

FOR IMMEDIATE RELEASE:

Furusato Announces Financial Results for the Year Ended March 31, 2017 [Japan GAAP]

Osaka, Japan, May 8, 2017 – Furusato Industries, Ltd. announced its financial results for the year ended 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.

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, 2017 | Year Ended March 31, 2016 |
|---|------------------------------|------------------------------|
| Operating Results: | (Millions of Yen) | (Millions of Yen) |
| Net Sales | ¥ 94,109 | ¥ 94,857 |
| Operating Income | 3,163 | 3,556 |
| Ordinary Income | 3,445 | 3,854 |
| Net Income Attributable to Owners of Parent | 2,335 | 2,416 |
| ROE (Net Income to Net Assets) | 6.5% | 7.0% |
| ROA (Ordinary Income to Total Assets) | 5.9% | 6.8% |
| Operating Income to Net Sales | 3.4% | 3.7% |
| Per Share Data: | (Yen) | (Yen) |
| Net Income Attributable to Owners of Parent | ¥ 161.06 | ¥ 166.69 |
| | As of March 31, 2017 | As of March 31, 2016 |
| Financial Position: | (Millions of Yen) | (Millions of Yen) |
| Total Assets | ¥ 60,046 | ¥ 57,585 |
| Net Assets | 37,030 | 35,024 |
| Net Assets to Total Assets | 61.7% | 60.8% |
| Per Share Data: | (Yen) | (Yen) |
| Net Assets | ¥ 2,554.28 | ¥ 2,415.82 |
| Cash Flows: | (Millions of Yen) | (Millions of Yen) |
| Net Cash Provided by Operating Activities | ¥ 2,978 | ¥ 2,613 |
| Net Cash Used in Investing Activities | (554) | (2,283) |
| Net Cash Used in Financing Activities | (892) | (834) |
| Cash and Cash Equivalents at End of Period | 11,637 | 10,105 |

Notes:

1. Comprehensive income
 - Year ended March 31, 2017: ¥2,738 million, 33.6%
 - Year ended March 31, 2016: ¥2,049 million, (18.7)%
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, 2017: 14,574,366 shares
 - March 31, 2016: 14,574,366 shares
 - 2) Number of treasury stock at the end of period
 - March 31, 2017: 76,992 shares
 - March 31, 2016: 76,379 shares
 - 3) Average number of shares (consolidated, cumulative)
 - March 31, 2017: 14,497,759 shares
 - March 31, 2016: 14,498,381 shares

2. Dividends

| | Dividends Per Share (Yen) | | | | | Total Dividends (Annual) | Dividend Payout Ratio (Consolidated) | Dividend on Net Assets (Consolidated) |
|--|---------------------------|------|-----|----------|--------|--------------------------|--------------------------------------|---------------------------------------|
| | 1Q | 2Q | 3Q | Year-end | Annual | | | |
| | Yen | Yen | Yen | Yen | Yen | Millions of Yen | % | % |
| Fiscal Year Ended March 31, 2015 | - | 5.00 | - | 45.50 | 50.50 | 732 | 30.3 | 2.1 |
| Fiscal Year Ended March 31, 2016 | - | 5.00 | - | 43.50 | 48.50 | 703 | 30.1 | 2.0 |
| Fiscal Year Ending March 31, 2017 (Forecast) | - | 5.00 | - | 43.50 | 48.50 | | 30.0 | |

CONSOLIDATED EARNINGS FORECAST FOR FISCAL 2017, ENDING MARCH 31, 2018

| | Six Months Ending September 30, 2017 | Year Ending March 31, 2018 |
|---|---|-------------------------------|
| Operating Results: | (Millions of Yen) | (Millions of Yen) |
| Net Sales | ¥ 46,000 | ¥ 97,600 |
| Operating Income | 1,340 | 3,280 |
| Ordinary Income | 1,480 | 3,590 |
| Net Income Attributable to Owners of Parent | 900 | 2,340 |
| Per Share Data: | (Yen) | (Yen) |
| Net Income Attributable to Owners of Parent | ¥ 62.08 | ¥ 161.41 |

