

FOR IMMEDIATE RELEASE:

Furusato Announces Financial Results for the Second Quarter Ended September 30, 2016 [Japan GAAP]

Osaka, Japan, October 31, 2016 – Furusato Industries, Ltd. announced its consolidated financial results in the first half of the year ending March 31, 2017. 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, 2016	Six Months Ended September 30, 2015
Operating Results:	(Millions of Yen)	(Millions of Yen)
Net Sales	¥ 44,059	¥ 45,625
Operating Income	1,267	1,569
Ordinary Income	1,402	1,729
Net Income Attributable to Owners of Parent	918	1,077
Per Share Data:	(Yen)	(Yen)
Net Income Attributable to Owners of Parent	¥ 63.35	¥ 74.31
	As of September 30, 2016	As of March 31, 2016
Financial Position:	(Millions of Yen)	(Millions of Yen)
Total Assets	¥ 56,181	¥ 57,585
Net Assets	35,312	35,024
Net Assets to Total Assets	62.9%	60.8%
Per Share Data:	(Yen)	(Yen)
Net Assets	¥ 2,435.69	¥ 2,415.82

Notes:

1. Comprehensive income (loss)
 - Six months ended September 30, 2016 ¥947 million, 8.3%
 - Six months ended September 30, 2015 ¥874 million, (13.2)%
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, 2016: 14,574,366 shares
- March 31, 2016: 14,574,366 shares
- 2) Number of treasury stock at the end of period
- September 30, 2016: 76,524 shares
- March 31, 2016: 76,379 shares
- 3) Average number of shares issued and outstanding for the period (consolidated, cumulative)
- September 30, 2016: 14,497,914 shares
- September 30, 2015: 14,498,609 shares

2. Dividends

	Dividends Per Share (Yen)				
	1Q	2Q	3Q	Year-end	Annual
Fiscal Year Ended March 31, 2016	-	5.00	-	45.50	50.50
Fiscal Year Ending March 31, 2017	-	5.00			
Fiscal Year Ending March 31, 2017 (Forecast)			-	42.00	47.00

CONSOLIDATED EARNINGS FORCAST FOR FISCAL 2016, ENDING MARCH 31, 2017

	Full-Year	% Change
Operating Results:	(Millions of Yen)	
Net Sales	¥ 94,700	(0.2)%
Operating Income	3,190	(10.3)%
Ordinary Income	3,460	(10.2)%
Net Income Attributable to Owners of Parent	2,260	(6.5)%
Per Share Data:	(Yen)	
Net Income Attributable to Owners of Parent	¥ 155.88	-

*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, 2016)**1. Analysis of Operating Results****(1) Overview of Results**

During the six months ended September 30, 2016, the employment environment and other areas of the Japanese economy showed signs of improvement, supported by the government's economic measures, but business sentiment was cautious, leading to a lack of momentum in capital investment. Industrial production was also flat amid uncertainty caused by factors such as the strong yen and the weak oil price.

Against this backdrop, the Furusato Group's Equipment and Tools Business segment, which is impacted by industrial production activity, reported flat growth in the Industrial Equipment Business and modest growth in the Machine and Tools for Automotive Business. Sales in the Machine and Facility Business segment were affected by a decline in the order backlog at the start of the fiscal year, but orders were firm overall in the first six months. In the Construction and Piping Products Business segment, the Piping Products Business remained firm and there were signs of a pickup in the Steel Frame Building Supplies Business.

As a result, during the first six months of the fiscal year, consolidated net sales declined 3.4% year on year to ¥44,059 million. Operating income fell 19.2% to ¥1,267 million, ordinary income declined 18.9% to ¥1,402 million and net income attributable to owners of parent fell 14.8% to ¥918 million.

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

Net sales in the Equipment and Tools Business declined 0.7% year on year to ¥21,930 million, mainly reflecting a drop of 0.6% in the Industrial Equipment Business, an increase of 3.8% in the Machine and Tools for Automotive Business and an increase of 4.5% in the Housing Equipment Business. Operating income rose 3.6% year on year to ¥499 million, mainly due to a strong performance by the Machine and Tools for Automotive Business, which has relatively high profit margins.

〈Machine and Facility Business〉

Net sales in the Machine and Facility Business declined 13.8% year on year to ¥8,053 million. Sales declined 9.8% in the Machine Tool Business and 28.3% in the Factory Automation Business due to a low order backlog at the start of the fiscal year. As a result, operating income fell 39.8% year on year to ¥186 million.

〈Construction and Piping Products Business〉

Net sales in the Construction and Piping Products Business declined 0.9% year on year to ¥14,075 million. Sales fell 2.0% in the Steel Frame Building Supplies Business and increased 3.7% in the Piping Products Business. However, operating income declined 25.0% year on year to ¥547 million due to a drop in the gross margin related to the relocation of the Shiga Plant and an increase in selling, general and administrative expenses.

