



Management Integration



May 7, 2021



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1-1. Background of Integration

The background of the integration :

Some major changes have happened in external environment. Then our missions and responsibilities are expanding to achieve sustainability.

External environment

Climate change· Environment change

Social problems·Regional gap

Political uncertainty·Economic impact

EV shift·Eco-energy

Automation·High productivity

Consumer behavior change·Circular economy

To realize a sustainable world, the role of manufactures has been changed.

Mission and responsibility of companies related to manufacturing;
Automotive solution/Environmentally friendly business

Further expansion and enhancing are required in both our businesses & functions to respond the needs of diverse customers and society, and to generate social value by seizing environmental changes as business opportunities.



1-2. Purpose of Integration~Mutual Complementarity of Business Domain

Based on the features of each company, the ideal reinforcement is achieved in common focus fields to promote our business portfolio strategy by complementing each other.

	Maruka	Furusato
Features of both company	Overseas sales bases for over 60 years	Reinforced business base of construction products
	Strong ties with automotive industry	Business ties with Toyota Tier 1 companies
	Manufacturing function, utilizing MM association and F-MM association	Manufacturing function, engineering function
	Service function to support for overseas expansion of Japanese companies	Supply chain, mainly wholesale of machinery and equipment
Focusing field	Expansion of robot Sler business, cross-selling of industrial machinery and peripherals, collaboration in business fields with growth potential(food and EV)	

	Sale of industrial machinery			Engineering	Sale of equipment and tools	Sale of construction machinery	Rental		Manufacturing and sale of construction products	Sale of piping products	Monitoring	Overseas			
	Machine tools	Forging	Injection				Construction machinery	Monitoring devices				North America	China	Southeast Asia	Local company
New Integrated company	🎯	○	○	🎯	○	○	○	○	○	○	○	○	○	○	○
Maruka	○	○	○	○		○	○					○	○	○	○
Furusato	○			○	○			○	○	○	○		△	△	



1-3.Management Challenges



Common management challenges

- Reinforcing our competitiveness and sales capabilities of existing businesses of both companies
- Generating new businesses according to business synergies/Entering into new business fields with high growth potential
- Acquiring functions to fully respond to our clients
- Expanding/ reinforcing our overseas businesses
- Improving our corporate value by reinforcing management structure