[REFERENCE] NON-CONSOLIDATED FINANCIAL RESULTS

| | Year Ended March 31, 2017 | Year Ended March 31, 2016 |
|----------------------------|------------------------------|------------------------------|
| Operating Results: | (Millions of Yen) | (Millions of Yen) |
| Net Sales | ¥ 29,017 | ¥ 28,939 |
| Operating Income | 1,333 | 1,510 |
| Ordinary Income | 1,510 | 1,693 |
| Net Income | 1,033 | 1,023 |
| Per Share Data: | (Yen) | (Yen) |
| Net Income | ¥ 71.29 | ¥ 70.56 |
| | As of March 31, 2017 | As of March 31, 2016 |
| Financial Position: | (Millions of Yen) | (Millions of Yen) |
| Total Assets | ¥ 31,227 | ¥ 30,135 |
| Net Assets | 23,028 | 22,473 |
| Net Assets to Total Assets | 73.7% | 74.6% |
| Per Share Data: | (Yen) | (Yen) |
| Net Assets | ¥ 1,588.44 | ¥ 1,550.12 |

*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, 2017)**1. Analysis of Operating Results****(1) Overview of Results**

During the year ended March 31, 2017, the Japanese economy continued its moderate recovery trend, led mainly by the improved employment environment and the recovery of capital investment even though there was uncertainty about the future overseas economy.

In regard to the industrial production, closely related to Furusato Group's businesses, the transport equipment showed signs of a pickup, the domestic orders received for machine tools was softening, and the demand for steel frame buildings remained flat.

Under this business environment, regarding Furusato Group's businesses, the Equipment and Tools Business was favorable, mainly led by the Industrial Equipment Business which was affected by the factory operating ratio of the industrial production. The Machine and Facility Business decreased in sales despite signs of a pickup in the third quarter (the Oct.-Dec. quarter). The Construction and Piping Products Business was flat throughout this fiscal year.

Accordingly, during the period under review, consolidated net sales decreased by 0.8% year over year to ¥94,109 million. On the earning front, operating income decreased by 11.1% year over year to ¥3,163 million, and ordinary income decreased by 10.6% year over year to ¥3,445 million. Consequently, net income attributable to owners of parent was ¥ 2,335 million, down 3.4% year over year.

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

In the Equipment and Tools Business, overall net sales increased by 0.7% year over year to ¥45,804 million. According to the sales breakdown by business, the Industrial Equipment Business increased by 1.4% year over year. The Machine and Tools for Automotive Business increased by 0.5% year over year. The Housing Equipment Business increased by 1.9% year over year. Consequently, overall operating income was ¥1,176 million, down 3.5% year over year due to an increase in selling, general and administrative expenses.

2) Machine and Facility Business

In the Machine and Facility Business, overall net sales decreased by 5.4% year over year to ¥19,333 million. According to the sales breakdown by business, the Machine Tool Business decreased by 2.5% year over year, and the Factory Automation Business decreased by 18.8% year over year. Consequently, operating income was ¥559 million, down 22.2% year over year.

3) Construction and Piping Products Business

In the Construction and Piping Products Business, net sales increased by 0.2% year over year to ¥28,972 million. According to the sales breakdown by business, the Steel Frame Building Supplies Business decreased by 1.1% year over year, and the Piping Products Business increased by 4.9% year over year. Consequently, operating income was ¥1,333 million, down 11.7% year over year due to an increase in selling, general and administrative expenses.

(3) Earnings Forecast for fiscal 2017, ending March 31, 2018

During the year ending March 31, 2018, Furusato Group takes actions based on the basic policy in the medium-term management plan starting from fiscal 2017 under expected steady growth of the industrial production and building demand including facilities related to the Tokyo Olympic Games.

We forecast net sales of ¥97,600 million, up 3.7% year over year, operating income of ¥3,280 million, up 3.7% year over year, ordinary income of ¥3,590 million, up 4.2% year over year, and net income attributable to owners of parent of ¥2,340 million, up 0.2% year over year.

