Q3 FY19

Earnings Presentation

February 2020

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FURUSATO GROUP

Furusato Industries, Ltd.

First Section of the Tokyo Stock Exchange :8087

1. Q3 FY19 Financial Results

2. FY19 Earnings Forecasts

3. Non-consolidated Results

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P/L (Consolidated)

- Net sales : Machine & Facility double-digit decrease, Equipment & Tools slightly down, Construction and Piping Products up
- Gross profit margin : +1.1P due to high profitability of Security Business and improvement in Building Supplies Business
- SG&A : Up due to an addition of Security Business and decrease in provision of allowance for doubtful accounts
- Operating income : Up based on improved gross profit margin
- Net income : Up after deducting net income attributable to non-controlling interests

(Millions of yen)	Q3 FY19	% of sales	Q3 FY18	% of sales	YoY		Progress vs Forecast
Net sales	79,292	100%	80,968	100%	(1,676)	(2.1)%	73.4%
Gross profit	11,979	15.1%	11,297	14.0%	+682	+6.0%	75.3%
SG&A	8,858	11.2%	8,327	10.3%	+531	+6.4%	74.4%
Operating income	3,120	3.9%	2,969	3.7%	+150	+5.1%	78.0%
Ordinary income	3,394	4.3%	3,269	4.0%	+124	+3.8%	77.1%
Net income attributable to owners of parent	2,196	2.8%	2,164	2.7%	+32	+1.5%	74.5%

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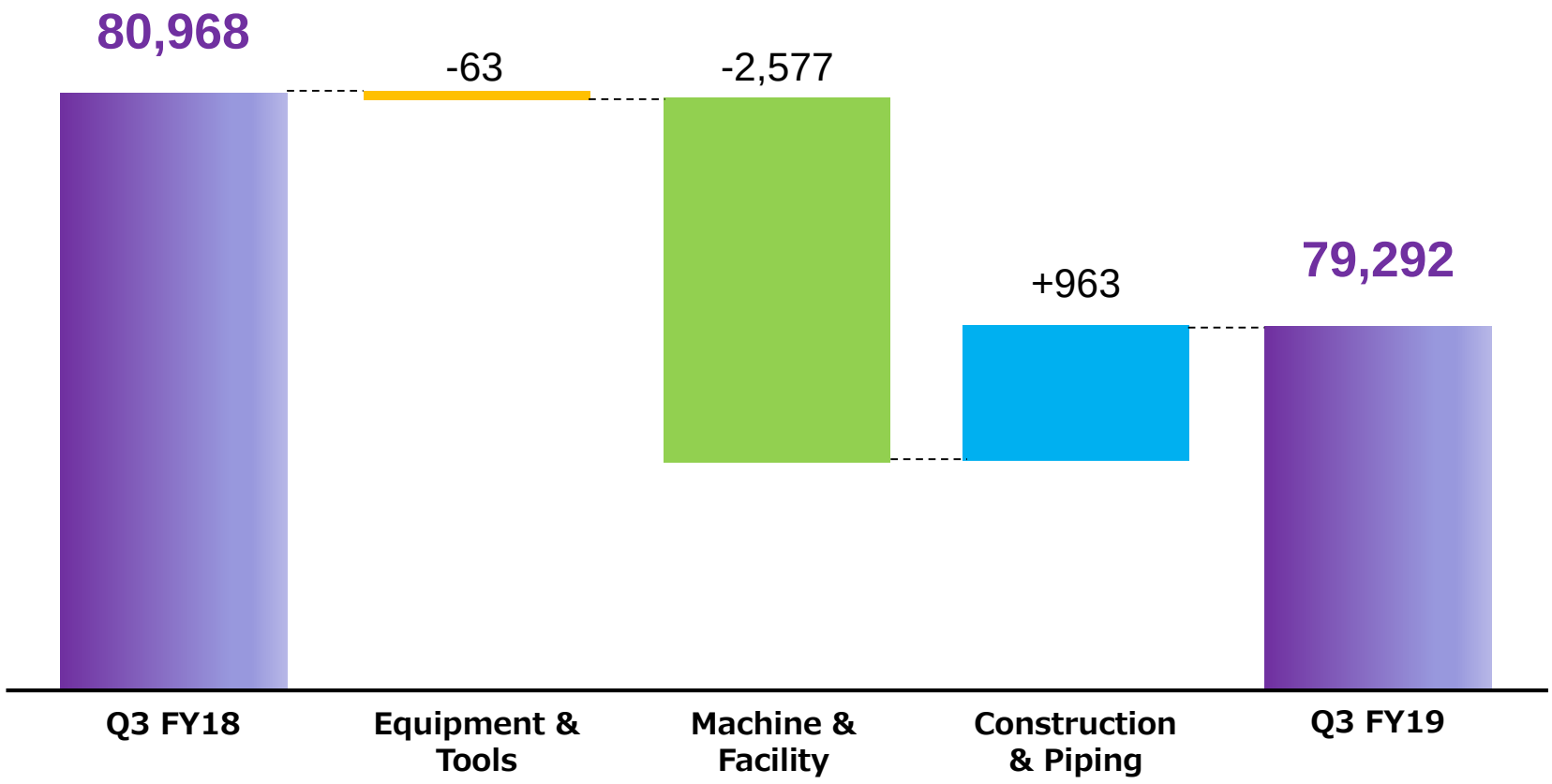
Changes in Net Sales by Factor

