

FOR IMMEDIATE RELEASE:

Furusato Announces Financial Results for the Second Quarter Ended September 30, 2014 [Japan GAAP]

Osaka, Japan, October 31, 2014 – Furusato Industries, Ltd. announced its consolidated financial results in the first half of the year ending March 31, 2015. 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.

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

All figures are rounded down to the nearest million yen.

CONSOLIDATED FINANCIAL RESULTS

1. Business Results

	Six Months Ended September 30, 2014	Six Months Ended September 30, 2013
Operating Results:	(Millions of Yen)	(Millions of Yen)
Net Sales	¥ 40,804	¥ 37,634
Operating Income	1,282	1,073
Ordinary Income	1,436	1,205
Net Income	896	699
Per Share Data:	(Yen)	(Yen)
Net Income	¥ 61.82	¥ 48.18

	As of September 30, 2014	As of March 31, 2014
Financial Position:	(Millions of Yen)	(Millions of Yen)
Total Assets	¥ 52,856	¥ 53,147
Net Assets	32,211	31,514
Net Assets to Total Assets	60.9%	59.3%
Per Share Data:	(Yen)	(Yen)
Net Assets	¥ 2,221.58	¥ 2,173.41

Notes:

1. Comprehensive income (loss)
 - Six months ended September 30, 2014 ¥1,008 million, 8.6%
 - Six months ended September 30, 2013 ¥928 million, 141.2%
2. Changes in major subsidiaries during the period under review
(change in specific subsidiaries due to changes in the scope of consolidation): No
3. Adoption of special accounting methods for the preparation of quarterly consolidated financial statements: No
4. 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 other than those in 1) above: No

- 3) Changes in accounting estimates: No
 4) Retrospective restatements: No
 5. Number of shares Issued and outstanding (common stock)
 1) Number of shares issued and outstanding at the end of period (including treasury stock)
 September 30, 2014: 14,574,366 shares
 March 31, 2014: 14,574,366 shares
 2) Number of treasury stock at the end of period
 September 30, 2014: 74,857 shares
 March 31, 2014: 74,566 shares
 3) Average number of shares issued and outstanding for the period (consolidated, cumulative)
 September 30, 2014: 14,499,706 shares
 September 30, 2013: 14,513,591 shares

2. Dividends

	Dividends Per Share (Yen)				
	1Q	2Q	3Q	Year-end	Annual
Fiscal Year Ended March 31, 2014	-	5.00	-	24.50	29.50
Fiscal Year Ending March 31, 2015	-	5.00			
Fiscal Year Ending March 31, 2015 (Forecast)			-	33.00	38.00

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

	Full-Year	% Change
Operating Results:	(Millions of Yen)	
Net Sales	¥ 82,300	(0.0)%
Operating Income	2,880	(7.3)%
Ordinary Income	3,180	(6.1)%
Net Income	1,820	28.4%
Per Share Data:	(Yen)	
Net Income	¥ 125.52	-

*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 (SIX MONTHS ENDED SEPTEMBER 30, 2014)**1. Analysis of Operating Results****(1) Overview of Results**

During the six months ended September 30, 2014, the Japanese economy has continued its moderate recovery trend despite some weakness particularly in the industrial production, mainly affected by the consumption tax hike. The Indices of Industrial Production showed a drop mainly in transport equipment, general machinery and production machinery in August. Meanwhile, according to the Survey of Orders Received for Machinery, the domestic order was on an upward trend and according to the Tankan Survey (the Bank of Japan's Quarterly Short-term Economic Survey of Principal Enterprise in Japan), the capital investment plan is expected to record a three-consecutive-year increase this year.

Although the floor area of building starts by use stayed negative except a part of uses like warehouses, the demand is steady toward the Tokyo Olympics Games. Meanwhile, there is a concern that the construction schedule has been delayed due to short of workers at construction sites.

Under this circumstances, Furusato Group made efforts to secure stable profit by expanding its added-value. In the Machine and Facility Business, the orders received was steady, impacted by the effects of government's policy, and accordingly, net sales turned to be positive from the significant negative in the first quarter of fiscal 2014. The Equipment and Tools Business and the Construction and Piping Products Business were steady.

Accordingly, during the period under review, consolidated net sales increased by 8.4% year over year to ¥40,804 million. On the earning front, operating income increased by 19.4% year over year to ¥1,282 million, and ordinary income was ¥1,436 million, up 19.1% year over year. Consequently, net income was ¥896 million, up 28.2% year over year due to recording income taxes of ¥599 million.

Analysis of Results by Segment**〈Equipment and Tools Business〉**

In the Equipment and Tools Business, overall net sales increased by 6.6% year over year to ¥20,274 million. According to the sales breakdown by business, the Industrial Equipment Business increased by 7.5% year over year, reflecting favorable industrial production. The Machine and Tools for Automotive Business was up 2.5% year over year, turning to be positive from negative in the first quarter. However, overall operating income was ¥306 million, down 8.3% year over year, which resulted from recording expenses according to cancellation of contract due to the bankruptcy of a supplier.

