

FOR IMMEDIATE RELEASE:

Furusato Announces Financial Results for the Year Ended March 31, 2018 [Japan GAAP]

Osaka, Japan, May 7, 2018 – Furusato Industries, Ltd. announced its financial results for the year ended 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.

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, 2018	Year Ended March 31, 2017
Operating Results:	(Millions of Yen)	(Millions of Yen)
Net Sales	¥ 98,881	¥ 94,109
Operating Income	3,125	3,163
Ordinary Income	3,464	3,445
Net Income Attributable to Owners of Parent	2,311	2,335
ROE (Net Income to Net Assets)	6.1%	6.5%
ROA (Ordinary Income to Total Assets)	5.6%	5.9%
Operating Income to Net Sales	3.2%	3.4%
Per Share Data:	(Yen)	(Yen)
Net Income Attributable to Owners of Parent	¥ 159.44	¥ 161.06
	As of March 31, 2018	As of March 31, 2017
Financial Position:	(Millions of Yen)	(Millions of Yen)
Total Assets	¥ 63,598	¥ 60,046
Net Assets	39,085	37,030
Net Assets to Total Assets	61.5%	61.7%
Per Share Data:	(Yen)	(Yen)
Net Assets	¥ 2,696.12	¥ 2,554.28
Cash Flows:	(Millions of Yen)	(Millions of Yen)
Net Cash Provided by Operating Activities	¥ 1,590	¥ 2,978
Net Cash Used in Investing Activities	(1,339)	(554)
Net Cash Used in Financing Activities	(577)	(892)
Cash and Cash Equivalents at End of Period	11,312	11,637

Notes:

1. Comprehensive income
 - Year ended March 31, 2018: ¥2,759 million, 0.7%
 - Year ended March 31, 2017: ¥2,738 million, 33.6%
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: No
 - 2) Changes in accounting policies other than 1) above based on revisions of accounting standard: No
 - 3) Changes in accounting estimates: Yes
 - 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, 2018: 14,574,366 shares
 - March 31, 2017: 14,574,366 shares
 - 2) Number of treasury stock at the end of period
 - March 31, 2018: 77,367 shares
 - March 31, 2017: 76,992 shares
 - 3) Average number of shares (consolidated, cumulative)
 - March 31, 2018: 14,497,151 shares
 - March 31, 2017: 14,497,759 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, 2017	-	5.00	-	43.50	48.50	703	30.1	2.0
Fiscal Year Ended March 31, 2018	-	5.00	-	43.00	48.00	696	30.1	1.8
Fiscal Year Ending March 31, 2019 (Forecast)	-	5.00	-	45.00	50.00		30.2	

CONSOLIDATED EARNINGS FORECAST FOR FISCAL 2018, ENDING MARCH 31, 2019

	Six Months Ending September 30, 2018	Year Ending March 31, 2019
Operating Results:	(Millions of Yen)	(Millions of Yen)
Net Sales	¥ 48,600	¥ 101,500
Operating Income	1,400	3,400
Ordinary Income	1,500	3,700
Net Income Attributable to Owners of Parent	950	2,400
Per Share Data:	(Yen)	(Yen)
Net Income Attributable to Owners of Parent	¥ 65.53	¥ 165.55

[REFERENCE] NON-CONSOLIDATED FINANCIAL RESULTS

	Year Ended March 31, 2018	Year Ended March 31, 2017
Operating Results:	(Millions of Yen)	(Millions of Yen)
Net Sales	¥ 30,375	¥ 29,017
Operating Income	1,377	1,333
Ordinary Income	1,607	1,510
Net Income	1,021	1,033
Per Share Data:	(Yen)	(Yen)
Net Income	¥ 70.49	¥ 71.29
	As of March 31, 2018	As of March 31, 2017
Financial Position:	(Millions of Yen)	(Millions of Yen)
Total Assets	¥ 32,431	¥ 31,227
Net Assets	23,615	23,028
Net Assets to Total Assets	72.8%	73.7%
Per Share Data:	(Yen)	(Yen)
Net Assets	¥ 1,629.01	¥ 1,588.44

*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, 2018)

1. Analysis of Operating Results

(1) Overview of Results

During the year ended March 31, 2018, the Japanese economy continued its moderate recovery trend. The capital investment gradually increased and the same trend was observed in the Statistics of Orders Received for Machinery. Regarding the production, the Index of Industrial Production showed an upward trend. Regarding the building construction, the New Construction Starts of Houses continued its downward trend while the floor area of steel frame buildings showed a gradual increase.