Rounded down to the nearest million yen

- Net sales : +¥1,676M, -2.1% YoY
- Equipment & Tools : Industrial Tools -¥2,143M YoY, Security Business ¥1,985M
- Machine & Facility : Machine Tool -¥1,437M YoY due to decrease in orders
- Construction & Piping Products : Building Supplies +¥982M YoY



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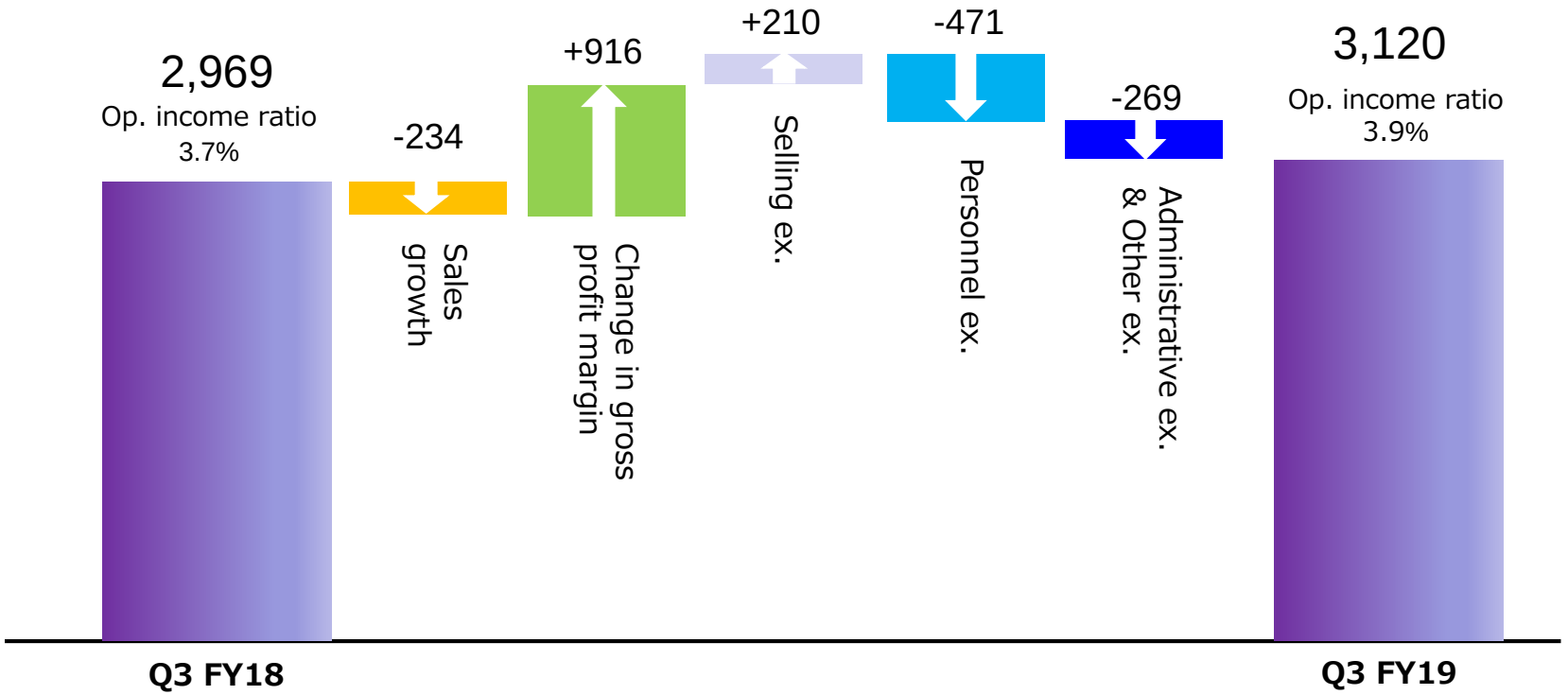
Changes in Operating Income by Factor