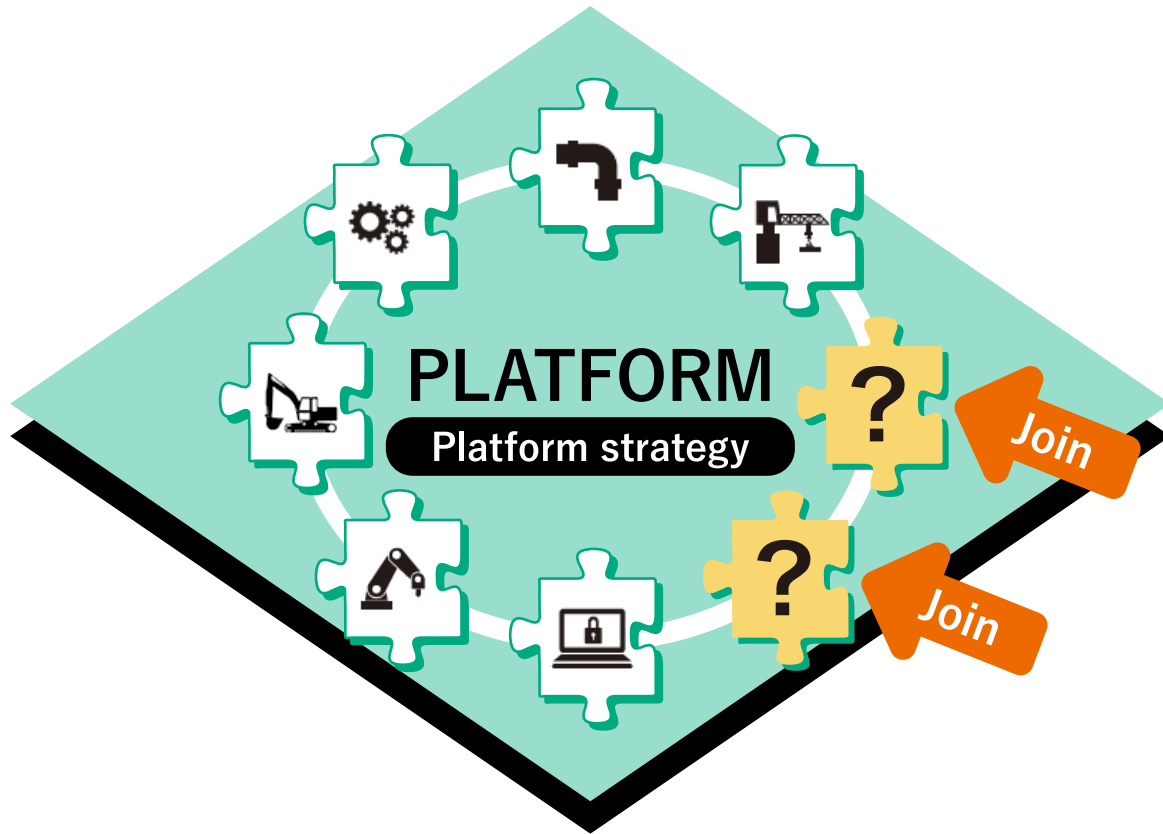


**Establishing our presence as
a engineering trading company**



1-4. Management Strategy/Business Model

Promoting the platform strategy to provide optimal values to end users by complementing our missing functions and insufficiency of scale such as manufacturing, construction, safety, etc.



Providing optimal values to end users

Reinforcing the platform strategy to consolidate manufacturing functions

- Investing in strategic fields
- Incorporating manufacturing technology
- Increasing the number of MM/FMM associate members
- Alliance with major agencies and dealers

Leading trading company with engineering solution



1-5. What We Aim For

To be the leading trading company with engineering solution, we pursue to complete all required pieces in addition to this integration.

What we aim for is to promote value creation by utilizing original methods and solutions

Unique Solutions, Value Creation

Focusing fields

EV-related

- Targeting at conversion to Evs by auto-makers and parts suppliers
- Shifting from mechanical to electronics in product offerings

Automation·Labor saving

- Targeting at manufacturing companies (SMEs) affected by the declining of working-age population
- Reinforcing technical capabilities and capacity for one-stop service

Environment·Energy saving

- Targeting at energy saving mainly from renewable energy sources to achieve carbon neutrality
- Encouraging energy management and improving production efficiency for manufacturing users

Food Machinery

- Targeting at domestic and overseas food manufacturing industries
- Expanding and strengthening manufacturer factions and organizations in machinery & food machinery fields

Global

- Targeting Japanese and local companies in North America, China, and Southeast Asia
- Developing a diverse solution business based on industrial machinery and peripheral equipment and tools



2-1. Increasing Sales Volume of Machine Tools

Both companies have a certain sales volume of machine tools/ industrial machinery in Japan

- Non-overlapping brands: expanding product lines and reducing costs by cross-selling
- Overlapping brands: benefiting from increased sales volume within manufacturers

● Cross-selling

MARUKA ROUTE

FURUSATO ROUTE



Product line
Purchasing cost

- Expanding product line by cross-selling ⇒ Responding to diverse needs of users
- Changing from external purchasing to internal purchasing ⇒ Cost reduction through more favorable purchasing conditions

● Total sale plus α

MARUKA ROUTE

FURUSATO ROUTE



Maruka sales volume + Furusato sales volume + α

- Expanding sales volume in manufacturers ⇒ Reinforcing relationship ⇒ Returning benefits to users



