3.3)	574,383	(24.3)
2009	-	411,809	(68.4)	159,648	(71.8)	252,161	(65.7)	596,920	(59.4)	382,592	(33.4)
2010	-	978,622	137.6	307,527	92.6	671,095	166.1	851,272	42.6	508,446	32.9
2011	-	1,326,188	35.5	421,599	37.1	904,589	34.8	1,179,316	38.5	653,138	28.5
2012	-	1,212,445	(8.6)	375,822	(10.9)	836,623	(7.5)	1,329,650	12.7	543,736	(16.8)
2013	-	1,117,049	(7.9)	400,803	6.6	716,246	(14.4)	1,094,673	(17.7)	566,113	4.1
2014	-	1,509,397	35.1	496,391	23.8	1,013,006	41.4	1,422,184	29.9	652,213	15.2
2015	-	1,480,592	(1.9)	586,240	18.1	894,352	(11.7)	1,532,603	7.8	607,499	(6.9)
2016	-	1,250,003	(15.6)	530,545	(9.5)	719,458	(19.6)	1,280,584	(16.4)	522,527	(14.0)
2017	-	1,645,554	31.6	629,369	18.6	1,016,185	41.2	1,467,285	14.6	694,231	32.9
2018	-	1,815,771	10.3	750,343	19.2	1,065,428	4.8	1,684,768	14.8	826,197	19.0
2019	-	1,229,900	(32.3)	493,188	(34.3)	736,712	(30.9)	1,501,633	(10.9)	561,265	(32.1)
2020	-	901,835	(26.7)	324,455	(34.2)	577,380	(21.6)	1,033,616	(31.2)	430,794	(23.2)
2021	-	1,541,419	70.9	510,324	57.3	1,031,095	78.6	1,283,499	24.2	701,005	62.7
2019	1	125,401	(18.8)	46,772	(15.9)	78,629	(20.4)	115,549	(1.0)	836,049	14.2
	2	109,742	(29.3)	41,668	(28.4)	68,074	(29.8)	130,770	(5.1)	815,021	8.8
	3	130,664	(28.5)	53,938	(28.6)	76,726	(28.5)	194,502	(4.9)	751,183	3.3
	4	108,656	(33.4)	43,524	(36.5)	65,132	(31.1)	104,410	(12.7)	755,429	(2.0)
	5	108,535	(27.3)	42,710	(32.1)	65,825	(23.8)	121,706	(0.8)	742,258	(6.9)
	6	98,928	(37.9)	37,700	(40.1)	61,228	(36.4)	125,448	(15.1)	715,738	(11.5)
	7	101,278	(33.0)	41,171	(38.9)	60,107	(28.2)	114,849	(7.8)	702,167	(16.0)
	8	88,487	(37.0)	37,541	(39.8)	50,946	(34.7)	112,872	(11.3)	677,782	(20.1)
	9	98,973	(35.5)	46,065	(28.5)	52,908	(40.6)	148,088	(11.9)	628,667	(24.6)
	10	87,453	(37.4)	33,423	(42.0)	54,030	(34.1)	95,698	(22.5)	620,422	(27.0)
	11	81,669	(37.9)	31,369	(45.5)	50,300	(32.1)	105,787	(24.5)	596,304	(29.2)
	12	90,114	(33.5)	37,307	(34.7)	52,807	(32.6)	131,954	(13.2)	561,265	(32.1)
2020	1	80,777	(35.6)	29,586	(36.7)	51,191	(34.9)	88,094	(23.8)	553,948	(33.7)
	2	77,224	(29.6)	31,997	(23.2)	45,227	(33.6)	92,301	(29.4)	539,905	(33.8)
	3	77,447	(40.7)	34,246	(36.5)	43,201	(43.7)	126,681	(34.9)	490,671	(34.7)
	4	56,143	(48.3)	21,149	(51.4)	34,994	(46.3)	67,769	(35.1)	479,045	(36.6)
	5	51,239	(52.8)	18,192	(57.4)	33,047	(49.8)	66,801	(45.1)	463,483	(37.6)
	6	67,190	(32.1)	23,362	(38.0)	43,828	(28.4)	83,578	(33.4)	447,095	(37.5)
	7	69,788	(31.1)	24,808	(39.7)	44,980	(25.2)	75,749	(34.0)	441,134	(37.2)
	8	67,980	(23.2)	23,069	(38.5)	44,911	(11.8)	71,173	(36.9)	437,941	(35.4)
	9	84,099	(15.0)	30,270	(34.3)	53,829	1.7	102,636	(30.7)	419,404	(33.3)
	10	82,211	(6.0)	28,892	(13.6)	53,319	(1.3)	74,529	(22.1)	427,086	(31.2)
	11	88,680	8.6	27,042	(13.8)	61,638	22.5	81,818	(22.7)	433,948	(27.2)
	12	99,057	9.9	31,842	(14.6)	67,215	27.3	102,487	(22.3)	430,794	(23.2)
2021	1	88,627	9.7	26,405	(10.8)	62,222	21.5	73,345	(16.7)	445,803	(19.5)
	2	105,593	36.7	30,470	(4.8)	75,123	66.1	85,596	(7.3)	465,800	(13.7)
	3	127,876	65.1	40,487	18.2	87,389	102.3	147,094	16.1	446,582	(9.0)
	4	123,974	120.8	36,078	70.6	87,896	151.2	94,526	39.5	476,030	(0.6)
	5	123,936	141.9	33,223	82.6	90,713	174.5	101,506	52.0	498,460	7.5
	6	132,081	96.6	44,656	91.1	87,425	99.5	112,834	35.0	517,707	15.8
	7	134,983	93.4	45,385	82.9	89,598	99.2	104,298	37.7	548,392	24.3
	8	125,903	85.2	44,575	93.2	81,328	81.1	101,111	42.1	573,184	30.9
	9	144,596	71.9	57,560	90.2	87,036	61.7	126,370	23.1	591,410	41.0
	10	149,222	81.5	50,289	74.1	98,933	85.5	102,860	38.0	637,772	49.3
	11	145,401	64.0	50,001	84.9	95,400	54.8	105,037	28.4	678,136	56.3
	12	139,227	40.6	51,195	60.8	88,032	31.0	128,922	25.8	701,005	62.7
2022	1	142,918	61.3	44,169	67.3	98,749	58.7	99,472	35.6	744,451	67.0
	2	138,998	31.6	48,859	60.4	90,139	20.0	116,243	35.8	767,206	64.7
	3	166,263	30.0	60,239	48.8	106,024	21.3	175,775	19.5	757,694	69.7
	4	154,998	25.0	53,180	47.4	101,818	15.8	106,862	13.1	805,830	69.3
	5	153,334	23.7	49,481	48.9	103,853	14.5	115,711	14.0	843,453	69.2
	6	154,711	17.1	58,652	31.3	96,059	9.9	140,156	24.2	858,008	65.7
	7	142,412	5.5	51,970	14.5	90,442	0.9	113,233	8.6	887,187	61.8
	8	139,327	10.7	51,775	16.2	87,552	7.7	125,881	24.5	900,633	57.1
	9	150,848	4.3	52,419	(8.9)	98,429	13.1	163,116	29.1	888,365	50.2
	10	141,062	(5.5)	44,560	(11.4)	96,502	(2.5)	109,338	6.3	920,089	44.3
	11	134,186	(7.7)	45,665	(8.7)	88,521	(7.2)	148,545	41.4	905,730	33.6
	12	140,544	0.9	42,262	(17.4)	98,282	11.6	154,018	19.5	896,813	27.9
2023	1	129,083	(9.7)	43,410	(1.7)	85,673	(13.2)	-	-	-	-