Rounded down to the nearest million yen

- Operating income : +¥150M, +5.1% YoY
- Gross Profit Margin : 15.1%, +1.1P
- Selling Ex. : Decrease in provision of allowance for doubtful accounts
- Personnel ex. , general administrative ex. and other ex. : Increase by an addition of expenses of ＳＤ, etc.



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Sales Changes by Segment / Business

- Equipment & Tools
  - ・Industrial Equipment : Further drop, impacted by slowdown in factory operating ratio in Japan
  - ・Housing Equipment : Upward trend even after consumption tax hike
- Machine & Facility : Machine Tool down due to a drop in orders, FA further drop
- Construction & Piping Products : Building Supplies slowdown in growth, Piping Products rebounding to slight decrease

(Millions of yen)		Q3FY19	% of sales	Q3FY18	% of sales	YoY		Progress vs Forecast
Equipment & Tools	Industrial Equip.	25,548	32.2%	27,692	34.2%	(2,143)	(7.7)%	68.9%
	Machine & Tools For Automotive	5,097	6.4%	4,860	6.0%	+237	+4.9%	75.2%
	Housing Equipment	4,263	5.4%	3,936	4.9%	+326	+8.3%	83.6%
	Security	1,985	2.5%	-	-	+1,985	-	60.2%
	Other	178	0.2%	647	0.8%	(468)	(72.4)%	55.8%
	Total	37,073	46.8%	37,136	45.9%	(63)	(0.2)%	70.5%
Machine & Facility	Machine Tool	14,000	17.7%	15,437	19.1%	(1,437)	(9.3)%	79.1%
	Factory Automation	1,603	2.0%	2,744	3.4%	(1,140)	(41.6)%	45.8%
	Total	15,604	19.7%	18,182	22.5%	(2,577)	(14.2)%	73.6%
Construction & Piping Products	Building Supplies	21,382	27.0%	20,400	25.2%	+982	+4.8%	79.2%
	Piping Products	5,231	6.6%	5,249	6.5%	(18)	(0.3)%	72.7%
	Total	26,613	33.6%	25,649	31.7%	+963	+3.8%	77.8%
Consolidated Total		79,292	100%	80,968	100%	(1,676)	(2.1)%	73.4%

