



Annual Review 2017
(April 1, 2017—March 31, 2018)

Design the Future



STAND BY YOUR FUTURE
FURUSATO INDUSTRIES

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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 60th business term (From April 1, 2017 to March 31, 2018), in Furusato Industries, Ltd., major seven factories went into full operation, which resulted in an increase in a per-hour production volume and a reduction in processing costs. We continue to work on improving production efficiency to establish a stable earnings structure which is not affected by its business environment.

In addition, we established the Robot Technical Center (RTC) in Tokyo mainly to offer robot safety training programs and consulting services for an introduction of robots. We strive to establish a business structure to increase the consulting services by reinforcing approaches to the companies which are considering the introduction of robots.

We launched a new medium-term management plan starting from the fiscal year ended March 31, 2018 and finished the first year of it. By implementing various measures, net sales were favorable, while earnings fell short of projections. We all strive to implement every measures consistently, especially focusing on an improvement of profitability in the second year 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 understanding and support for the Group.

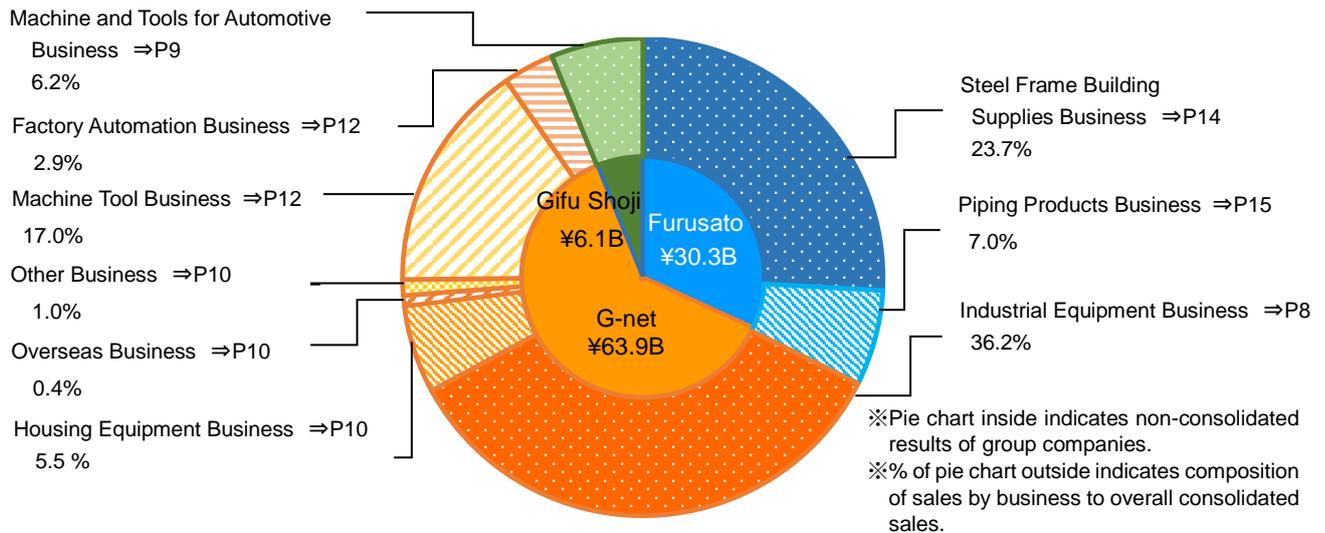


President and Director
Ryohei Furusato

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 seven 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

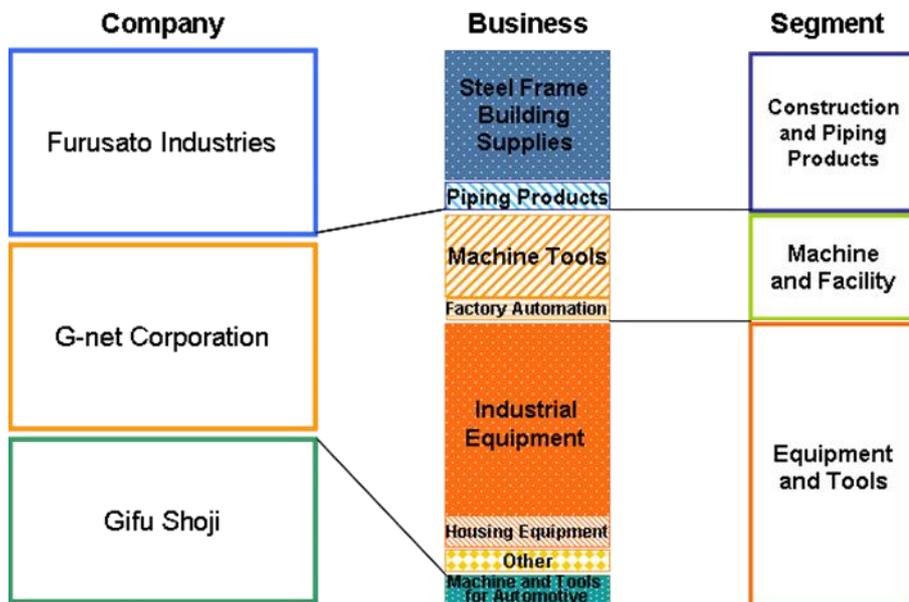
G-net is a wholly-owned subsidiary of Furusato, an unlisted company. The major business of G-net is the Industrial Equipment Business, offering various machines and tools at wholesale. Besides that, it operates the Machine Tool Business, the Factory Automation Business, the Housing Equipment Business, 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 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		2013	2014	2015	2016	2017		Change	
		Amount	Amount	Amount	Amount	Amount	% of sales	Amount	%
Net sales	Millions of yen	82,325	87,684	94,857	94,109	98,881	100.0%	4,772	5.1%
Equipment and Tools	Millions of yen	41,006	42,656	45,500	45,804	48,828	49.4%	3,023	6.6%
Machine and Facility	Millions of yen	14,869	16,647	20,440	19,333	19,689	19.9%	356	1.8%
Construction and Piping Products	Millions of yen	26,449	28,380	28,916	28,972	30,364	30.7%	1,392	4.8%
Gross profit	Millions of yen	12,085	12,691	13,304	13,109	13,618	13.8%	509	3.9%
Equipment and Tools	Millions of yen	4,871	5,064	5,362	5,375	5,581	[11.4%]	205	3.8%
Machine and Facility	Millions of yen	1,209	1,390	1,663	1,548	1,543	[7.8%]	(5)	(0.3)%
Construction and Piping Products	Millions of yen	6,007	6,235	6,279	6,205	6,492	[21.4%]	286	4.6%
SG&A expenses	Millions of yen	8,977	9,419	9,747	9,945	10,492	10.6%	546	5.5%
Equipment and Tools	Millions of yen	3,861	4,115	4,142	4,199	4,438	[9.1%]	238	5.7%
Machine and Facility	Millions of yen	847	911	944	988	1,010	[5.1%]	21	2.2%
Construction and Piping Products	Millions of yen	4,315	4,506	4,768	4,872	5,114	[16.8%]	241	5.0%
Operating income	Millions of yen	3,107	3,272	3,556	3,163	3,125	3.2%	(37)	(1.2)%
Equipment and Tools	Millions of yen	1,009	948	1,219	1,176	1,143	[2.3%]	(33)	(2.8)%
Machine and Facility	Millions of yen	361	479	719	559	532	[2.7%]	(27)	(4.9)%
Construction and Piping Products	Millions of yen	1,691	1,728	1,510	1,333	1,377	[4.5%]	44	3.4%
Ordinary income	Millions of yen	3,384	3,577	3,854	3,445	3,464	3.5%	19	0.6%
Extraordinary income	Millions of yen	47	64	0	39	75	0.1%	35	90.8%
Extraordinary loss	Millions of yen	569	21	111	4	109	0.1%	104	2,101.7%
Net income attributable to owners of parent	Millions of yen	1,416	2,230	2,416	2,335	2,311	2.3%	(23)	(1.0)%