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

Note: Figures for January 2023 are preliminary figures, and the figures for sales and order backlog are not as of the writing of this report.

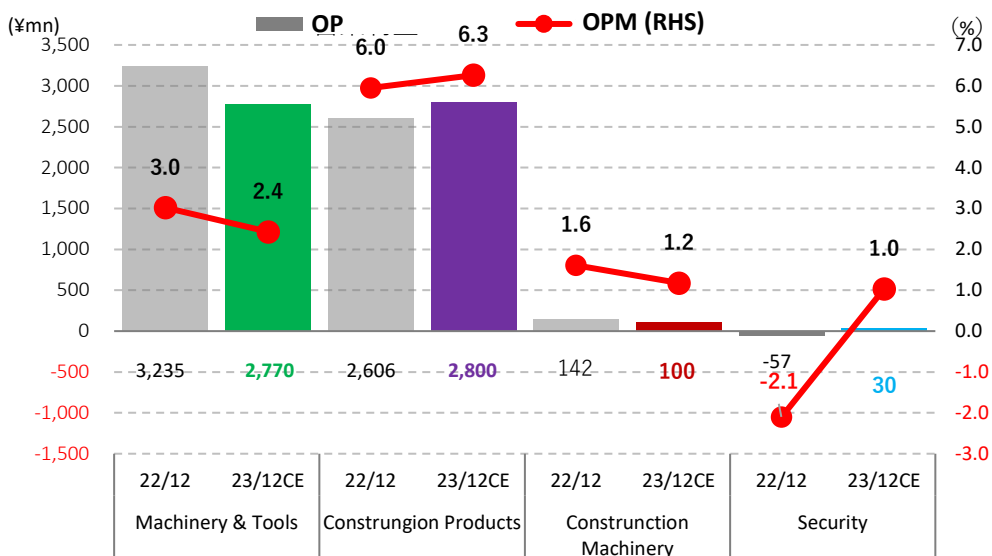
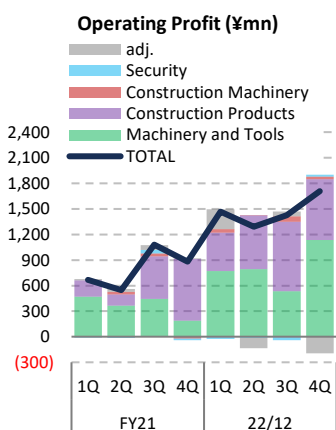
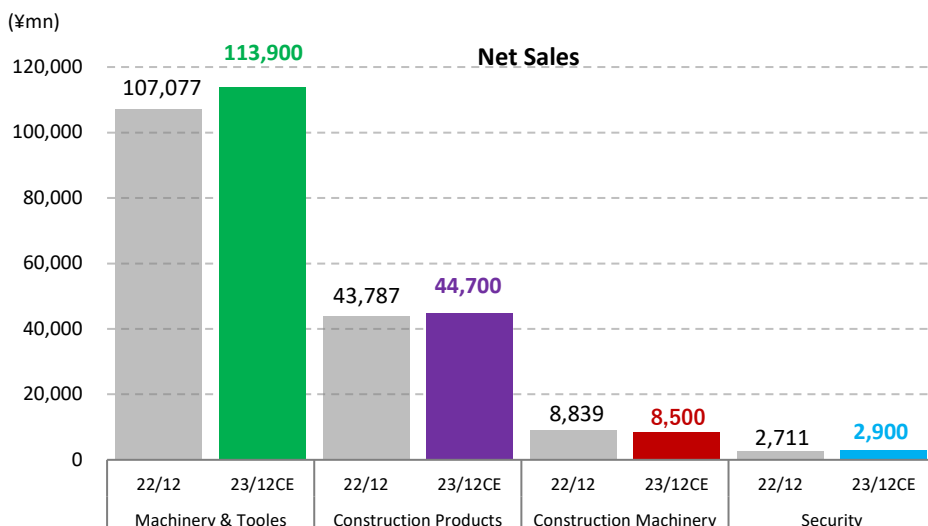
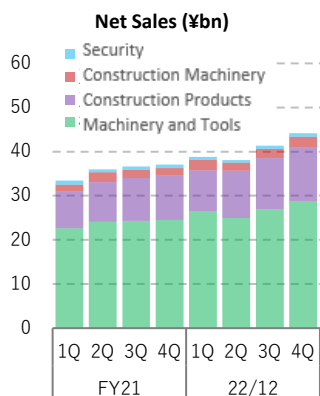
FY2023/12 Plan

