

FOR IMMEDIATE RELEASE:

Furusato Announces Financial Results for the Year Ended March 31, 2014 [Japan GAAP]

Osaka, Japan, May 7, 2014 – Furusato Industries, Ltd. announced its financial results for the year ended March 31, 2014. All financial information has been prepared in accordance with accounting principles generally accepted in Japan. The following summary of the financial results is unaudited and for reference only.

Stock Exchange Listing : The First Section of the Tokyo Stock Exchange
Securities Code : 8087

All figures are rounded down to the nearest million yen.

CONSOLIDATED FINANCIAL RESULTS

1. Business Results

	Year Ended March 31, 2014	Year Ended March 31, 2013
Operating Results:	(Millions of Yen)	(Millions of Yen)
Net Sales	¥ 82,325	¥ 75,084
Operating Income	3,107	2,212
Ordinary Income	3,384	2,488
Net Income	1,416	1,288
ROE (Net Income to Net Assets)	4.6%	4.4%
ROA (Ordinary Income to Total Assets)	6.7%	5.2%
Operating Income to Net Sales	3.8%	2.9%
Per Share Data:	(Yen)	(Yen)
Net Income	¥ 97.68	¥ 88.10
	As of March 31, 2014	As of March 31, 2013
Financial Position:	(Millions of Yen)	(Millions of Yen)
Total Assets	¥ 53,147	¥ 47,532
Net Assets	31,514	30,040
Net Assets to Total Assets	59.3%	63.2%
Per Share Data:	(Yen)	(Yen)
Net Assets	¥ 2,173.41	¥ 2,066.57
Cash Flows:	(Millions of Yen)	(Millions of Yen)
Net Cash Provided by Operating Activities	¥ 2,481	¥ 2,200
Net Cash Used in Investing Activities	(1,248)	(261)
Net Cash Used in Financing Activities	(360)	(455)
Cash and Cash Equivalents at End of Period	9,275	8,404

Notes:

1. Comprehensive income
 - Year ended March 31, 2014: ¥1,804 million, 37.7%
 - Year ended March 31, 2013: ¥1,310 million, 14.7%
2. Changes in major subsidiaries during the period under review
(Change in specific subsidiaries due to changes in the scope of consolidation): No
3. Changes in accounting principles, changes in accounting estimates, and retrospective restatements
 - 1) Changes in accounting principles resulting from revisions in accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above based on revisions of accounting standard: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatements: No
4. Number of issued and outstanding shares (common stock)
 - 1) Number of issued and outstanding shares at the end of period (including treasury stock)
 - March 31, 2014: 14,574,366 shares
 - March 31, 2013: 14,574,366 shares
 - 2) Number of treasury stock at the end of period
 - March 31, 2014: 74,566 shares
 - March 31, 2013: 38,121 shares
 - 3) Average number of shares (consolidated, cumulative)
 - March 31, 2014: 14,506,890 shares
 - March 31, 2013: 14,629,960 shares

2. Dividends

	Dividends Per Share (Yen)					Total Dividends (Annual) Millions of Yen	Dividend Payout Ratio (Consolidated) %	Dividend on Net Assets (Consolidated) %
	1Q	2Q	3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen			
Fiscal Year Ended March 31, 2013	-	5.00	-	17.50	22.50	327	25.5	1.2
Fiscal Year Ended March 31, 2014	-	5.00	-	24.50	29.50	427	30.2	1.4
Fiscal Year Ending March 31, 2015 (Forecast)	-	5.00	-	33.00	38.00		30.3	

CONSOLIDATED EARNINGS FORECAST FOR FISCAL 2014, ENDING MARCH 31, 2015

	Six Months Ending September 30, 2014	Year Ending March 31, 2015
Operating Results:	(Millions of Yen)	(Millions of Yen)
Net Sales	¥ 39,500	¥ 82,300
Operating Income	1,160	2,880
Ordinary Income	1,300	3,180
Net Income	780	1,820
Per Share Data:	(Yen)	(Yen)
Net Income	¥ 53.79	¥ 125.52

[REFERENCE] NON-CONSOLIDATED FINANCIAL RESULTS

	Year Ended March 31, 2014	Year Ended March 31, 2013
Operating Results:	(Millions of Yen)	(Millions of Yen)
Net Sales	¥ 26,477	¥ 22,866
Operating Income	1,691	940
Ordinary Income	1,832	1,063
Net Income	559	423
Per Share Data:	(Yen)	(Yen)
Net Income	¥ 38.59	¥ 28.92
	As of March 31, 2014	As of March 31, 2013
Financial Position:	(Millions of Yen)	(Millions of Yen)
Total Assets	¥ 29,010	¥ 27,339
Net Assets	21,663	21,302
Net Assets to Total Assets	74.7%	77.9%
Per Share Data:	(Yen)	(Yen)
Net Assets	¥ 1,494.07	¥ 1,465.47

