

Furusato



Annual Review 2016

(April 1, 2016—March 31, 2017)

Design the Future

Furusato Industries, Ltd.

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Forward-looking Statements

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.

To Shareholders, investors, and all stakeholders

During the 59th business term (From April 1, 2016 to March 31, 2017), we built a new Shiga Plant and launched its production in the new production system in the first half. After that, we introduced the new production system with high productivity to each plant, Sendai-kita, Utsunomiya, Toyama and Kagawa. During the year ending March 31, 2018, we are scheduled to introduce it to Saitama and Kurume. In last October, we made Security Design, Inc. a subsidiary. We look forward to the future business expansion, enjoying growing demand for crime-prevention measures, led by security cameras.

We announced a new medium-term management plan starting from the fiscal year ending March 31, 2018. The slogan “Design the Future 2020 One step ahead, pursuing the value customers never experience “shows our passion that we would like to draw a new future vision of Furusato Group, aiming to reinforce our business structure further by adding new businesses to our existing businesses.

We all strive to implement established measures consistently and respond to shareholders’ expectation to achieve net sales of ¥108 billion and operating income of ¥4 billion in the year ending March 31, 2020. In closing, I would like to express my appreciation to our shareholders and other stakeholders for your continued support and trust towards the Group.

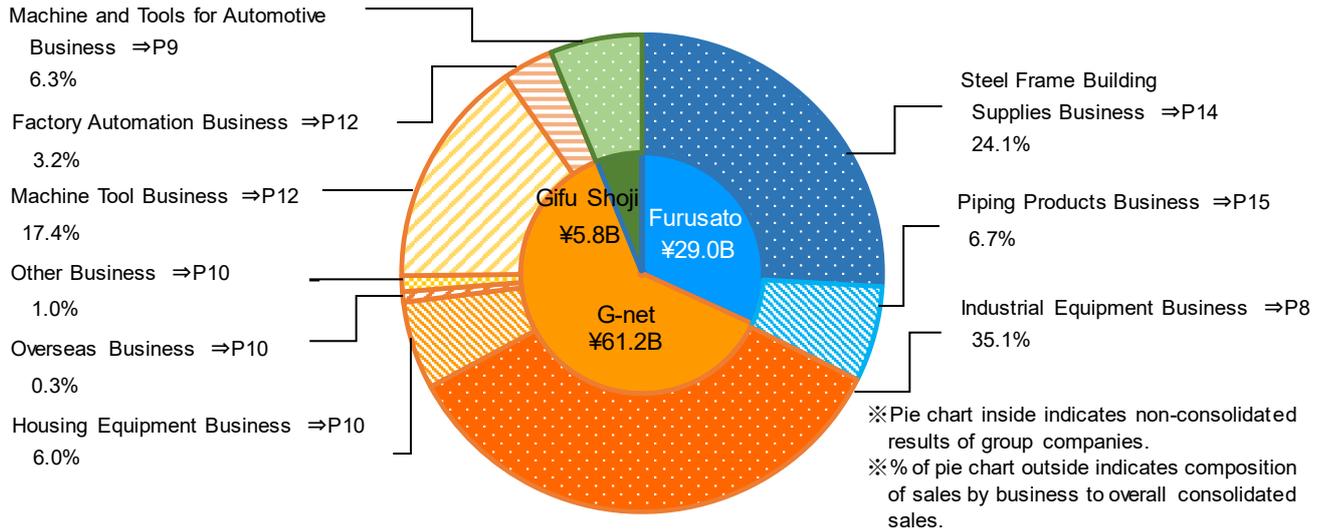


President and Director
Ryohei Furusato

Management policy

Furusato Group strongly recognizes ourselves as a corporate citizen and thinks we could be an indispensable corporate group for the society and secure sustainable profit structure. Furusato Group sets our management objective as “business continuity” to consistently fulfill our responsibilities to our stakeholders including shareholders, customers, and persons involved in Furusato Group.

◆Furusato Group Net Sales by Company (Non-consolidated) , by Business (Consolidated)



Furusato Group

Furusato Group consists of five companies: Furusato Industries, Ltd., the parent company, G-net Corporation and Gifu Shoji Co., Ltd., wholly-owned subsidiaries of Furusato, Suzhou Retra Co., Ltd., Retra Engineering (Thailand) Co., Ltd. and Security Design, Inc, a non-consolidated subsidiary, and Robot Technical Center Co., Ltd., an affiliated company not accounted for by equity method.

Furusato Industries, Ltd.

Furusato, listing on the First Section of Tokyo Stock Exchange, engaged in the Steel Frame Building Supplies Business and the Piping Products Business. Both businesses directly provide users with our supplies. Furusato has our 50 sales offices, 10 factories and 2 distribution centers nationwide. Please refer to page 14-15 for details.

G-net Corporation

G-net is a wholly-owned subsidiary of Furusato, an unlisted company. The major business of G-net is the Industrial Equipment Business, offering various machines and tools at wholesale.

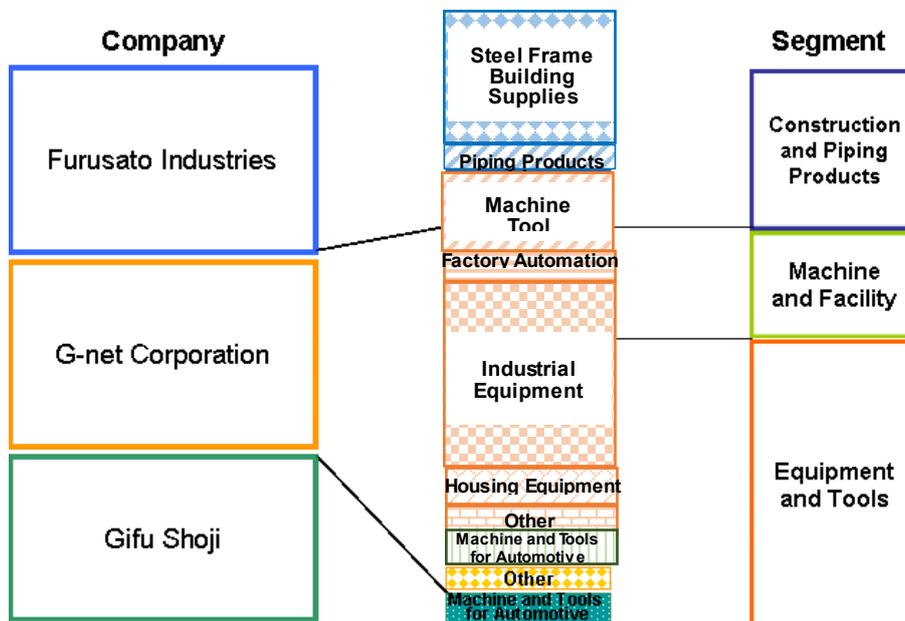
Besides that, it operates the Machine Tool Business, the Factory Automation Business, the Housing Equipment Business, the Overseas Business and others.

G-net has 30 sales offices and 3 distribution centers nationwide and sells items to end-users through sales dealers. Please refer to page 8, 10 and 12 for details.

Gifu Shoji Co., Ltd.

Gifu Shoji is also a wholly-owned subsidiary of Furusato, an unlisted company. It directly purchases primarily industrial tools from manufacturers and sells them to automotive and automotive parts manufacturers based in Tokai Area, mainly headquarters in Gifu and Nagoya, Kariya and Hamamatsu sales offices. Please refer to page 9 for details.

◆Correlation between companies, segments and businesses in Furusato Group



Consolidated Results

Fiscal year		2012	2013	2014	2015	2016		Change	
		Amount	Amount	Amount	Amount	Amount	% of sales	Amount	%
Net sales	Millions of yen	75,084	82,325	87,684	94,857	94,109	100.0%	(748)	(0.8)%
Equipment and Tools	Millions of yen	38,039	41,006	42,656	45,500	45,804	48.7%	303	0.7%
Machine and Facility	Millions of yen	14,194	14,869	16,647	20,440	19,333	20.5%	(1,107)	(5.4)%
Construction and Piping Products	Millions of yen	22,851	26,449	28,380	28,916	28,972	30.8%	55	0.2%
Gross profit	Millions of yen	10,912	12,085	12,691	13,304	13,109	13.9%	(195)	(1.5)%
Equipment and Tools	Millions of yen	4,606	4,871	5,064	5,362	5,375	[11.7%]	13	0.3%
Machine and Facility	Millions of yen	1,220	1,209	1,390	1,663	1,548	[8.0%]	(115)	(6.9)%
Construction and Piping Products	Millions of yen	5,084	6,007	6,235	6,279	6,205	[21.4%]	(73)	(1.2)%
SG&A expenses	Millions of yen	8,699	8,977	9,419	9,747	9,945	10.6%	198	2.0%
Equipment and Tools	Millions of yen	3,709	3,861	4,115	4,142	4,199	[9.2%]	56	1.4%
Machine and Facility	Millions of yen	836	847	911	944	988	[5.1%]	43	4.7%
Construction and Piping Products	Millions of yen	4,144	4,315	4,506	4,768	4,872	[16.8%]	103	2.2%
Operating income	Millions of yen	2,212	3,107	3,272	3,556	3,163	3.4%	(393)	(11.1)%
Equipment and Tools	Millions of yen	897	1,009	948	1,219	1,176	[2.6%]	(43)	(3.5)%
Machine and Facility	Millions of yen	384	361	479	719	559	[2.9%]	(159)	(22.2)%
Construction and Piping Products	Millions of yen	940	1,691	1,728	1,510	1,333	[4.6%]	(177)	(11.7)%
Ordinary income	Millions of yen	2,488	3,384	3,577	3,854	3,445	3.7%	(408)	(10.6)%
Extraordinary income	Millions of yen	0	47	64	0	39	0.0%	39	—
Extraordinary loss	Millions of yen	136	569	21	111	4	0.0%	(106)	(95.5)%
Net income attributable to owners of parent	Millions of yen	1,288	1,416	2,230	2,416	2,335	2.5%	(81)	(3.4)%

Note: Figures in [] indicate % of segment sales.

Decrease in sales and income

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.

Regarding 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.