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

Sales record high, Op. income down

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.

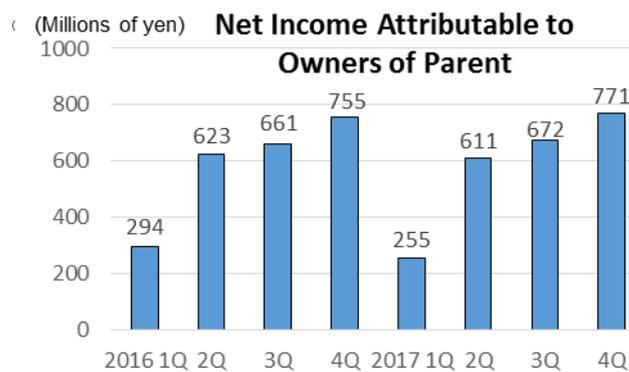
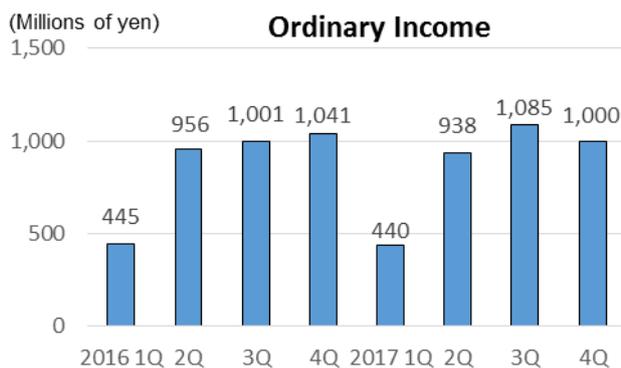
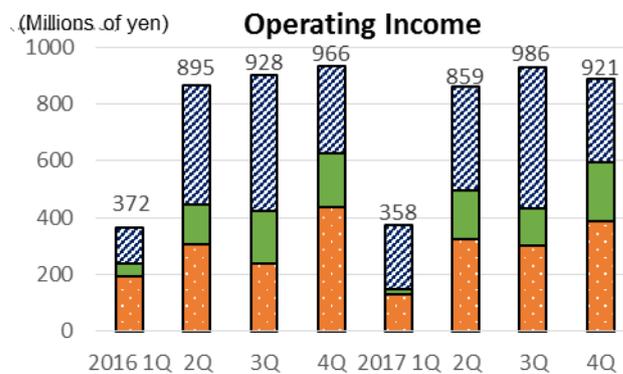
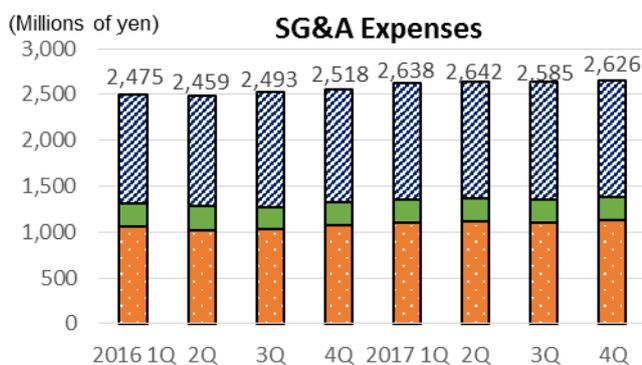
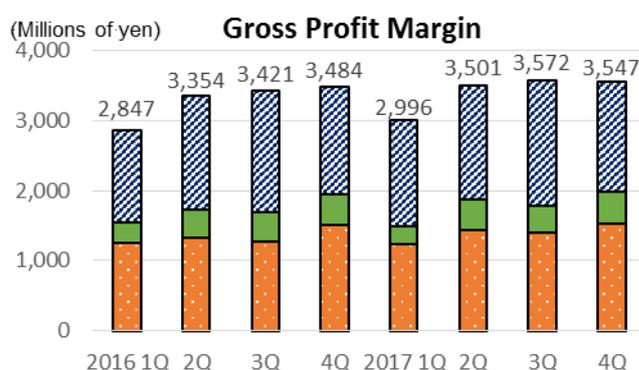
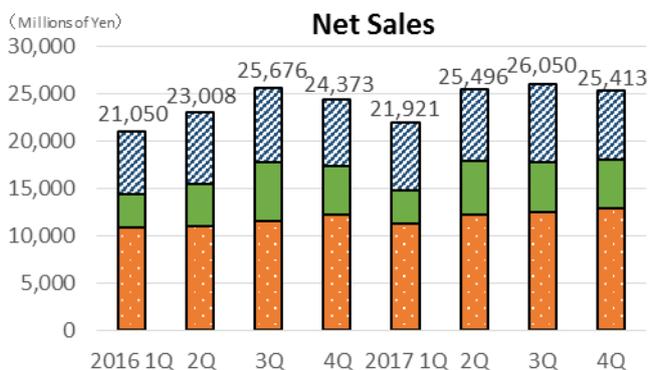
Accordingly, during the period under review, consolidated net sales increased by 5.1% year over year to ¥98,881 million due to a sales growth in all segments. Accordingly, operating income decreased by 1.2% year over year to ¥3,125 million due to an increase of 5.5% year over year in selling, general 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.