Under this business environment, Furusato Group finished the first year of the medium-term management plan, "Design the Future 2020", for the three-year period ending March 31, 2020. We reviews the progress of each initiatives including new ones under the Group strategy and starts actions scheduled in fiscal 2018, the second year of the plan, in order to achieve those targets.

Accordingly, during the period under review, consolidated net sales increased by 5.1% year over year to ¥98,881 million due to a sales growth in all segments. Accordingly, operating income decreased by 1.2% year over year to ¥3,125 million due to an increase of 5.5% year over year in selling, general and administrative expenses, reflecting increased depreciation including additional depreciation upon decision of rebuilding a branch office and a distribution center of its subsidiary, along with an increase in personnel expenses and freightage expenses. Ordinary income increased by 0.6% year over year to ¥3,464 million. Consequently, net income attributable to owners of parent was ¥ 2,311 million, down 1.0% year over year, which resulted from recording losses including a provision for environmental measures under extraordinary losses.

(2) Analysis of Results by Segment

1) Equipment and Tools Segment

In the Equipment and Tools Segment, the Industrial Equipment Business increased by 8.5% year over year, the Machine and Tools for Automotive Business increased by 4.5% year over year and the Housing Equipment Business decreased by 3.1% year over year, reflecting sluggish demand for new housing and remodeling. Accordingly, overall net sales increased by 6.6% year over year to ¥48,828 million. Overall operating income was ¥1,143 million, down 2.8% year over year.

2) Machine and Facility Segment

In the Machine and Facility Segment, orders received for machine tools far exceeded the amounts in the same period last year in both the Machine Tool Business and the Factory Automation Business based on the favorable domestic orders received according to the statistics of the Orders Received by Japan Machine Tool Builders Association while sales in the Machine Tool Business increased by 2.6% year over year, and sales in the Factory Automation Business was down 2.5% year over year due to prolonged period from a receipt of order to a record of its sales. Accordingly, overall net sales increased by 1.8% year over year to ¥19,689 million. Overall operating income decreased by 4.9% year over year to ¥532 million.

3) Construction and Piping Products Segment

In the Construction and Piping Products Segment, the Steel Frame Building Supplies Business increased by 3.7% year over year, backed by steady estimated steel frame used while the Piping Products Business increased by 8.8% year over year. Accordingly, net sales increased by 4.8% year over year to ¥30,364 million, and overall operating income was ¥1,377 million, up 3.4% year over year.

2. Overview of Consolidated Financial Position

〈Total assets〉

As of March 31, 2018, total assets increased by ¥3,551 million to ¥63,598 million from the end of the previous fiscal year. According to a breakdown of the change, total current assets increased by ¥2,319 million from the fiscal 2016 year-end. That was due primarily to a decrease in cash and deposits of ¥325 million, an increase in notes and accounts receivable-trade of ¥1,739 million, an increase in electronically recorded monetary claims-operating of ¥245 million, and an increase in inventories by ¥137 million. Total non-current assets increased by ¥1,231 million. That was due primarily to an increase in property, plant and equipment of ¥451 million, an increase in investment securities of ¥583 million and an increase in net defined benefit asset of ¥192 million.

〈Total liabilities〉

Total liabilities increased by ¥1,496 million to ¥24,512 million from the fiscal 2016 year-end. According to a

breakdown of the change, total current liabilities increased by ¥1,153 million from the fiscal 2016 year-end. That was due primarily to an increase in notes and accounts payable-trade by ¥250 million, an increase in electronically recorded obligations-operating of ¥398 million and an increase in income taxes payable by ¥150 million. Total noncurrent liabilities increased by ¥342 million from the fiscal 2016 year-end. That was due primarily to an increase in long-term loans payable of ¥125 million and an increase in deferred tax liabilities of ¥248 million.

〈Net assets〉

Net assets increased by ¥2,055 million to ¥39,085 million from the end of the previous fiscal year. This was attributed to net income attributable to owners of parent of ¥2,311 million, dividends from surplus of ¥703 million and an increase in valuation difference on available-for-sale securities of ¥420 million.

