

FOR IMMEDIATE RELEASE:

Furusato Announces Financial Results for the Second Quarter Ended September 30, 2017 [Japan GAAP]

Osaka, Japan, October 31, 2017 – Furusato Industries, Ltd. announced its consolidated financial results in the first half of the year ending March 31, 2018. All financial information has been prepared in accordance with accounting principles generally accepted in Japan. The following summary of the financial results is unaudited and for reference only.

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

All figures are rounded down to the nearest million yen.

CONSOLIDATED FINANCIAL RESULTS

1. Business Results

	Six Months Ended September 30, 2017	Six Months Ended September 30, 2016
Operating Results:	(Millions of Yen)	(Millions of Yen)
Net Sales	¥ 47,418	¥ 44,059
Operating Income	1,217	1,267
Ordinary Income	1,378	1,402
Net Income Attributable to Owners of Parent	867	918
Per Share Data:	(Yen)	(Yen)
Net Income Attributable to Owners of Parent	¥ 59.83	¥ 63.35

	As of September 30, 2017	As of March 31, 2017
Financial Position:	(Millions of Yen)	(Millions of Yen)
Total Assets	¥ 61,033	¥ 60,046
Net Assets	37,664	37,030
Net Assets to Total Assets	61.7%	61.7%
Per Share Data:	(Yen)	(Yen)
Net Assets	¥ 2,598.04	¥ 2,554.28

Notes:

1. Comprehensive income (loss)
 - Six months ended September 30, 2017 ¥1,264 million, 33.5%
 - Six months ended September 30, 2016 ¥947 million, 8.3%
2. Changes in major subsidiaries during the period under review
(change in specific subsidiaries due to changes in the scope of consolidation): No
3. Adoption of special accounting methods for the preparation of quarterly consolidated financial statements: No
4. Changes in accounting principles, changes in accounting estimates, and retrospective restatements
 - 1) Changes in accounting principles resulting from revisions in accounting standards: No
 - 2) Changes other than those in 1) above: No
 - 3) Changes in accounting estimates: Yes

- 4) Retrospective restatements: No
5. Number of shares Issued and outstanding (common stock)
- 1) Number of shares issued and outstanding at the end of period (including treasury stock)
- September 30, 2017: 14,574,366 shares
- March 31, 2017: 14,574,366 shares
- 2) Number of treasury stock at the end of period
- September 30, 2017: 77,239 shares
- March 31, 2017: 76,992 shares
- 3) Average number of shares issued and outstanding for the period (consolidated, cumulative)
- September 30, 2017: 14,497,238 shares
- September 30, 2016: 14,497,914 shares

2. Dividends

	Dividends Per Share (Yen)				
	1Q	2Q	3Q	Year-end	Annual
Fiscal Year Ended March 31, 2017	-	5.00	-	43.50	48.50
Fiscal Year Ending March 31, 2018	-	5.00			
Fiscal Year Ending March 31, 2018 (Forecast)			-	43.50	48.50

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

	Full-Year	% Change
Operating Results:	(Millions of Yen)	
Net Sales	¥ 97,600	3.7%
Operating Income	3,280	3.7%
Ordinary Income	3,590	4.2%
Net Income Attributable to Owners of Parent	2,340	0.2%
Per Share Data:	(Yen)	
Net Income Attributable to Owners of Parent	¥ 161.41	-

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

RESULTS OF OPERATIONS AND FINANCIAL POSITION (SIX MONTHS ENDED SEPTEMBER 30, 2017)**1. Analysis of Operating Results****(1) Overview of Results**

During the six months ended September 30, 2017, the Japanese economy continued its moderate recovery trend, led mainly by improvement in employment and income environment along with effects of various policies even though it is necessary to pay attention to growing uncertainty about the future overseas economy and an impact of fluctuation of financial and capital markets.

Under this environment, Furusato Group implements a medium-term management plan, "Design the Future 2020", for the three-year period ending March 31, 2020. Based on its theme, "Delivering real value", the Group pursues its steady growth by promoting and following up the initiatives under the Group strategy, including improving productivity by introducing a new production method, fostering the robotic system integrator business, creating new synergy in the security service field and reforming work environment to raise job satisfaction among employees.

Accordingly, during the period under review, consolidated net sales increased by 7.6% year over year to ¥47,418 million due to a sales increase in all segments, led by the Machine and Facility Business based on favorable orders received. Gross profit increased by 4.8% year over year to ¥6,498 million due to rising sales ratio of the Machine and Facility Business, which profitability is low, to total sales. Accordingly, operating income decreased by 3.9% year over year to ¥1,217 million due to an increase of 7.0% year over year in selling, general and administrative expenses, reflecting increased depreciation including additional depreciation upon decision of rebuilding Nagoya Branch and Nagoya Distribution Center of G-net Corporation, its subsidiary. Ordinary income decreased by 1.7% year over year to ¥1,378 million. Consequently, net income attributable to owners of parent was ¥ 867 million, down 5.6% year over year, which resulted from recording a provision for removal expenses of noncurrent assets under extraordinary losses.