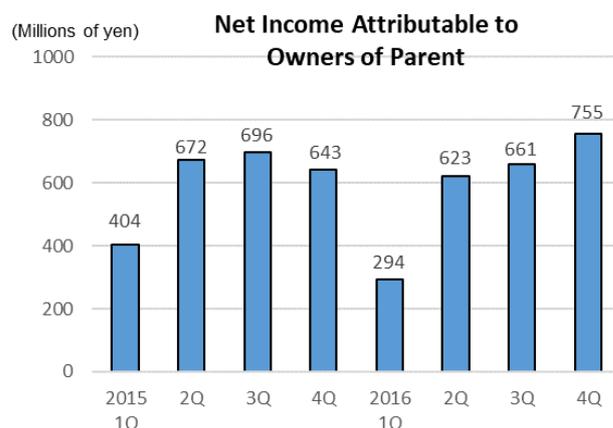
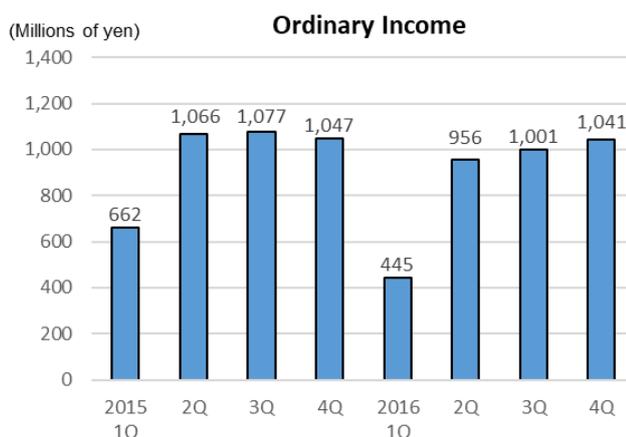
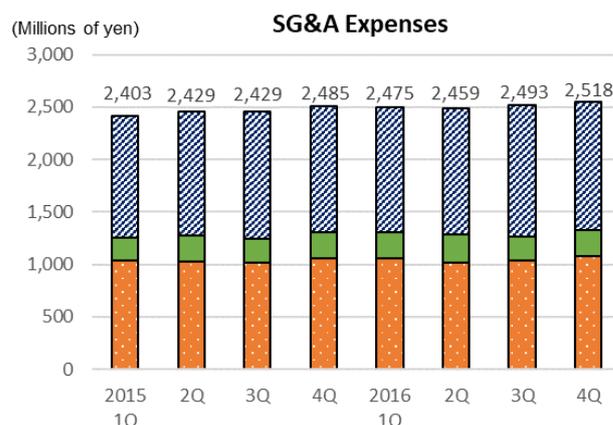
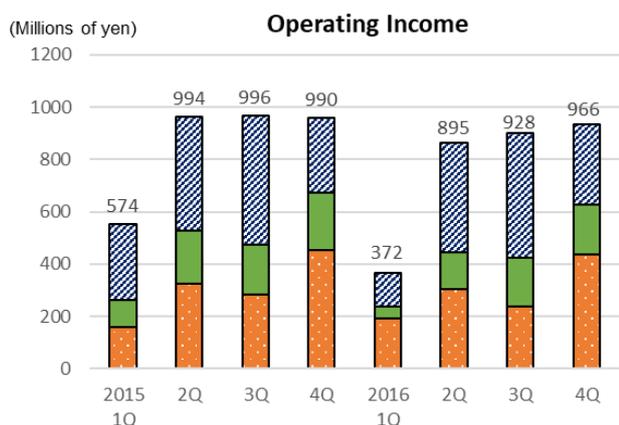
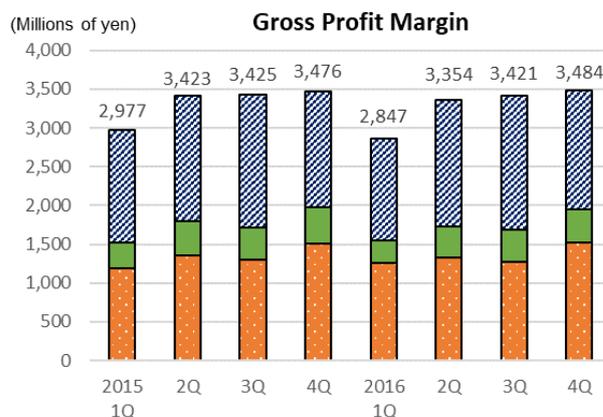
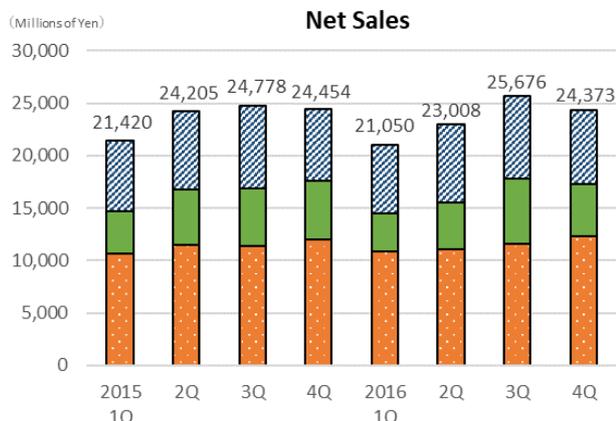
Under this business environment, regarding Furusato Group's businesses, the Equipment and Tools Business was favorable, mainly led by the Industrial Equipment Business which was affected by the factory operating ratio of the industrial production. The Machine and Facility Business decreased in sales 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.

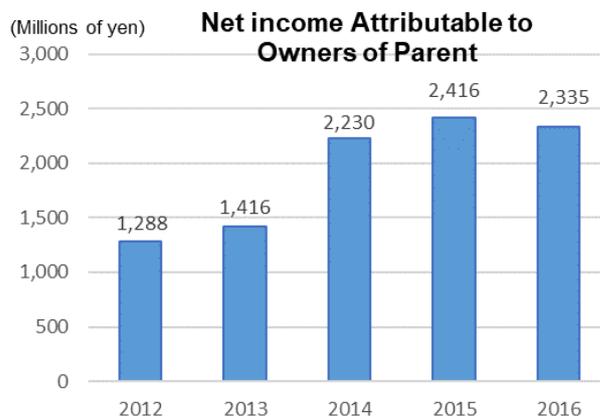
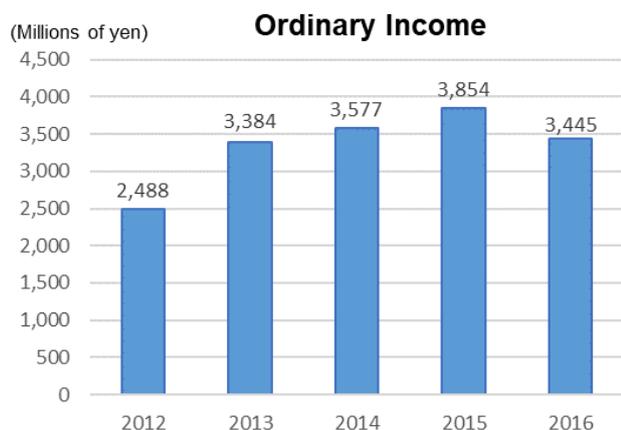
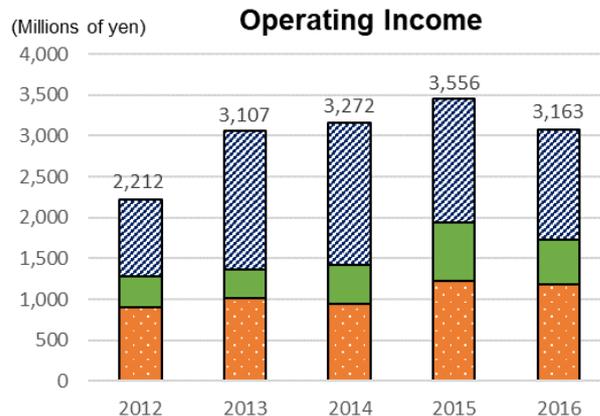
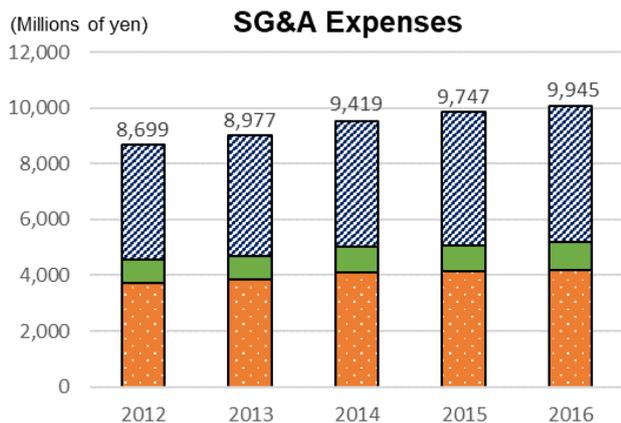
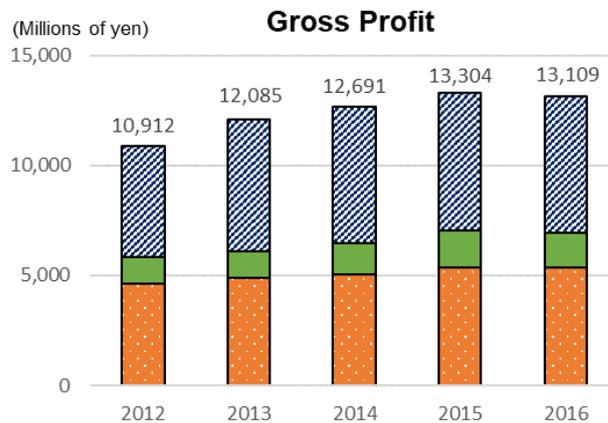
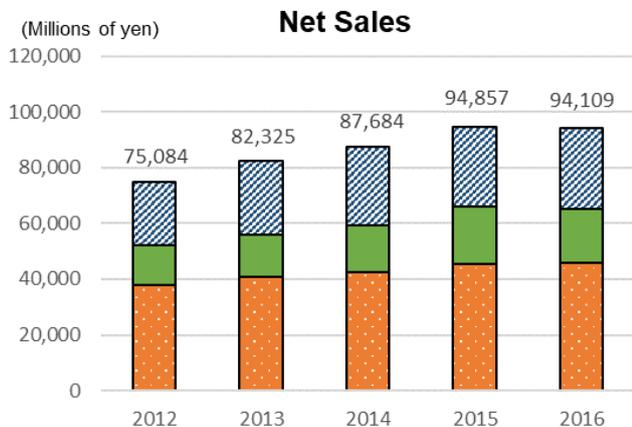
Consolidated Quarterly Results

- Equipment•Tools
- Machine•Facility
- Construction•Piping Products



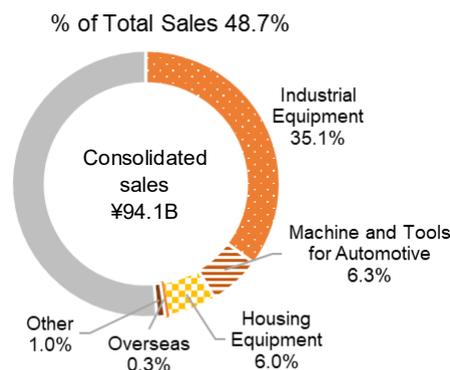
Consolidated Five-year Trend

■ Equipment • Tools ■ Machine • Facility
▨ Construction • Piping Products



Equipment and Tools Business

The Equipment and Tools Business consists of the Industrial Equipment Business as the major business, offering machines and tools at wholesale, the Machine and Tools for Automotive, the Housing Equipment business, the Overseas Business and the Other Business.