NON-CONSOLIDATED EARNINGS FORECAST FOR FISCAL 2014, ENDING MARCH 31, 2015

	Six Months Ending September 30, 2014	Year Ending March 31, 2015
Operating Results:	(Millions of Yen)	(Millions of Yen)
Net Sales	¥ 12,500	¥ 26,500
Operating Income	560	1,520
Ordinary Income	625	1,670
Net Income	375	910
Per Share Data:	(Yen)	(Yen)
Net Income	¥ 25.86	¥ 62.76

*The forecasts involve our management's assumptions, prospects and plans based on the information currently available. Actual results may differ materially from the expectations depending on various factors.

RESULTS OF OPERATIONS AND FINANCIAL POSITION (YEAR ENDED MARCH 31, 2014)**1. Analysis of Operating Results****(1) Overview of Results**

During the year ended March 31, 2014, the Japanese economy has recovered at moderate pace due mainly to improved corporate earnings and growth in consumer spending, impacted by a last-minute rise in demand before a consumption tax increase. Amid this economic condition, the industrial production increased, led by transport equipment. Regarding the capital investment, machinery and equipment showed signs of picking up. Meanwhile, the building starts slowed down in growth.

Under this business environment, materials used for steel frame for buildings, one of our major markets, played a leading role in improvement in consolidated net sales, impacted by demand expansion based on full-fledged restoration in the affected area by the Great East Japan Earthquake and Tokyo's hosting of the 2020 Olympics Games. In regard to machine tools, related to the capital investment, the orders received has increased from the middle of fiscal 2013 and thus net sales expanded at the fiscal year-end, which resulted in boosting full-year net sales. Net sales of machines and industrial tools including those for automotive industry and of housing equipment, affected by the last-minutes rise in demand, increased. Consequently, consolidated net sales surpassed the forecasts due to these factors.

Accordingly, during the period under review, consolidated net sales increased by 9.6% year over year to ¥82,325 million. On the earnings front, operating income increased by 40.4% year over year to ¥3,107 million, which was attribute to a 10.8% year-over-year growth in gross profit and a 3.2% year-over-year increase in selling, general and administrative expenses. Ordinary income increased by 36.0% to ¥3,384 million. Consequently, net income increased by 9.9% year over year to ¥1,416 million due to recording an extraordinary loss including an impairment loss of ¥569 million.

(2) Analysis of Results by Segment**1) Equipment and Tools Business**

In the Equipment and Tools Business, overall net sales increased by 7.8% year over year to ¥41,006 million. According to the sales breakdown by business, the Industrial Equipment Business turned to increase by 3.5% year over year, the Machine and Tools for Automotive Business increased by 14.7% year over year, due mainly to a pickup in transport equipment, and the Housing Equipment Business continued to be favorable, up 25.6% year over year. Gross profit increased by 5.7% year over year and selling, general and administrative expenses increased by 4.1% year over year. Consequently, overall operating income was ¥1,009 million, up 12.5% year over year.

2) Machine and Facility Business

In the Machine and Facility Business, overall net sales increased by 4.8% year over year to ¥14,869 million, turning to a year-over-year increase from a year-over-year decrease by the third quarter of fiscal 2013. The Machine Tool Business increased by 8.9% year over year due to sales expansion in the fourth quarter while the Factory Automation Business decreased by 10.8% year over year. Gross profit decreased by 1.0% year over year and selling, general and administrative expenses increased by 1.4% year over year. Consequently, overall operating income was ¥361 million, down 6.1% year over year.

3) Construction and Piping Products Business

In the Construction and Piping Products Business, overall net sales increased by 15.7% year over year to ¥26,449 million. The Steel Frame Building Supplies Business increased by 16.1% year over year, reflecting the solid demand for steel frame for buildings. The Piping Products Business, which Furusato is focusing on as a new business, increased by 14.2% year over year and has achieved ¥5 billion for the first time. Gross profit increased by 18.1% year over year and selling, general and administrative expenses increased by 4.1% year over year. Consequently, overall operating income increased by 79.9% year over year to ¥1,691 million.

(3) Earnings Forecast for fiscal 2014, ending March 31, 2015

With regard to the future forecast, there are concerns about the negative impact on Japanese economy by a backlash to the last-minute surge in demand before a consumption tax hike and the slowdown in overseas economy.