Revenue growth but fall-off in profit in FY2023/12 due to negative impact of exchange rate

The company guided for a 3.3% decline in operating profit, to ¥5.70 bn, on a 4.7% rise in sales, to ¥170 bn. In the mainstay Machinery & Tools segment, operating profit is expected to fall 14.4%, ¥2.77 bn on a 6.4% rise in sales, to ¥ 113.9 bn. The decline in profitability is primarily a result of an unfavorable move in exchange rates. The segment generates just under 30% of its sales from overseas, of which over 60% is from the Americas. Quarterly earnings have been rising steadily, and the company is expected to further expand earnings excluding the effect of the exchange rate.

Capital efficiency rose to 6.6% in FY2022/12 compared to a target of 8.5% for the final year of the Medium-term Management Plan (FY2026/12), but the company projects that capital efficiency will temporarily fall to 6.1% in FY2023/12, primarily because of a decline in net profit. It is expected to start rising again in FY2024/12 or after. The company plans a full-year dividend of ¥61.0 per share. as the commemorative dividend will be stripped out.

Revenue plans by Segments



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

Source: Compiled by SIR from the company IR material.  
 Note: FY2021, The adjusted amount of the two groups' revenues for the period.  
 Segment sales refer to sales to external customers.

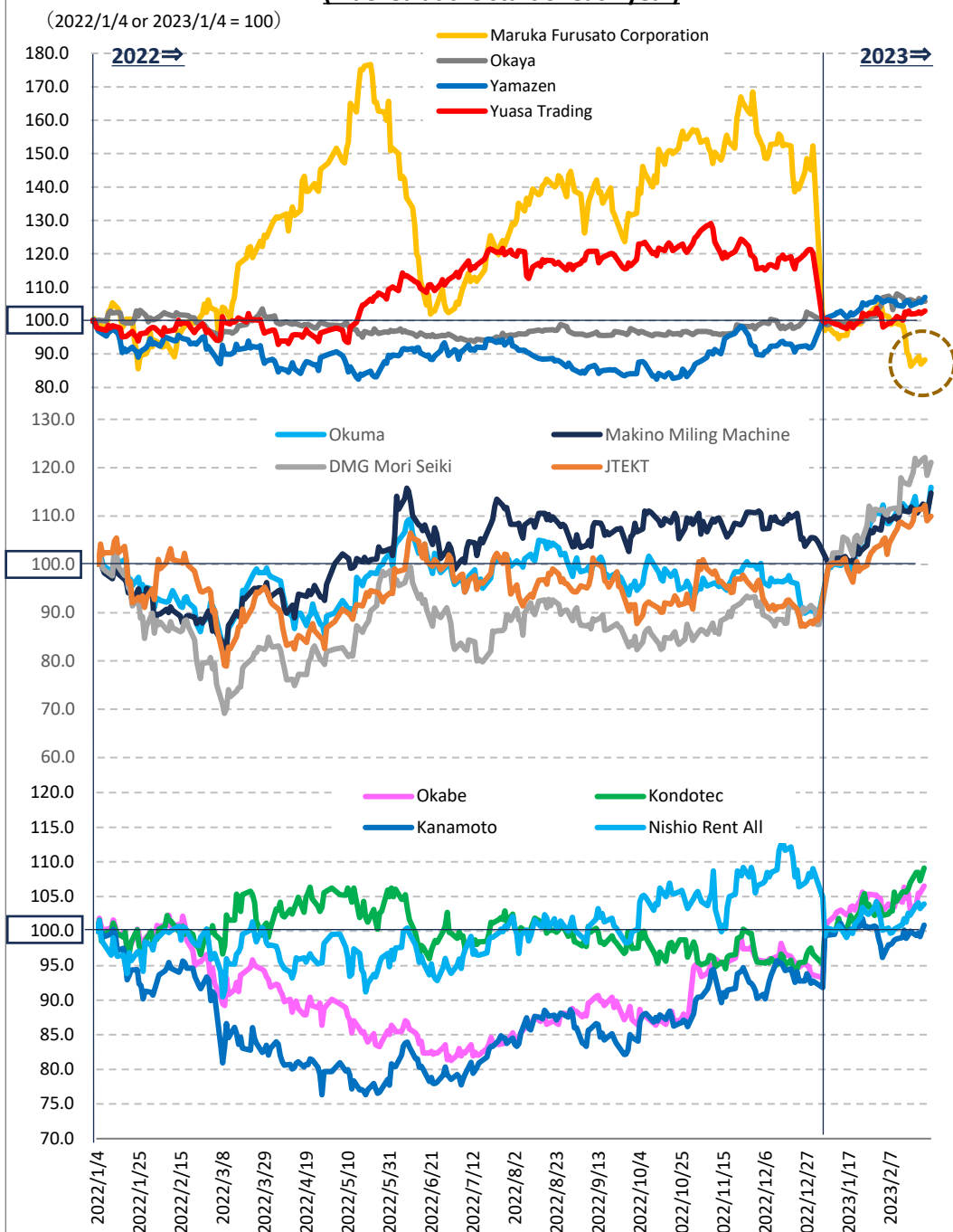


Valuation

Fall from high valuation in 2022 and underperforming in 2023

In 2022, MARUKA FURUSATO released its first medium-term management plan after the integration of the two companies at the end of March, and its shares outperformed those of broadly defined comparable companies for various reasons, including expectations of growth. Even so, the company's shares have underperformed other companies in 2023. While one can argue this was because of (1) the company's relatively high valuation, (2) the ex-rights commemorative dividend of ¥50, and (3) impact of exchange rate, the company's guidance for FY2023/12 of an increase in net sales but decline in profit can be viewed as evidence the company is making adjustments.