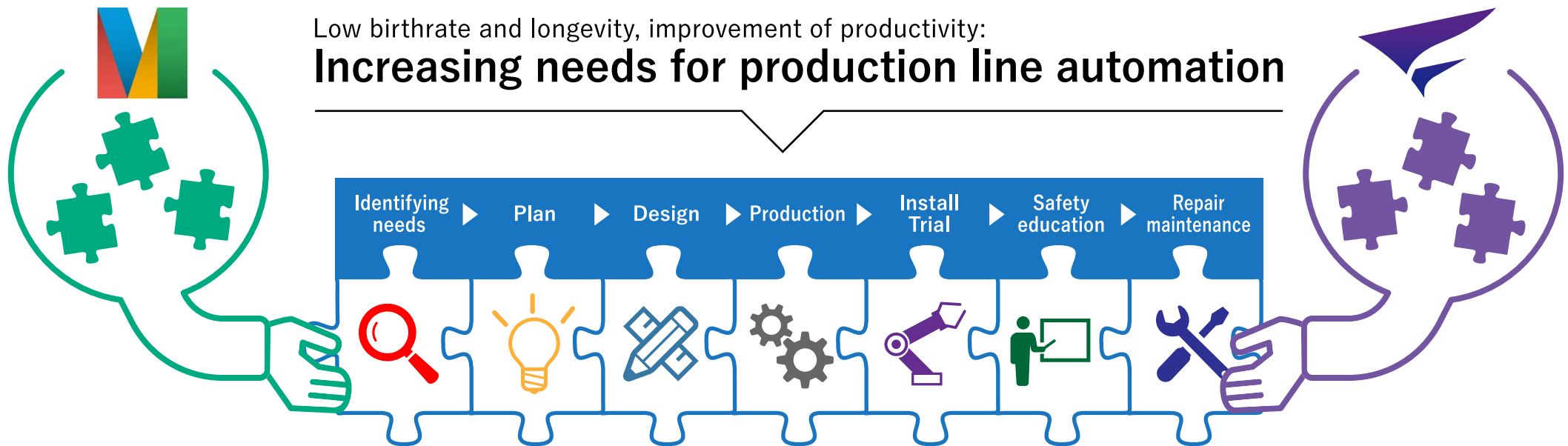
2-2. Expanding Robot Sler Business

It is predicted that automated production lines will be introduced more widely in SMEs

- Strengthening capabilities and expanding area by integrating Sler functions of both companies
- By expanding and enhancing functions, both companies can improve production efficiency.

Low birthrate and longevity, improvement of productivity:

Increasing needs for production line automation



**Improving capabilities to
respond diverse needs**



2-3. Collaboration in Global Market

Utilizing strong global sales network established by Maruka over many years

- Expanding earnings and stabilizing by sales of machinery peripherals as well as industry machinery
- For Furusato, increasing sales by selling machinery peripherals, consumables, and other equipment



23 bases in North America and Asia



Industrial machinery



Machinery peripherals ·
consumables

One-stop service

Expanding and stabilizing profitability



2-4. Improving Ability to Generate Cash Flow

Improving ability to generate cash flow by relocating resources of both companies efficiently

- Mutual utilization of infrastructure, optimization of human resources, promotion of business efficiency