For the details of operating results by segment, please refer to the overview of operation by segment from the next page.

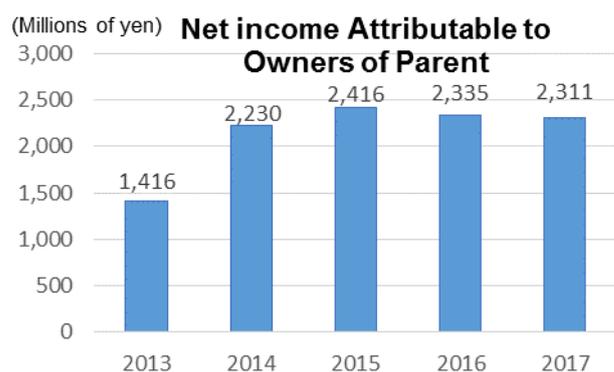
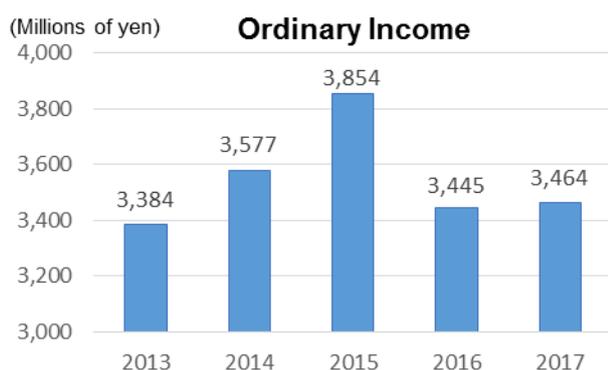
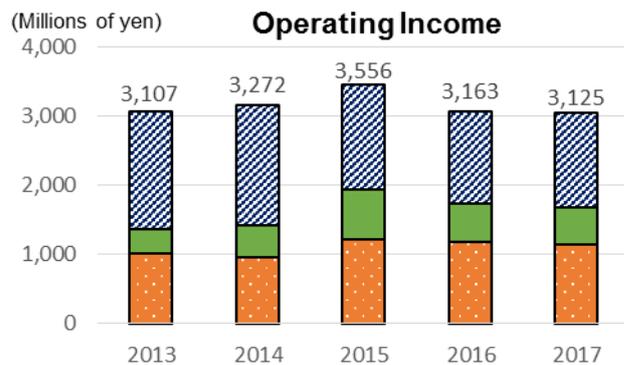
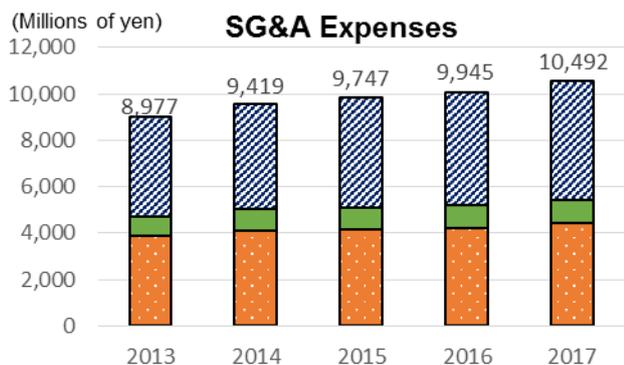
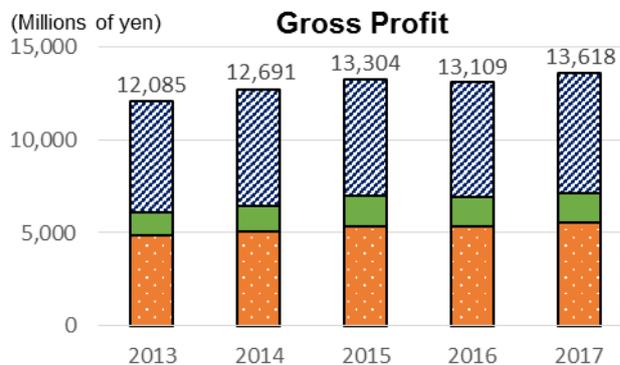
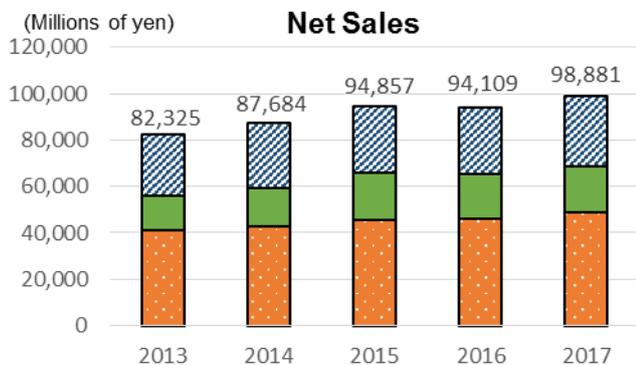
Consolidated Quarterly Results

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



Consolidated Five-year Trend

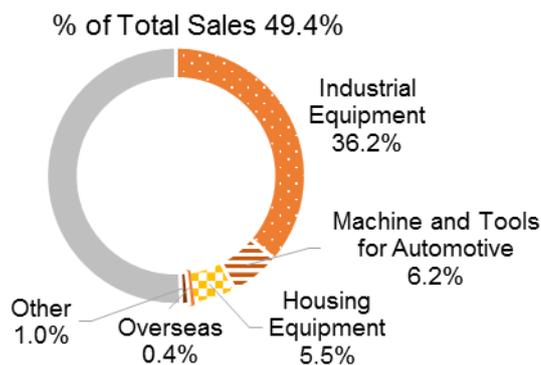
- Equipment • Tools
- Machine • Facility
- Construction • Piping Products





Equipment and Tools Segment

The Equipment and Tools Segment 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 2017