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



Source: compiled by SIR from SPEEDA

Valuation Sheet for Broadly-defined Comparable Companies

Code	Company	EOFY	Stock price	Market value	P/E			PBR	Net Cash	Operating profit	Operating profit margin		
			(2/24)	(2/24)	FY21	FY22E	FY23E	Most recent FY	Most recent FY	FY22E	FY21	FY22	FY23E
-	-	-	yen	¥mn	X			X	¥mn		%		
7128	MARUKA FURUSATO Corporation	Dec.	2,942	75,209	23.8	16.1	16.6	1.02	24,325	5,895	(30.0)	85.5	(3.3)
-	Machinery and tool trading company	-	-	-	7.6	7.2	-	0.69	-	-	50.7	10.8	-
7485	Okaya & Co., Ltd.	Feb.	10,410	101,185	5.2	4.9	-	0.38	(113,945)	28,500	67.2	25.4	-
8051	Yamazén	Mar.	1,061	101,119	7.7	8.4	-	0.82	55,722	16,000	52.5	(6.6)	-
8074	Yuasa Trading	Mar.	3,665	84,866	10.0	8.4	-	0.87	49,827	13,500	32.2	13.6	-
-	Machine tool manufacturers	-	-	-	15.9	10.8	-	0.79	-	-	160.8	55.9	-
6103	Okuma Corporation	Mar.	5,410	182,615	14.1	9.6	-	0.88	63,827	24,000	200.0	66.0	-
6135	Makino Milling Machine Co., Ltd.	Mar.	4,865	121,109	9.4	8.4	-	0.63	21,549	15,500	turned profitable	37.2	-
6141	DMG Mori Seiki Co.	Dec.	2,141	269,667	23.2	11.3	8.8	1.09	(54,101)	41,213	116.1	78.7	21.3
6473	JTEKT Corporation	Mar.	1,004	344,659	16.8	13.9	-	0.56	(137,507)	60,000	166.1	41.7	-
-	Construction product manufacturers	-	-	-	12.6	9.8	-	0.70	-	-	1.8	13.8	-
5959	Okabe Co. Ltd.	Dec.	737	36,327	13.2	8.8	8.6	0.50	5,936	5,271	(3.6)	21.6	8.1
7438	Kondotec Inc.	Mar.	1,066	28,083	12.0	10.9	-	0.89	4,993	3,810	7.2	6.0	-
-	Construction machinery rental company	-	-	-	9.6	9.6	9.5	0.68	-	-	11.6	(0.5)	-
9678	Kanamoto Co. Ltd.	Oct.	2,259	87,519	9.5	10.0	9.7	0.63	(6,610)	13,229	2.6	(9.5)	5.8
9699	Nishio Rent All Co., Ltd.	Sep.	3,115	88,439	9.6	9.3	9.2	0.74	(46,022)	14,884	20.6	8.5	2.6