Consolidated Results in Fiscal 2016

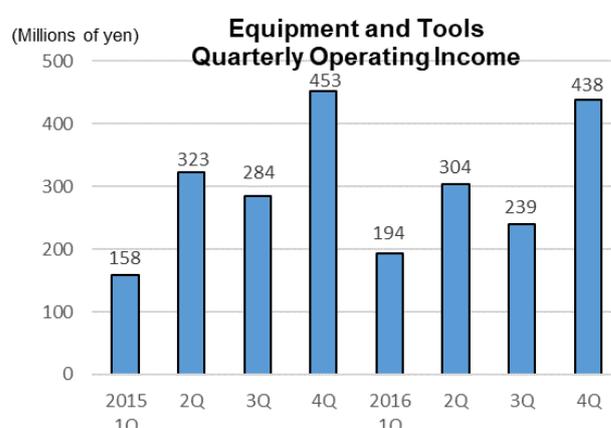
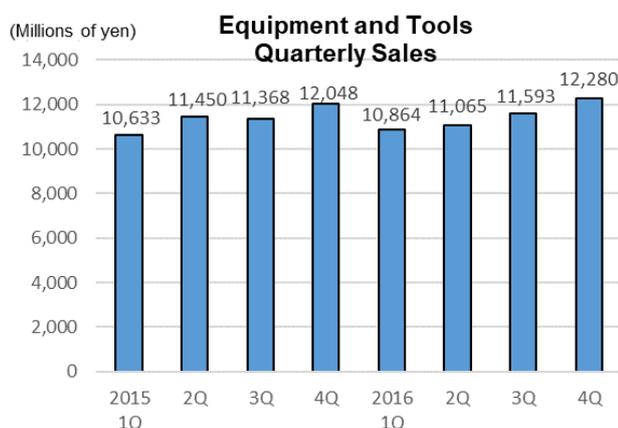
Equipment and Tools		2015		2016		Change	
Fiscal year		Amount	% of sales	Amount	% of sales	Amount	% of sales
Net sales	Millions of yen	45,500	100.0%	45,804	100.0%	303	0.7%
Gross profit	Millions of yen	5,362	11.8%	5,375	11.7%	13	0.3%
Operating income	Millions of yen	1,219	2.7%	1,176	2.6%	(43)	(3.5)%
Net sales by business							
①Industrial Equipment	Millions of yen	32,570	71.6%	33,014	72.1%	443	1.4%
②Machine and Tools for Automotive	Millions of yen	5,860	12.9%	5,890	12.9%	29	0.5%
③Housing Equipment	Millions of yen	5,549	12.2%	5,652	12.3%	102	1.9%
Overseas	Millions of yen	531	1.2%	292	0.3%	(238)	(45.0)%
Other	Millions of yen	988	2.2%	955	1.0%	(33)	(3.4)%

Sales slight growth, profit decrease

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.

Quarterly Sales and Operating Income



① Industrial Equipment Business

【Business outline】

In the Industrial Tools Business, we purchase machines, industrial tools, components, consumable supplies and other related supplies, used for production activities in the manufacturing sector, directly from Japan and overseas and sell them through machines and industrial tools dealers nationwide. We establish our sales network that is composed of distribution centers in Tokyo, Nagoya and Osaka and 30 sales offices from Miyagi to Kumamoto. We define the “Machining system field” and the “Industrial built-in equipment field” as our core competencies (our own strength) and aim to foster this business by focusing on expanding the product diversity and establishing sales methods in the core fields.

【Major market】

Equipment, tools, consumable supplies and others used at production sites in Japan

【Major products】

- Machining system: cutting tools, tooling, vises and chucks, measuring equipment
- Industrial built-in equipment: motors, reducers, pneumatic and oil-hydraulic devices, industrial robots
- Other: Environmental equipment, facility equipment, general tools, measuring equipment, material handling



Cutting tool



Oil-hydraulic device



Measuring equipment

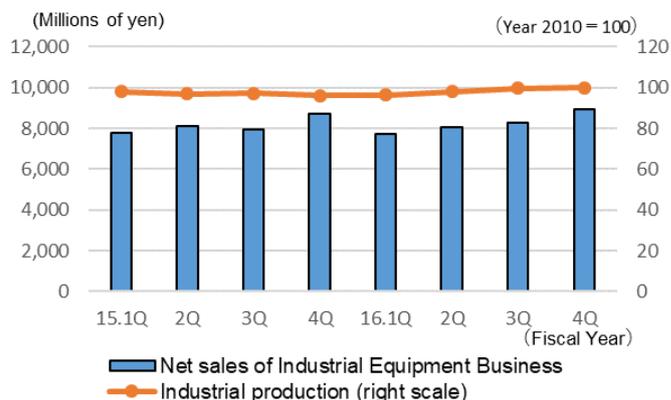
【Major suppliers】

SMC, SANDVIK, BIG DAISHOWA SEIKI, NITTO KOHKI, ANEST IWATA, KOBELCO, Mitutoyo, Showa Denki, AMANO, Sumitomo Electric Industries and others.

【Related business environment】

Factory operating ratio of the domestic manufacturing sector

【Overview of Operations in Fiscal 2016】



The Industrial Equipment Business is impacted by the factory operating ratio in the manufacturing industry, our end-users of this business.

According to the Indices of Industrial Production, showing the factory operating ratio of most of our end-users, the Production gradually recovered.

Consequently, net sales increased by 1.4% year over year to ¥33,014 million, impacted by our measures like the Machining System Exhibition.

②Machine and Tools for Automotive Business

【Business outline】

The Machine and Tools for Automotive Business retails machines and industrial tools to the automotive sector in Tokai area. We have the sales system specialized in hard metal tools mainly to serve major automotive parts manufacturers in Mikawa area. Regarding purchasing, the major product lines are procured directly from manufacturers while machine tools are sourced from machines and industrial tools trading companies.

【Major market】

Limited product lines of machinery and tools used at automotive production sites in Japan

【Major products】

Cemented Carbide tools, measuring equipment, machine tools



Cemented Carbide Tool

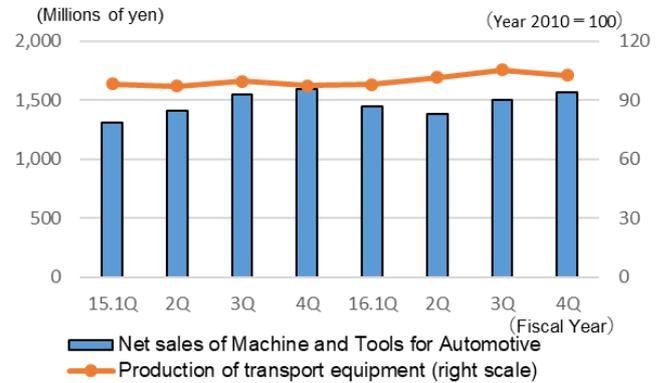
【Major suppliers】

OSG, Guhring Japan, Mitsubishi Hitachi Tool Engineering, NT Tool, SHIN-EI SEISAKUSHO, Hirasawa, Tungaloy, Noda Precision, G-net and others

【Related business environment】

Factory operating ratio of the automotive sector

【Overview of Operations in Fiscal 2016】



The Machine and Tools for Automotive Business reflects mainly a status of the production and inventory of automotive parts manufacturers.

The production of transport equipment showed signs of pickup. Meanwhile, it was negatively impacted by a decrease in the number of new projects of domestic automakers.

Under this business environment, we continued to work mainly on expanding sales items per customer. Consequently, net sales increased by 0.5% year over year to ¥5,890 million.

③ Housing Equipment Business

【Business outline】

The Housing Equipment Business purchases system kitchens, bath units, toilets and other related products directly from manufacturers and sells them to builders, constructors, remodeling companies and others at wholesale mainly in Tokyo, Osaka and Nagoya.

【Major market】

Housing equipment in Japan

【Major products】

System kitchen, toilets, unit baths, vanity units, and other related products



System kitchen



Toilet

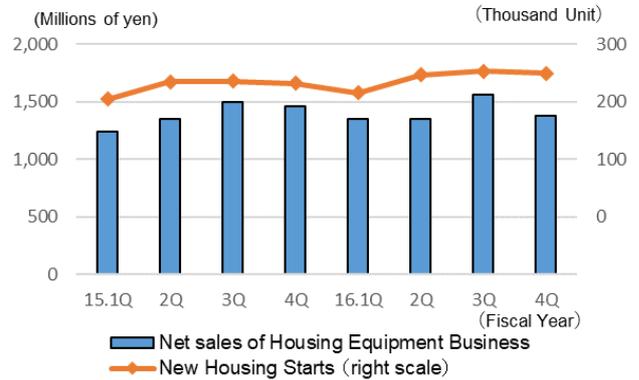
【Major suppliers】

LIXIL, Rinnai, Cleanup, Toclas, Noritz, Housetec, Nasluck, Takara Standard, Corona, Paloma and others

【Related business environment】

New housing demand and housing remodeling demand

【Overview of Operations in Fiscal 2016】



*(Note) Net sales: Fiscal year (1Q=Apr. to Jun.)
 *(Note) New Housing Starts: Calendar year (1Q=Jan. to Mar.)

The Housing Equipment Business is affected by the number of new construction starts and extension and remodeling of houses.

The new housing starts indicates demand for newly-built housing. According to this statistic, the new housing starts in 2016 (calendar year) increased by 6.4% year over year, led by demand for new housing and remodeling based on a low interest rate.

In this business environment, net sales increased by 1.9% year over year to ¥5,652 million, mainly impacted by reinforcement of construction function and sales expansion of original kitchen.

■ Overseas Business

【Business outline】

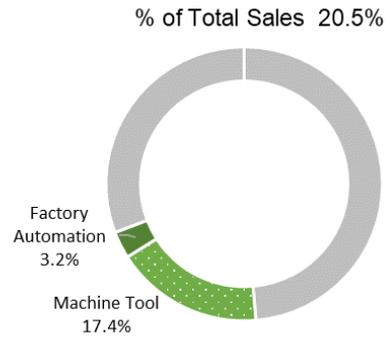
The major part of the Overseas Business is import of machine tools, equipment and tools. We support the Industrial Equipment Business to establish private label brands and import products.

■ Other Business

Sale of shop-lifting prevention security systems, propose, design, construction and maintenance of production lines and facilities.

Machine and Facility Business

The Machine and Facility Business consists of the Machine Tools Business, offering machine tools at wholesale and the Factory Automation Business, offering machines and facilities directly to some users.