Under this business environment, Furusato group will aim for a sustainable growth by developing our businesses from the customer's perspective in line with the improvement of productivity.

During the year ending March 31, 2015, we forecast net sales of ¥82,300 million, operating income of ¥2,880 million, ordinary income of ¥3,180 million and net income of ¥1,820 million.

2. Overview of Consolidated Financial Position and Cash Flows

〈Total assets〉

As of March 31, 2014, total assets increased by ¥5,614 million to ¥53,147 million from the end of the previous fiscal year. According to a breakdown of the change, total current assets increased by ¥4,665 million from the fiscal 2012 year-end. That was due primarily to an increase in cash and deposits, notes and accounts receivable-trade and electronically recorded monetary claims-operating by ¥953 million, ¥2,959 million and ¥580 million, respectively. Total non-current assets increased by ¥949 million. That was due primarily to an increase in construction in progress and investment securities by ¥735 million and ¥570 million, respectively despite a decrease in building and structures and land by ¥114 million and ¥280 million, respectively.

〈Total liabilities〉

Total liabilities increased by ¥4,140 million to ¥21,633 million from the fiscal 2012 year-end. According to a breakdown of the change, total current liabilities increased by ¥4,018 million from the fiscal 2012 year-end. That was due primarily to an increase in notes and accounts payable-trade and income taxes payable by ¥3,584 million and ¥387 million, respectively. Total noncurrent liabilities increased by ¥122 million from the fiscal 2012 year-end. That was due primarily to a decrease in provision for retirement benefits by ¥209 million, an increase in net defined benefit liability by ¥83 million and an increase in differed tax liabilities by ¥255 million.

〈Net assets〉

Net assets increased by ¥1,473 million to ¥31,514 million from the end of the previous fiscal year. This was attributed to net income of ¥1,416 million, dividends from surplus of ¥326 million and an increase of valuation difference on available-for-sale securities by ¥387 million.

〈Cash flows〉

Cash and cash equivalents (hereinafter referred to as "cash") as of March 31, 2014 increased by ¥871 million from the beginning of fiscal 2013 to ¥9,275 million (in fiscal 2012, ¥8,404 million) due to an increase in cash from operating activities and a decrease in cash from investment activities and financing activities.

〈Net cash from operating activities〉

Net cash provided by operating activities was ¥2,481 million (in fiscal 2012, net cash provided by operating activities ¥2,200 million). Factors behind the result were an increase in notes and accounts payable-trade of ¥3,529 million, income before income taxes of ¥2,862 million, impairment loss of ¥535 million, depreciation and amortization of ¥281 million despite an increase in notes and accounts receivable-trade of ¥3,439 million and income taxes paid of ¥996 million.

〈Net cash from investing activities〉

Net cash used in investing activities totaled ¥1,248 million (in fiscal 2012, net cash used in investing activities ¥261 million), mainly resulting from purchases of property, plant and equipment of ¥1,189 million.

〈Net cash from financing activities〉

Net cash used in financing activities was ¥360 million (in fiscal 2012, net cash provided by financing activities ¥455 million). That was mainly owing to cash dividends paid of ¥325 million and purchase of treasury stock of ¥34 million.

3. Basic Policy for Distribution of Profits, Dividends for FY2013 and Dividends Forecasts for FY2014

Furusato regards our dividend policy as one of the critical management issues and adopts the following policy:

- (1) In order to increase the returns to shareholders over the long term, we strive to reinforce our profit structure. Internal capital resources will be secured for active investment in growing businesses.
- (2) The target annual dividend payout ratio is approximately 30% of consolidated net income. In case that the annual dividend per share based on the above dividend payout ratio is less than ¥10, we aim to continue to pay ¥10 as the stable dividend returns to our shareholders.

Note: Amount is rounded up by ¥0.5.

¥0.01 - ¥0.49; ¥0.5

¥0.51 - ¥0.99; ¥1.0

In accordance with this policy, Furusato plans to pay a year-end dividend of ¥24.50 per share, resulting in an annual dividend of ¥29.50 per share together with the interim dividend of ¥5.0 per share already paid.

The annual dividend for the year ending March 31, 2015 is expected to be ¥38.0 per share (¥5.0 for interim and ¥33.0 for year-end dividend).

CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED MARCH 31, 2014

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Thousands of Yen	
	March 31, 2013	March 31, 2014
	Amounts	Amounts
Assets		
Current assets:		
Cash and deposits	¥ 8,439,749	¥ 9,393,407
Notes and accounts receivable-trade	21,874,810	24,834,520
Electronically recorded monetary claims-operating	219,079	800,014
Merchandise and finished goods	3,026,877	3,093,998
Work in process	469,472	510,622
Raw materials and supplies	143,440	135,083
Deferred tax assets	321,182	328,389
Other	206,807	273,159
Allowance for doubtful accounts	(41,046)	(43,349)
Total current assets	34,660,373	39,325,846
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	6,825,889	6,724,041
Accumulated depreciation	(4,623,717)	(4,636,807)
Buildings and structures, net	2,202,171	2,087,233
Land	6,653,870	6,373,686
Construction in progress	219	735,816
Other	3,242,971	3,275,271
Accumulated depreciation	(2,923,057)	(2,950,989)
Others, net	319,913	324,281
Total property, plant and equipment	9,176,175	9,521,018
Intangible assets:		
Total intangible assets	48,763	64,171
Investments and other assets:		
Investment securities	2,314,679	2,884,852
Prepaid pension cost	119,235	-
Net defined benefit asset	-	175,633
Deferred tax assets	42,469	-
Other	1,248,710	1,270,008
Allowance for doubtful accounts	(77,881)	(94,299)
Total investments and other assets	3,647,212	4,236,195
Total noncurrent assets	12,872,151	13,821,384
Total assets	¥ 47,532,524	¥ 53,147,231

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

	Thousands of Yen	
	March 31, 2013	March 31, 2014
	Amounts	Amounts
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	¥ 14,714,133	¥ 18,298,347
Income taxes payable	542,795	930,683
Provision for bonuses	505,359	532,423
Provision for directors' bonuses	25,180	25,860
Reserve for loss on disaster	7,762	1,012
Provision for removal expenses of noncurrent assets	52,000	-
Other	806,932	884,276
Total current liabilities	16,654,162	20,672,602
Noncurrent liabilities:		
Deferred tax liabilities	437,818	693,625
Provision for retirement benefits	209,842	-
Net defined benefit liability	-	83,050
Other	190,546	183,937
Total noncurrent liabilities	838,207	960,613
Total liabilities	17,492,369	21,633,216
Net Assets		
Shareholders' equity:		
Capital stock	5,232,413	5,232,413
Capital surplus	5,975,224	5,975,224
Retained earnings	18,108,452	19,198,540
Treasury stock	(22,220)	(57,127)
Total shareholders' equity	29,293,870	30,349,051
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	746,284	1,134,073
Remeasurements of defined benefit plans	-	30,890
Total accumulated other comprehensive income	746,284	1,164,963
Total net assets	30,040,154	31,514,014
Total liabilities and net assets	¥ 47,532,524	¥ 53,147,231

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

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Thousands of Yen	
	Year ended March 31, 2013	Year ended March 31, 2014
	Amounts	Amounts
Net sales	¥ 75,084,421	¥ 82,325,231
Cost of sales	64,172,176	70,239,875
Gross profit	10,912,245	12,085,355
Selling, general and administrative expenses:		
Freightage and packing expenses	993,811	1,102,361
Provision of allowance for doubtful accounts	7,801	31,039
Provision for directors' bonuses	25,180	25,860
Salaries, allowances and bonuses	3,779,079	3,825,469
Provision for bonuses	444,259	465,757
Retirement benefit expenses	168,614	186,827
Other	3,280,500	3,340,367
Total selling, general and administrative expenses	8,699,246	8,977,682
Operating income	2,212,998	3,107,672
Non-operating income:		
Interest income	11,539	11,683
Dividends income	37,487	43,112
Purchase discounts	435,097	437,059
Rent income	30,874	32,401
Other	22,139	19,817
Total non-operating income	537,138	544,072
Non-operating expenses:		
Sales discounts	237,341	246,693
Cost of lease revenue	3,881	3,652
Other	20,568	16,515
Total non-operating expenses	261,791	266,861
Ordinary income	2,488,345	3,384,884
Extraordinary income:		
Gain on sales of investment securities	-	47,414
Gain on sales of noncurrent assets	984	-
Total extraordinary income	984	47,414
Extraordinary loss:		
Impairment loss	72,746	535,690
Loss on retirement of noncurrent assets	9,540	8,408
Provision for removal expenses of noncurrent assets	52,000	-
Loss on disaster	1,933	-
Other	-	25,397
Total extraordinary loss	136,220	569,496
Income before income taxes	2,353,109	2,862,802
Income taxes-current	1,014,761	1,380,467
Income taxes-deferred	49,473	65,360
Total income taxes	1,064,234	1,445,827
Income before minority interests	1,288,875	1,416,975
Net income	¥ 1,288,875	¥ 1,416,975

