

FOR IMMEDIATE RELEASE:

Furusato Announces Financial Results for the Third Quarter Ended December 31, 2018 [Japan GAAP]

Osaka, Japan, February 4, 2019 – Furusato Industries, Ltd. announced its consolidated financial results for the nine months ended December 31, 2018. All financial information has been prepared in accordance with accounting principles generally accepted in Japan. The following summary of the financial results is unaudited and for reference only.

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

All figures are rounded down to the nearest million yen.

CONSOLIDATED FINANCIAL RESULTS

1. Business Results

	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2017
Operating Results:	(Millions of Yen)	(Millions of Yen)
Net Sales	¥ 80,968	¥ 73,468
Operating Income	2,969	2,204
Ordinary Income	3,269	2,463
Net Income Attributable to Owners of Parent	2,164	1,540
Per Share Data:	(Yen)	(Yen)
Net Income Attributable to Owners of Parent	¥ 149.29	¥ 106.24
	As of December 31, 2018	As of March 31, 2018
Financial Position:	(Millions of Yen)	(Millions of Yen)
Total Assets	¥ 65,592	¥ 63,283
Net Assets	39,943	39,085
Net Assets to Total Assets	60.9%	61.8%
Per Share Data:	(Yen)	(Yen)
Net Assets	¥ 2,755.35	¥ 2,696.12

Notes:

1. Comprehensive income
 - Nine months ended December 31, 2018 ¥1,555 million, (28.6)%
 - Nine months ended December 31, 2017 ¥2,178 million, 13.8%
2. Changes in major subsidiaries during the period under review
(change in specific subsidiaries due to changes in the scope of consolidation): No
3. Adoption of special accounting methods for the preparation of quarterly consolidated financial statements: No
4. Changes in accounting principles, changes in accounting estimates, and retrospective restatements
 - 1) Changes in accounting principles resulting from revisions in accounting standards: No
 - 2) Changes other than those in 1) above: No
 - 3) Changes in accounting estimates: Yes

- 4) Retrospective restatements: No
5. Number of shares issued and outstanding (common stock)
- 1) Number of issued shares at the end of period (including treasury stock)
- December 31, 2018: 14,574,366 shares
March 31, 2018: 14,574,366 shares
- 2) Number of treasury stock at the end of period
- December 31, 2018: 77,624 shares
March 31, 2018: 77,367 shares
- 3) Average number of outstanding shares for the period (consolidated, cumulative)
- December 31, 2018: 14,496,889 shares
December 31, 2017: 14,497,192 shares

2. Dividends

	Dividends Per Share (Yen)				
	1Q	2Q	3Q	Year-end	Annual
Fiscal Year Ended March 31, 2018	-	5.00	-	43.00	48.00
Fiscal Year Ending March 31, 2019	-	5.00	-		
Fiscal Year Ending March 31, 2019 (Forecast)				51.00	56.00

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

	Full-Year	% Change
Operating Results:	(Millions of Yen)	
Net Sales	¥ 104,300	5.5%
Operating Income	3,700	18.4%
Ordinary Income	4,100	18.3%
Net Income Attributable to Owners of Parent	2,700	16.8%
Per Share Data:	(Yen)	
Net Income Attributable to Owners of Parent	¥ 186.25	-

*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 (NINE MONTHS ENDED DECEMBER 31, 2018)**1. Analysis of Operating Results****(1) Overview of Results**

During the nine months ended December 31, 2018, the Japanese economy continued its moderate recovery trend, led primarily by a recovery in employment and income situation and the effects of various policies even though attentions should be given to the risks including the impacts of situations over trade issues on the world economy and fluctuations in the financial and capital markets.

The trends in demand surrounding Furusato Group's operation are as follows.

Business investment continued on a moderate upward trend while the figures for the Orders Received for Machinery, a leading indicator, decreased year over year in the October-December period and appeared to pause to pick up.

The Indices of Industrial Production increased moderately. According to the industry, motor vehicles increased moderately while car body and automobile parts were almost flat.

Construction demand remained at a high level despite tight supply-demand balances of all factors regarding building construction such as building supplies, especially, high strength bolts, transportation and on-site workers.

Amid this business environment, in this fiscal year, the middle year of a medium-term management plan, "Design the Future 2020", for the three-year period ending March 31, 2020, we aimed to ensure a steady progress to achieve the target of this fiscal year towards the goal of the final fiscal year.