Consolidated Results in Fiscal 2016

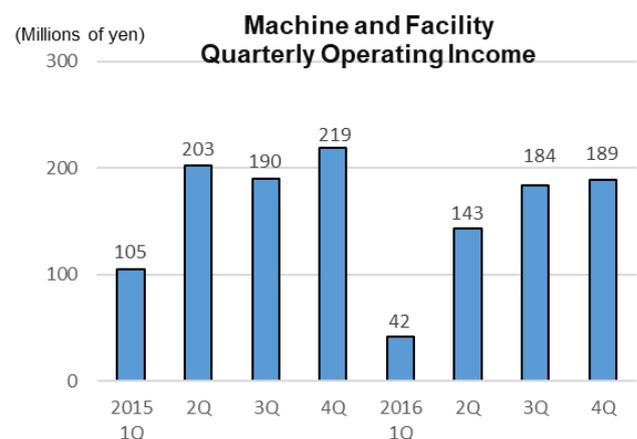
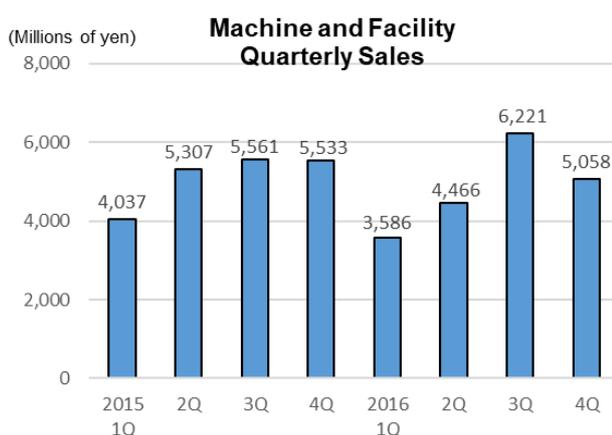
Machine and Facility		2015		2016		Change	
Fiscal year		Amount	% of sales	Amount	% of sales	Amount	% of sales
Net sales	Millions of yen	20,440	100.0%	19,333	100.0%	(1,107)	(5.4)%
Gross profit	Millions of yen	1,663	8.1%	1,548	8.0%	(115)	(6.9)%
Operating income	Millions of yen	719	3.5%	559	2.9%	(159)	(22.2)%
Net sales by business							
①Machine Tool	Millions of yen	16,783	82.1%	16,363	84.6%	(419)	(2.5)%
②Factory Automation	Millions of yen	3,657	17.9%	2,969	15.4%	(687)	(18.8)%

Sales and profit decrease

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.

Quarterly Sales and Operating Income (Loss)



①Machine Tools Business ②Factory Automation Business
the

①Machine Tools Business

【Business outline】

In the Machine Tools Business, we have agency licenses of machine tools manufacturers in Japan. We select models of machine tools to meet users' needs and sell them through machine dealers.

【Major market】

Machine tools used for production facilities in the manufacturing sector in Japan

【Major products】

Machine tools, large machines



Machine tool

【Major suppliers】

Yamazaki Mazak, DMG Mori Seiki, Okuma, Citizen Machinery, Takisawa Machine Tools, FANUC, JTEKT, OKK, Kitamura Machinery and others

【Related business environment】

Domestic orders received for machine tools

②Factory Automation Business

【Business outline】

The Factory Automation Business sells machines, facilities and other related products directly to some users, mainly our machine and industrial tools suppliers.

【Major market】

Machine tools and facilities used for production facilities in the manufacturing sector in Japan

【Major products】

Machine tools, big machines, industrial robots and other related products



Industrial robot

【Major suppliers】

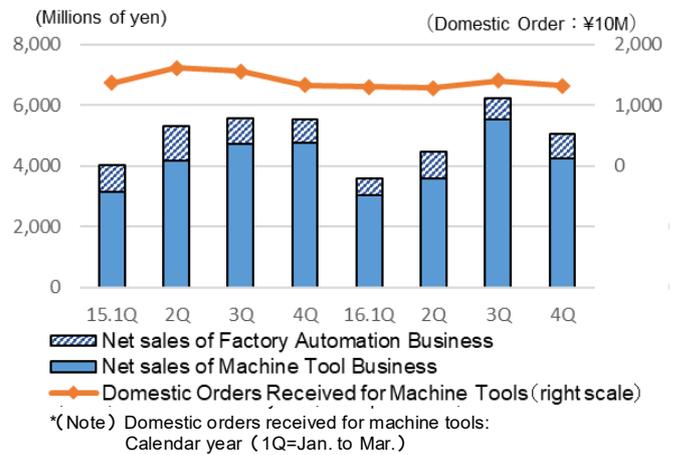
Machine tools manufacturers, machines manufacturers, industrial tools manufacturers

【Related business environment】

Domestic orders received for machine tools

①Machine Tools Business & ②Factory Automation Business

【Overview of Operations in Fiscal 2016】



The Machine Tool Business and the Factory Automation Business are affected by a trend in capital investment.

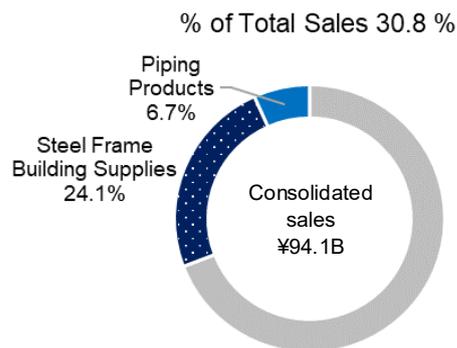
According to the statistics of orders received for machine tools, domestic demand decreased by 9.5% year over year in 2016 (calendar year) amid a drop due to gradual fall of an impact by tax initiatives and subsidy.

In the Machine Tools Business, net sales decreased by 2.5% to ¥16,363 million, due to a delay of orders affected by application period of a subsidy policy.

Meanwhile, Factory Automation business, sales decreased by 18.8% year over year to ¥2,969 million due to a decrease in the number of and downsizing the projects in addition to a delay in timing of recording sales.

Construction and Piping Products Business

The Construction and Piping Products Business consists of the Steel Frame Building Supplies Business, retailing supplies, machine and tools to steel fabricators and the Piping Products Business, retailing supplies and equipments to plumbing contractors.



Consolidated Results in Fiscal 2015

Construction and Piping Products

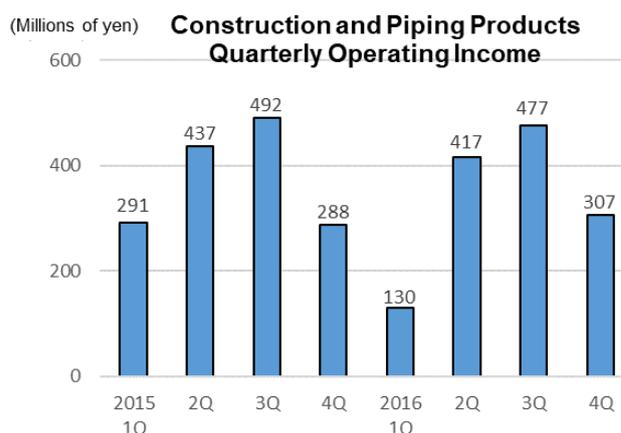
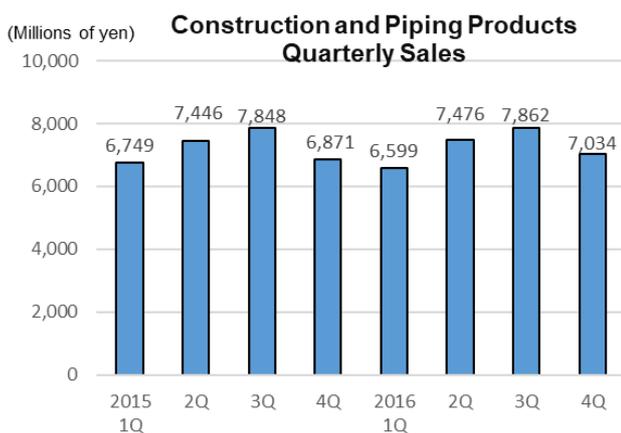
Fiscal year		2015		2016		Change	
		Amount	% of sales	Amount	% of sales	Amount	% of sales
Net sales	Millions of yen	28,916	100.0%	28,972	100.0%	55	0.2%
Gross profit	Millions of yen	6,279	21.7%	6,205	21.4%	(73)	(1.2)%
Operating income	Millions of yen	1,510	5.2%	1,333	4.6%	(177)	(11.7)%
Net sales by business							
①Steel Frame Building Supplies	Millions of yen	22,888	79.2%	22,646	78.2%	(242)	(1.1)%
②Piping Products	Millions of yen	6,027	20.8%	6,325	21.8%	297	4.9%

Sales increase, profit decrease

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.

Quarterly Sales and Operating Income (Loss)



①Steel Frame Building Supply Business

【Business outline】

The Steel Frame Building Supplies Business retails structural members, building supplies, consumable supplies, machines and tools to the steel fabricators who assemble steel frames of steel structure (S structure) and steel reinforced concrete structure (SRC structure) from our 45 sales offices located from Hokkaido to Kagoshima. Our supplies are purchased from manufacturers in Japan and overseas and manufactured at our own factories.

【Major market】

Supplies used for fabricating steel frame in Japan

【Major products】

In-house products: Braces, foundation bolts, other products
 Procured supplies: High strength bolts, fastening products, welding supplies, coating materials, tools



Brace



Foundation Bolt



Welding Material

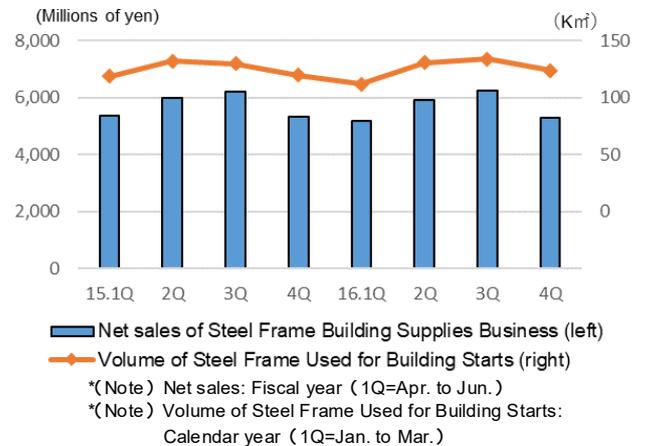
【Major suppliers】

NIPPON STEEL & SUMIKIN Bolten, HANWA, UNYTITE, Hokuetsu Metal, Shinsho Iron & Steel Sales, SEIWA, Ho Hong Works, Kiswel and others

【Related business environment】

Demand for new steel frame building

【Overview of Operations in Fiscal 2016】



The Steel Frame Building Supplies Business is greatly impacted by demand for steel frame buildings.

The volume of steel frame used for building recorded 5.02 million ton, down 0.2% year over year, impacted by an extension of construction period due to shortage of engineers and skilled workers. Meanwhile, the steel product prices, which also affect our selling prices, remained softening throughout the year.

Under this business environment, net sales decreased by 1.1% year over year to ¥22,646 million due to a weaker demand than expected.

② Piping Products Businesses

【Business outline】

In the Piping Products Business, we retail supplies, equipment and tools to plumbing contractors who install, repair and maintain piping facilities primarily in factories and manufacturing plants through the sales network as the same as the Steel Frame Building Supplies Business. In addition, we use the distribution network of the Steel Frame Building Supplies Business to deliver supplies purchased from manufacturers and wholesalers in Japan and overseas.