〈Machine and Facility Business〉

In the Machine and Facility Business, overall net sales increased by 8.1% year over year to ¥6,932 million. In the Machine Tool Business, net sales increased by 5.2% year over year, turning to be positive, and the Factory Automation Business increased by 21.7% year over year due mainly to favorable orders received. Consequently, overall operating income was ¥146 million, up 41.8% year over year.

〈Construction and Piping Products Business〉

In the Construction and Piping Products Business, net sales increased by 11.5% year over year to ¥13,597 million. The Steel Frame Building Supplies Business increased by 9.5% year over year due to increased orders received in facility machinery while the Piping Products Business increased by 20.4% year over year, impacted by the effects of new sales offices. Consequently, overall operating income increased by 24.4% year over year to ¥772 million.

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

The earnings forecast is unchanged from the forecast announced on May 7, 2014.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Thousands of Yen	
	March 31, 2014	September 30, 2014
	Amounts	Amounts
Assets		
Current assets:		
Cash and deposits	¥ 9,393,407	¥ 10,121,484
Notes and accounts receivable-trade	24,834,520	22,284,929
Electronically recorded monetary claims-operating	800,014	1,051,582
Merchandise and finished goods	3,093,998	3,234,797
Work in process	510,622	540,735
Raw materials and supplies	135,083	129,757
Deferred tax assets	328,389	297,383
Other	273,159	590,409
Allowance for doubtful accounts	(43,349)	(35,620)
Total current assets	39,325,846	38,215,458
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	2,087,233	3,122,232
Land	6,373,686	6,374,557
Construction in progress	735,816	-
Other, net	324,281	382,282
Total property, plant and equipment	9,521,018	9,879,071
Intangible assets:		
Total intangible assets	64,171	65,286
Investments and other assets:		
Investment securities	2,884,852	3,247,621
Net defined benefit asset	175,633	233,957
Other	1,270,008	1,342,209
Allowance for doubtful accounts	(94,299)	(126,931)
Total investments and other assets	4,236,195	4,696,857
Total noncurrent assets	13,821,384	14,641,215
Total assets	¥ 53,147,231	¥ 52,856,674

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

	Thousands of Yen	
	March 31, 2014 Amounts	September 30, 2014 Amounts
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	¥ 18,298,347	¥ 16,791,110
Current portion of long-term loans payable	-	160,000
Income taxes payable	930,683	593,772
Provision for bonuses	532,423	554,264
Provision for directors' bonuses	25,860	14,660
Reserve for loss on disaster	1,012	1,012
Other	884,276	1,197,599
Total current liabilities	20,672,602	19,312,419
Noncurrent liabilities:		
Long-term loans payable	-	340,000
Deferred tax liabilities	693,625	779,920
Net defined benefit liability	83,050	30,155
Other	183,937	182,380
Total noncurrent liabilities	960,613	1,332,457
Total liabilities	21,633,216	20,644,877
Net Assets		
Shareholders' equity:		
Capital stock	5,232,413	5,232,413
Capital surplus	5,975,224	5,975,224
Retained earnings	19,198,540	19,784,854
Treasury stock	(57,127)	(57,543)
Total shareholders' equity	30,349,051	30,934,949
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,134,073	1,244,792
Remeasurements of defined benefit plans	30,890	32,055
Total accumulated other comprehensive income	1,164,963	1,276,847
Total net assets	31,514,014	32,211,797
Total liabilities and net assets	¥ 53,147,231	¥ 52,856,674

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

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Thousands of Yen	
	Six months ended September 30, 2013	Six months ended September 30, 2014
	Amounts	Amounts
Net sales	¥ 37,634,704	¥ 40,804,743
Cost of sales	32,129,132	34,862,775
Gross profit	5,505,572	5,941,968
Selling, general and administrative expenses	4,431,969	4,659,810
Operating income	1,073,603	1,282,157
Non-operating income:		
Interest income	5,305	6,110
Dividends income	22,206	24,734
Purchase discounts	211,394	238,883
Rent income	16,247	16,019
Other	7,932	11,597
Total non-operating income	263,086	297,344
Non-operating expenses:		
Interest expenses	-	1,250
Sales discounts	116,417	135,066
Cost of lease revenue	1,602	1,459
Other	12,809	5,623
Total non-operating expenses	130,829	143,400
Ordinary income	1,205,859	1,436,102
Extraordinary income:		
Gain on sales of investment securities	26,094	59,623
Total extraordinary income	26,094	59,623
Extraordinary loss:		
Loss on retirement of noncurrent assets	5,515	-
Loss on sales of investment securities	-	200
Total extraordinary loss	5,515	200
Income before income taxes	1,226,438	1,495,525
Income taxes-current	440,286	569,968
Income taxes-deferred	86,959	29,119
Total income taxes	527,245	599,087
Income before minority interests	699,193	896,438
Net income	¥ 699,193	¥ 896,438