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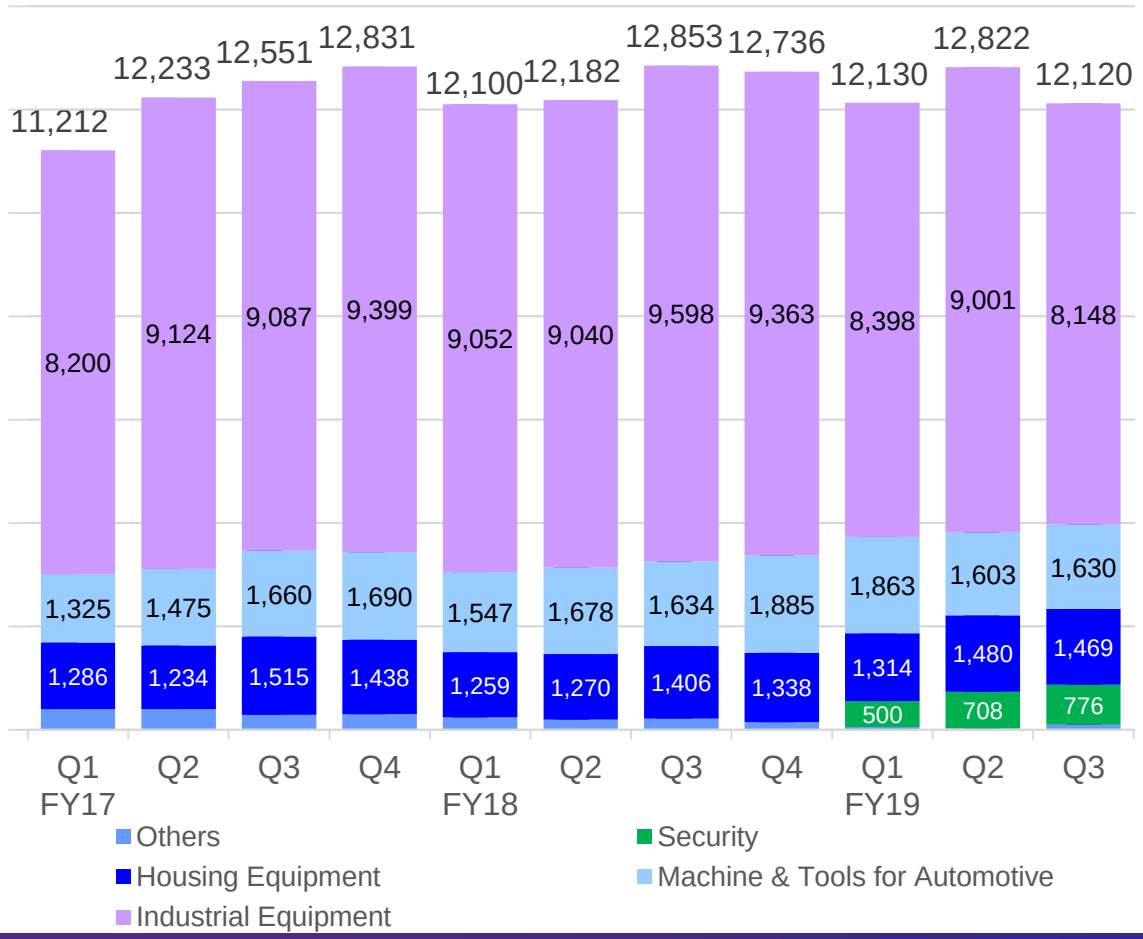
Equipment & Tools Segment Quarterly Sales Trend

Equipment & Tools double-digit decrease, Machine & Tools for Automotive slightly down

□Net sales

Rounded down to the nearest million yen



Industrial Equipment Business
(Equipment & Tools, G-net)

【Demand】
Industrial Production(2019-4Q)-6.3%

Q3:¥8,148M
・-¥1,450M, -15.1% YoY

Machine & Tools for Automotive Business
(Gifu Shoji)

【Demand】
Production of Motor Vehicles(2019-4Q)-9.3%

Q3:¥1,630M
・-¥3M, -0.2% YoY

Housing Equipment Business
(Housing Equipment, G-net)

【Demand】
New Housing Starts(2019-4Q)-9.4%

Q3:¥1,469M
・+¥63M, +4.5% YoY

Security Business (Security Design)