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

In the Equipment and Tools Business, the Industrial Equipment Business increased by 9.7% year over year due mainly to a recovery in demand environment along with policy effects, the Machine and Tools for Automotive Business decreased by 0.8% year over year, showing an upward trend, and the Housing Equipment Business decreased by 6.9% year over year, reflecting sluggish demand for new housing and remodeling. Accordingly, overall net sales increased by 6.9% year over year to ¥23,445 million. Overall operating income was ¥454 million, down 8.9% year over year due to an increase in selling, general and administrative expenses.

〈Machine and Facility Business〉

In the Machine and Facility Business, the Machine Tool Business increased by 22.4% year over year, due to recording the sales based on the favorable orders received in the first quarter of this fiscal year while the Factory Automation Business decreased by 18.1% year over year despite a year-over-year increase in orders received. Accordingly, overall net sales increased by 15.0% year over year to ¥9,263 million. Overall operating income turned to an increase of 2.4% year over year to ¥190 million.

〈Construction and Piping Products Business〉

In the Construction and Piping Products Business, the Steel Frame Building Supplies Business increased by 2.6% year over year, backed by steady estimated steel frame used while the Piping Products Business increased by 11.6% year over year. Accordingly, net sales increased by 4.5% year over year to ¥14,709 million, and overall operating income was ¥589 million, up 7.6% year over year due to an increase of 6.5% year over year in gross profit.

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

Furusato did not revise consolidated earnings forecasts for the year ending March 31, 2018, announced on May 8, 2017.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Thousands of Yen	
	March 31, 2017	September 30, 2017
	Amounts	Amounts
Assets		
Current assets:		
Cash and deposits	¥ 11,437,850	¥ 9,999,054
Notes and accounts receivable-trade	23,070,689	24,110,674
Electronically recorded monetary claims-operating	2,951,039	3,189,464
Securities	200,000	200,000
Merchandise and finished goods	3,626,586	3,684,052
Work in process	290,112	244,693
Raw materials and supplies	134,468	134,522
Deferred tax assets	283,360	309,130
Other	295,385	689,530
Allowance for doubtful accounts	(22,189)	(17,813)
Total current assets	42,267,303	42,543,309
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	4,024,440	3,912,847
Machinery, equipment and vehicles, net	728,223	866,321
Land	7,203,691	7,203,691
Construction in progress	29,788	96,817
Other, net	192,314	179,608
Total property, plant and equipment	12,178,458	12,259,287
Intangible assets:		
Total intangible assets	166,480	165,850
Investments and other assets:		
Investment securities	3,846,461	4,443,561
Net defined benefit asset	578,561	629,103
Other	1,096,237	1,086,498
Allowance for doubtful accounts	(87,201)	(93,724)
Total investments and other assets	5,434,058	6,065,438
Total noncurrent assets	17,778,997	18,490,576
Total assets	¥ 60,046,300	¥ 61,033,886

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

	Thousands of Yen	
	March 31, 2017	September 30, 2017
	Amounts	Amounts
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	¥ 18,067,049	¥ 17,379,669
Electronically recorded obligations - operating	1,453,758	1,735,616
Current portion of long-term loans payable	100,000	100,000
Income taxes payable	491,985	566,035
Provision for bonuses	578,535	596,663
Provision for directors' bonuses	26,937	13,100
Reserve for loss on disaster	1,012	-
Provision for removal expenses of noncurrent assets	35,000	63,000
Other	1,230,395	1,502,080
Total current liabilities	21,984,673	21,956,164
Noncurrent liabilities:		
Long-term loans payable	-	175,000
Deferred tax liabilities	831,130	1,033,387
Net defined benefit liability	37,104	43,681
Other	163,060	161,528
Total noncurrent liabilities	1,031,295	1,413,597
Total liabilities	23,015,968	23,369,762
Net Assets		
Shareholders' equity:		
Capital stock	5,232,413	5,232,413
Capital surplus	5,975,224	5,997,217
Retained earnings	24,391,455	24,628,141
Treasury stock	(61,138)	(83,555)
Total shareholders' equity	35,537,955	35,774,217
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,364,070	1,780,409
Deferred gains or losses on hedges	594	1,640
Remeasurements of defined benefit plans	127,711	107,856
Total accumulated other comprehensive income	1,492,377	1,889,906
Total net assets	37,030,332	37,664,124
Total liabilities and net assets	¥ 60,046,300	¥ 61,033,886