3. Overview of Consolidated Cash Flows

〈Cash flows〉

Cash and cash equivalents (hereinafter referred to as "cash") as of March 31, 2018 decreased by ¥325 million from the beginning of fiscal 2017 to ¥11,312 million (in fiscal 2016, ¥11,637 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 ¥1,590 million (in fiscal 2016, net cash provided by operating activities ¥2,978 million). Factors behind the result were income before income taxes of ¥3,429 million, depreciation and amortization of ¥666 million, an increase in notes and accounts receivable-trade of ¥1,536 million, an increase in inventories of ¥137 million, an increase in notes and accounts payable-trade of ¥170 million and income taxes paid of ¥931 million.

〈Net cash from investing activities〉

Net cash used in investing activities totaled ¥1,339 million (in fiscal 2016, net cash used in investing activities ¥554 million), mainly resulting from purchases of property, plant and equipment of ¥1,276 million and proceeds from sales of investment securities of ¥83 million.

〈Net cash from financing activities〉

Net cash used in financing activities was ¥577 million (in fiscal 2016, net cash provided by financing activities ¥892 million). That was mainly owing to cash dividends paid of ¥701 million and a net increase in long-term loans payable of ¥125 million.

4. Earnings Forecast for fiscal 2018, ending March 31, 2019

During the year ending March 31, 2019, Furusato Group takes actions scheduled in the second year of the medium-term management plan to achieve our targets under expected steady growth of the industrial production and favorable building demand including facilities related to the Tokyo Olympic Games.

We forecast net sales of ¥101,500 million, up 2.6% year over year, operating income of ¥3,400 million, up 8.8% year over year, ordinary income of ¥3,700 million, up 6.8% year over year, and net income attributable to owners of parent of ¥2,400 million, up 3.8% year over year.

5. Basic Policy for Distribution of Profits, Dividends for FY2017 and Dividends Forecasts for FY2018

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 ¥43.0 per share, resulting in an annual dividend of ¥48.0 per share together with the interim dividend of ¥5.0 per share already paid.

The annual dividend for the year ending March 31, 2019 is expected to be ¥50.0 per share (¥5.0 for interim

and ¥45.0 for year-end dividend).

CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED MARCH 31, 2018

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Thousands of Yen	
	March 31, 2017	March 31, 2018
	Amounts	Amounts
Assets		
Current assets:		
Cash and deposits	¥ 11,437,850	¥ 11,112,150
Notes and accounts receivable-trade	23,070,689	24,810,510
Electronically recorded monetary claims-operating	2,951,039	3,196,343
Securities	200,000	200,000
Merchandise and finished goods	3,626,586	3,737,181
Work in process	290,112	310,638
Raw materials and supplies	134,468	140,627
Deferred tax assets	283,360	314,717
Other	295,385	778,070
Allowance for doubtful accounts	(22,189)	(12,956)
Total current assets	42,267,303	44,587,283
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	9,031,636	8,954,463
Accumulated depreciation	(5,007,196)	(5,123,449)
Buildings and structures, net	4,024,440	3,831,013
Machinery, equipment and vehicles	2,869,847	3,054,928
Accumulated depreciation	(2,141,624)	(2,232,756)
Machinery, equipment and vehicles, net	728,223	822,171
Land	7,203,691	7,203,691
Construction in progress	29,788	601,379
Other	794,999	814,728
Accumulated depreciation	(602,684)	(643,490)
Others, net	192,314	171,238
Total property, plant and equipment	12,178,458	12,629,494
Intangible assets:		
Total intangible assets	166,480	204,608
Investments and other assets:		
Investment securities	3,846,461	4,430,343
Net defined benefit asset	578,561	770,568
Other	1,096,237	1,063,684
Allowance for doubtful accounts	(87,201)	(87,888)
Total investments and other assets	5,434,058	6,176,708
Total noncurrent assets	17,778,997	19,010,810
Total assets	¥ 60,046,300	¥ 63,598,094