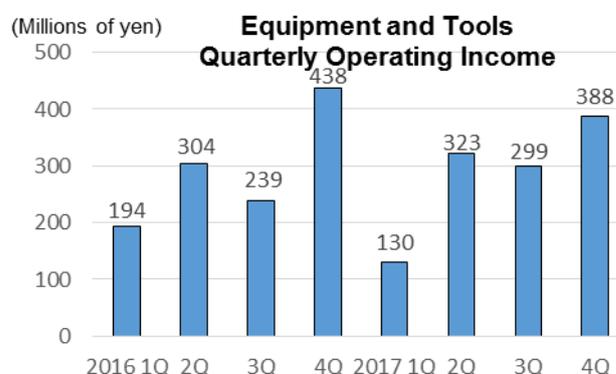
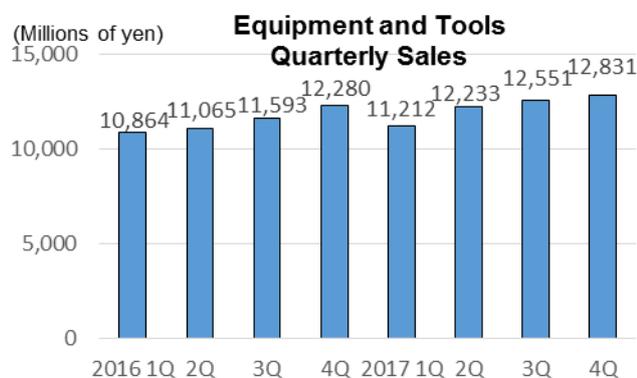
Equipment and Tools		2016		2017		Change	
		Amount	% of sales	Amount	% of sales	Amount	% of sales
Fiscal year							
Net sales	Millions of yen	45,804	100.0%	48,828	100.0%	3,023	6.6%
Gross profit	Millions of yen	5,375	11.7%	5,581	11.4%	205	3.8%
Operating income	Millions of yen	1,176	2.6%	1,143	2.3%	(33)	(2.8)%
Net sales by business							
①Industrial Equipment	Millions of yen	33,014	72.1%	35,812	73.3%	2,797	8.5%
②Machine and Tools for Automotive	Millions of yen	5,890	12.9%	6,152	12.6%	262	4.5%
③Housing Equipment	Millions of yen	5,652	12.3%	5,474	11.2%	(177)	(3.1)%
Overseas	Millions of yen	292	0.6%	359	0.7%	67	22.9%
Other	Millions of yen	955	2.1%	1,029	2.1%	74	7.8%

Sales and income increase

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.

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

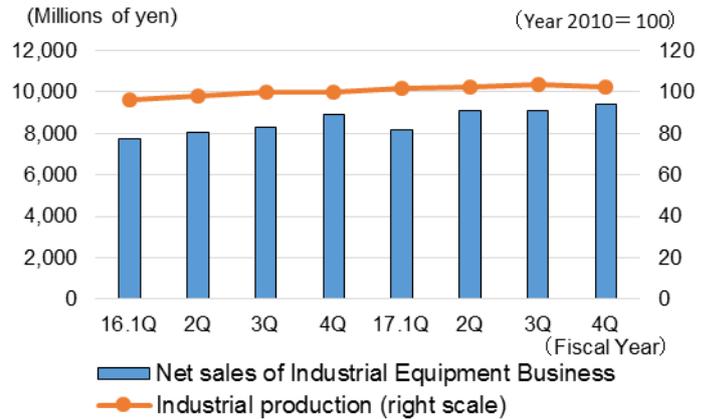
【Major suppliers】

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 2017】



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 was on an upward trend. In addition, this business enjoyed a positive impact by our measures like the Machining System Exhibition.

Consequently, net sales increased by 8.5% year over year to ¥35,812 million.

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

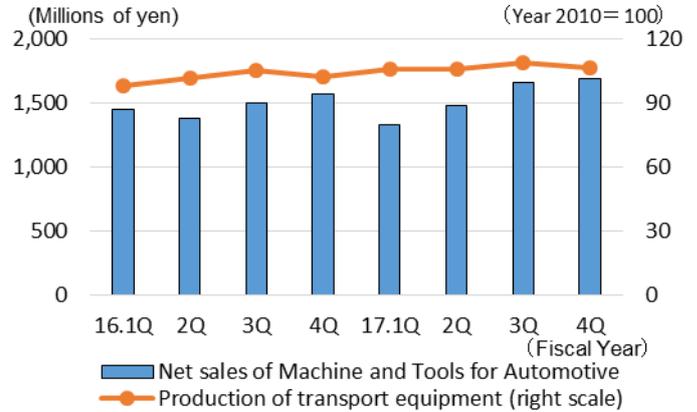
【Major suppliers】

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 2017】



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

Although the domestic automotive production remained flat, sales to other sectors except automotive sector grew.

Net sales increased by 4.5% year over year to ¥6,152 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



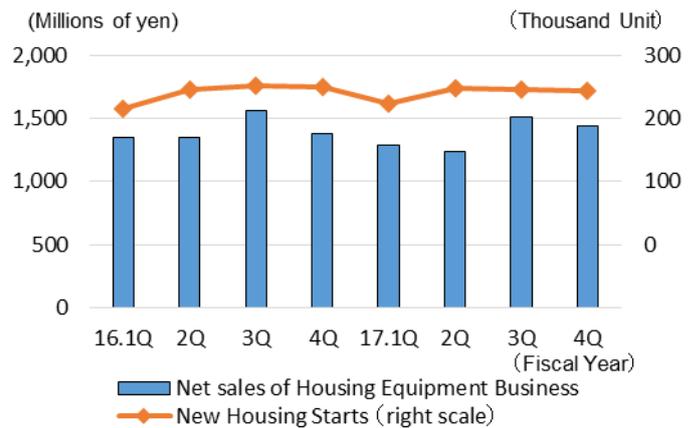
Toilet

【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



*(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 2017 (calendar year) decreased by 0.3% year over year. Meanwhile, remodeling demand was softening.

In this business environment, net sales decreased by 3.1% year over year to ¥5,474 million.

■ Overseas Business

【Business outline】

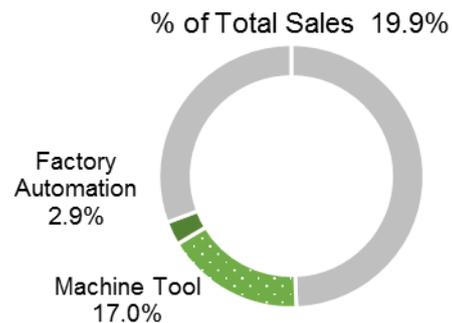
The major part of the Overseas Business is import of machine tools, equipment and tools. We support the Industrial Equipment Business to establish private label brands and import products.