Q3:¥776M

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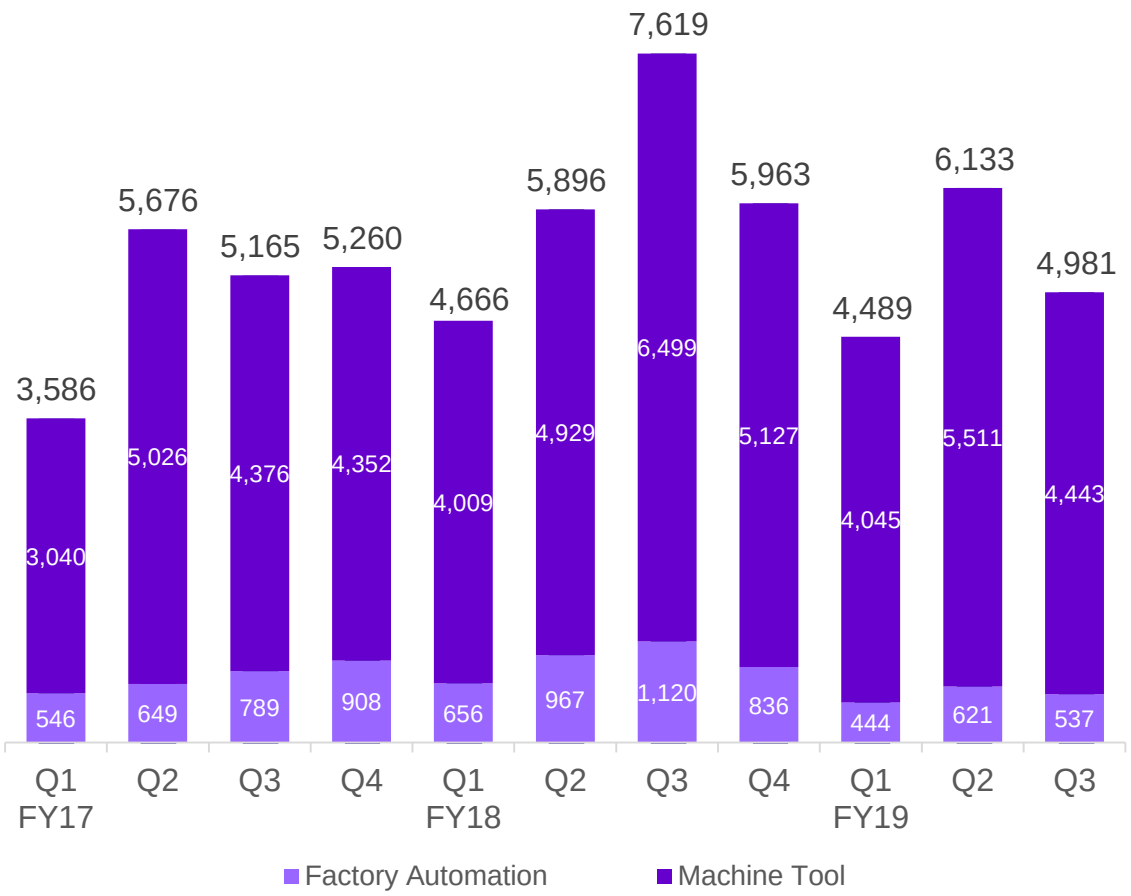
Machine & Facility Segment Quarterly Sales Trend

Machine Tools and FA substantial decrease Orders down over 30%

Net Sales

Rounded down to the nearest million yen



Machine Tool Business（Machine, G-net）

【Demand】
Domestic Orders Received by Japan Machine Tool Builders Association（2019-4Q）-40.8%

Q3：¥4,443M
・-¥2,055M, -31.6% YoY
・ 62% of backlog at Q2E FY19 (¥7,141M)

Q3 orders：¥3,013M
・-¥1,836M, -37.9% YoY
・Backlog at Q3 FY19 ¥5,774M（-44.1% YoY）

Factory Automation Business
（FA, G-net）

Q3：¥537M
・-¥582M, -50.2% YoY
・ 53% of backlog at Q2E FY19 (¥1,012M)