2. Overview of Consolidated Financial Position and Cash Flows**〈Total assets〉**

As of March 31, 2017, total assets increased by ¥2,460 million to ¥60,046 million from the end of the previous fiscal year. According to a breakdown of the change, total current assets increased by ¥411 million from the fiscal 2015 year-end. That was due primarily to an increase in cash and deposits of ¥480 million, a decrease in notes and accounts receivable-trade of ¥609 million, an increase in electronically recorded monetary claims-operating of ¥856 million, a decrease in securities of ¥100 million and a decrease in inventories by ¥248 million. Total non-current assets increased by ¥2,049 million. That was due primarily to an increase in property, plant and equipment of ¥1,074 million, an increase in investment securities of ¥1,079 million and an

increase in net defined benefit asset of ¥117 million.

〈Total liabilities〉

Total liabilities increased by ¥455 million to ¥23,015 million from the fiscal 2015 year-end. According to a breakdown of the change, total current liabilities increased by ¥339 million from the fiscal 2015 year-end. That was due primarily to a decrease in notes and accounts payable-trade by ¥548 million, an increase in electronically recorded obligations-operating of ¥945 million and a decrease in income taxes payable by ¥244 million. Total noncurrent liabilities increased by ¥115 million from the fiscal 2015 year-end. That was due primarily to a decrease in long-term loans payable of ¥100 million and an increase in deferred tax liabilities of ¥225 million.

〈Net assets〉

Net assets increased by ¥2,005 million to ¥37,030 million from the end of the previous fiscal year. This was attributed to net income attributable to owners of parent of ¥2,335 million, dividends from surplus of ¥732 million and an increase in valuation difference on available-for-sale securities of ¥405 million.

〈Cash flows〉

Cash and cash equivalents (hereinafter referred to as "cash") as of March 31, 2017 increased by ¥1,532 million from the beginning of fiscal 2016 to ¥11,637 million (in fiscal 2015, ¥10,105 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 ¥2,978 million (in fiscal 2015, net cash provided by operating activities ¥2,613 million). Factors behind the result were income before income taxes of ¥3,479 million, depreciation and amortization of ¥533 million, an increase in notes and accounts receivable-trade of ¥151 million, a decrease in inventories of ¥248 million, an increase in notes and accounts payable-trade of ¥356 million and income taxes paid of ¥1,351 million.

〈Net cash from investing activities〉

Net cash used in investing activities totaled ¥554 million (in fiscal 2015, net cash used in investing activities ¥2,283 million), mainly resulting from proceeds from withdrawal of time deposits of ¥1,352, purchases of property, plant and equipment of ¥1,417 million, purchase of investment securities of ¥507 million and proceeds from cancellation of investment securities of ¥100 million.

〈Net cash from financing activities〉

Net cash used in financing activities was ¥892 million (in fiscal 2015, net cash provided by financing activities ¥834 million). That was mainly owing to cash dividends paid of ¥731 million and repayment of long-term loans payable of ¥160 million.

3. Basic Policy for Distribution of Profits, Dividends for FY2016 and Dividends Forecasts for FY2017

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 ¥43.50 per share, resulting in an annual dividend of ¥48.50 per share together with the interim dividend of ¥5.0 per share already paid.

The annual dividend for the year ending March 31, 2018 is expected to be ¥48.50 per share (¥5.0 for interim and ¥43.50 for year-end dividend).

CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED MARCH 31, 2017

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| | Thousands of Yen | |
|---|---------------------|---------------------|
| | March 31, 2016 | March 31, 2017 |
| | Amounts | Amounts |
| Assets | | |
| Current assets: | | |
| Cash and deposits | ¥ 10,957,827 | ¥ 11,437,850 |
| Notes and accounts receivable-trade | 23,680,014 | 23,070,689 |
| Electronically recorded monetary claims-operating | 2,094,670 | 2,951,039 |
| Securities | 300,000 | 200,000 |
| Merchandise and finished goods | 3,702,645 | 3,626,586 |
| Work in process | 473,556 | 290,112 |
| Raw materials and supplies | 123,108 | 134,468 |
| Deferred tax assets | 321,776 | 283,360 |
| Other | 232,487 | 295,385 |
| Allowance for doubtful accounts | (30,403) | (22,189) |
| Total current assets | 41,855,683 | 42,267,303 |
| Noncurrent assets: | | |
| Property, plant and equipment: | | |
| Buildings and structures | 8,995,814 | 9,031,636 |
| Accumulated depreciation | (4,996,344) | (5,007,196) |
| Buildings and structures, net | 3,999,469 | 4,024,440 |
| Machinery, equipment and vehicles | 2,635,407 | 2,869,847 |
| Accumulated depreciation | (2,311,075) | (2,141,624) |
| Machinery, equipment and vehicles, net | 324,332 | 728,223 |
| Land | 6,395,554 | 7,203,691 |
| Construction in progress | 193,863 | 29,788 |
| Other | 815,271 | 794,999 |
| Accumulated depreciation | (624,037) | (602,684) |
| Others, net | 191,234 | 192,314 |
| Total property, plant and equipment | 11,104,453 | 12,178,458 |
| Intangible assets: | | |
| Total intangible assets | 122,387 | 166,480 |
| Investments and other assets: | | |
| Investment securities | 2,767,421 | 3,846,461 |
| Net defined benefit asset | 461,160 | 578,561 |
| Other | 1,383,962 | 1,096,237 |
| Allowance for doubtful accounts | (109,539) | (87,201) |
| Total investments and other assets | 4,503,004 | 5,434,058 |
| Total noncurrent assets | 15,729,844 | 17,778,997 |
| Total assets | ¥ 57,585,528 | ¥ 60,046,300 |

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

| | Thousands of Yen | |
|---|------------------------------|------------------------------|
| | March 31, 2016 Amounts | March 31, 2017 Amounts |
| Liabilities | | |
| Current liabilities: | | |
| Notes and accounts payable-trade | ¥ 18,615,360 | ¥ 18,067,049 |
| Electronically recorded obligations-operating | 507,820 | 1,453,758 |
| Current portion of long-term loans payable | 160,000 | 100,000 |
| Income taxes payable | 736,069 | 491,985 |
| Provision for bonuses | 571,008 | 578,535 |
| Provision for directors' bonuses | 28,980 | 26,937 |
| Reserve for loss on disaster | 1,012 | 1,012 |
| Provision for removal expenses of noncurrent assets | 100,000 | 35,000 |
| Other | 925,209 | 1,230,395 |
| Total current liabilities | 21,645,461 | 21,984,673 |
| Noncurrent liabilities: | | |
| Long-term loans payable | 100,000 | - |
| Deferred tax liabilities | 605,712 | 831,130 |
| Net defined benefit liability | 34,845 | 37,104 |
| Other | 174,922 | 163,060 |
| Total noncurrent liabilities | 915,480 | 1,031,295 |
| Total liabilities | 22,560,941 | 23,015,968 |
| 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 | 24,391,455 |
| Treasury stock | (60,151) | (61,138) |
| Total shareholders' equity | 33,936,065 | 35,537,955 |
| Accumulated other comprehensive income: | | |
| Valuation difference on available-for-sale securities | 958,181 | 1,364,070 |
| Deferred gains or losses on hedges | (1,338) | 594 |
| Remeasurements of defined benefit plans | 131,678 | 127,711 |
| Total accumulated other comprehensive income | 1,088,521 | 1,492,377 |
| Total net assets | 35,024,586 | 37,030,332 |
| Total liabilities and net assets | ¥ 57,585,528 | ¥ 60,046,300 |