【Major market】

Supplies used for piping facility works in Japan

【Major products】

Pipe & fittings, valve, flange, pipe, fastening products, welding supplies, tools



Pipe & fitting



Valve



Pipe

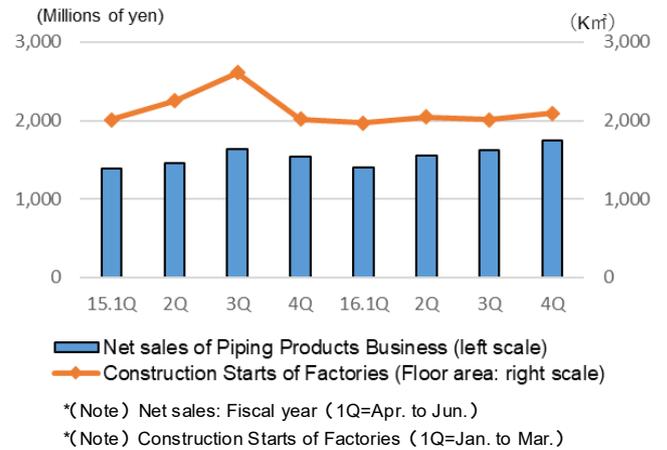
【Major suppliers】

NIKKO, SC Pipe Solutions, Mory Industries, Ishiguro, Shinko Metal, Asai, Igeta Sunrise Pipe, Yamamoto Eng. Works, Ichinose, AMT and others.

【Related business environment】

Demand for new building and repair of factories

【Overview of Operations in Fiscal 2016】



The Piping Products Business was affected by demand for building, repair and maintenance of the plumbing facilities.

The floor area of new construction starts of factories, indicating construction demand for factories, decreased by 8.7% on a calendar year basis.

Amid this business environment, net sales increased by 4.9% year over year to ¥6,325 million, resulted from working on sales expansion as a growth business.

Consolidated Forecasts in Fiscal 2017

Fiscal year		2016 Actual		2017 Forecasts		Change
		Amount	% of sales	Amount	% of sales	%
Net sales	Millions of yen	94,109	100.0%	97,600	100.0%	3.7%
Equipment and Tools	Millions of yen	45,804	48.7%	48,200	49.4%	5.2%
Machine and Facility	Millions of yen	19,333	20.5%	19,400	19.9%	0.3%
Construction and Piping Products	Millions of yen	28,972	30.8%	30,000	30.7%	3.5%
Gross profit	Millions of yen	13,109	13.9%	13,780	14.1%	5.1%
SG&A expenses	Millions of yen	9,945	10.6%	10,500	10.8%	5.6%
Operating income	Millions of yen	3,163	3.4%	3,280	3.4%	3.7%
Equipment and Tools	Millions of yen	1,176	[2.6%]	1,280	[2.7%]	8.8%
Machine and Facility	Millions of yen	559	[2.9%]	565	[2.9%]	0.9%
Construction and Piping Products	Millions of yen	1,333	[4.6%]	1,435	[4.8%]	7.6%
Ordinary income	Millions of yen	3,445	3.7%	3,590	3.7%	4.2%
Net income attributable to owners of parents	Millions of yen	2,335	2.5%	2,340	2.4%	0.2%

Note:

- 1) Forecasts announced on May 8, 2017.
- 2) Figures in [] indicate % of segment sales.

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.

Target Management Indicator

Furusato Group sets net sales and operating income in the medium-term projection as the target management benchmark. We strive to expand our businesses, aiming to achieve net sales of ¥108 billion and operating income of ¥4 billion in the year March 31, 2020.

Medium-to Long-Term Corporate Management Strategy

We promote the medium-term management plan, “Design the Future 2020 One step ahead, pursuing the value customers never experience”. We all in Furusato Group work together to sincerely challenge the problems that our customers suffer from and providing the real value that they seek. As a result, we believe that the customer must smile, and then we draw new future vision of Furusato Group.

Based on that, we aim to make a great leap forward through various measures including allocating human resources in Furusato Group in the most efficient way, enhancing inventory and distribution systems, providing fulfilling trainings for employees, diversifying reliable products and implementing effective promotion.

Tasks Ahead

We work on the following tasks to continuously increase corporate value.

(1) Complying with laws and regulation

In conducting business activities as a corporate citizen, we think that it is indispensable to comply with laws and regulations and get rid of dishonesty and antisocial activism. Thus, we will keep working on it.

(2) Improving productivity

We work on improving productivity to maintain competitiveness and increase sales and profits regardless of the anticipation of a short of energy caused by structural problem and manpower shortage in the super-aging society. We believe it possible to produce more outcome than ever before in shorter time by improving labor productivity in all divisions of Furusato Group, which will result in not only improving profitability but contributing to energy-saving and fulfilling employees' life.

(3) Securing and fostering human resources

We recognize it indispensable and our material management issue to secure, develop and foster excellent human resources to promote businesses in new framework and establish them with flexible ideas. We will make the stage for young generation to renew our organization by being free from our traditional mindset.

(4) Reconstructing business portfolio based on group strategy

Furusato Group develops several businesses in different business fields. We recognize that it is our tasks to clarify our missions in each business and implement strategies based on them to get results consistently based on our positions and features in each market. Basically, we will allocate our management resources to fulfill each objective by classifying the businesses into ones with stable profitability and ones to pursue strategic growth.

Operating Results

Fiscal year		2012	2013	2014	2015	2016
Gross profit margin	%	14.5	14.7	14.5	14.0	13.9
Ratio of operating income (loss) to net sales	%	2.9	3.8	3.7	3.7	3.4

Financial Position

Fiscal year		2012	2013	2014	2015	2016
Total assets	Millions of yen	47,532	53,147	56,212	57,585	60,046
Net assets	Millions of yen	30,040	31,514	33,650	35,024	37,030
Net assets to total assets	%	63.2	59.3	59.9	60.8	61.7
Return on equity	%	4.4	4.6	6.8	7.0	6.5
Return on assets	%	5.2	6.7	6.5	6.8	5.9
Dividend payout ratio	%	25.5	30.2	30.2	30.3	30.1

Cash Flows

Fiscal year		2012	2013	2014	2015	2016
Cash flows from operating activities	Millions of yen	2,200	2,481	2,700	2,613	2,978
Cash flows from investing activities	Millions of yen	(261)	(1,248)	(1,356)	(2,283)	(554)
Cash flows from financing activities	Millions of yen	(455)	(360)	(8)	(834)	(892)

Per Share Data

Fiscal year		2012	2013	2014	2015	2016
Earnings per share	Yen	88.10	97.68	153.81	166.69	161.06
Book-value per share	Yen	2,066.57	2,173.41	2,320.92	2,415.82	2,554.28
Dividend per share (Annual)	Yen	22.5	29.5	46.5	50.5	48.5

Capital Investment, Depreciation & Amortization

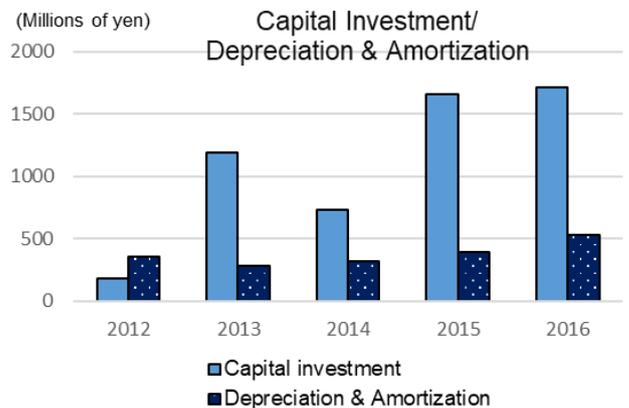
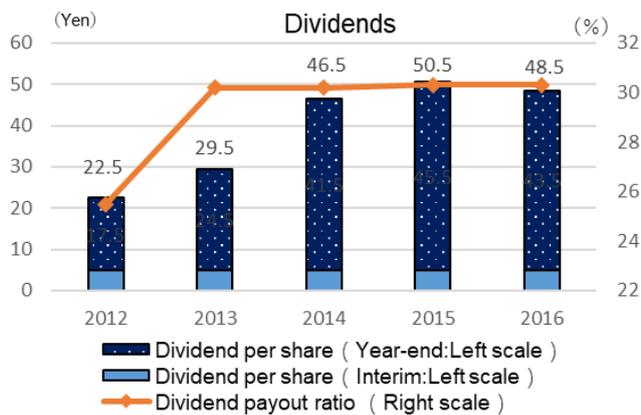
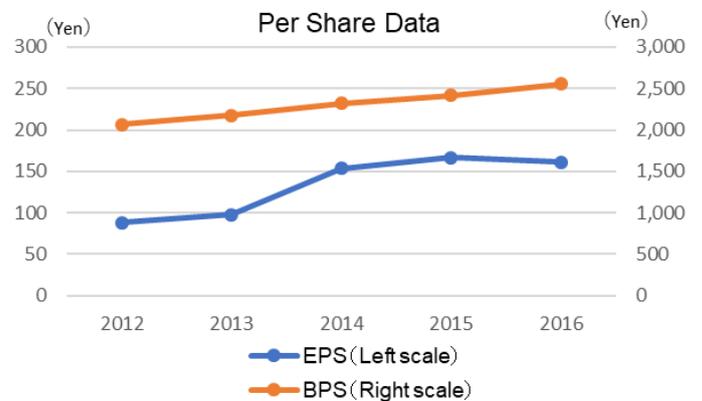
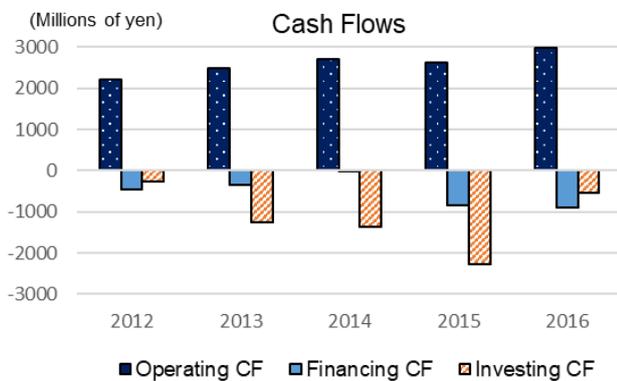
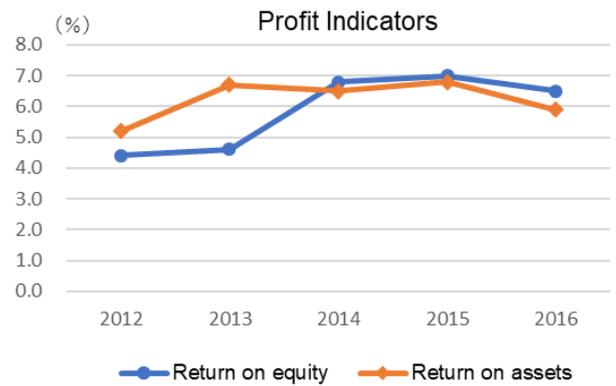
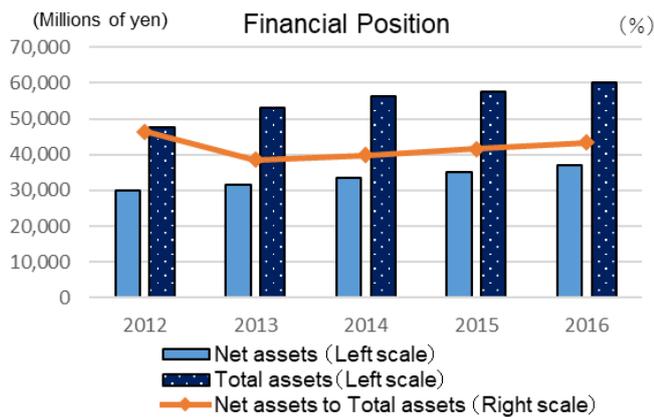
Fiscal year		2012	2013	2014	2015	2016
Capital investment	Millions of yen	179	1,190	735	1,663	1,710
Depreciation & amortization	Millions of yen	357	281	323	392	533

Please visit the website of Furusato Industries.