Accordingly, during the period under review, consolidated net sales recorded a double-digit year-over-year growth, an increase of 10.2% to ¥80,968 million. Gross profit increased by 12.2% year over year to ¥11,297 million due to improved gross profit margins. Accordingly, operating income increased by 34.7% year over year to ¥2,969 million due to an increase of 5.9% year over year in selling, general and administrative expenses. Ordinary income increased by 32.7% year over year to ¥3,269 million. Consequently, net income attributable to owners of parent was ¥ 2,164 million, up 40.5% year over year.

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

In the Equipment and Tools Business, the Industrial Equipment Business and the Machine and Tools for Automotive Business increased by 4.8% and 8.9% year over year, respectively, due to a moderate increase in the industrial production. The Housing Equipment Business decreased by 2.5% year over year. Accordingly, overall net sales increased by 3.2% year over year to ¥37,136 million. Overall operating income was ¥924 million, up 22.5% year over year.

〈Machine and Facility Business〉

In the Machine and Facility Business, the Machine Tools Business and the Factory Automation Business increased by 24.1% and 38.2% year over year, respectively, reflecting a steady decline in backlog of orders received for machine tools although the domestic orders received turned to a year-over-year decrease according to the statistics of the Orders Received for Machine Tools. Accordingly, overall net sales increased by 26.0% year over year to ¥18,182 million. Overall operating income increased by 45.4% year over year to ¥471 million.

〈Construction and Piping Products Business〉

In the Construction and Piping Products Business, the Steel Frame Building Supplies Business and the Piping Products Business increased by 13.5% and 3.5% year over year, respectively despite struggling to respond to tight supply-demand situation, especially high strength bolts, under a steady business environment. Accordingly, net sales increased by 11.3% year over year to ¥25,649 million, and overall operating income was ¥1,483 million, up 36.9% year over year.

(2) Earnings Forecast for fiscal 2018, ending March 31, 2019

The earnings forecast is unchanged from the forecast announced on October 31, 2018.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Thousands of Yen	
	March 31, 2018	December 31, 2018
	Amounts	Amounts
Assets		
Current assets:		
Cash and deposits	¥ 11,112,150	¥ 12,085,871
Notes and accounts receivable-trade	24,810,510	25,942,603
Electronically recorded monetary claims-operating	3,196,343	4,113,400
Securities	200,000	-
Merchandise and finished goods	3,737,181	3,842,837
Work in process	310,638	287,907
Raw materials and supplies	140,627	140,675
Other	778,070	535,390
Allowance for doubtful accounts	(12,956)	(59,972)
Total current assets	44,272,565	46,888,712
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	3,831,013	4,693,892
Machinery, equipment and vehicles, net	822,171	876,479
Land	7,203,691	7,304,033
Construction in progress	601,379	16,306
Other, net	171,238	225,828
Total property, plant and equipment	12,629,494	13,116,540
Intangible assets:		
Total intangible assets	204,608	198,085
Investments and other assets:		
Investment securities	4,430,343	3,554,573
Net defined benefit asset	770,568	789,291
Other	1,063,684	1,275,379
Allowance for doubtful accounts	(87,888)	(229,616)
Total investments and other assets	6,176,708	5,389,627
Total noncurrent assets	19,010,810	18,704,253
Total assets	¥ 63,283,376	¥ 65,592,966

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

	Thousands of Yen	
	March 31, 2018 Amounts	December 31, 2018 Amounts
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	¥ 18,317,154	¥ 19,113,584
Electronically recorded obligations-operating	1,852,665	3,299,441
Current portion of long-term loans payable	100,000	100,000
Income taxes payable	642,064	523,324
Provision for bonuses	595,838	332,759
Provision for directors' bonuses	25,677	19,260
Provision for environmental measures	33,000	-
Provision for removal expenses of noncurrent assets	16,503	6,000
Other	1,555,501	1,387,685
Total current liabilities	23,138,404	24,782,055
Noncurrent liabilities:		
Long-term loans payable	125,000	50,000
Deferred tax liabilities	764,644	568,197
Net defined benefit liability	45,070	47,953
Other	124,577	201,181
Total noncurrent liabilities	1,059,291	867,332
Total liabilities	24,197,696	25,649,387
Net Assets		
Shareholders' equity:		
Capital stock	5,232,413	5,232,413
Capital surplus	5,997,217	5,997,217
Retained earnings	25,999,618	27,466,939
Treasury stock	(83,785)	(84,247)
Total shareholders' equity	37,145,464	38,612,323
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,784,457	1,195,605
Deferred gains or losses on hedges	(495)	(883)
Remeasurements of defined benefit plans	156,254	136,532
Total accumulated other comprehensive income	1,940,216	1,331,254
Total net assets	39,085,680	39,943,578
Total liabilities and net assets	¥ 63,283,376	¥ 65,592,966