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Thousands of Yen	
	Year ended March 31, 2013	Year ended March 31, 2014
	Amounts	Amounts
Income before minority interests	¥ 1,288,875	¥ 1,416,975
Other comprehensive income:		
Valuation difference on available-for-sale securities	22,076	387,788
Total other comprehensive income	22,076	387,788
Comprehensive income:	1,310,952	1,804,763
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,310,952	1,804,763
Comprehensive income attributable to minority interests	¥ -	¥ -

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

Year Ended March 31, 2013 (from April 1, 2012 to March 31, 2013)

(Thousands of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2012	5,232,413	6,135,350	17,536,634	(442,468)	28,461,930
Changes of items during the period					
Dividends from surplus			(294,453)		(294,453)
Net income			1,288,875		1,288,875
Purchases of treasury stock				(162,481)	(162,481)
Retirement of treasury stock		(582,730)		582,730	-
Transfer to capital surplus from retained earnings		422,603	(422,603)		-
Net changes in items other than shareholders' equity					
Total changes of items during the period	-	(160,126)	571,818	420,248	831,940
Balance at March 31, 2013	5,232,413	5,975,224	18,108,452	(22,220)	29,293,870

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at March 31, 2012	724,207	-	724,207	29,186,137
Changes of items during the period				
Dividends from surplus				(294,453)
Net income				1,288,875
Purchases of treasury stock				(162,481)
Retirement of treasury stock				-
Transfer to capital surplus from retained earnings				-
Net changes in items other than shareholders' equity	22,076		22,076	22,076
Total changes of items during the period	22,076	-	22,076	854,017
Balance at March 31, 2013	746,284	-	746,284	30,040,154

Year Ended March 31, 2014 (from April 1, 2013 to March 31, 2014)

(Thousands of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2013	5,232,413	5,975,224	18,108,452	(22,220)	29,293,870
Changes of items during the period					
Dividends from surplus			(326,886)		(326,886)
Net income			1,416,975		1,416,975
Purchases of treasury stock				(34,907)	(34,907)
Retirement of treasury stock					-
Transfer to capital surplus from retained earnings					-
Net changes in items other than shareholders' equity					
Total changes of items during the period	-	-	1,090,088	(34,907)	1,055,180
Balance at March 31, 2014	5,232,413	5,975,224	19,198,540	(57,127)	30,349,051

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at March 31, 2013	746,284	-	746,284	30,040,154
Changes of items during the period				
Dividends from surplus				(326,886)
Net income				1,416,975
Purchases of treasury stock				(34,907)
Retirement of treasury stock				-
Transfer to capital surplus from retained earnings				-
Net changes in items other than shareholders' equity	387,788	30,890	418,679	418,679
Total changes of items during the period	387,788	30,890	418,679	1,473,859
Balance at March 31, 2014	1,134,073	30,890	1,164,963	31,514,014

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Thousands of Yen	
	Year ended March 31, 2013	Year ended March 31, 2014
	Amounts	Amounts
Net cash provided by (used in) operating activities:		
Income before income taxes	¥ 2,353,109	¥ 2,862,802
Depreciation and amortization	357,508	281,275
Impairment loss	72,746	535,690
Increase (decrease) in provision for directors' bonuses	(1,600)	680
Increase (decrease) in provision for retirement benefits	(131,484)	-
Increase (decrease) in net defined benefit liability	-	(122,502)
Decrease (increase) in prepaid pension costs	(19,512)	-
Decrease (increase) in net defined benefit assets	-	(12,794)
Increase (decrease) in provision for bonuses	20,136	27,064
Increase (decrease) in allowance for doubtful accounts	(26,632)	18,721
Interest and dividends income	(49,027)	(54,795)
Loss (gain) on sales of investment securities	-	(47,414)
Decrease (increase) in notes and accounts receivable-trade	1,972,806	(3,439,697)
Decrease (increase) in inventories	(159,974)	(99,914)
Increase (decrease) in notes and accounts payable-trade	(818,081)	3,529,404
Other	(85,053)	(56,831)
Subtotal	3,484,942	3,421,689
Interest and dividend income received	49,130	55,758
Income taxes paid	(1,333,812)	(996,443)
Net cash provided by (used in) operating activities	2,200,260	2,481,003
Net cash provided by (used in) investing activities:		
Payments into time deposits	(77,802)	(367,200)
Proceeds from withdrawal of time deposits	136,720	285,000
Purchase of property, plant and equipment	(98,395)	(1,189,632)
Purchase of investment securities	(19,407)	(12,525)
Proceeds from sales of investment securities	-	84,004
Payments for guarantee deposits	(167,628)	(19,101)
Other	(35,161)	(29,517)
Net cash provided by (used in) investing activities	(261,675)	(1,248,972)
Net cash provided by (used in) financing activities:		
Purchase of treasury stock	(162,481)	(34,907)
Cash dividends paid	(293,468)	(325,664)
Net cash provided by (used in) financing activities	(455,949)	(360,572)
Net increase (decrease) in cash and cash equivalents	1,482,635	871,458
Cash and cash equivalents at beginning of the period	6,921,413	8,404,049
Cash and cash equivalents at end of the period	¥ 8,404,049	¥ 9,275,507