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

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

| | Thousands of Yen | |
|---|------------------------------|------------------------------|
| | Year ended March 31, 2016 | Year ended March 31, 2017 |
| | Amounts | Amounts |
| Net sales | ¥ 94,857,787 | ¥ 94,109,513 |
| Cost of sales | 81,553,619 | 81,000,483 |
| Gross profit | 13,304,168 | 13,109,029 |
| Selling, general and administrative expenses: | | |
| Freightage and packing expenses | 1,226,605 | 1,272,020 |
| Provision of allowance for doubtful accounts | 16,172 | (1,184) |
| Provision for directors' bonuses | 28,980 | 26,937 |
| Salaries, allowances and bonuses | 4,180,435 | 4,288,265 |
| Provision for bonuses | 501,427 | 509,903 |
| Retirement benefit expenses | 189,894 | 170,822 |
| Other | 3,604,373 | 3,679,134 |
| Total selling, general and administrative expenses | 9,747,888 | 9,945,899 |
| Operating income | 3,556,279 | 3,163,129 |
| Non-operating income: | | |
| Interest income | 10,963 | 8,571 |
| Dividends income | 57,756 | 60,314 |
| Purchase discounts | 504,312 | 503,294 |
| Rent income | 28,077 | 23,952 |
| Other | 15,126 | 23,790 |
| Total non-operating income | 616,235 | 619,924 |
| Non-operating expenses: | | |
| Interest expenses | 1,626 | 658 |
| Sales discounts | 284,106 | 290,202 |
| Cost of lease revenue | 3,412 | 1,783 |
| Other | 29,109 | 44,906 |
| Total non-operating expenses | 318,255 | 337,550 |
| Ordinary income | 3,854,260 | 3,445,503 |
| Extraordinary income: | | |
| Gain on sales of property, plant and equipment | - | 32,669 |
| Gain on sales of investment securities | 4 | 6,672 |
| Total extraordinary income | 4 | 39,341 |
| Extraordinary loss: | | |
| Loss on retirement of noncurrent assets | 11,445 | 3,422 |
| Loss on sales of investment securities | - | 1,573 |
| Provision for removal expenses of noncurrent assets | 100,000 | - |
| Total extraordinary loss | 111,445 | 4,995 |
| Income before income taxes | 3,742,819 | 3,479,848 |
| Income taxes-current | 1,333,472 | 1,064,848 |
| Income taxes-deferred | (7,413) | 79,975 |
| Total income taxes | 1,326,059 | 1,144,823 |
| Net income attributable to owners of parent | 2,416,759 | 2,335,025 |
| | ¥ 2,416,759 | ¥ 2,335,025 |

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

| | Thousands of Yen | |
|--|------------------------------|------------------------------|
| | Year ended March 31, 2016 | Year ended March 31, 2017 |
| | Amounts | Amounts |
| Net income | ¥ 2,416,759 | ¥ 2,335,025 |
| Other comprehensive income: | | |
| Valuation difference on available-for-sale securities | (339,542) | 405,889 |
| Deferred gains or losses on hedges | (1,338) | 1,933 |
| Remeasurements of defined benefit plans, net of tax | (26,105) | (3,966) |
| Total other comprehensive income | (366,986) | 403,856 |
| Comprehensive income: | 2,049,772 | 2,738,881 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 2,049,772 | 2,738,881 |
| Comprehensive income attributable to non-controlling interests | ¥ - | ¥ - |

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

Year Ended March 31, 2016 (from April 1, 2015 to March 31, 2016) (Thousands of Yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total |
| Balance at March 31, 2015 | 5,232,413 | 5,975,224 | 21,046,009 | (58,762) | 32,194,885 |
| Cumulative effect of changes in | | | | | |
| Dividends from surplus | | | (674,190) | | (674,190) |
| Net income attributable to owners of parent | | | 2,416,759 | | 2,416,759 |
| Purchases of treasury stock | | | | (1,388) | (1,388) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes of items during the period | - | - | 1,742,568 | (1,388) | 1,741,180 |
| Balance at March 31, 2016 | 5,232,413 | 5,975,224 | 22,788,578 | (60,151) | 33,936,065 |

| | Accumulated other comprehensive income | | | | Total net assets |
|--|---|------------------------------------|---|--|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | |
| Balance at March 31, 2015 | 1,297,724 | - | 157,783 | 1,455,507 | 33,650,392 |
| Cumulative effect of changes in | | | | | |
| Dividends from surplus | | | | | (674,190) |
| Net income attributable to owners of parent | | | | | 2,416,759 |
| Purchases of treasury stock | | | | | (1,388) |
| Net changes in items other than shareholders' equity | (339,542) | (1,338) | (26,105) | (366,986) | (366,986) |
| Total changes of items during the period | (339,542) | (1,338) | (26,105) | (366,986) | 1,374,193 |
| Balance at March 31, 2016 | 958,181 | (1,338) | 131,678 | 1,088,521 | 35,024,586 |