Code	Company	EOFY	ROE		Operating profit margin		Asset turnover		Equity ratio		Payout ratio		Dividend return
			FY21	FY22E	FY21	FY22E	FY21	FY22E	FY21	FY22E	FY21	FY22E	current period
-	-	-	%		%		times		%		%		%
7128	MARUKA FURUSATO Corporation	Dec.	4.6	6.6	2.2	3.6	1.32	1.40	61.4	58.0	-	63.2*	2.07
-	Machinery and tool trading company	-	9.2	-	2.8	2.9	1.84	-	39.9	-	23.9	25.4	3.31
7485	Okaya & Co., Ltd.	Feb.	7.7	-	2.4	3.1	1.75	-	44.5	-	11.7	11.5	2.35
8051	Yamazén	Mar.	10.9	-	3.4	3.0	1.90	-	39.9	-	26.2	32.3	3.77
8074	Yuasa Trading	Mar.	8.9	-	2.6	2.8	1.86	-	35.5	-	33.7	32.3	3.82
-	Machine tool manufacturers	-	6.0	-	5.8	7.7	0.78	-	51.7	-	27.5	30.0	2.90
6103	Okuma Corporation	Mar.	6.5	-	8.4	11.4	0.72	-	71.5	-	24.5	25.9	2.59
6135	Makino Milling Machine Co., Ltd.	Mar.	7.1	-	6.1	7.0	0.62	-	54.6	-	12.0	26.8	3.08
6141	DMG Mori Seiki Co.	Dec.	6.8	11.1	5.8	8.7	0.70	0.74	35.7	36.1	43.6	37.1	3.74
6473	JTEKT Corporation	Mar.	3.5	-	3.0	3.5	1.07	-	45.0	-	29.8	30.2	2.19
-	Construction product manufacturers	-	6.1	-	6.1	6.2	0.98	-	59.7	-	36.8	32.4	3.29
5959	Okabe Co. Ltd.	Dec.	4.4	6.0	6.7	6.9	0.71	0.78	65.6	64.6	36.9	29.5	3.39
7438	Kondotec Inc.	Mar.	7.7	-	5.4	5.4	1.25	-	53.7	-	36.7	35.4	3.19
-	Construction machinery rental company	-	7.9	7.4	8.1	7.9	0.65	0.64	42.4	43.5	28.2	31.8	3.27
9678	Kanamoto Co. Ltd.	Oct.	7.2	6.4	7.7	7.0	0.63	0.62	41.8	43.2	29.7	33.4	3.32
9699	Nishio Rent All Co., Ltd.	Sept.	8.5	8.3	8.5	8.7	0.68	0.67	43.1	43.8	26.7	30.3	3.21

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

Note: The value for MARUKA FURUSATO Corporation is the simple sum for the two groups before the integration, adjusted for the fiscal year. It is provided as reference. Furthermore, keep in the mind that the annual dividend per share for fiscal 2022 is ¥113 yen, of which ¥50 is a commemorative dividend.

the various IFRS operating profit-related figures for JTEKT Corporation, business profit is used.

MARUKA FURUSATO Corporation, DMG Mori Seiki, Okabe, Kanamoto and Nishio Rent-All's FY22E is an achievement.

Full year results table(1)