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

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Thousands of Yen	
	Six months ended September 30, 2016	Six months ended September 30, 2017
	Amounts	Amounts
Net sales	¥ 44,059,316	¥ 47,418,587
Cost of sales	37,857,169	40,920,141
Gross profit	6,202,146	6,498,446
Selling, general and administrative expenses	4,934,667	5,280,577
Operating income	1,267,479	1,217,868
Non-operating income:		
Interest income	4,983	2,227
Dividends income	31,304	35,334
Purchase discounts	250,391	255,771
Rent income	12,501	21,216
Other	14,675	11,251
Total non-operating income	313,856	325,800
Non-operating expenses:		
Interest expenses	397	435
Sales discounts	147,191	145,458
Cost of lease revenue	1,099	620
Other	30,417	18,314
Total non-operating expenses	179,105	164,828
Ordinary income	1,402,230	1,378,840
Extraordinary income:		
Gain on sales of property, plant and equipment	32,669	-
Gain on sales of investment securities	-	9,782
Total extraordinary income	32,669	9,782
Extraordinary loss:		
Provision for removal expenses of noncurrent assets	-	28,000
Loss on valuation of investment securities	1,873	-
Total extraordinary loss	1,873	28,000
Income before income taxes	1,433,026	1,360,623
Income taxes-current	465,661	498,508
Income taxes-deferred	48,904	(5,206)
Total income taxes	514,565	493,302
Net income	918,461	867,321
Net income attributable to owners of parent	¥ 918,461	¥ 867,321

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Thousands of Yen			
	Six months ended September 30, 2016		Six months ended September 30, 2017	
	Amounts		Amounts	
Net income	¥	918,461	¥	867,321
Other comprehensive income :				
Valuation difference on available-for-sale securities		37,263		416,338
Deferred gains or losses on hedges		1,184		1,046
Remeasurements of defined benefit plans, net of tax		(9,380)		(19,855)
Other comprehensive income		29,066		397,529
Comprehensive income:		947,527		1,264,851
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent		947,527		1,264,851
Comprehensive income attributable to non-controlling interests	¥	-	¥	-

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Thousands of Yen	
	Six months ended September 30, 2016	Six months ended September 30, 2017
	Amounts	Amounts
Net cash provided by (used in) operating activities:		
Income before income taxes	¥ 1,433,026	¥ 1,360,623
Depreciation and amortization	262,264	366,119
Increase (decrease) in provision for directors' bonuses	(13,039)	(13,837)
Increase (decrease) in net defined benefit liability	1,794	6,577
Decrease (increase) in net defined benefit asset	(47,041)	(50,542)
Increase (decrease) in provision for bonuses	9,576	18,128
Increase (decrease) in allowance for doubtful accounts	(4,024)	2,146
Interest and dividends income	(36,288)	(37,561)
Interest expenses	397	435
Decrease (increase) in notes and accounts receivable-trade	1,570,458	(1,018,615)
Decrease (increase) in inventories	266,688	(12,101)
Increase (decrease) in notes and accounts payable-trade	(1,427,218)	(736,071)
Other	(226,851)	(50,764)
Subtotal	1,789,742	(165,462)
Interest and dividends income received	39,178	39,847
Interest expenses paid	(395)	(270)
Income taxes paid	(684,768)	(398,595)
Net cash provided by (used in) operating activities	1,143,757	(524,482)
Net cash provided by (used in) investing activities:		
Proceeds from withdrawal of time deposits	1,052,500	-
Purchase of property, plant and equipment	(393,423)	(454,519)
Proceeds from sales of property, plant and equipment	89,089	-
Payments for removal of noncurrent assets	(30,000)	-
Purchase of investment securities	(9,800)	(6,480)
Proceeds from sales of investment securities	-	23,669
Payments for guarantee deposits	(37,131)	(7,855)
Other	(1,003)	(15,178)
Net cash provided by (used in) investing activities	670,230	(460,364)
Net cash provided by (used in) financing activities:		
Proceeds from long-term loans payable	-	300,000
Repayments of long-term loans payable	(80,000)	(125,000)
Purchase of treasury stock	(218)	(423)
Cash dividends paid	(658,354)	(628,525)
Net cash provided by (used in) financing activities	(738,572)	(453,948)
Effect of exchange rate change on cash and cash equivalents	1	-
Net increase (decrease) in cash and cash equivalents	1,075,417	(1,438,795)
Cash and cash equivalents at beginning of the period	10,105,327	11,637,850
Cash and cash equivalents at end of the period	¥ 11,180,745	¥ 10,199,054

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

SEGMENT INFORMATION

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

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

(Thousands of Yen)

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

Note:

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

2. Six months ended September 30, 2017 (from April 1 to September 30, 2017)

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

(Thousands of Yen)

	Net sales			Operating income
	To customers	Intersegment	Total	
Business segment reported				
Equipment and Tools	¥ 23,445,675	¥ 563,785	¥ 24,009,461	¥ 454,850
Machine and Facility	9,263,126	137,239	9,400,365	190,610
Construction and Piping Products	14,709,785	4,351	14,714,137	589,154
Subtotal	47,418,587	705,377	48,123,965	1,234,615
Adjustment (*1)	-	(705,377)	(705,377)	(16,746)
Total amounts on the consolidated statements of income (*2)	¥ 47,418,587	-	¥ 47,418,587	¥ 1,217,868

Note:

- Adjustment of operating income, ¥(16,746) thousand, incorporates elimination of intersegment transaction, ¥(13,565) thousand, and adjustment of inventory, ¥(4,378) thousand, and adjustment of noncurrent assets, ¥1,197 thousand.
- Operating income for segment is adjusted on operating income on the quarterly consolidated statements of income.