You can find the latest financial information at a glance on "Investor Relation".

■ Investor Relation

<http://www.furusato.co.jp/ir/>



Topics1

Design the Future 2020

One step ahead, pursuing the value that customers never experience

“What is a must to satisfy our customers?”

We answer this question, “Delivering the real value”.

We challenge the problems that our customers suffer from and propose the best solution.

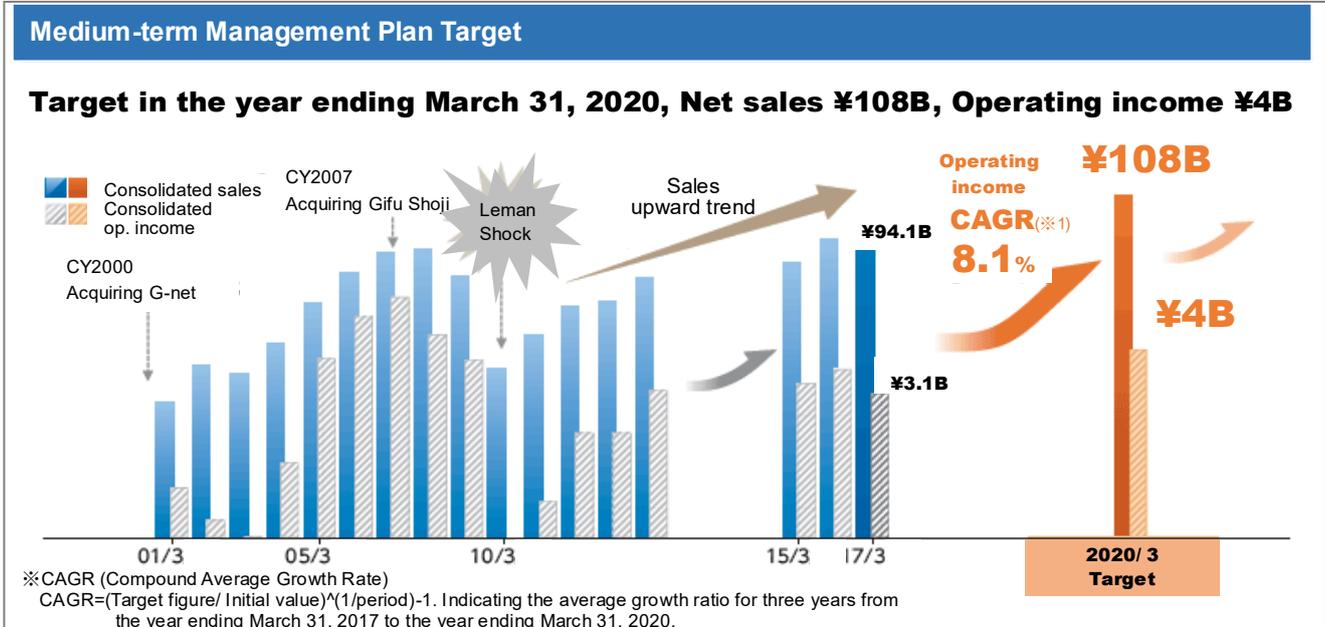
If that is what the customers want, we believe that the customers must smile.

We set the slogan, “Design the Future 2020 One step ahead, pursuing the value customers never experience”. By the slogan, we express our passion that we would like to deliver the astonishing value to the customers and then to draw our new future vision of Furusato Group through this challenge.

Medium-term Management Plan Basic Policy

We set “Medium-term Management Target (future vision in three years) based on expected business environment in each division of Furusato Group. We also set the following four initiatives under the group strategy, along with executing missions by each division, respectively.

- Aiming to improve profitability by introducing a new production system
- Pursuing expertise in robotic business to reinforce engineering function
- Creating new synergy in the security business by collaboration
- Reforming work environment to raise job satisfaction among employees



Topics2

Activities of Nomination・Remuneration Committee

The Company has established “the Nomination and Remuneration Committee” as a voluntary advisory organization under the Board of Directors chaired by an independent Outside Director, of which the majority consists of the Outside Directors. With regard to an election of the management and an appointment of candidates for Directors and Corporate Auditors, the committee discusses them according to the “Basis for Election of Candidates for Directors and Corporate Auditors” and reported the outcome of discussion to the Board of Directors.

Moreover, with regard to a decision of remuneration for the Management and the Directors, the Committee discusses a link their remuneration with the framework and the standard and reports the outcome of discussion to the Board of Directors.

This time, we resolved to introduce the medium-term incentive plan for Directors (※2) in the Board of Directors’ Meeting based on the discussion in the committee.

※2 Please refer to “Notice Regarding Introduction of Stock-Based Remuneration Plan for Directors” on the website below.

<http://www.furusato.co.jp/news/3661/>

Corporate Governance Framework

■ **Basic stance on corporate governance framework**

To achieve “sustainable corporate group”, Furusato regards the corporate governance as one of the critical issues and strives to enhance the corporate governance system. The principal measures are the following three items:

① Reforming management structure and systems

We have established “the Nomination and Remuneration Committee” as a voluntary advisory organization under the Board of Directors to promote transparency and objectivity in discussion about an election of the management and an appointment of candidates for Directors and Corporate Auditors. The committee reports the outcome of discussion to the Board of Directors, and the Board of Directors deliberates and resolves it.

② Improving transparency of corporate activities

In order to fulfill the accountability to shareholders and investors, we will enhance the disclosure system to disclose information in a timely and accurate manner with high quality.

③ Establishing the compliance system

In order to reinforce the compliance, we will set up our principles and deliberate the systems and mechanism to manage the compliance system.

■ **Corporate governance framework**

① Overview of corporate governance framework

a) Board of Directors

The Board of Directors consists of seven members, including two Outside Director.

The Board of Directors, in principal, meets monthly, with extraordinary meetings as necessary and makes appropriate and quick decisions based on sufficient discussion. The Board decides items defined by laws and regulations and important issues concerning the management. In addition, it deliberates the status of achievement of management goals and considers appropriate measures to respond to the ongoing and potential problems.

b) Board of Corporate Auditors

The Board of Corporate Auditors consists of three members, two Outside Corporate Auditors and one Full-time Corporate Auditor.

The Corporate Auditors attend meetings of the Board of Directors, through which they audit the legality and appropriateness of the performance of the Directors’ duties, business operations and financial conditions of the Company. The Corporate Auditors regularly exchange opinions with the Representative Director and review and monitor management documents and other important reports.

② Reasons for adopting corporate governance framework

Furusato appointed two Outside Director and two Outside Corporate Auditors as independent officers to super-

viser the business execution functions separately from the Board of Directors. They attend the meetings of the Board of the Directors and other important business meetings to enhance the effectiveness of management oversight. We maintain our current corporate governance framework that can monitor the status of execution of duties of each Director by the Outside Director and the Outside Corporate Auditors in an independent and fair manner.

The Outside Directors and the Outside Corporate Auditors have no personal, capital, business relationships with and no particular vested interest in the Company.

③ Status of implementation of internal control framework
《Basic stance on internal control framework》

Furusato makes efforts to ensure the legality and efficiency of any business operations and control risks. In addition, we believe it is essential to review, improve and fulfill the internal control framework as socioeconomic circumstances and other business environment change.

《Status of implementation of internal control framework》

- a) In accordance with the basic policy to set up the internal control system resolved at the meeting of the Board of Directors in May 2006, Furusato is working on establishing the framework (Partial amendment resolved in April 2015).
- b) As one of the systems to ensure the Directors and employees perform their duties in accordance with the laws and the Articles of Incorporation, we compiled and distributed a handbook including Corporate Philosophy, Code of Conduct, Corporate Action Guideline, Corporate Ethics and Whistleblower System to all officers and employees of Furusato and its group companies. It contributes to educate individual members and to raise awareness of the internal control.
- c) With regard to the information relating to the performance of duties by the Directors and employees, we run a system to appropriately store and manage the minutes of important meetings, approval documents and contracts by the relevant divisions according to a type of the information.
- d) With regard to the management of risks that could result in losses, we are working on identifying any risks inherent in the Company and creating the system to take appropriate measures on the significant risks.
- e) To ensure that the Directors perform their duties, the Board of Directors holds a regular meeting once a month. In the meeting, the Directors discuss the issues stipulated by the Board of Directors Rule and the issues applicable to its deliberation standard and make decisions on the important matters.
- f) The Corporate Auditors and the Internal Auditing Division ensure the effectiveness of and improve the efficiency of the audits by exchanging opinions when they review the

auditing reports. In addition, the Corporate Auditor ensures a system for efficient and effective audits by periodical dialogue with the Accounting Auditors.

④ Status of implementation of risk management framework

Furusato regards the reinforcement of the compliance as one of the critical issues. We compiled and distributed the in-house Compliance Manual to all board members and employees of Furusato and its group companies. We raise awareness of the compliance among them through in-house trainings, etc. In order to enhance the risk management framework, we regularly hold the Risk Management Committee, chaired by the Director and General Manager of the Headquarters of the Administrative Division. The Committee evaluates and analyzes the risks which could affect operations of the Furusato Group and formulates appropriate measures to respond to them.

⑤ Framework to ensure the appropriateness of operation of subsidiaries

Furusato has the following framework to ensure the appropriateness of operation of its subsidiaries.

In order to understand the status of management of its subsidiaries accurately, the Company requests the subsidiaries to submit related documents as necessary and to report the status of their operations and the performance of duties by Directors periodically in the meeting of the Board of Directors and the Management Meeting based on the Affiliate Management Regulations.

The Company establishes the Risk Management Committee to be responsible for the risk management and establishes, maintains, and improves the risk management of each group company. The subsidiaries implement their risk management and report the status to the Risk Management Committee.

⑥ Overview of contents of limited liability agreement

The Outside Directors and the Outside Corporate Auditors signed an agreement for a limitation of liability for damage prescribed in Article 423, Paragraph 1 of the Corporation Act of Japan with Furusato, pursuant to the provisions of Article 427, Paragraph 1 of the Act. The maximum extent of the liability shall be the amount as regulated by law.

In case of accepting the limitation of this liability, only the Outside Director and the Outside Corporate Auditor acts in good faith and without gross negligence.