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

	Thousands of Yen	
	March 31, 2017 Amounts	March 31, 2018 Amounts
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	¥ 18,067,049	¥ 18,317,154
Electronically recorded obligations-operating	1,453,758	1,852,665
Current portion of long-term loans payable	100,000	100,000
Income taxes payable	491,985	642,064
Provision for bonuses	578,535	595,838
Provision for directors' bonuses	26,937	25,677
Provision for environmental measures	-	33,000
Reserve for loss on disaster	1,012	-
Provision for removal expenses of noncurrent assets	35,000	16,503
Other	1,230,395	1,555,501
Total current liabilities	21,984,673	23,138,404
Noncurrent liabilities:		
Long-term loans payable	-	125,000
Deferred tax liabilities	831,130	1,079,361
Net defined benefit liability	37,104	45,070
Other	163,060	124,577
Total noncurrent liabilities	1,031,295	1,374,009
Total liabilities	23,015,968	24,512,413
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	25,999,618
Treasury stock	(61,138)	(83,785)
Total shareholders' equity	35,537,955	37,145,464
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,364,070	1,784,457
Deferred gains or losses on hedges	594	(495)
Remeasurements of defined benefit plans	127,711	156,254
Total accumulated other comprehensive income	1,492,377	1,940,216
Total net assets	37,030,332	39,085,680
Total liabilities and net assets	¥ 60,046,300	¥ 63,598,094

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

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Thousands of Yen	
	Year ended March 31, 2017	Year ended March 31, 2018
	Amounts	Amounts
Net sales	¥ 94,109,513	¥ 98,881,982
Cost of sales	81,000,483	85,263,757
Gross profit	13,109,029	13,618,225
Selling, general and administrative expenses:		
Freightage and packing expenses	1,272,020	1,425,095
Provision of allowance for doubtful accounts	(1,184)	(5,659)
Provision for directors' bonuses	26,937	25,677
Salaries, allowances and bonuses	4,288,265	4,476,037
Provision for bonuses	509,903	524,665
Retirement benefit expenses	170,822	154,857
Other	3,679,134	3,892,190
Total selling, general and administrative expenses	9,945,899	10,492,864
Operating income	3,163,129	3,125,361
Non-operating income:		
Interest income	8,571	4,440
Dividends income	60,314	69,469
Purchase discounts	503,294	530,078
Rent income	23,952	40,386
Other	23,790	25,445
Total non-operating income	619,924	669,819
Non-operating expenses:		
Interest expenses	658	884
Sales discounts	290,202	298,819
Cost of lease revenue	1,783	1,064
Other	44,906	29,510
Total non-operating expenses	337,550	330,278
Ordinary income	3,445,503	3,464,901
Extraordinary income:		
Gain on sales of property, plant and equipment	32,669	-
Reversal of provision for removal expenses of noncurrent assets	-	29,200
Gain on sales of investment securities	6,672	45,882
Total extraordinary income	39,341	75,082
Extraordinary loss:		
Loss on retirement of noncurrent assets	3,422	5,499
Removal expenses of noncurrent assets	-	38,784
Provision for removal expenses of noncurrent assets	-	10,703
Provision for environmental measures	-	55,000
Loss on sales of investment securities	1,573	-
Total extraordinary loss	4,995	109,988
Income before income taxes	3,479,848	3,429,995
Income taxes-current	1,064,848	1,105,258
Income taxes-deferred	79,975	13,337
Total income taxes	1,144,823	1,118,596
Net income	2,335,025	2,311,399
Net income attributable to owners of parent	¥ 2,335,025	¥ 2,311,399

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Thousands of Yen			
	Year ended March 31, 2017		Year ended March 31, 2018	
	Amounts		Amounts	
Net income	¥	2,335,025	¥	2,311,399
Other comprehensive income:				
Valuation difference on available-for-sale securities		405,889		420,386
Deferred gains or losses on hedges		1,933		(1,089)
Remeasurements of defined benefit plans, net of tax		(3,966)		28,542
Total other comprehensive income		403,856		447,839
Comprehensive income:		2,738,881		2,759,238
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent		2,738,881		2,759,238
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, 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

Year Ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Thousands of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2017	5,232,413	5,975,224	24,391,455	(61,138)	35,537,955
Changes of items during the period					
Dividends from surplus			(703,237)		(703,237)
Net income attributable to owners of parent			2,311,399		2,311,399
Purchases of treasury stock				(41,137)	(41,137)
Disposal of treasury stock		21,992		18,491	40,484
Net changes in items other than shareholders' equity					
Total changes of items during the period	-	21,992	1,608,162	(22,646)	1,607,508
Balance at March 31, 2018	5,232,413	5,997,217	25,999,618	(83,785)	37,145,464

	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, 2017	1,364,070	594	127,711	1,492,377	37,030,332
Changes of items during the period					
Dividends from surplus					(703,237)
Net income attributable to owners of parent					2,311,399
Purchases of treasury stock					(41,137)
Disposal of treasury stock					40,484
Net changes in items other than shareholders' equity	420,386	(1,089)	28,542	447,839	447,839
Total changes of items during the period	420,386	(1,089)	28,542	447,839	2,055,348
Balance at March 31, 2018	1,784,457	(495)	156,254	1,940,216	39,085,680