MARUKA FURUSATO Corporation		Actual										Co's		
	unit	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	2021/12*	2022/12	2023/12 CE	2026/12 CE
Net Sales	¥mn	117,053	127,760	134,942	146,451	141,818	151,246	172,385	173,818	142,696	74,292	162,416	170,000	200,000
YoY	%	10.4	9.1	5.6	8.5	(3.2)	6.6	14.0	0.8	(17.9)	-	-	4.7	-
Machinery and Tools	¥mn	83,677	88,582	92,927	102,861	98,685	106,273	124,359	121,033	94,381	43,635	109,059	-	147,000
												107,077	113,900	-
YoY	%	11.6	5.9	4.9	10.7	(4.1)	7.7	17.0	(2.7)	(22.0)	-	-	6.4	-
Construction Products	¥mn	27,247	31,972	33,599	34,464	34,619	35,833	39,129	39,879	35,038	28,893	43,847	-	47,000
												43,787	44,700	-
YoY	%	8.6	17.3	5.1	2.6	0.4	3.5	9.2	1.9	(12.1)	-	-	2.1	-
Construction Machinery	¥mn	6,126	7,201	8,412	9,109	8,505	9,133	8,894	10,121	8,830	425	8,839	-	10,000
												8,839	8,500	-
YoY	%	1.7	17.5	16.8	8.3	(6.6)	7.4	(2.6)	13.8	(12.8)	-	-	-3.8	-
Security	¥mn	0	0	0	0	0	0	0	2,779	4,442	2,300	2,738	-	6,000
												2,711	2,900	-
YoY	%	-	-	-	-	-	-	-	-	59.8	-	-	7.0	-
Adjustments	¥mn	0	0	0	0	0	0	0	0	0	-	-2,068	-	-10,000
Cost of Sales	¥mn	100,089	108,990	115,147	125,554	121,800	130,046	148,429	148,861	120,400	62,551	136,137	-	-
Gross Profit	¥mn	16,981	18,769	19,795	20,876	20,027	21,196	23,923	24,888	22,251	11,741	26,278	-	-
sales ratio	%	14.5	14.7	14.7	14.3	14.1	14.0	13.9	14.3	15.6	15.8	16.2	-	-
SGA	¥mn	12,456	13,468	14,232	14,985	15,206	16,176	17,272	18,214	18,013	10,275	20,383	-	-
Operating Profit	¥mn	4,525	5,301	5,563	5,891	4,821	5,020	6,652	6,674	4,237	1,465	5,895	5,700	10,000
sales ratio	%	3.9	4.1	4.1	4.0	3.4	3.3	3.9	3.8	3.0	2.0	3.6	3.4	5.0
Machinery and Tools	¥mn	-	-	-	-	-	-	-	-	-	191	3,235	2,770	6,680
Segment sales ratio	%	-	-	-	-	-	-	-	-	-	0.4	3.0	2.4	4.5
Construction Products	¥mn	-	-	-	-	-	-	-	-	-	1,269	2,606	2,800	2,470
Segment sales ratio	%	-	-	-	-	-	-	-	-	-	4.4	6.0	6.3	5.3
Construction Machinery	¥mn	-	-	-	-	-	-	-	-	-	-32	142	100	200
Segment sales ratio	%	-	-	-	-	-	-	-	-	-	-7.5	1.6	1.2	2.0
Security	¥mn	-	-	-	-	-	-	-	-	-	0	-57	30	700
Segment sales ratio	%	-	-	-	-	-	-	-	-	-	0.0	-2.1	1.0	11.7
Adjustments	¥mn	-	-	-	-	-	-	-	-	-	36	-32	0	-50
Non-Operating Income	¥mn	775	970	988	984	878	941	1,056	970	877	627	1,268	-	-
Non-Operating Expenses	¥mn	317	336	348	377	543	401	441	568	407	59	107	-	-
Ordinary Profit	¥mn	4,983	5,935	6,203	6,498	5,155	5,560	7,267	7,076	4,708	2,033	7,055	6,470	-
Extraordinary Gain	¥mn	17	51	92	4	40	81	47	1,269	43	92	42	-	-
Extraordinary Loss	¥mn	187	573	31	115	264	192	102	27	23	72	17	-	-
Pretax Profit	¥mn	4,920	5,100	5,286	5,290	2,904	4,040	5,711	8,018	3,161	2,053	7,080	-	-
Income Taxes	¥mn	2,074	2,464	2,380	2,215	1,715	1,891	2,373	2,775	1,784	999	2,490	-	-
Tax rate	%	42	48	45	42	59	47	42	35	56	49	35	-	-
Net Profit	¥mn	2,740	2,948	3,884	4,172	3,217	3,559	4,838	5,543	2,943	1,054	4,590	-	-
Net Profit Attribute to non-controlling shareholders	¥mn	85	73	40	26	-48	12	23	40	116	16	59	-	-
Net Profit Attribute to parent company shareholders	¥mn	2,655	2,875	3,844	4,147	3,265	3,547	4,816	5,503	2,827	1,038	4,531	4,380	-

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

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

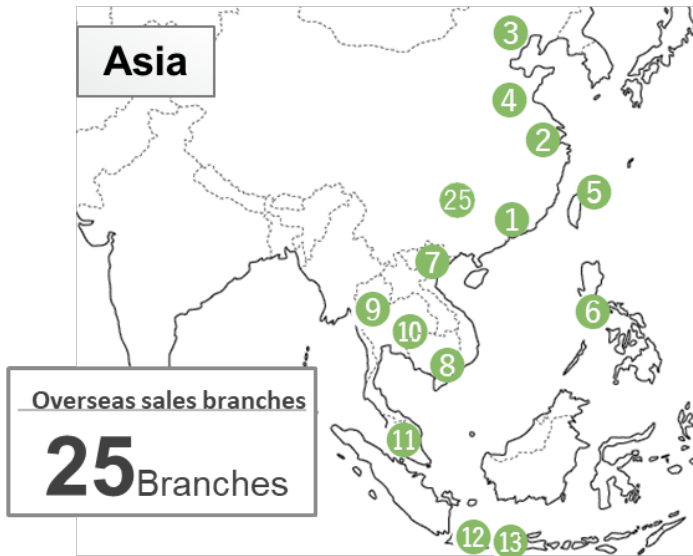
See the Initiation Report for a detailed breakdown of prior year results prior to the merger.