■ Other Business

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

Machine and Facility Segment

The Machine and Facility Segment 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 2017

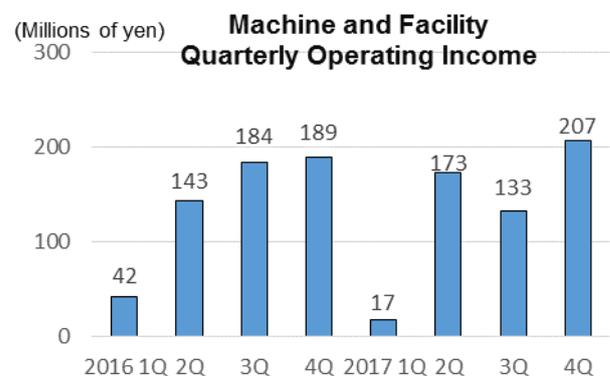
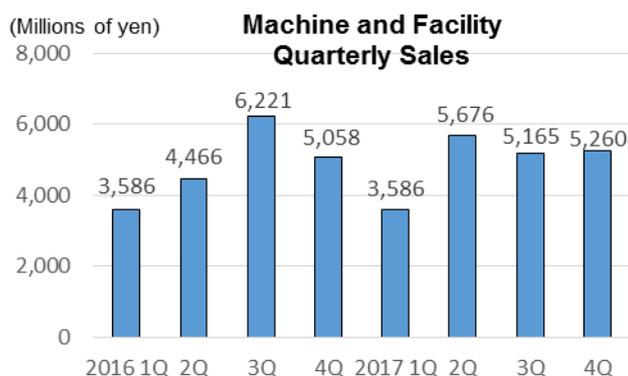
Machine and Facility		2016		2017		Change	
Fiscal year		Amount	% of sales	Amount	% of sales	Amount	% of sales
Net sales	Millions of yen	19,333	100.0%	19,689	100.0%	356	1.8%
Gross profit	Millions of yen	1,548	8.0%	1,543	7.8%	(5)	(0.3)%
Operating income	Millions of yen	559	2.9%	532	2.7%	(27)	(4.9)%
Net sales by business							
①Machine Tool	Millions of yen	16,363	84.6%	16,795	85.3%	431	2.6%
②Factory Automation	Millions of yen	2,969	15.4%	2,894	14.7%	(75)	(2.5)%

Slight sales up, income down, solid orders

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.

Quarterly Sales and Operating Income (Loss)





①Machine Tools Business ②Factory Automation Business

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】

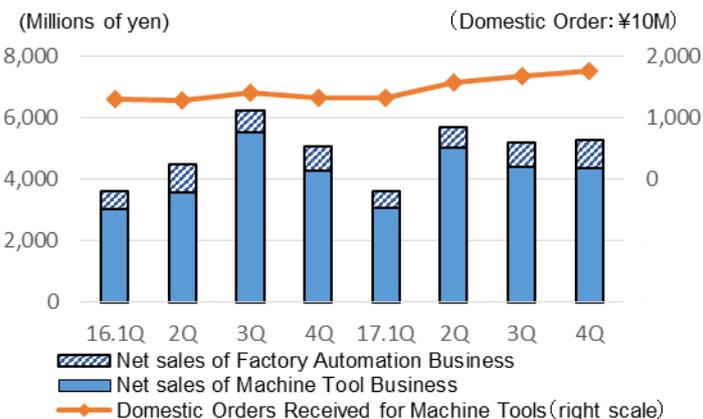
Machine tools manufacturers, machines manufacturers, industrial tools manufacturers

【Related business environment】

Domestic orders received for machine tools

①Machine Tools Business & ②Factory Automation Business

【Overview of Operations in Fiscal 2017】



*(Note) Net sales: Fiscal year (1Q=Apr. to Jun.)

*(Note) Domestic orders received for machine tools: Calendar year (1Q=Jan. to Mar.)

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

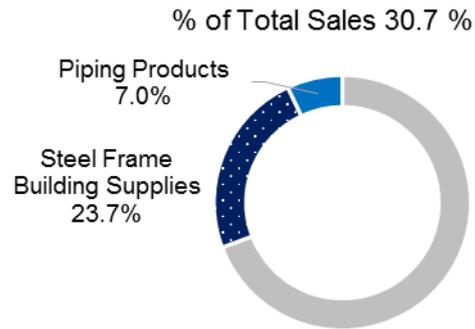
According to the statistics of orders received for machine tools, domestic demand increased by 18.6% year over year in 2017 (calendar year), led by strong capital investment needs mainly for an improvement of production efficiency and renewal of aging facilities.

In the Machine Tools Business, net sales increased by 2.6% to ¥16,795 million, due to prolonged period from a receipt of orders to delivery although the orders received remained at a high level.

Meanwhile, Factory Automation business, sales decreased by 2.5% year over year to ¥2,894 million due to a delay of delivery date, although orders received remained at a high level based on favorable business environment.

Construction and Piping Products Segment

The Construction and Piping Products Segment 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 2017

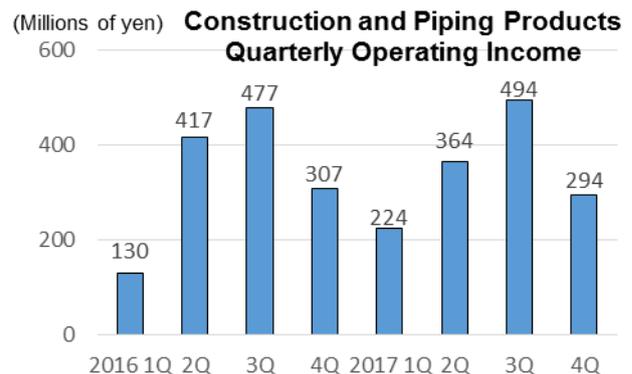
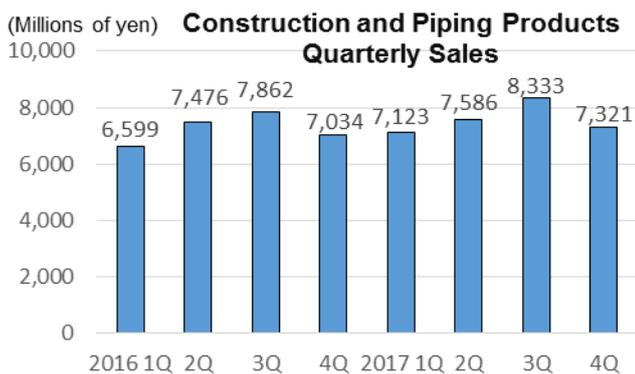
Construction and Piping Products		2016		2017		Change	
Fiscal year		Amount	% of sales	Amount	% of sales	Amount	% of sales
Net sales	Millions of yen	28,972	100.0%	30,364	100.0%	1,392	4.8%
Gross profit	Millions of yen	6,205	21.4%	6,492	21.4%	286	4.6%
Operating income	Millions of yen	1,333	4.6%	1,377	4.5%	44	3.4%
Net sales by business							
①Steel Frame Building Supplies	Millions of yen	22,646	78.2%	23,481	77.3%	834	3.7%
②Piping Products	Millions of yen	6,325	21.8%	6,882	22.7%	557	8.8%

Sales and income increase

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.