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

SEGMENT INFORMATION

a. Segment information

1. Outline of business segments reported

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

Furusato Group comprises of three segments, the "Equipment and Tools Business", the "Machine and Facility Business" and the "Construction and Piping Products Business".

The Equipment and Tools Business offers mainly equipments and tools to the manufacturing industry and equipments to the housing market.

The Machine and Facility Business offers primarily machine tools and facilities installed in production lines.

The Construction and Piping Products Business sells fastening products, hardware, welding materials, piping supplies, etc. and manufactures and sells turnbuckle braces and foundation bolts, etc.

2. Information on net sales, operating income (loss), assets, liabilities and other items by business segment reported

Year Ended March 31, 2013 (from April 1, 2012 to March 31, 2013)

(Thousands of Yen)

	Net sales			Operating income	Assets	Other items	
	To customers	Intersegment	Total			Depreciation, amortization	Increase in tangible and intangible fixed assets
Business segment reported							
Equipment and Tools	¥ 38,039,161	¥ 933,972	¥ 38,973,133	¥ 897,630	¥ 17,349,786	¥ 126,225	¥ 17,044
Machine and Facility	14,194,010	279,529	14,473,539	384,745	3,815,513	24,777	3,780
Construction and Piping Products	22,851,250	15,407	22,866,657	940,191	16,865,928	205,158	159,025
Subtotal	75,084,421	1,228,909	76,313,331	2,222,568	38,031,228	356,161	179,850
Adjustment (*1)	-	(1,228,909)	(1,228,909)	(9,569)	9,501,295	1,347	-
Total amounts on the consolidated statements of income (*2)	¥ 75,084,421	-	¥ 75,084,421	¥ 2,212,998	¥ 47,532,524	¥ 357,508	¥ 179,850

Note:

1. Adjustment

(1) Adjustment of operating income amounted to ¥(9,569) thousand, which includes elimination of intersegment transaction of ¥(7,437) thousand and adjustment of inventory of ¥(2,132) thousand.

(2) Adjustment of assets amounted to ¥9,501,295 thousand, which includes elimination of intersegment transaction of ¥(276,993) thousand and corporate assets not allocated to each business segment reported of ¥9,778,289 thousand. The majority of corporate assets are surplus funds, long-term investment funds and assets in Administration section, which do not belong to each business segment reported.

(3) The majority of depreciation and amortization worth ¥1,347 thousand do not belong to business segments reported.

2. Segment operating income is adjusted with operating income on the consolidated statements of income.

Year Ended March 31, 2014 (from April 1, 2013 to March 31, 2014)

(Thousands of Yen)

	Net sales			Operating income	Assets	Other items	
	To customers	Intersegment	Total			Depreciation, amortization	Increase in tangible and intangible fixed assets
Business segment reported							
Equipment and Tools	¥ 41,006,630	¥ 1,013,725	¥ 42,020,355	¥ 1,009,667	¥ 18,896,738	¥ 76,820	¥ 425,000
Machine and Facility	14,869,418	338,355	15,207,773	361,397	5,333,986	13,026	61,946
Construction and Piping Products	26,449,182	27,867	26,477,050	1,691,190	18,548,235	190,197	703,910
Subtotal	82,325,231	1,379,948	83,705,180	3,062,255	42,778,961	280,043	1,190,857
Adjustment (*1)	-	(1,379,948)	(1,379,948)	45,417	10,368,270	1,231	-
Total amounts on the consolidated statements of income (*2)	¥ 82,325,231	-	¥ 82,325,231	¥ 3,107,672	¥ 53,147,231	¥ 281,275	¥ 1,190,857

Note:

1. Adjustment

(1) Adjustment of operating income amounted to ¥45,417 thousand, which includes elimination of intersegment transaction of ¥49,683 thousand and adjustment of inventory of ¥(4,266) thousand.