Q3 orders：¥628M
・-¥298M, -32.2% YoY
・Backlog at Q3E：¥1,056M（+38.7% YoY）

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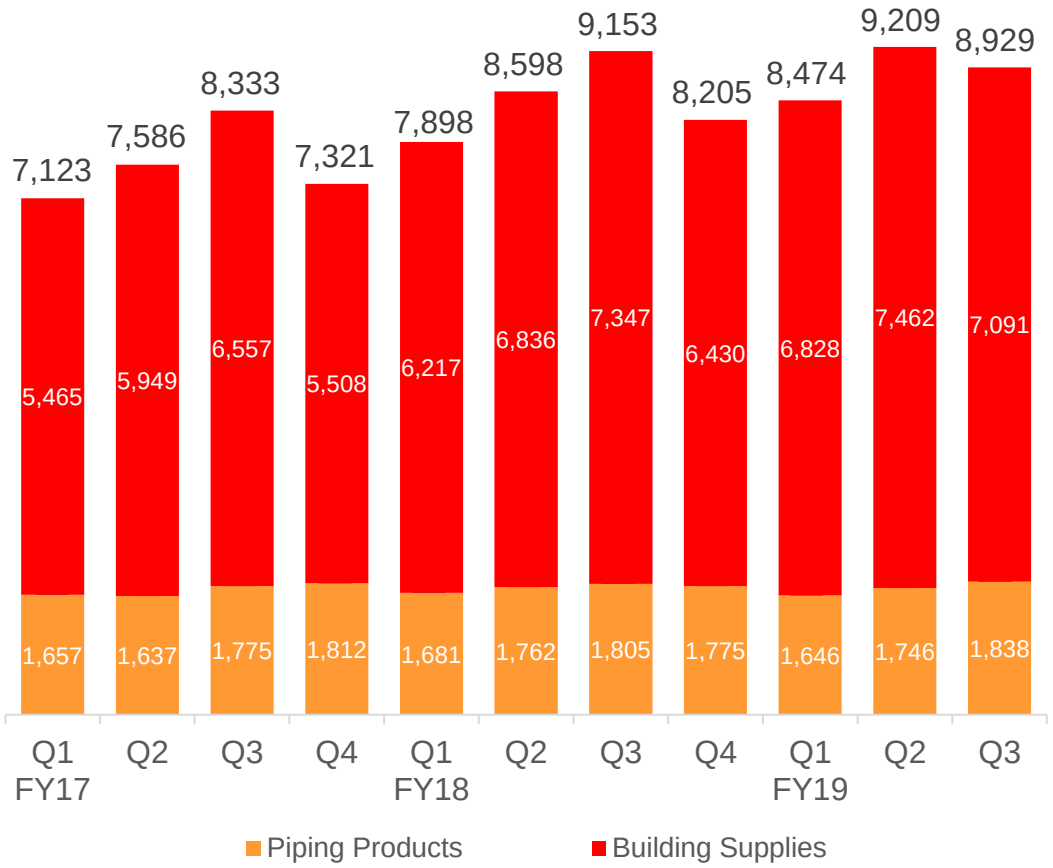
Construction & Piping Products Segment Quarterly Sales Trend

Building Supplies turned to decrease Piping Products slightly up

□Net Sales

Rounded down to the nearest million yen



Building Supplies Business
（Steel Frame Building Supplies, Furusato）

【Demand】Steel frame used for building
（2019-4Q）-10.2% YoY

Q3：¥7,091M
・-¥255M, -3.5% YoY

＊In-house Product -3.9% YoY
→Turnbuckle brace：Volume -5.7% YoY,
Ave. unit price +2.6% YoY

＊Purchasing supplies -3.4% YoY
→Hight strength bolts：Volume -8.5% YoY,
Ave. unit price +21.6% YoY

Piping Products Business
（Piping Products, Furusato）

Q3：¥1,838M
・+¥32M, +1.8% YoY

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FY20 Consolidated Earnings Forecast

[Background]