**Full year results table(2)**

MARUKA FURUSATO Corporation	unit	Actual										Co's		
		FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	2021/12*	2022/12	23/12CE	26/12 CE
EPS	yen	-	-	-	-	-	-	-	-	-	67.1	178.9	172.9	-
BPS	yen	-	-	-	-	-	-	-	-	-	2,632.9	2,816.2	-	-
DPS	yen	-	-	-	-	-	-	-	-	-	14.5	113.0	61.0	-
Payout ratio	%	-	-	-	-	-	-	-	-	-	21.6	63.2	35.3	About 35%
ROE	%	6.3	6.4	7.9	8.0	6.0	6.2	8.1	8.7	4.3	-	6.6	6.1	8.5
ROA (Operating Profit)	%	6.1	6.7	6.4	6.3	5.0	5.0	6.0	5.7	3.7	-	5.1	-	-
Equity ratio	%	57.5	56.6	55.4	55.3	56.7	55.7	52.6	54.5	60.9	61.4	58.0	-	-
EBITDA	¥mn	4,525	5,301	5,563	5,891	4,821	5,020	6,652	6,674	4,237	2,254	7,458	-	11,500
sales ratio	%	3.9	4.1	4.1	4.0	3.4	3.3	3.9	3.8	3.0	3.0	4.6	-	5.8
Capital expenditures	¥mn	1,175	1,619	1,033	2,234	2,551	3,419	1,896	5,419	2,063	566	2,777	-	-
Net Cash	¥mn	15,686	16,420	19,376	20,272	19,879	18,053	22,404	19,902	21,445	22,951	24,325	-	-
<b>Total Assets</b>	¥mn	<b>75,707</b>	<b>82,879</b>	<b>91,252</b>	<b>96,395</b>	<b>97,368</b>	<b>104,815</b>	<b>116,163</b>	<b>118,612</b>	<b>109,143</b>	<b>108,594</b>	<b>122,914</b>	-	-
Cash & Cash Equivalents	¥mn	15,985	16,864	20,051	20,902	20,724	19,281	23,262	22,071	23,944	24,172	25,648	-	-
Accounts Receivables	¥mn	32,416	36,640	39,792	42,923	41,222	46,232	52,707	51,454	39,150	38,554	43,609	-	-
Inventories	¥mn	5,222	6,080	7,081	6,821	6,735	7,228	7,981	9,896	9,123	10,211	15,293	-	-
Other Current Assets	¥mn	2,603	2,279	2,589	3,137	3,505	4,360	4,695	3,730	4,675	5,441	7,527	-	-
Property, Plant & Equipment	¥mn	13,359	13,980	14,197	15,865	17,479	19,135	19,597	21,083	21,826	20,484	22,036	-	-
Intangible Assets	¥mn	479	496	487	499	629	640	544	3,618	3,334	2,541	2,260	-	-
Investments and Other Assets	¥mn	5,643	6,540	7,055	6,248	7,074	7,940	7,376	6,760	7,091	7,189	6,540	-	-
<b>Total Liabilities</b>	¥mn	<b>31,801</b>	<b>35,436</b>	<b>40,101</b>	<b>42,424</b>	<b>41,656</b>	<b>45,868</b>	<b>54,398</b>	<b>53,061</b>	<b>41,721</b>	<b>41,233</b>	<b>50,775</b>	-	-
Trade Payables	¥mn	25,230	28,629	33,021	35,800	34,586	36,970	44,913	41,335	32,157	31,818	35,758	-	-
Interest-bearing Debt	¥mn	299	445	675	630	845	1,227	859	2,168	2,499	1,221	1,323	-	-
Other Liabilities	¥mn	6,272	6,363	6,404	5,994	6,226	7,670	8,626	9,558	7,066	8,194	13,694	-	-
<b>Total Net Assets</b>	¥mn	<b>43,907</b>	<b>47,443</b>	<b>51,152</b>	<b>53,971</b>	<b>55,712</b>	<b>58,948</b>	<b>61,765</b>	<b>65,551</b>	<b>67,422</b>	<b>67,361</b>	<b>72,139</b>	-	-
Capital Stock	¥mn	43,515	46,905	50,547	53,320	55,173	58,342	61,127	64,695	66,464	66,679	71,327	-	-
Other Net Assets	¥mn	392	538	605	651	539	606	637	856	958	682	812	-	-