- Intensive investment of management resources in businesses with high growth potential



Mutual utilization of domestic and overseas base network

- Furusato Group: 128 domestic base network including production and distribution bases
- Maruka: base network including 23 overseas bases



Human resource allocation

- Optimization of the corporate section, priority allocation to the strategic section
- Improvement of productivity by increasing business efficiency



Intensive investment in business with high growth potential

- Concentrate investment of management resources in businesses with growth potential



3-1. Share Transfer Ratio・Overview of New Integrated Company

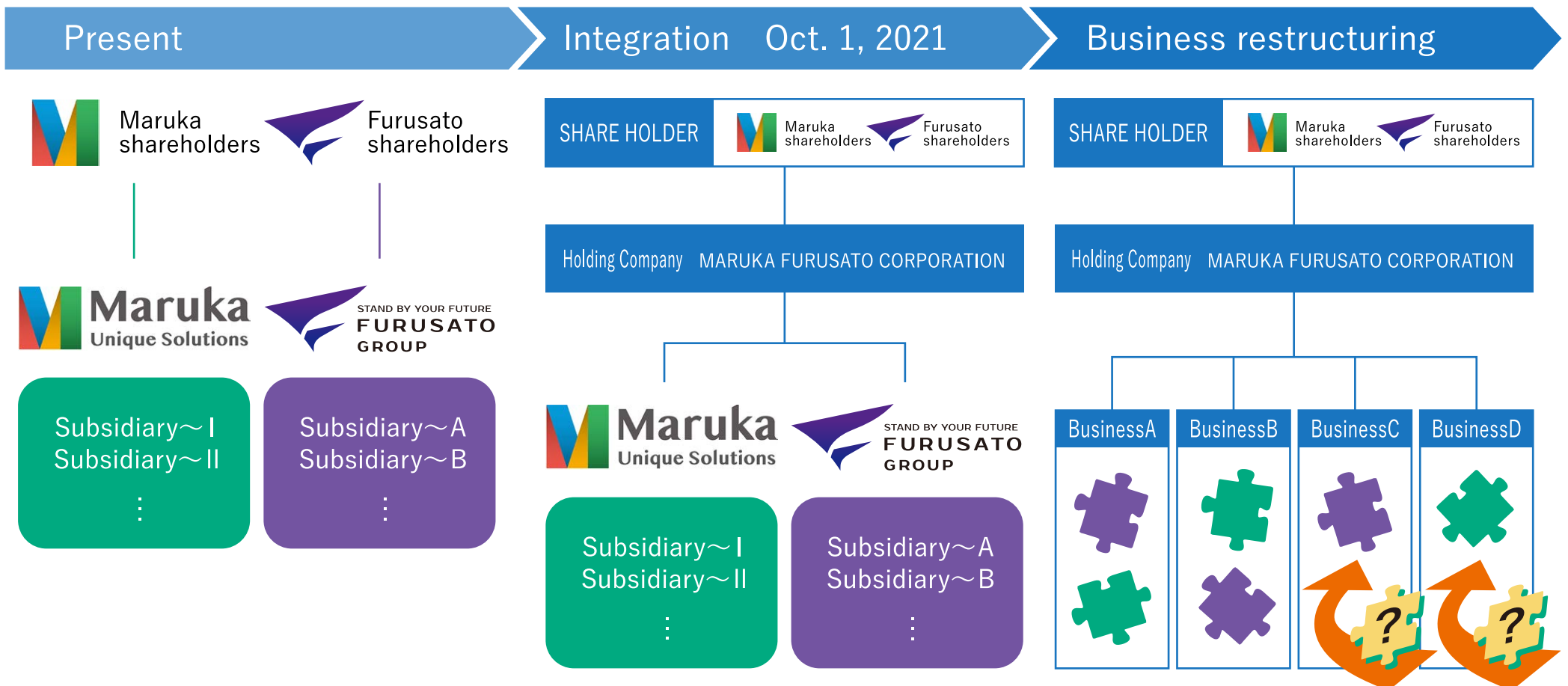
Share Transfer Ratio	Furusato	Maruka
	1	: 1.29
	One (1) share of common stock of the Joint Holding Company for One (1) share of common stock of Furusato, and 1.29 share of common stock of the Joint Holding Company for One (1) share of common stock of Maruka will be allotted.	
Trade name In English	MARUKA FURUSATO Corporation	
Representative	Kunio Iida, Chairman and Representative Director Ryohei Furusato, President and Representative Director	
Headquarters	1-2-10, Minamishin-machi, Chuo-ku, Osaka	
Accounting standard	JGAAP	