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 50 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

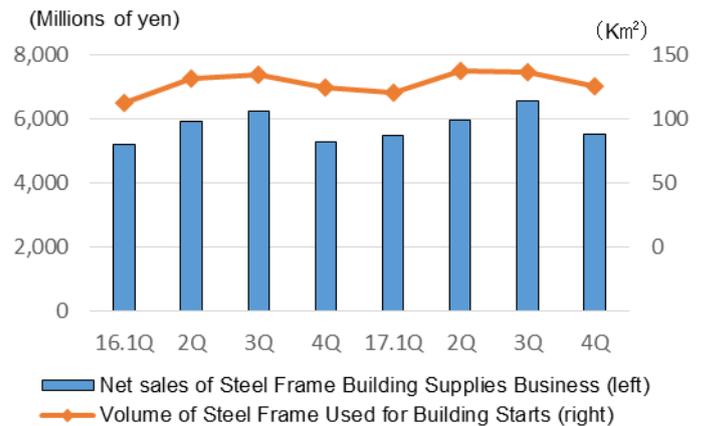
【Major suppliers】

NIPPON STEEL & SUMIKIN Bolten, HANWA, UNYTITE, Hokuetsu Metal, Shinsho Iron & Steel Sales, SEIWA, Kisel and others

【Related business environment】

Demand for new steel frame building

【Overview of Operations in Fiscal 2017】



*(Note) Net sales: Fiscal year (1Q=Apr. to Jun.)

*(Note) Volume of Steel Frame Used for Building Starts: Calendar year (1Q=Jan. to Mar.)

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

The volume of steel frame used for building recorded 5.2 million ton, up 3.5% year over year, impacted by an extension of construction period due to a shortage of workers. Meanwhile, the steel product prices, which also affect our selling prices, were strong.

Under this business environment, net sales increased by 3.7% year over year to ¥23,481 billion.

②Piping 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

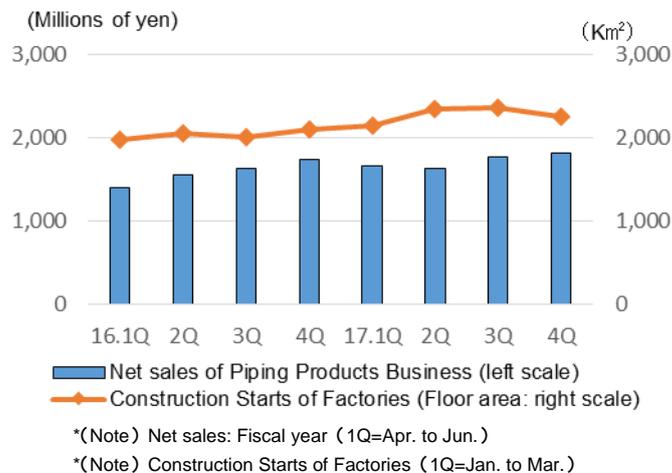
【Major suppliers】

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 2017】



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, increased by 12.1% year over year on a calendar year basis.

Amid this business environment, net sales increased by 8.8% year over year to ¥6,882 million, resulted from working on sales expansion as a growth business.

Consolidated Forecasts in Fiscal 2018

Fiscal year		2017 Actual		2018 Forecasts		Change
		Amount	% of sales	Amount	% of sales	%
Net sales	Millions of yen	98,881	100.0%	101,500	100.0%	2.6%
Equipment and Tools	Millions of yen	48,828	49.4%	50,400	49.7%	3.2%
Machine and Facility	Millions of yen	19,689	19.9%	20,000	19.7%	1.6%
Construction and Piping Products	Millions of yen	30,364	30.7%	31,100	30.6%	2.4%
Gross profit	Millions of yen	13,618	13.8%	14,370	14.2%	5.5%
SG&A expenses	Millions of yen	10,492	10.6%	10,970	10.8%	4.5%
Operating income	Millions of yen	3,125	3.2%	3,400	3.3%	8.8%
Equipment and Tools	Millions of yen	1,143	[2.3%]	1,310	[2.6%]	14.6%
Machine and Facility	Millions of yen	532	[2.7%]	550	[2.8%]	3.3%
Construction and Piping Products	Millions of yen	1,377	[4.5%]	1,540	[5.0%]	11.8%
Ordinary income	Millions of yen	3,464	3.5%	3,700	3.6%	6.8%
Net income attributable to owners of parents	Millions of yen	2,311	2.3%	2,400	2.4%	3.8%

Note:

- 1) Forecasts announced on May 7, 2018.
- 2) Figures in [] indicate % of segment sales.

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.

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 ending 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 earnestly challenge the problems that our customers suffer from and provide 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 the most efficient way among Furusato Group, 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 a top priority to comply with laws and regulations and get rid of dishonesty and antisocial activism. Thus, we will further reinforce our compliance structure.

(2) Improving productivity

We work on improving productivity to maintain competitiveness and increase sales and earnings 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 speed up to make the stage for young generation who

will restructure the organization, without following traditional ideas, to be active by reviewing human resources system, reforming working style, and enhancing benefits package to promote work-life balance under the environment that labor market is dramatically changing, reflecting demographic and corporate environment change based on aging society and decreasing production-age population due to declining birthrate.

(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 in fields with keywords, robots and AI.