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Thousands of Yen	
	Year ended March 31, 2017	Year ended March 31, 2018
	Amounts	Amounts
Net cash provided by (used in) operating activities:		
Income before income taxes	¥ 3,479,848	¥ 3,429,995
Depreciation and amortization	533,388	666,088
Increase (decrease) in provision for directors' bonuses	(2,042)	(1,260)
Increase (decrease) in net defined benefit liability	2,258	7,966
Decrease (increase) in net defined benefit assets	(96,022)	(97,288)
Increase (decrease) in provision for bonuses	7,526	17,303
Increase (decrease) in allowance for doubtful accounts	(30,552)	(8,546)
Interest and dividends income	(68,886)	(73,909)
Interest expenses	658	884
Loss (gain) on sales of investment securities	(5,098)	(45,882)
Decrease (increase) in notes and accounts receivable-trade	(151,214)	(1,536,483)
Decrease (increase) in inventories	248,143	(137,280)
Increase (decrease) in notes and accounts payable-trade	356,464	170,623
Other	(17,271)	52,434
Subtotal	4,257,200	2,444,644
Interest and dividend income received	73,302	78,270
Interest expenses paid	(617)	(728)
Income taxes paid	(1,351,278)	(931,303)
Net cash provided by (used in) operating activities	2,978,606	1,590,882
Net cash provided by (used in) investing activities:		
Proceeds from withdrawal of time deposits	1,352,500	-
Purchase of property, plant and equipment	(1,417,881)	(1,276,785)
Proceeds from sales of property, plant and equipment	89,089	-
Payments for removal of noncurrent assets	(65,000)	(38,784)
Purchase of investment securities	(507,604)	(12,998)
Proceeds from sales of investment securities	20,622	83,931
Proceeds from redemption of investment securities	100,000	-
Payments for guarantee deposits	(43,055)	(12,233)
Other	(82,708)	(82,457)
Net cash provided by (used in) investing activities	(554,038)	(1,339,327)
Net cash provided by (used in) financing activities:		
Proceeds from long-term loans payable	-	300,000
Repayments of long-term loans payable	(160,000)	(175,000)
Purchase of treasury stock	(987)	(653)
Cash dividends paid	(731,058)	(701,601)
Net cash provided by (used in) financing activities	(892,046)	(577,254)
Net increase (decrease) in cash and cash equivalents	1,532,522	(325,699)
Cash and cash equivalents at beginning of the period	10,105,327	11,637,850
Cash and cash equivalents at end of the period	¥ 11,637,850	¥ 11,312,150

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, 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.
- (4) Adjustment in an increase of property, plant and equipment and intangible assets amounted to ¥852,631 thousand, which includes the increased amount of corporate assets.

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

Year Ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(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	¥ 48,828,271	¥ 1,151,477	¥ 49,979,749	¥ 1,143,112	22,906,871	¥ 179,759	¥ 509,283
Machine and Facility	19,689,485	415,044	20,104,529	532,440	6,022,757	36,571	141,066
Construction and Piping Products	30,364,225	11,076	30,375,301	1,377,950	22,095,201	447,697	494,992
Subtotal	98,881,982	1,577,597	100,459,580	3,053,503	51,024,830	664,027	1,145,342
Adjustment (*1)	-	(1,577,597)	(1,577,597)	71,857	12,573,263	2,060	12,313
Total amounts on the consolidated statements of income (*2)	¥ 98,881,982	-	¥ 98,881,982	¥ 3,125,361	¥ 63,598,094	¥ 666,088	¥ 1,157,656

Note:

1. Adjustment

- (1) Adjustment of operating income amounted to ¥71,857 thousand, which includes elimination of intersegment transaction of ¥73,378 thousand, adjustment of inventory of ¥(4,187) thousand and adjustment of noncurrent assets of ¥2,667 thousand.
- (2) Adjustment of assets amounted to ¥12,573,263 thousand, which includes elimination of intersegment transaction of ¥(474,518) thousand and corporate assets not allocated to each business segment reported of ¥13,047,782 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 ¥2,060 thousand, do not belong to business segments reported.
- (4) Adjustment in an increase of property, plant and equipment and intangible assets amounted to ¥12,313 thousand, which includes the increased amount of corporate assets.

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