■ Status of internal audits and audits by Corporate Auditors

① Internal Auditing Division

The Internal Auditing Division with two Internal Corporate Auditors consistently implements on-site audits to penetrate the internal control systems into Furusato Group overall, to make operating processes appropriate, to comply with laws and rules, and to fairly execute operational procedures.

② Corporate Auditors, Board of Corporate Auditors

Furusato is a company with the Corporate Auditors. The Board of Corporate Auditors consists of three members, two Outside Corporate Auditors and one Full-time Corporate Auditor. The Corporate Auditors attend meetings of the Board of Directors, through which they audit the legality and appropriateness of the performance of the Directors' duties, business operations and financial conditions of the Company. The Corporate Auditors regularly exchange opinions with the Representative Director and review and monitor management documents and other important reports.

All of the three Corporate Auditors have their profound knowledge in financial and accounting fields, respectively as follows:

- a) Mr. Satoshi Onishi, the Full-time Corporate Auditor, has his long experience in the financial institution and experience as the Managing Director and expertise mainly in finance in the Company.
- b) Mr. Motoomi Iwaki has his expertise and profound knowledge as a lawyer.
- c) Mr. Bunzo Hineno has his expertise and profound knowledge in finance and tax fields as the certified public accountant and the certified tax accountant.

《Communication among Internal Auditing Division, Corporate Auditors and Accounting Auditors, and Relation between their audits and internal control section》

The Corporate Auditors ensure that the audits are conducted effectively and efficiently by exchanging opinions when the auditing plan is compiled at the start of each fiscal year and when the regular internal audits reports and follow-up audit reports are reviewed, as well as by hearing internal audit policies, action plans and audit results from the Internal Auditing Division. Besides, the Corporate Auditors ensure that the audits are conducted effectively by hearing audit plans, quarterly review reports and audit reports compiled by the Accounting Auditors, by attending inventory audits conducted by the Accounting Auditors and by exchanging opinions whenever necessary.

The Internal Auditing Division collaborates with the Accounting Auditors by sharing the auditing results and other information through the exchange of opinions and the discussions in a timely and appropriate manner as well as by attending the inventory audits conducted by the Accounting Auditors.

The Internal Control Section receives reports on overviews of audits from the Internal Auditing Division, the Corporate Auditors, and the Accounting Auditors. In the event that the Internal Control Section finds items where improvement is deemed necessary, it establishes the framework to improve them.

■ **Outside Director and Outside Corporate Auditors**

① Number of the Outside Director and the Outside Corporate Auditors and overview of personal, capital and business relationships with and vested interest in Furusato

Furusato appointed two Outside Director and two Outside Corporate Auditors.

The Outside Director, Ms. Junko Takechi, has no particular vested interest in the Company. She used to be the Councilor of Assumption Academy. It has no personal, capital, business relationships with and no particular vested interest in the Company. She has her expertise and profound knowledge as a lawyer with a high level of compliance awareness to further strengthen the corporate governance, even though she has never been involved in corporate management. Thus, the Company considers she can perform their duties appropriately as the Outside Director.

Mr. Hiroyuki Nakatsukasa has no particular vested interest in the Company. He used to be the Outside Corporate Auditor of the Nippon Synthetic Chemical Industry Co., Ltd. since June 2015. It has no personal, capital, business relationships with and no particular vested interest in the Company. He has his expertise and profound knowledge in finance and tax fields as the certified public accountant and the certified tax accountant to perform his duties by stating his appropriate and effective advice and guidance from an independent position, even though he has never been involved in corporate management. Thus, the Company considers he can perform their duties appropriately as the Outside Director.

Mr. Motoomi Iwaki has no particular vested interest in the Company. He has been the Outside Corporate Auditor of Okumura Engineering Corporation since September 2002 and the Outside Corporate Auditor of Daiken Medical Co., Ltd. since June 2008. It has no personal, capital, business relationships with and no particular vested interest in the Company. He has his expertise and profound knowledge as a lawyer with a high level of compliance awareness to further strengthen the corporate governance, even though he has never been involved in corporate management. Thus, the Company considers he can perform their duties appropriately as the Outside Corporate Auditor.

Mr. Bunzo Hineno has no particular vested interest in the Company. He has his expertise and profound knowledge in finance and tax fields as the certified public accountant and the certified tax accountant, even though he has never been involved in corporate management. Thus, the Company considers he can perform their duties appropriately as the Outside Director.

② Policy regarding independence of the Outside Directors and the Outside Corporate Auditors

We believe that the oversight of execution of management activities by the Outside Directors and the Outside Corporate Auditors in an independent and fair manner contributes to enhancing the effectiveness of management oversight.

To ensure the independence of the Outside Directors and the Outside Corporate Auditors, we elect officers who satisfy the standard for the independent directors defined by the Tokyo Stock Exchange and ensure their independence sufficiently.

With regard to the election of the Outside Directors and the Outside Corporate Auditors, both are appointed as an independent board member. They perform management oversight function sufficiently by asking questions and stating their opinions in an independent and fair manner at the meeting of the Board of Directors.

The Outside Corporate Auditors ensure that the audits are conducted effectively and efficiently by exchanging opinions when the auditing plan is compiled at the start of each fiscal year and when the regular internal and follow-up audit reports are reviewed, as well as by hearing internal audit policies, action plans and interim and year-end audit results from the manager of the Internal Auditing Division at the meetings of the Board of Corporate Auditors. According to the audit policy defined at the Board of Corporate Auditors, the Corporate Auditors mainly review important documents and investigate subsidiaries at the board meetings and others. Before attending at the meeting of the Board of Directors, the Outside Corporate Auditors receive explanations on the agenda in advance from the Full-time Corporate Auditor whenever necessary.

■ Remuneration for Directors and Auditors

① Total remuneration for Directors and Corporate Auditors with a breakdown by type

Classification	Total amounts paid (Thousand yen)	Total amounts paid by type of remuneration (Thousand yen)				No. of Directors and Auditors
		Base salary	Stock option	Bonuses	Retirement benefits	
Directors (Exc. Outside Directors)	107,720	92,983	-	14,737	-	6
Corporate Auditors (Exc. Outside Corporate Auditors)	13,801	13,801	-	-	-	1
Outside Directors and Outside Corporate Auditors	19,200	19,200	-	-	-	4

Note:

- The above figures include two Corporate Auditors, who retired after the 57th Ordinary General Meeting of Shareholders, held on June 25, 2015.
 - Total amount of remuneration paid to Directors does not include the remuneration for services rendered in any capacity other than as a director.
- ② Total amount of annual remuneration paid to Director and Corporate Auditor on a consolidated basis
Omitted because there is no Director or Corporate Auditor who receives more than ¥100 million.
- ③ Method of determining remuneration policies

The Company has established "the Nomination and Remuneration Committee" as a voluntary advisory organization under the Board of Directors. With regard to an election of the management and an appointment of candidates for Directors and Corporate Auditors. The committee discusses the remuneration standard and the details (amounts of fixed and performance-based remuneration, etc.) and reported the outcome of discussion to the Board of Directors. After that, the Committee deliberates and resolves it within the aggregate maximum amounts of annual remuneration to pay to Directors and Corporate Auditors which approved respectively at the Ordinary General Meeting of Shareholders. The Outside Director chair the committee, of which the majority consists of the Outside Directors.

Regarding the remuneration of internal Directors, the Company adopts the performance-based stock remuneration system in addition to monthly fixed remunerations and bonuses as the remuneration structure reflecting their duties and outcomes.

Regarding the remuneration of Outside Directors, the Company does not pay the bonuses and the performance-based stock remuneration, considering their roles of observation and supervision of the management from an independent standpoint.

The amounts of annual remuneration to pay to Corporate Auditors were allocated within the aggregate amount approved at the Ordinary General Meeting of Shareholders at the meeting of the Board of Corporate Auditors.

■ Shares Holding

- ① Total number of companies and amounts on the balance sheet for shares holding for reasons other than pure investment
14 stocks, 1,344,265 thousand yen
- ② Stock name, number of shares, balance sheet amounts and purpose of holding for shares holding that are not for pure investment.

Stock name	No. of shares hold (Shares)	Balance sheet amounts (Thousand yen)	Purpose of holding
Seiwa Chuo Holdings Corporation	60,000	234,000	Developing and maintaining a business relationship
Mory Industries Inc.	88,000	195,184	Developing and maintaining a business relationship
DMG Mori Seiki Co., Ltd.	100,000	173,600	Developing and maintaining a business relationship
Hoshiden Corporation	140,000	146,300	Developing and maintaining a business relationship
HANWA Co., Ltd.	139,719	110,518	Developing and maintaining a business relationship
SHINSHO Corporation	44,003	105,431	Developing and maintaining a business relationship
Nissei Build Kogyo, Co., Ltd.	164,000	90,364	Developing and maintaining a business relationship
Mitsubishi UFJ Financial Group, Inc.	122,000	85,363	Developing and maintaining a business relationship
Daiwa House Industries, Co., Ltd.	20,000	63,920	Developing and maintaining a business relationship
Daito Trust Construction Co., Ltd.	3,000	45,885	Developing and maintaining a business relationship
MS&AD Insurance Group Holdings, Inc.	10,800	38,232	Developing and maintaining a business relationship
TONE Co., Ltd.	100,000	37,300	Developing and maintaining a business relationship
Resona Holdings, Inc.	15,500	9,267	Developing and maintaining a business relationship
Daishin Chemical Co., Ltd.	5,000	8,900	Developing and maintaining a business relationship

Risk Factors

The following risks may influence the Furusato Group's operating results and financial condition.

The information concerning the future presented herein are forecasts as of March 31, 2016, including but not limited to the items presented herein.

1. Trends in capital investment

Furusato Group consists of Furusato Industries (Construction and Piping Products Business) and its subsidiaries, G-net Corporation (Equipment and Tools Business, Machine and Facility Business) and Gifu Shoji Co., Ltd. (Equipment and Tools Business).

Furusato, closely related to steel frame building industry, offers procured and in-house steel frame building supplies excluding steel products to steel fabricators. G-net, closely associated with machine tools industry, offers a wide range of equipment, industrial tools and machine tools to machines and industrial tools dealers. Gifu Shoji Co., Ltd., closely related to the automotive industry, offers the automotive manufacturers and their group companies mainly cutting tools.

As for Furusato, procured construction supplies such as high strength bolts and in-house construction supplies such as braces are mainly used for non-dwellings including factories, warehouses and stores. Therefore, the results of operations tend to be impacted by the trends in private capital investment. Accordingly, there is a risk that profitability may deteriorate due to the fierce competition depending on demand trends of private capital investment.

G-net is a primary wholesaler to mainly offer the machine tools and industrial tools. The Machine and Facility Business tends to be volatile, reflecting demand for the capital investment in the manufacturing sector and the number of the orders received for the machine tools. Therefore, there is a risk that the profitability may deteriorate due to sluggish orders received depending on the trends in the capital investment in the manufacturing sector.

Gifu Shoji offers primarily cutting tools to the automotive manufacturers and their group companies. Gifu Shoji is not impacted significantly by the capital investment trend like G-net, but affected by the factory operating ratio in the automotive industry because the machine tools business accounts for a small portion of its total sales.