Operating Results

Fiscal year		2013	2014	2015	2016	2017
Gross profit margin	%	14.7	14.5	14.0	13.9	13.8
Ratio of operating income (loss) to net sales	%	3.8	3.7	3.7	3.4	3.2

Financial Position

Fiscal year		2013	2014	2015	2016	2017
Total assets	Millions of yen	53,147	56,212	57,585	60,046	63,598
Net assets	Millions of yen	31,514	33,650	35,024	37,030	39,085
Net assets to total assets	%	59.3	59.9	60.8	61.7	61.5
Return on equity	%	4.6	6.8	7.0	6.5	6.1
Return on assets	%	6.7	6.5	6.8	5.9	5.6
Dividend payout ratio	%	30.2	30.2	30.3	30.1	30.1

Cash Flows

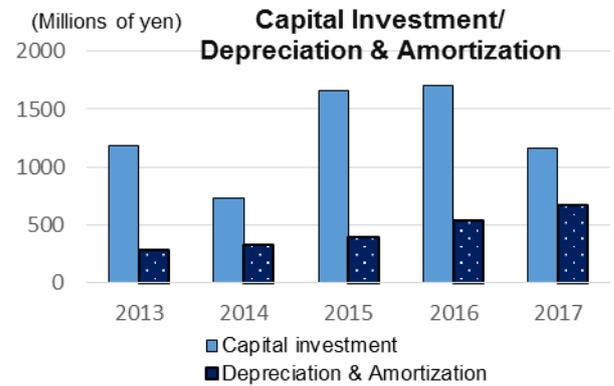
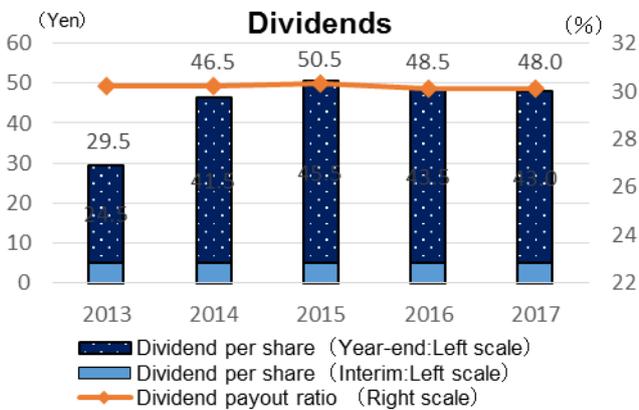
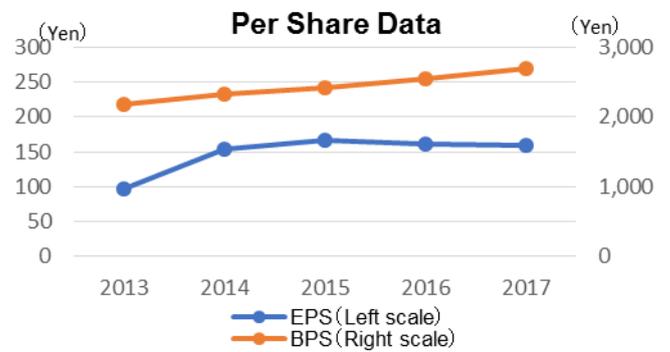
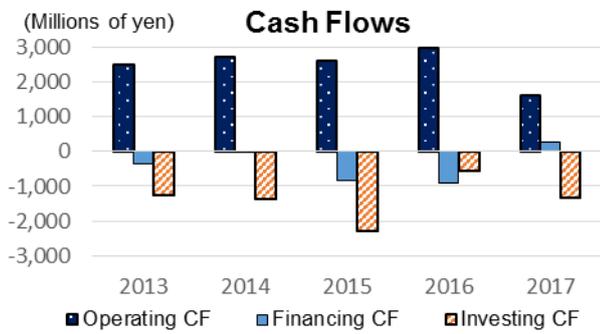
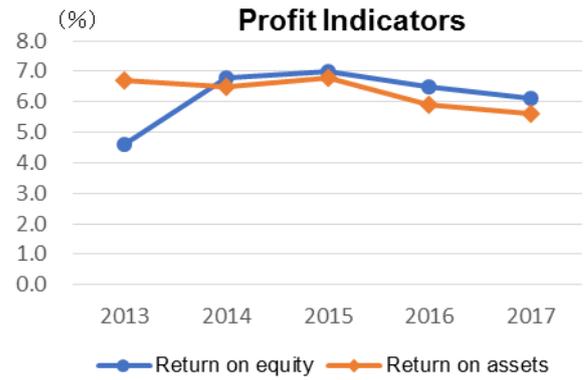
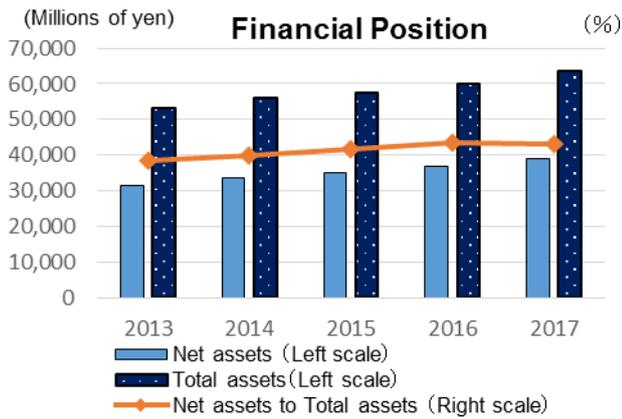
Fiscal year		2013	2014	2015	2016	2017
Cash flows from operating activities	Millions of yen	2,481	2,700	2,613	2,978	1,590
Cash flows from investing activities	Millions of yen	(1,248)	(1,356)	(2,283)	(554)	(1,339)
Cash flows from financing activities	Millions of yen	(360)	(8)	(834)	(892)	(577)

Per Share Data

Fiscal year		2013	2014	2015	2016	2017
Earnings per share	Yen	97.68	153.81	166.69	161.06	159.44
Book-value per share	Yen	2,173.41	2,320.92	2,415.82	2,554.28	2,696.12
Dividend per share (Annual)	Yen	29.5	46.5	50.5	48.5	48.0

Capital Investment, Depreciation & Amortization

Fiscal year		2013	2014	2015	2016	2017
Capital investment	Millions of yen	1,190	735	1,663	1,710	1,157
Depreciation & amortization	Millions of yen	281	323	392	533	666



Furusato Way of Work-Style Reform

Furusato Group lists “Environment reform for a fulfilling workplace” as a new initiative under our group strategy in the medium-term management plan and implements various measures to realize it.

For an each employee to enjoy a fulfilling life, we aim to balance work and personal life by reducing working hours and promoting efficient working style. We strive to improve work efficiency by eliminating wasting time to cut overtime work, following a reduction of fixed working hours. For example, we introduced the “G Suite” to speed up communication and simplify administrative work like scheduling.

We think that realizing work-life balance by increasing private time can lead to meaningful life and work through these measures.