(2) Adjustment of assets amounted to ¥10,368,270 thousand, which includes elimination of intersegment transaction of ¥(221,130) thousand and corporate assets not allocated to each business segment reported of ¥10,589,400 thousand. The majority of corporate assets are surplus funds, long-term investment funds and assets in Administration section, which do not belong to each business segment reported.

(3) The majority of adjustment of depreciation and amortization are ¥1,231 thousand, do not belong to business segments reported.

2. Segment operating income is adjusted with operating income on the consolidated statements of income.

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED MARCH 31, 2014

NON-CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Thousands of Yen	
	March 31, 2013	March 31, 2014
	Amounts	Amounts
Assets		
Current assets:		
Cash and deposits	¥ 4,166,022	¥ 4,079,496
Notes receivable-trade	3,595,509	3,894,400
Electronically recorded monetary claims-operating	219,079	389,797
Accounts receivable-trade	3,273,985	3,924,840
Merchandise and finished goods	1,406,586	1,382,983
Work in process	469,472	510,622
Raw materials and supplies	143,440	135,083
Advance payments-trade	-	22,346
Prepaid expenses	56,647	64,690
Deferred tax assets	180,614	160,177
Other	12,676	19,278
Allowance for doubtful accounts	(27,647)	(26,269)
Total current assets	13,496,388	14,557,446
Noncurrent assets:		
Property, plant and equipment:		
Buildings	1,993,993	1,895,833
Structures	75,881	71,069
Machinery and equipment	242,182	247,589
Vehicles	7,615	6,145
Tools, furniture and fixtures	46,794	43,184
Land	6,252,052	5,971,869
Construction in progress	219	735,816
Total property, plant and equipment	8,618,740	8,971,507
Intangible assets:		
Leasehold right	3,215	3,215
Software	24,773	31,431
Other	534	707
Total intangible assets	28,523	35,354
Investments and other assets:		
Investment securities	1,307,071	1,525,041
Stocks of subsidiaries and affiliates	3,240,402	3,240,402
Investment in capital	23,205	23,205
Claims provable in bankruptcy, claims provable in rehabilitation and other	19,055	9,030
Prepaid pension cost	119,235	132,030
Long-term prepaid expenses	73,469	96,183
Guarantee deposits	102,318	102,405
Long-term time deposits	300,000	300,000
Other	27,384	26,569
Allowance for doubtful accounts	(16,055)	(9,030)
Total investments and other assets	5,196,087	5,445,837
Total noncurrent assets	13,843,351	14,452,700
Total assets	¥ 27,339,740	¥ 29,010,146

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

	Thousands of Yen	
	March 31, 2013	March 31, 2014
	Amounts	Amounts
Liabilities		
Current liabilities:		
Notes payable-trade	¥ 1,953,067	¥ 2,405,052
Accounts payable-trade	2,541,218	3,183,870
Accounts payable-other	404,629	349,718
Accrued expenses	35,561	38,698
Income taxes payable	328,602	504,837
Deposits received	14,234	14,574
Provision for bonuses	258,409	278,466
Provision for directors' bonuses	12,750	12,430
Reserve for loss on disaster	7,762	1,012
Provision for removal expenses of noncurrent assets	52,000	-
Other	19,333	26,302
Total current liabilities	5,627,569	6,814,965
Noncurrent liabilities:		
Long-term accounts payable-other	121,991	119,193
Deferred tax liabilities	197,157	321,628
Asset retirement obligations	8,197	8,386
Other	82,324	82,324
Total noncurrent liabilities	409,670	531,532
Total liabilities	6,037,240	7,346,497
Net Assets		
Shareholders' equity:		
Capital stock	5,232,413	5,232,413
Capital surplus:		
Legal capital surplus	5,975,224	5,975,224
Total capital surplus	5,975,224	5,975,224
Retained earnings:		
Legal retained earnings	306,475	306,475
Other retained earnings		
General reserve	7,000,000	7,000,000
Retained earnings brought forward	2,360,921	2,593,823
Total retained earnings	9,667,396	9,900,298
Treasury stock	(22,220)	(57,127)
Total shareholders' equity	20,852,814	21,050,809
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	449,685	612,840
Total valuation and translation adjustments	449,685	612,840
Total net assets	21,302,499	21,663,649
Total liabilities and net assets	¥ 27,339,740	¥ 29,010,146