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

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Thousands of Yen	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
	Amounts	Amounts
Net sales	¥ 73,468,819	¥ 80,968,802
Cost of sales	63,398,237	69,671,731
Gross profit	10,070,582	11,297,071
Selling, general and administrative expenses	7,866,333	8,327,266
Operating income	2,204,249	2,969,805
Non-operating income:		
Interest income	3,541	4,010
Dividends income	58,192	65,253
Purchase discounts	397,938	408,391
Rent income	30,823	38,388
Other	17,614	45,825
Total non-operating income	508,109	561,869
Non-operating expenses:		
Interest expenses	671	508
Sales discounts	223,994	234,105
Cost of lease revenue	798	3,146
Other	22,939	24,017
Total non-operating expenses	248,404	261,777
Ordinary income	2,463,953	3,269,897
Extraordinary income:		
Gain on sales of investment securities	9,782	18,982
Reversal of provision for environmental measures	-	4,725
Total extraordinary income	9,782	23,707
Extraordinary loss:		
Loss on retirement of non-current assets	5,499	-
Removal expenses of noncurrent assets	38,784	4,980
Provision for removal expenses of noncurrent assets	-	6,000
Provision for environmental measures	55,000	-
Total extraordinary loss	99,284	10,980
Income before income taxes	2,374,452	3,282,625
Income taxes-current	703,446	1,036,349
Income taxes-deferred	130,762	81,985
Total income taxes	834,208	1,118,334
Net income	1,540,243	2,164,290
Net income attributable to owners of parent	¥ 1,540,243	¥ 2,164,290

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Thousands of Yen	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
	Amounts	Amounts
Net income	¥ 1,540,243	¥ 2,164,290
Other comprehensive income:		
Valuation difference on available-for-sale securities	666,577	(588,851)
Deferred gains or losses on hedges	319	(387)
Remeasurements of defined benefit plans, net of tax	(28,766)	(19,722)
Total other comprehensive income	638,130	(608,961)
Comprehensive income:	2,178,373	1,555,329
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,178,373	1,555,329
Comprehensive income attributable to non-controlling interests	¥ -	¥ -

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

SEGMENT INFORMATION

1. Nine months ended December 31, 2017 (from April 1 to December 31, 2017)

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

(Thousands of Yen)

	Net sales			Operating income
	To customers	Intersegment	Total	
Business segment reported				
Equipment and Tools	¥ 35,997,172	¥ 852,271	¥ 36,849,443	¥ 754,830
Machine and Facility	14,428,583	274,033	14,702,616	324,518
Construction and Piping Products	23,043,064	6,996	23,050,061	1,083,733
Subtotal	73,468,819	1,133,301	74,602,121	2,163,082
Adjustment (*1)	-	(1,133,301)	(1,133,301)	41,166
Total amounts on the consolidated statements of income (*2)	¥ 73,468,819	-	¥ 73,468,819	¥ 2,204,249

Note:

- Adjustment of operating income, ¥41,166 thousand, incorporates elimination of intersegment transaction, ¥43,544 thousand, adjustment of inventory, ¥(4,175) thousand and adjustment of non-current assets, ¥1,796 thousand.
- Operating income for segment is adjusted on operating income on the quarterly consolidated statements of income.

2. Nine months ended December 31, 2018 (from April 1 to December 31, 2018)

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

(Thousands of Yen)

	Net sales			Operating income
	To customers	Intersegment	Total	
Business segment reported				
Equipment and Tools	¥ 37,136,920	¥ 832,448	¥ 37,969,369	¥ 924,321
Machine and Facility	18,182,387	307,551	18,489,939	471,769
Construction and Piping Products	25,649,494	13,060	25,662,555	1,483,496
Subtotal	80,968,802	1,153,060	82,121,863	2,879,586
Adjustment (*1)	-	(1,153,060)	(1,153,060)	90,218
Total amounts on the consolidated statements of income (*2)	¥ 80,968,802	-	¥ 80,968,802	¥ 2,969,805

Note:

- Adjustment of operating income, ¥90,218 thousand, incorporates elimination of intersegment transaction, ¥96,032 thousand, adjustment of inventory, ¥(7,610) thousand and adjustment of non-current assets, ¥1,796 thousand.
- Operating income for segment is adjusted on operating income on the quarterly consolidated statements of income.