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

Overseas Sales Office and Regional Net Sales Long-term Trends



Before integration	Maruka Group																			
	05/11	06/11	07/11	08/11	09/11	10/11	11/11	12/11	13/11	14/11	15/11	16/11	17/11	18/11	19/11	20/11				
Overseas net sales Total	19,422	20,386	20,683	22,783	10,001	10,914	17,133	24,677	27,396	26,167	27,892	23,240	25,808	28,634	29,914	19,478				
YoY	-	5.0	1.5	10.2	-56.1	9.1	57.0	44.0	11.0	-4.5	6.6	-16.7	11.0	11.0	4.5	-34.9				
North America	7,993	10,314	11,570	9,693	5,330	4,292	6,993	9,056	12,548	10,612	11,527	11,279	10,916	11,978	12,396	10,827				
YoY	-	29.0	12.2	-16.2	-45.0	-19.5	62.9	29.5	38.6	-15.4	8.6	-2.2	-3.2	9.7	3.5	-12.7				
China	2,105	2,810	2,849	3,909	1,454	2,372	3,998	3,601	4,023	4,191	3,805	2,679	2,829	3,909	4,766	2,583				
YoY	-	33.5	1.4	37.2	-62.8	63.1	68.5	-9.9	11.7	4.2	-9.2	-29.6	5.6	38.2	21.9	-45.8				
Indonesia	2,221	1,669	1,181	865	491	1,102	2,229	2,291	2,684	5,204	1,846	1,225	1,900	1,368	1,629	992				
YoY	-	-24.9	-29.2	-26.8	-43.2	124.4	102.3	2.8	17.2	93.9	-64.5	-33.6	55.1	-28.0	19.1	-39.1				
Malaysia	1,420	653	389	617	539	383	387	325	1,184	1,328	5,463	4,725	5,403	6,538	6,531	1,545				
YoY	-	-54.0	-40.4	58.6	-12.6	-28.9	1.0	-16.0	264.3	12.2	311.4	-13.5	14.3	21.0	-0.1	-76.3				
Thailand	3,900	3,151	2,569	3,889	1,380	1,396	2,288	7,645	5,270	3,630	3,523	1,995	2,770	2,093	2,300	2,379				
YoY	-	-19.2	-18.5	51.4	-64.5	1.2	63.9	234.1	-31.1	-31.1	-2.9	-43.4	38.8	-24.4	9.9	3.4				
Vietnam	-	-	-	-	-	-	-	698	499	497	630	833	1,142	593	406	406				
YoY	-	-	-	-	-	-	-	-	-28.5	-0.4	26.8	32.2	37.1	-48.1	-31.5	-31.5				
Philippines	177	445	157	383	129	331	284	421	428	264	554	372	406	1,034	1,287	656				
YoY	-	151.4	-64.7	143.9	-66.3	156.6	-14.2	48.2	1.7	-38.3	109.8	-32.9	9.1	154.7	24.5	-49.0				
India	-	-	16	1,152	203	89	162	470	171	179	394	326	730	442	305	82				
YoY	-	-	-	7,100.0	-82.4	-56.2	82.0	190.1	-63.6	4.7	120.1	-17.3	123.9	-39.5	-31.0	-73.1				
Other( or fraction)	1,606	1,344	1,952	2,275	475	949	792	868	385	253	276	3	17	128	102	1				
YoY	-	-16.3	45.2	16.5	-79.1	99.8	-16.5	9.6	-55.6	-34.3	9.1	-98.9	466.7	652.9	-20.3	-99.0				

After integration	21/12				22/12									
	1Q	2Q	3Q	4Q	2QYTD	3QYTD	4QYTD	1Q	2Q	3Q	4Q	2QYTD	3QYTD	4QYTD
Overseas net sales Total	-	-	5,759	5,108	11,199	16,958	22,066	-	-	9,023	8,250	12,640	21,663	29,913
YoY	-	-	-	-	-	-	13.3	-	-	56.7	61.5	12.9	27.7	35.6
The Americas	-	-	2,884	2,709	5,925	8,809	11,518	-	-	6,289	5,497	7,011	13,300	18,797
YoY	-	-	-	-	-	-	6.4	-	-	118.1	102.9	18.3	51.0	63.2
North America	-	-	2,702	2,495	5,280	7,982	10,477	-	-	5,882	5,158	5,894	11,776	16,934
YoY	-	-	-	-	-	-	-	-	-	117.7	106.7	11.6	47.5	61.6
Mexico	-	-	182	214	645	827	1,041	-	-	407	339	1,117	1,524	1,863
YoY	-	-	-	-	-	-	-	-	-	123.6	58.4	73.2	84.3	79.0
China	-	-	799	585	2,215	3,014	3,599	-	-	901	1,135	1,555	2,456	3,591
YoY	-	-	-	-	-	-	39.3	-	-	12.8	94.0	-29.8	-18.5	-0.2
Indonesia	-	-	1,178	990	738	1,916	2,906	-	-	601	559	1,512	2,113	2,672
YoY	-	-	-	-	-	-	192.9	-	-	-49.0	-43.5	104.9	10.3	-8.1
Malaysia	-	-	353	63	1,101	1,454	1,517	-	-	400	364	1,047	1,447	1,811
YoY	-	-	-	-	-	-	-1.8	-	-	13.3	477.8	-4.9	-0.5	19.4
Thailand	-	-	351	355	834	1,185	1,540	-	-	377	352	1,011	1,388	1,740
YoY	-	-	-	-	-	-	-35.3	-	-	7.4	-0.8	21.2	17.1	13.0
Vietnam	-	-	136	320	209	345	665	-	-	367	221	377	744	965
YoY	-	-	-	-	-	-	63.8	-	-	169.9	-30.9	80.4	115.7	45.1
Philippines	-	-	59	53	156	215	268	-	-	83	114	80	163	277
YoY	-	-	-	-	-	-	-59.1	-	-	40.7	115.1	-48.7	-24.2	3.4
India	-	-	2	24	14	16	40	-	-	5	2	43	48	50
YoY	-	-	-	-	-	-	-51.2	-	-	150.0	-91.7	207.1	200.0	25.0
Other	-	-	-3	9	7	4	13	-	-	0	6	4	4	10
YoY	-	-	-	-	-	-	1,200.0	-	-	-100.0	-33.3	-42.9	0.0	-23.1

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

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