3-2. Structure of Integration

Establishing a new holding company through the joint share transfer

- Management integration based on an equal footing
- Developing structure (restructuring the businesses) to realize what we aim for

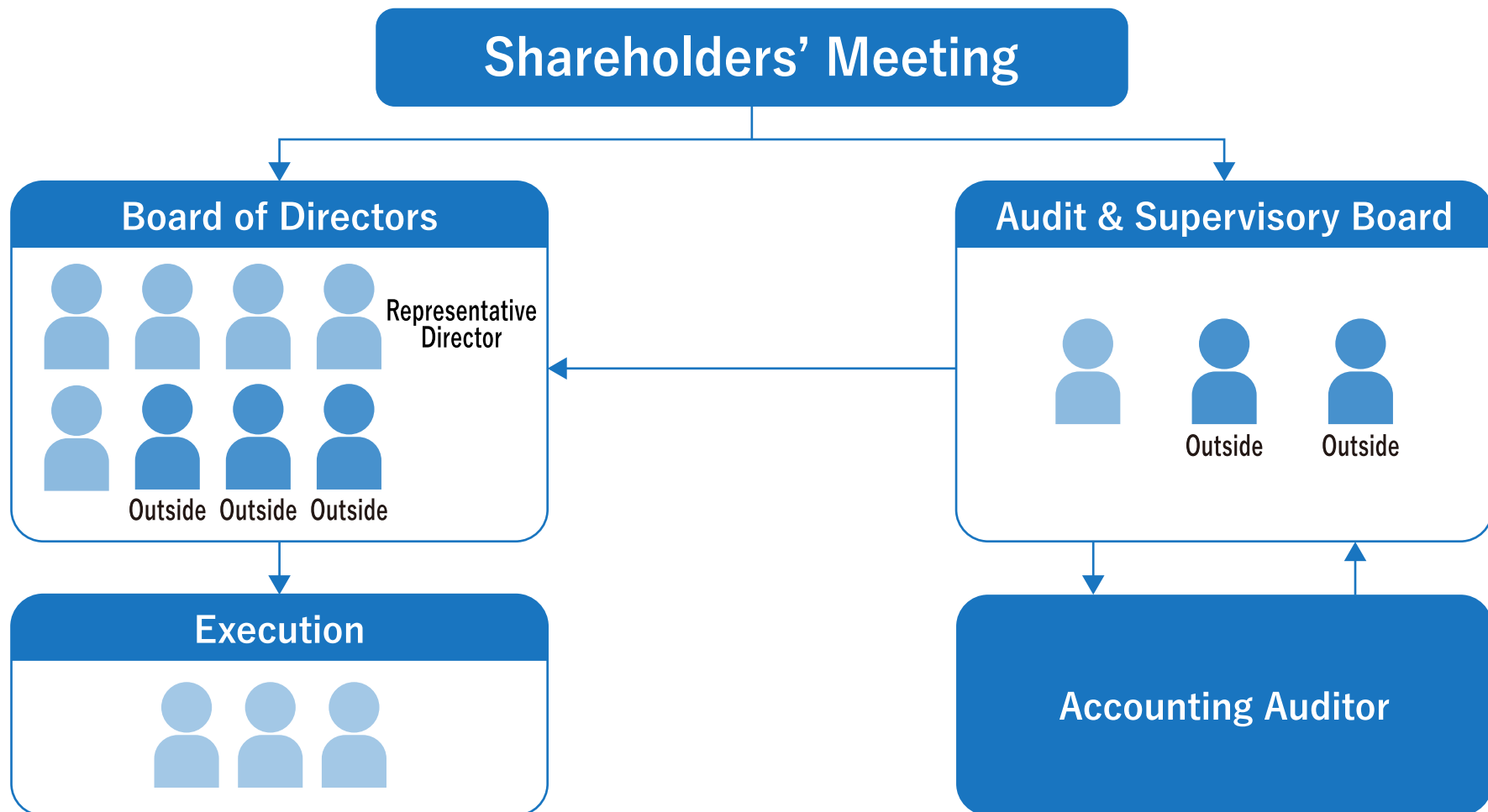




3-3. Corporate Governance System

Company with Board of Corporate Auditors

- The new integrated company will become a "company with a board of auditors" , which is independent from the Board of Directors to enhance management transparency and improve corporate governance.





3-4. Integration Schedule

May 7, 2021	Signing up the Integration Agreement
Jun. 21, 2021 (planned)	General Meeting of Shareholders (Furusato)
Jul. 16, 2021 (planned)	Extraordinary General Meeting of Shareholders (Maruka)
Oct. 1, 2021 (planned)	Effective date of the integration

APPENDIX

Overview of Maruka

	Maruka Corporation (Tokyo Stock Exchange 1st. Section, Stock code : 7594)		
Location	2-2-5, Minamishin-machi, Chuo-ku, Osaka		
Representative	Kunihiko Iida, President and Representative Director		
Paid-in capital	¥1,414M		
Established	1946		
No. of employees	698 (consolidated)		
Bases/Subsidiary	Domestic 12, Overseas 23/Domestic subsidiary 5		
Business outline	Sale of industrial machinery and construction machinery		
Financial results(M¥)	2018/11	2019/11	2020/11
Consolidated net sales	64,511	69,197	53,216
Consolidated operating income	2,610	2,700	1,459

APPENDIX

Overview of Furusato

	Furusato Industries, Ltd. (Tokyo Stock Exchange 1st section, Stock code : 8087)		
Location	1-2-10, Minamishin-machi, Chuo-ku, Osaka		
Representative	Ryohei Furusato, President and Representative Director		
Paid-in capital	¥5,232M		
Established	1959		
No. of employees	1,066 (Consolidated)		
Bases/Subsidiary	Domestic 65/domestic consolidated subsidiary 3		
Business outline	Sale of machinery and tools, construction·piping supplies, and security devices , Manufacturing and sale of construction products, etc.		
Financial results (M¥)	2019/03	2020/03	2021/03
Consolidated net sales	107,873	104,619	89,478
Consolidated operating income	4,040	3,973	2,778

DISCLAIMER

This press release includes “forward-looking statements” that reflect the plans and expectations of Furusato Industries, Ltd. and Maruka Corporation in relation to, and the benefits resulting from, their management integration described above. To the extent that statements in this press release do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the Companies in light of the information currently available to them, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the actual results, performance, achievements or financial position of one or both of the Companies (or the Integrated Group) to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements.

The Companies undertake no obligation to publicly update any forward-looking statements after the date of this press release. Investors are advised to consult any further disclosures by the Companies (or the Integrated Group) in their subsequent domestic filings in Japan.

The risks, uncertainties and other factors referred to above include, but are not limited to:

- deterioration in corporate credit conditions;
- infectious diseases including Covid-19, earthquake, wind and water damage, terrorism, climate change, and other causes;
- changes in laws and regulations, accounting, taxation and other systems in Japan and overseas related to the companies’ business activities;
- the companies being unable to complete the business integration due to reasons such as the companies are not able to implement the necessary procedures including approval of the agreement with regard to the management integration by the shareholders’ meetings of the companies, and any other reasons;
- delays in the review process by the relevant competition law authorities or the clearance of the relevant competition law authorities’ or other necessary approvals’ being unable to be obtained; and
- inability or difficulty of realizing synergies or added value by the management integration by the Integrated Group.