(2) Earnings Forecast for fiscal 2016, ending March 31, 2017

Considering its earnings ended September 30, 2016 and future forecasts, Furusato did not revise consolidated earnings forecasts for the year ending March 31, 2017, announced on May 6, 2016.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Thousands of Yen	
	March 31, 2016 Amounts	September 30, 2016 Amounts
Assets		
Current assets:		
Cash and deposits	¥ 10,957,827	¥ 11,280,745
Notes and accounts receivable-trade	23,680,014	22,025,012
Electronically recorded monetary claims-operating	2,094,670	2,311,106
Securities	300,000	300,000
Merchandise and finished goods	3,702,645	3,591,876
Work in process	473,556	321,026
Raw materials and supplies	123,108	119,718
Deferred tax assets	321,776	290,285
Other	232,487	303,351
Allowance for doubtful accounts	(30,403)	(24,946)
Total current assets	41,855,683	40,518,175
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	3,999,469	3,895,276
Land	6,395,554	6,341,489
Construction in progress	193,863	185,602
Other, net	515,566	775,168
Total property, plant and equipment	11,104,453	11,197,536
Intangible assets:		
Total intangible assets	122,387	114,520
Investments and other assets:		
Investment securities	2,767,421	2,829,006
Net defined benefit asset	461,160	508,201
Other	1,383,962	1,125,138
Allowance for doubtful accounts	(109,539)	(110,972)
Total investments and other assets	4,503,004	4,351,374
Total noncurrent assets	15,729,844	15,663,430
Total assets	¥ 57,585,528	¥ 56,181,606

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

	Thousands of Yen	
	March 31, 2016 Amounts	September 30, 2016 Amounts
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	¥ 18,615,360	¥ 16,406,194
Electronically recorded obligations - operating	507,820	1,285,675
Current portion of long-term loans payable	160,000	180,000
Income taxes payable	736,069	530,125
Provision for bonuses	571,008	580,584
Provision for directors' bonuses	28,980	15,941
Reserve for loss on disaster	1,012	1,012
Provision for removal expenses of noncurrent assets	100,000	70,000
Other	925,209	953,451
Total current liabilities	21,645,461	20,022,984
Noncurrent liabilities:		
Long-term loans payable	100,000	-
Deferred tax liabilities	605,712	637,720
Net defined benefit liability	34,845	36,639
Other	174,922	172,023
Total noncurrent liabilities	915,480	846,383
Total liabilities	22,560,941	20,869,368
Net Assets		
Shareholders' equity:		
Capital stock	5,232,413	5,232,413
Capital surplus	5,975,224	5,975,224
Retained earnings	22,788,578	23,047,381
Treasury stock	(60,151)	(60,369)
Total shareholders' equity	33,936,065	34,194,649
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	958,181	995,444
Deferred gains or losses on hedges	(1,338)	(154)
Remeasurements of defined benefit plans	131,678	122,297
Total accumulated other comprehensive income	1,088,521	1,117,587
Total net assets	35,024,586	35,312,237
Total liabilities and net assets	¥ 57,585,528	¥ 56,181,606

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

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Thousands of Yen	
	Six months ended September 30, 2015	Six months ended September 30, 2016
	Amounts	Amounts
Net sales	¥ 45,625,166	¥ 44,059,316
Cost of sales	39,223,298	37,857,169
Gross profit	6,401,867	6,202,146
Selling, general and administrative expenses	4,832,821	4,934,667
Operating income	1,569,046	1,267,479
Non-operating income:		
Interest income	4,991	4,983
Dividends income	30,948	31,304
Purchase discounts	249,988	250,391
Rent income	13,996	12,501
Other	9,194	14,675
Total non-operating income	309,120	313,856
Non-operating expenses:		
Interest expenses	926	397
Sales discounts	142,046	147,191
Cost of lease revenue	2,166	1,099
Other	4,019	30,417
Total non-operating expenses	149,159	179,105
Ordinary income	1,729,007	1,402,230
Extraordinary income:		
Gain on sales of investment securities	-	32,669
Total extraordinary income	-	32,669
Extraordinary loss:		
Loss on retirement of noncurrent assets	8,544	-
Loss on valuation of investment securities	-	1,873
Total extraordinary loss	8,544	1,873
Income before income taxes	1,720,462	1,433,026
Income taxes-current	613,118	465,661
Income taxes-deferred	29,950	48,904
Total income taxes	643,068	514,565
Net income	1,077,394	918,461
Net income attributable to owners of parent	¥ 1,077,394	¥ 918,461