The trends in the capital investment could adversely affect our results of operation and financial condition.

2. Risk arising from bad debts

Furusato is a retailer to offer the procured and in-house steel frame building supplies directly to steel fabricators nationwide. Therefore, the risk arising from bad debts is diversified because our business does not depend on single or a limited number of suppliers.

However, the bad debts may increase, negatively impacted by the operating results of building constructors under continued severe business environment in the construction industry.

Meanwhile, G-net serves machines and industrial tools dealers nationwide. The trade receivable per customer is relatively high so that G-net mainly controls credit lines by each customer. G-net makes every effort to minimize the risk of the bad debts by diversifying its sales volume through expansion of the customer base. The bad debts may increase depending on the operating results of machines and industrial tools dealers.

The market trend could have an impact on the Furusato Group's operating results and financial condition.

3. Risks arising from natural disasters and others

In the event of social turmoil occurred by natural disasters including earthquakes and floods, accidents like fires, epidemics, terrorism, wars and other factors, the Furusato Group may suspend its business activities or lose business opportunities. In addition, significant expenses for the restoration of the damaged facilities may be incurred. Therefore, these impacts triggered by the disasters could affect the Furusato Group's operating results and financial condition.

Basic Policy for Returns to Shareholders

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

1. In order to increase the returns of profits to shareholders over the long term, we strive to reinforce our profit structure. To realize it, we put our priority on securing retained earnings for active investment in our growing businesses.
2. The annual dividend is calculated according to annual dividend payout ratio, 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 the stable dividend returns to pay at least ¥10 per

share.

Note: Amount is rounded up by ¥0.5.

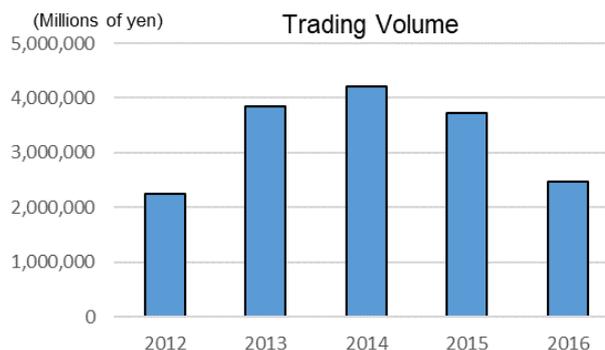
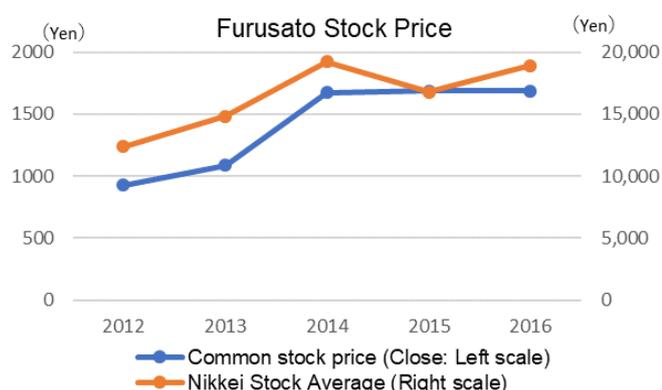
¥0.01 - ¥0.49; ¥0.5

¥0.51 - ¥0.99; ¥1.0

Dividends for Fiscal 2016 and Dividends Forecast for Fiscal 2017

In fiscal 2016, annual dividend is ¥48.5 per share including the interim dividend of ¥5 per share based on the above basic policy.

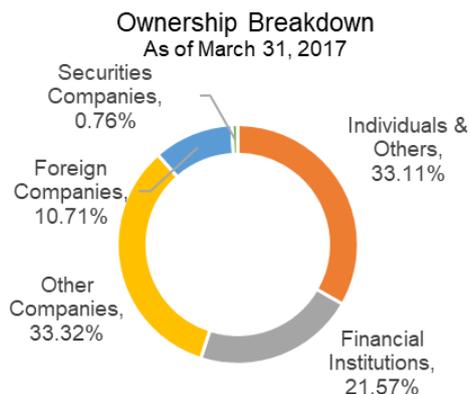
The annual dividend for fiscal 2017, ending March 31, 2018 is expected to be ¥48.5 per share (the forecast announced on May 8, 2017).



Furusato Stock Price, Trading Volume

Fiscal year		2012	2013	2014	2015	2016
Common stock price (High)	Yen	1,029	1,372	1,768	1,950	1,838
Common stock price (Low)	Yen	661	801	1,005	1,414	1,148
Common stock price (Close)	Yen	927	1,088	1,674	1,685	1,687
Nikkei Stock Average (Close)	Yen	12,397.91	14,827.83	19,206.99	16,758.67	18,909.26
TOPIX (Close)	Yen	1,034.71	1,202.89	1,543.11	1,347.20	1,512.60
Trading volume	Shares	2,245,300	3,843,200	4,207,300	3,723,900	2,476,400

Note: Stock price and trading volume are quoted from those on the First Section of Osaka Securities Exchange by July 15, 2013 and from those on the First Section of Tokyo Stock Exchange from July 16, 2013.



Principal Shareholders

	Investment in Furusato	
	Shares	%
FRT, Ltd.	2,168,361	14.87%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	707,840	4.85%
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	596,200	4.09%
Ryoichi Furusato	585,500	4.01%
The Master Trust Bank of Japan, Ltd. (Trust account)	500,700	3.43%
Nippon Life Insurance Company	496,640	3.40%
Ryohei Furusato	401,500	2.75%
SHINSHO Corporation	386,800	2.65%

※ The ratio of investment in Furusato is calculated after deduction of the number of treasury stock (76,992 shares).

Purchase of Treasury Shares

① Total of shares purchased other than resolutions at the general meeting of shareholders and the meeting of the Board of Directors

Detail	No. of shares holds (shares)	Total amount (yen)
Treasury stock purchased in fiscal 2016	613	987,738

② The number of treasury shares retired and held

Detail	No. of shares (shares)	Total amount (yen)
The number of treasury shares solicited subscribers	-	-
The number of treasury shares retired	-	-
The number of treasury shares merged, transferred, demerged,	-	-
Other	-	-
The number of treasury shares held (As of March 31, 2017)	76,992	-

Furusato Industries, Ltd.

[1946] Construction hardware manufacturing business commenced.

[1959] Furusato Tekkosho Ltd. founded.

[1963] Shiga Plant established. Braces manufactured.

[1973] Renamed to Furusato Industries, Ltd.

[1986] Furusato stocks listed on the New Second Section of Osaka Securities Exchange.

Shiga Plant acquired a JIS mark certificate.

[1988] Issued convertible bonds worth 30 million Swiss Francs.

[1991] Issued convertible bonds worth 70 million Swiss Francs.

[1993] Furusato stocks listed on the Second Section of Osaka Securities Exchange.

G-net Corporation

[1909] Gomiya Shoten founded.

[1947] Gomiya Kikou Co., Ltd. established.

[1949] Renamed to Gomiya Kikou Shoukai Co., Ltd.

[1960] Renamed to Gomiya Co., Ltd. Tokyo branch established.

[1964] G-net stocks listed on the Second Section of Osaka Securities Exchange.

[1983] Nobuo Tsumuro named President and Representative Director.

[1987] Hiroshi Takehana named President and Representative Director.

[1991] Renamed to G-net Corporation, one of CI (Corporate Identity) program introduced.

[1999] Announced a mid-term business plan "Vision for 21st Century".

Gifu Shoji Co., Ltd.

[1934] Kayo Nenryo Co., Ltd. Established.

[1941] Renamed to Gifu Shoji Co., Ltd.

[1947] Nagoya branch opened.

[1962] Hamamatsu branch opened.

[1974] Kariya branch opened.

[1995] Joined Tokai Group.

[2006] Kita-kyusyu subbranch office opened.

Furusato Group

Feb. 2000 Announced investment in G-net.

Aug. 2000 Accepted a third-party allocation of new stocks of G-net Corporation, making G-net a subsidiary. (Investment ratio: 51%)

Aug. 2002 G-net became a wholly-owned subsidiary of Furusato by a share exchange.

Sep. 2003 Headquarters of Furusato and Headquarters and Osaka branch of G-net relocated to Chuo-ku, Osaka . (currently headquarters of Furusato Group)

Jun. 2004 Ryoichi Furusato named Chairman and Representative Director, and Ryohei Furusato named President and Representative Director of both Furusato and G-net.

Nov. 2004 Furusato stocks listed on the Second Section of Tokyo Stock Exchange.

Mar. 2006 Furusato stocks listed on the First Section of Tokyo Stock Exchange and Osaka Securities Exchange.

Oct. 2007 Gifu Shoji became a subsidiary of Furusato by its share acquisition.

Oct. 2009 Nagoya FA System division of G-net transferred to Gifu Shoji.

May. 2012 G-net established Suzhou Retra Co., Ltd., a non-consolidated subsidiary. G-net invested in Retra Engineering (Thailand) Co., Ltd., an affiliated company not accounted for by equity method.

Mar. 2015 Furusato established its headquarters in Tokyo

Mar. 2016 G-net established Robot Technical Center Co., Ltd., an affiliated company not accounted for by equity method.

May 2016 Furusato built the new Shiga Plant Retra Engineering (Thailand) Co., Ltd. (a non-consolidated subsidiary) became a subsidiary of Furusato by its share acquisition.

Oct. 2016 Security Design, Inc. (a non-consolidated subsidiary) became a subsidiary of Furusato by its share acquisition.

Company Name	Furusato Industries, Ltd.
Headquarters	1-2-10, Minamishin-machi, Chuo-ku, Osaka 540-0024, Japan TEL +81-6-6946-9600
Date of Establishment	May 19, 1959
Number of Employees	466
Fiscal Year-end Date	March 31
Stock Listings	The First Section of the Tokyo Stock Exchange
Securities Code	8087
Trading Unit	100
Number of shares outstanding	14,574,366
Number of shareholders	3,788
Paid-in Capital	¥5,232 million
Administrator of Shareholder's Register	Mitsubishi UFJ Trust and Banking Corporation

Directors and Auditors (As of June 28, 2017)

President and Director	Ryohei Furusato
Executive Vice President	Katsuhiko Yamashita
Director	Masahiro Uraike
Director	Hideyasu Taniguchi
Director	Taketsugu Fujii
Outside Director	Junko Takechi
Outside Director	Hiroyuki Nakatsukasa
Full-time Corporate Auditor	Satoshi Onishi
Corporate Auditor	Motoomi Iwaki
Corporate Auditor	Bunzo Hineno

Contact

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 540-0024, Japan
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<http://www.furusato.co.jp/>
 Inquiry Form
<http://www.furusato.co.jp/contact/>

IR Information

<http://www.furusato.co.jp/ir/>
 Furusato posts the following data including financial results and stock information on the IR sites with the aim of timely and fair disclosure to shareholders and investors.

- Earnings Releases
- Earnings Presentation
- Annual Review (Annual business report)
- Historical Financial Data