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

NON-CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Thousands of Yen	
	Year ended March 31, 2013	Year ended March 31, 2014
	Amounts	Amounts
Net sales	¥ 22,866,657	¥ 26,477,050
Cost of sales	17,782,256	20,469,977
Gross profit	5,084,400	6,007,072
Selling, general and administrative expenses:	4,144,209	4,315,882
Operating income	940,191	1,691,190
Non-operating income:		
Interest and dividends income	24,367	25,923
Rent income	193,093	146,976
Other	69,909	74,105
Total non-operating income	287,370	247,006
Non-operating expenses:		
Cost of lease revenue	141,665	83,159
Other	22,245	22,174
Total non-operating expenses	163,910	105,333
Ordinary income	1,063,650	1,832,862
Extraordinary income:		
Gain on sales of investment securities	-	47,028
Gain on sales of noncurrent assets	984	-
Total extraordinary income	984	47,028
Extraordinary loss:		
Impairment loss	148,215	535,690
Loss on retirement of noncurrent assets	9,540	8,408
Loss on valuation of membership	-	2,600
Provision for removal expenses of noncurrent assets	52,000	-
Loss on disaster	1,933	-
Total extraordinary loss	211,688	546,699
Income before income taxes	852,946	1,333,191
Income taxes-current	490,703	716,025
Income taxes-deferred	(60,844)	57,377
Total income taxes	429,858	773,403
Net income	¥ 423,087	¥ 559,788

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

NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

Year Ended March 31, 2013 (from April 1, 2012 to March 31, 2013)

(Thousands of Yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained Earnings			
		Legal capital surplus	Other capital surplus	Total	Legal retained earnings	Other retained earnings		Total
						General reserve	Retained earnings brought forward	
Balance at March 31, 2012	5,232,413	5,975,224	160,126	6,135,350	306,475	7,000,000	2,654,890	9,961,365
Changes of items during the period								
Dividends from surplus							(294,453)	(294,453)
Net income							423,087	423,087
Purchases of treasury stock								
Retirement of treasury stock			(582,730)	(582,730)				
Transfer to capital surplus from retained earnings			422,603	422,603			(422,603)	(422,603)
Net changes in items other than shareholders' equity								
Total changes of items during the period	-	-	(160,126)	(160,126)	-	-	(293,969)	(293,969)
Balance at March 31, 2013	5,232,413	5,975,224	-	5,975,224	306,475	7,000,000	2,360,921	9,667,396

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at March 31, 2012	(442,468)	20,886,661	470,577	470,577	21,357,239
Changes of items during the period					
Dividends from surplus		(294,453)			(294,453)
Net income		423,087			423,087
Purchases of treasury stock	(162,481)	(162,481)			(162,481)
Retirement of treasury stock	582,730	-			-
Transfer to capital surplus from retained earnings		-			-
Net changes in items other than shareholders' equity			(20,892)	(20,892)	(20,892)
Total changes of items during the period	420,248	(33,846)	(20,892)	(20,892)	(54,739)
Balance at March 31, 2013	(22,220)	20,852,814	449,685	449,685	21,302,499

Year Ended March 31, 2014 (from April 1, 2013 to March 31, 2014)

(Thousands of Yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained Earnings			
		Legal capital surplus	Other capital surplus	Total	Legal retained earnings	Other retained earnings		Total
					General reserve	Retained earnings brought forward		
Balance at March 31, 2013	5,232,413	5,975,224	-	5,975,224	306,475	7,000,000	2,360,921	9,667,396
Changes of items during the period								
Dividends from surplus							(326,886)	(326,886)
Net income							559,788	559,788
Purchases of treasury stock								
Retirement of treasury stock								
Transfer to capital surplus from retained earnings								
Net changes in items other than shareholders' equity								
Total changes of items during the period	-	-	-	-	-	-	232,901	232,901
Balance at March 31, 2014	5,232,413	5,975,224	-	5,975,224	306,475	7,000,000	2,593,823	9,900,298

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at March 31, 2013	(22,220)	20,852,814	449,685	449,685	21,302,499
Changes of items during the period					
Dividends from surplus		(326,886)			(326,886)
Net income		559,788			559,788
Purchases of treasury stock	(34,907)	(34,907)			(34,907)
Retirement of treasury stock		-			-
Transfer to capital surplus from retained earnings		-			-
Net changes in items other than shareholders' equity			163,155	163,155	163,155
Total changes of items during the period	(34,907)	197,994	163,155	163,155	361,149
Balance at March 31, 2014	(57,127)	21,050,809	612,840	612,840	21,663,649