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, 2015		Six months ended September 30, 2016	
	Amounts		Amounts	
Net income	¥	1,077,394	¥	918,461
Other comprehensive income:				
Valuation difference on available-for-sale securities		(201,201)		37,263
Deferred gains or losses on hedges		(1,528)		1,184
Remeasurements of defined benefit plans, net of tax		175		(9,380)
Other comprehensive income		(202,553)		29,066
Comprehensive income:		874,840		947,527
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent		874,840		947,527
Comprehensive income attributable to non-controlling 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, 2015	Six months ended September 30, 2016
	Amounts	Amounts
Net cash provided by (used in) operating activities:		
Income before income taxes	¥ 1,720,462	¥ 1,433,026
Depreciation and amortization	171,811	262,264
Increase (decrease) in provision for directors' bonuses	(14,115)	(13,039)
Increase (decrease) in net defined benefit liability	4,734	1,794
Decrease (increase) in net defined benefit asset	(38,203)	(47,041)
Increase (decrease) in provision for bonuses	9,982	9,576
Increase (decrease) in allowance for doubtful accounts	(4,313)	(4,024)
Interest and dividends income	(35,940)	(36,288)
Interest expenses	926	397
Decrease (increase) in notes and accounts receivable-trade	208,891	1,570,458
Decrease (increase) in inventories	168,031	266,688
Increase (decrease) in notes and accounts payable-trade	(260,565)	(1,427,218)
Other	(231,544)	(226,851)
Subtotal	1,700,158	1,789,742
Interest and dividends income received	35,484	39,178
Interest expenses paid	(898)	(395)
Income taxes paid	(716,132)	(684,768)
Net cash provided by (used in) operating activities	1,018,612	1,143,757
Net cash provided by (used in) investing activities:		
Payments into time deposits	(1,422,700)	-
Proceeds from withdrawal of time deposits	1,075,500	1,052,500
Purchase of property, plant and equipment	(555,049)	(393,423)
Proceeds from sales of property, plant and equipment	13,095	89,089
Payments for removal of noncurrent assets	-	(30,000)
Purchase of investment securities	(526,998)	(9,800)
Payments for guarantee deposits	(6,173)	(37,131)
Other	(12,194)	(1,003)
Net cash provided by (used in) investing activities	(1,434,520)	670,230
Net cash provided by (used in) financing activities:		
Repayments of long-term loans payable	(80,000)	(80,000)
Purchase of treasury stock	(705)	(218)
Cash dividends paid	(600,714)	(658,354)
Net cash provided by (used in) financing activities	(681,420)	(738,572)
Effect of exchange rate change on cash and cash equivalents	-	1
Net increase (decrease) in cash and cash equivalents	(1,097,328)	1,075,417
Cash and cash equivalents at beginning of the period	10,610,696	10,105,327
Cash and cash equivalents at end of the period	¥ 9,513,368	¥ 11,180,745

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

SEGMENT INFORMATION

1. Six months ended September 30, 2015 (from April 1 to September 30, 2015)

(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	¥ 22,083,702	¥ 561,008	¥ 22,644,711	¥ 481,744
Machine and Facility	9,344,829	152,395	9,497,225	309,124
Construction and Piping Products	14,196,633	10,836	14,207,470	729,613
Subtotal	45,625,166	724,240	46,349,407	1,520,481
Adjustment (*1)	-	(724,240)	(724,240)	48,564
Total amounts on the consolidated statements of income (*2)	¥ 45,265,166	-	¥ 45,625,166	¥ 1,569,046

Note:

- Adjustment of operating income, ¥48,564 thousand, incorporates elimination of intersegment transaction, ¥52,152 thousand, and adjustment of inventory, ¥(3,588) thousand.
- Operating income for segment is adjusted on operating income on the quarterly consolidated statements of income.

2. Six months ended September 30, 2016 (from April 1 to September 30, 2016)

(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	¥ 21,930,521	¥ 941,357	¥ 22,871,878	¥ 499,076
Machine and Facility	8,053,186	162,586	8,215,772	186,114
Construction and Piping Products	14,075,608	18,069	14,093,677	547,326
Subtotal	44,059,316	1,122,013	45,181,329	1,232,518
Adjustment (*1)	-	(1,122,013)	(1,122,013)	34,961
Total amounts on the consolidated statements of income (*2)	¥ 44,059,316	-	¥ 44,059,316	¥ 1,267,479

Note:

- Adjustment of operating income, ¥34,961 thousand, incorporates elimination of intersegment transaction, ¥58,484 thousand, and adjustment of inventory, ¥(3,099) thousand, and adjustment of noncurrent assets, ¥(20,423)thousand.
- Operating income for segment is adjusted on operating income on the quarterly consolidated statements of income.