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Thousands of Yen			
	Six months ended September 30, 2013		Six months ended September 30, 2014	
	Amounts		Amounts	
Income before minority interests	¥	699,193	¥	896,438
Other comprehensive income:				
Valuation difference on available-for-sale securities		229,639		110,719
Remeasurements of defined benefit plans, net of tax		-		1,165
Total other comprehensive income		229,639		111,884
Comprehensive income:		928,832		1,008,323
Comprehensive income attributable to				
Comprehensive income attributable to owners of the parent		928,832		1,008,323
Comprehensive income attributable to minority interests	¥	-	¥	-

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Thousands of Yen	
	Six months ended September 30, 2013	Six months ended September 30, 2014
	Amounts	Amounts
Net cash provided by (used in) operating activities:		
Income before income taxes	¥ 1,226,438	¥ 1,495,525
Depreciation and amortization	146,650	154,157
Increase (decrease) in provision for directors' bonuses	(12,255)	(11,200)
Increase (decrease) in provision for retirement benefits	(59,267)	-
Increase (decrease) in net defined benefit liability	-	(1,001)
Decrease (increase) in prepaid pension costs	(6,244)	-
Decrease (increase) in net defined benefit asset	-	(40,263)
Increase (decrease) in provision for bonuses	11,314	21,841
Increase (decrease) in allowance for doubtful accounts	(5,202)	24,903
Interest and dividends income	(27,511)	(30,844)
Interest expenses	-	1,250
Loss (gain) on sales of investment securities	(26,094)	(59,623)
Decrease (increase) in notes and accounts receivable-trade	1,105,528	2,532,871
Decrease (increase) in inventories	51,557	(165,586)
Increase (decrease) in notes and accounts payable-trade	(227,281)	(1,750,762)
Other	(213,705)	(10,274)
Subtotal	1,963,927	2,160,993
Interest and dividends income received	27,438	30,856
Interest expenses paid	-	(1,401)
Income taxes paid	(517,871)	(906,375)
Net cash provided by (used in) operating activities	1,473,494	1,284,073
Net cash provided by (used in) investing activities:		
Payments into time deposits	(143,300)	(460,500)
Proceeds from withdrawal of time deposits	35,700	187,000
Purchase of property, plant and equipment	(555,529)	(525,006)
Purchase of investment securities	(57,236)	(234,635)
Proceeds from sales of investment securities	44,824	104,717
Payments for guarantee deposits	(11,702)	(65,431)
Other	(12,939)	19,137
Net cash provided by (used in) investing activities	(700,182)	(974,718)
Net cash provided by (used in) financing activities:		
Proceeds from long-term loans payable	-	500,000
Purchase of treasury stock	(34,039)	(415)
Cash dividends paid	(253,185)	(354,361)
Net cash provided by (used in) financing activities	(287,225)	145,222
Net increase (decrease) in cash and cash equivalents	486,087	454,576
Cash and cash equivalents at beginning of the period	8,404,049	9,275,507
Cash and cash equivalents at end of the period	¥ 8,890,136	¥ 9,730,084

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

SEGMENT INFORMATION

1. Six months ended September 30, 2013 (from April 1 to September 30, 2013)

(1) Information on net sales and operating income (loss) by business segment reported

(Thousands of Yen)

	Net sales			Operating income
	To customers	Intersegment	Total	
Business segment reported				
Equipment and Tools	¥ 19,025,431	¥ 444,827	¥ 19,470,259	¥ 333,870
Machine and Facility	6,412,579	154,323	6,566,902	103,095
Construction and Piping Products	12,196,693	15,452	12,212,146	621,420
Subtotal	37,634,704	614,604	38,249,308	1,058,386
Adjustment (*1)	-	(614,604)	(614,604)	15,216
Total amounts on the consolidated statements of income (*2)	¥ 37,634,704	-	¥ 37,634,704	¥ 1,073,603

Note:

- Adjustment of operating income, ¥15,216 thousand, incorporates elimination of intersegment transaction, ¥18,015 thousand, and adjustment of inventory, ¥(2,799) thousand.
- Operating income for segment is adjusted on operating income on the quarterly consolidated statements of income.

2. Six months ended September 30, 2014 (from April 1 to September 30, 2014)

(1) Information on net sales and operating income by business segment reported

(Thousands of Yen)

	Net sales			Operating income
	To customers	Intersegment	Total	
Business segment reported				
Equipment and Tools	¥ 20,274,637	¥ 508,284	¥ 20,782,921	¥ 306,267
Machine and Facility	6,932,577	54,126	6,986,703	146,232
Construction and Piping Products	13,597,528	12,469	13,609,997	772,894
Subtotal	40,804,743	574,879	41,379,623	1,225,393
Adjustment (*1)	-	(574,879)	(574,879)	56,764
Total amounts on the consolidated statements of income (*2)	¥ 40,804,743	-	¥ 40,804,743	¥ 1,282,157

Note:

- Adjustment of operating income, ¥56,764 thousand, incorporates elimination of intersegment transaction, ¥60,255 thousand, and adjustment of inventory, ¥(3,491) thousand.
- Operating income for segment is adjusted on operating income on the quarterly consolidated statements of income.