Year Ended March 31, 2017 (from April 1, 2016 to March 31, 2017) (Thousands of Yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total |
| Balance at March 31, 2016 | 5,232,413 | 5,975,224 | 22,788,578 | (60,151) | 33,936,065 |
| Changes of items during the period | | | | | |
| Dividends from surplus | | | (732,147) | | (732,147) |
| Net income attributable to owners of parent | | | 2,335,025 | | 2,335,025 |
| Purchases of treasury stock | | | | (987) | (987) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes of items during the period | | | 1,602,877 | (987) | 1,601,889 |
| Balance at March 31, 2017 | 5,232,413 | 5,975,224 | 24,391,455 | (61,138) | 35,537,955 |

| | Accumulated other comprehensive income | | | | Total net assets |
|--|---|------------------------------------|---|--|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | |
| Balance at March 31, 2016 | 958,181 | (1,338) | 131,678 | 1,088,521 | 35,024,586 |
| Changes of items during the period | | | | | |
| Dividends from surplus | | | | | (732,147) |
| Net income attributable to owners of parent | | | | | 2,335,025 |
| Purchases of treasury stock | | | | | (987) |
| Net changes in items other than shareholders' equity | 405,889 | 1,933 | (3,966) | 403,856 | 403,856 |
| Total changes of items during the period | 405,889 | 1,933 | (3,966) | 403,856 | 2,005,745 |
| Balance at March 31, 2017 | 1,364,070 | 594 | 127,711 | 1,492,377 | 37,030,332 |

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| | Thousands of Yen | |
|--|------------------------------|------------------------------|
| | Year ended March 31, 2016 | Year ended March 31, 2017 |
| | Amounts | Amounts |
| Net cash provided by (used in) operating activities: | | |
| Income before income taxes | ¥ 3,742,819 | ¥ 3,479,848 |
| Depreciation and amortization | 392,179 | 533,388 |
| Increase (decrease) in provision for directors' bonuses | 130 | (2,042) |
| Increase (decrease) in net defined benefit liability | 5,070 | 2,258 |
| Decrease (increase) in net defined benefit assets | (85,011) | (96,022) |
| Increase (decrease) in provision for bonuses | 16,653 | 7,526 |
| Increase (decrease) in allowance for doubtful accounts | (96) | (30,552) |
| Interest and dividends income | (68,720) | (68,886) |
| Interest expenses | 1,626 | 658 |
| Loss (gain) on sales of investment securities | (4) | (5,098) |
| Decrease (increase) in notes and accounts receivable-trade | (463,631) | (151,214) |
| Decrease (increase) in inventories | (1,828) | 248,143 |
| Increase (decrease) in notes and accounts payable-trade | 329,390 | 356,464 |
| Other | 41,923 | (17,271) |
| Subtotal | 3,910,500 | 4,257,200 |
| Interest and dividend income received | 69,369 | 73,302 |
| Interest expenses paid | (1,566) | (617) |
| Income taxes paid | (1,365,084) | (1,351,278) |
| Net cash provided by (used in) operating activities | 2,613,219 | 2,978,606 |
| Net cash provided by (used in) investing activities: | | |
| Payments into time deposits | (2,455,100) | - |
| Proceeds from withdrawal of time deposits | 2,162,800 | 1,352,500 |
| Purchase of property, plant and equipment | (1,605,043) | (1,417,881) |
| Proceeds from sales of property, plant and equipment | 13,095 | 89,089 |
| Payments for removal of noncurrent assets | - | (65,000) |
| Purchase of investment securities | (537,584) | (507,604) |
| Proceeds from sales of investment securities | 49 | 20,622 |
| Proceeds from cancellation of investment securities | 200,000 | - |
| Proceeds from redemption of investment securities | - | 100,000 |
| Payments for guarantee deposits | (10,323) | (43,055) |
| Other | (51,361) | (82,708) |
| Net cash provided by (used in) investing activities | (2,283,469) | (554,038) |
| Net cash provided by (used in) financing activities: | | |
| Repayments of long-term loans payable | (160,000) | (160,000) |
| Purchase of treasury stock | (1,388) | (987) |
| Cash dividends paid | (673,400) | (731,058) |
| Net cash provided by (used in) financing activities | (834,788) | (892,046) |
| Effect of exchange rate change on cash and cash equivalents | (330) | - |
| Net increase (decrease) in cash and cash equivalents | (505,369) | 1,532,522 |
| Cash and cash equivalents at beginning of the period | 10,610,696 | 10,105,327 |
| Cash and cash equivalents at end of the period | ¥ 10,105,327 | ¥ 11,637,850 |