With the aim of a meaningful workplace, we promote diversification of the organization to generate innovation through vitalizing the organization stimulated by various personalities and ways of thinking. We create the work environment to voice different opinions by adopting employees from foreign countries and other business fields, and appointing female managers.

Furthermore, we established the “Knowledge Commons”, a creative learning space and also a communication stage among employees of Furusato Group, on the first floor of headquarters in Osaka. This is the open space used for networking freely beyond companies’ borders and for meeting, information exchange, presentation and others.

Through these measures, we strive to improve our corporate value, resulting from improving productivity and realizing a meaningful workplace.



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-

vised 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 and 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 Companies 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 oversee 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 of the Company and also has his expertise mainly in finance.
- 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. 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. They have 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 Corporate Auditor.

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)	95,006	84,229	-	10,777	-	7
Corporate Auditors (Exc. Outside Corporate Auditors)	13,900	13,900	-	-	-	2
Outside Directors and Outside Corporate Auditors	19,200	19,200	-	-	-	4

Note:

- The above figures include two Directors and one Corporate Auditor, who retired after the 59th Ordinary General Meeting of Shareholders, held on June 28, 2017.
 - 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 chairs 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
13 stocks, 1,587,800 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	387,000	Developing and maintaining a business relationship
Mory Industries Inc.	88,000	275,880	Developing and maintaining a business relationship
DMG Mori Seiki Co., Ltd.	100,000	198,800	Developing and maintaining a business relationship
SHINSHO Corporation	44,775	168,130	Developing and maintaining a business relationship
HANWA Co., Ltd.	28,385	127,166	Developing and maintaining a business relationship
Nissei Build Kogyo, Co., Ltd.	82,000	104,550	Developing and maintaining a business relationship
Mitsubishi UFJ Financial Group, Inc.	122,000	85,034	Developing and maintaining a business relationship
Daiwa House Industries, Co., Ltd.	20,000	82,000	Developing and maintaining a business relationship
Daito Trust Construction Co., Ltd.	3,000	55,170	Developing and maintaining a business relationship
TONE Co., Ltd.	20,000	51,800	Developing and maintaining a business relationship
MS&AD Insurance Group Holdings, Inc.	10,800	36,234	Developing and maintaining a business relationship
Resona Holdings, Inc.	15,500	8,711	Developing and maintaining a business relationship
Daishin Chemical Co., Ltd.	5,000	7,325	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, 2018, including but not limited to the items presented herein.

1. Trends in capital investment

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

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 the Furusato Group's operating results 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.

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.

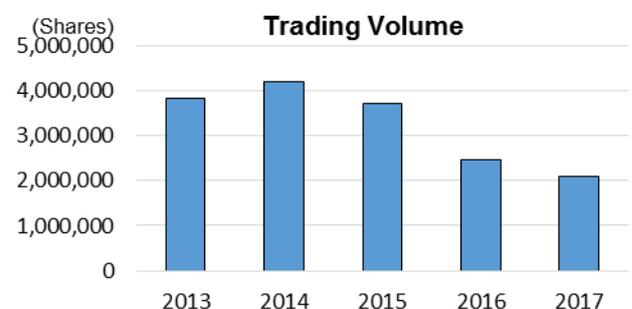
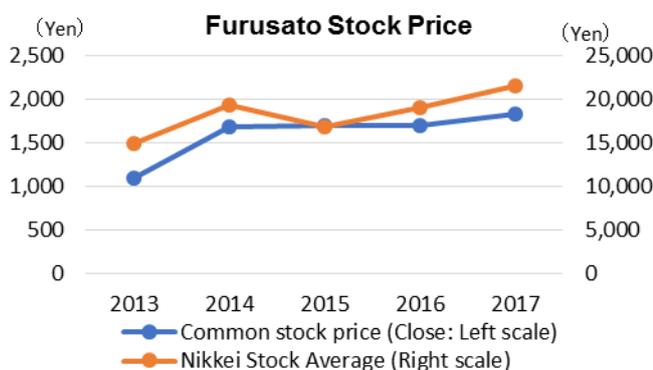
¥0.01 - ¥0.49; ¥0.5

¥0.51 - ¥0.99; ¥1.0

Dividends for Fiscal 2017 and Dividends Forecast for Fiscal 2018

In fiscal 2017, annual dividend is ¥48 per share including the interim dividend of ¥5 per share based on the above basic policy.

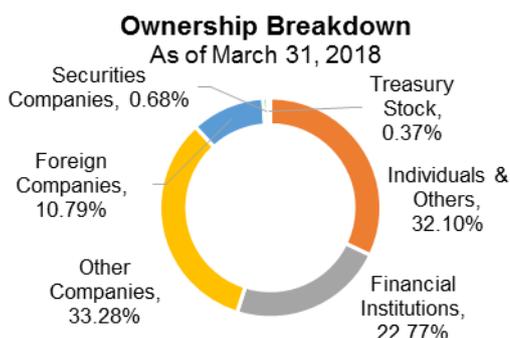
The annual dividend for fiscal 2018, ending March 31, 2019 is expected to be ¥50 per share (the forecast announced on May 7, 2018).



Furusato Stock Price, Trading Volume

Fiscal year		2013	2014	2015	2016	2017
Common stock price (High)	Yen	1,372	1,768	1,950	1,838	1,991
Common stock price (Low)	Yen	801	1,005	1,414	1,148	1,568
Common stock price (Close)	Yen	1,088	1,674	1,685	1,687	1,825
Nikkei Stock Average (Close)	Yen	14,827.83	19,206.99	16,758.67	18,909.26	21,454.30
TOPIX (Close)	Yen	1,202.89	1,543.11	1,347.20	1,512.60	1,716.30
Trading volume	Shares	3,843,200	4,207,300	3,723,900	2,476,400	2,089,700

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%
MUFG Bank, Ltd.	707,840	4.85%
The Master Trust Bank of Japan, Ltd. (Trust account)	630,900	4.32%
THE BANK OF NEW YORK, NON-TREASY JASDEC ACCOUNT	596,200	4.09%
Ryoichi Furusato	585,500	4.01%
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 (54,167 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 2017	375	653,409

② The number of treasury shares retired and held

Detail	No. of shares (shares)	Total amount (yen)
The number of treasury shares solicited subscribers	23,200	40,484,000
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, 2018)	54,167	-

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	480
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	3,986
Paid-in Capital	¥5,232 million
Administrator of Shareholder's Register	Mitsubishi UFJ Trust and Banking Corporation

Directors and Auditors (As of June 27, 2018)

President and Director	Ryohei Furusato
Executive Vice President	Katsuhiro 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