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

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, 2016 (from April 1, 2015 to March 31, 2016)

(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 | ¥ 45,500,778 | ¥ 1,162,221 | ¥ 46,662,999 | ¥ 1,219,603 | ¥ 20,521,594 | ¥ 89,183 | ¥ 58,488 |
| Machine and Facility | 20,440,413 | 381,946 | 20,822,359 | 719,257 | 4,642,909 | 13,826 | 13,310 |
| Construction and Piping Products | 28,916,595 | 22,417 | 28,939,013 | 1,510,441 | 20,159,034 | 288,181 | 1,591,410 |
| Subtotal | 94,857,787 | 1,566,585 | 96,424,372 | 3,449,302 | 45,323,538 | 391,191 | 1,663,209 |
| Adjustment (*1) | - | (1,566,585) | (1,566,585) | 106,977 | 12,261,990 | 987 | - |
| Total amounts on the consolidated statements of income (*2) | ¥ 94,857,787 | - | ¥ 94,857,787 | ¥ 3,556,279 | ¥ 57,585,528 | ¥ 392,179 | ¥ 1,663,209 |

Note:

1. Adjustment

(1) Adjustment of operating income amounted to ¥106,977 thousand, which includes elimination of intersegment transaction of ¥111,177 thousand and adjustment of inventory of ¥(4,199) thousand.

(2) Adjustment of assets amounted to ¥12,261,990 thousand, which includes elimination of intersegment transaction of ¥(373,888) thousand and corporate assets not allocated to each business segment reported of ¥12,635,878 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 ¥987 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, 2017 (from April 1, 2016 to March 31, 2017)

(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 | ¥ 45,804,319 | ¥ 1,552,699 | ¥ 47,357,018 | ¥ 1,176,460 | ¥ 21,320,837 | ¥ 96,150 | ¥ 120,547 |
| Machine and Facility | 19,333,192 | 407,769 | 19,740,961 | 559,780 | 5,096,885 | 15,825 | 29,243 |
| Construction and Piping Products | 28,972,001 | 45,295 | 29,017,296 | 1,333,093 | 20,588,532 | 420,756 | 708,296 |
| Subtotal | 94,109,513 | 2,005,763 | 96,115,276 | 3,069,334 | 47,006,255 | 532,732 | 858,088 |
| Adjustment (*1) | - | (2,005,763) | (2,005,763) | 93,795 | 13,040,044 | 656 | 852,631 |
| Total amounts on the consolidated statements of income (*2) | ¥ 94,109,513 | - | ¥ 94,109,513 | ¥ 3,163,129 | ¥ 60,046,300 | ¥ 533,388 | ¥ 1,710,719 |

Note:

1. Adjustment

(1) Adjustment of operating income amounted to ¥93,795 thousand, which includes elimination of intersegment transaction of ¥118,175 thousand, adjustment of inventory of ¥(3,040) thousand and adjustment of noncurrent assets of ¥(21,339) thousand..

(2) Adjustment of assets amounted to ¥13,040,044 thousand, which includes elimination of intersegment transaction of ¥(511,397) thousand and corporate assets not allocated to each business segment reported of ¥13,551,442 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 ¥656 thousand, do not belong to business segments reported.

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