- Offsetting a drop in demand in Industrial Equipment Business and Machine Tool Business by an addition of S D
- Profitability up due to production cost reduction, backed by steady construction demand
- Continuing investment to reinforce competitiveness and improve working environment

(Millions of yen)	FY19	% of sales	FY18	% of sales	YoY	
Net sales	108,000	100%	107,873	100%	+126	+0.1%
Gross profit	15,900	14.7%	15,109	14.0%	+790	+5.2%
SG&A	11,900	11.0%	11,069	10.3%	+830	+7.5%
Operating income	4,000	3.7%	4,040	3.7%	(40)	(1.0)%
Ordinary income	4,400	4.1%	4,416	4.1%	(16)	(0.4)%
Net income attributable to owners of parent	2,950	2.7%	2,893	2.7%	+56	+2.0%

Dividend	FY19 Forecast	FY18
Amount	¥61.50	¥60
Dividend payout ratio	30.2%	30.1%

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FY20 Consolidated Earnings Forecast (Q4)

- Q4 forecast is the amount after deducting Q3 from the full-year forecast announced in May 2019

(Millions of yen)	Q4 FY19	% of sales	YoY	FY19	Q4/FY
Net sales	28,707	100%	+6.7%	108,000	26.6%
Gross profit	3,920	13.7%	+2.8%	15,900	24.7%
SG&A	3,041	10.6%	+10.9%	11,900	25.6%
Operating income	879	3.1%	(17.9)%	4,000	22.0%
Ordinary income	1,005	3.5%	(12.3)%	4,400	22.9%
Net income attributable to owners of parent	753	2.6%	+3.4%	2,950	25.5%

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Earnings Forecast (Consolidated)
Equipment & Tools Segment

- Q4 forecast by business: Higher than Q4 FY18 except some businesses
- Machine and Tools for Automotive and Housing Equip. lower than Q4 FY18

(Millions of yen)	Q4 FY19	% of sales	YoY	FY19	Q4/FY
Net sales	15,526	100%	+21.9%	52,600	29.5%
・Industrial Equipment	11,551	74.4%	+23.4%	37,100	31.1%
・Machine and Tools for Automotive	1,682	10.8%	(10.8)%	6,780	24.8%
・Housing Equipment	836	5.4%	(37.5)%	5,100	16.4%
・Security	1,314	8.5%	-	3,300	39.8%
・Overseas &Other	141	0.9%	(4.9)%	320	44.2%
Gross profit	1,914	12.3%	+27.5%	6,680	28.7%
SG&A	1,282	8.3%	+13.6%	5,200	24.7%
Operating income	631	4.1%	+69.4%	1,480	42.7%

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Earnings Forecast (Consolidated)
Machine & Facility Segment

- Q4 sales forecast : Machine Tool low, Factory Automation high
- Op. income forecast: Low, over -30% YoY

(Millions of yen)	Q4 FY19	% of sales	YoY	FY19	Q4/FY
Net sales	5,595	100%	(6.2)%	21,200	26.4%
・Machine Tool	3,699	66.1%	(27.9)%	17,700	20.9%
・Factory Automation	1,896	33.9%	+126.7%	3,500	54.2%
Gross profit	428	7.7%	(12.0)%	1,700	25.2%
SG&A	294	5.3%	+8.0%	1,100	26.8%
Operating income	133	2.4%	(37.6)%	600	22.2%

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Earnings Forecast (Consolidated)
Construction & Piping Products Segment

- Q4 sales forecast : Building Supplies low, Piping Products high
- Op. income forecast: Low, over -55% YoY

(Millions of yen)	Q4 FY19	% of sales	YoY	FY19	Q4/FY
Net sales	7,586	100%	(7.5)%	34,200	22.2%
・Building Supplies	5,617	74.0%	(12.6)%	27,000	20.8%
・Piping Products	1,968	26.0%	+10.9%	7,200	27.3%
Gross profit	1,579	20.8%	(13.2)%	7,520	21.0%
SG&A	1,381	18.2%	+0.5%	5,600	24.7%
Operating income	197	2.6%	(55.5)%	1,920	10.3%

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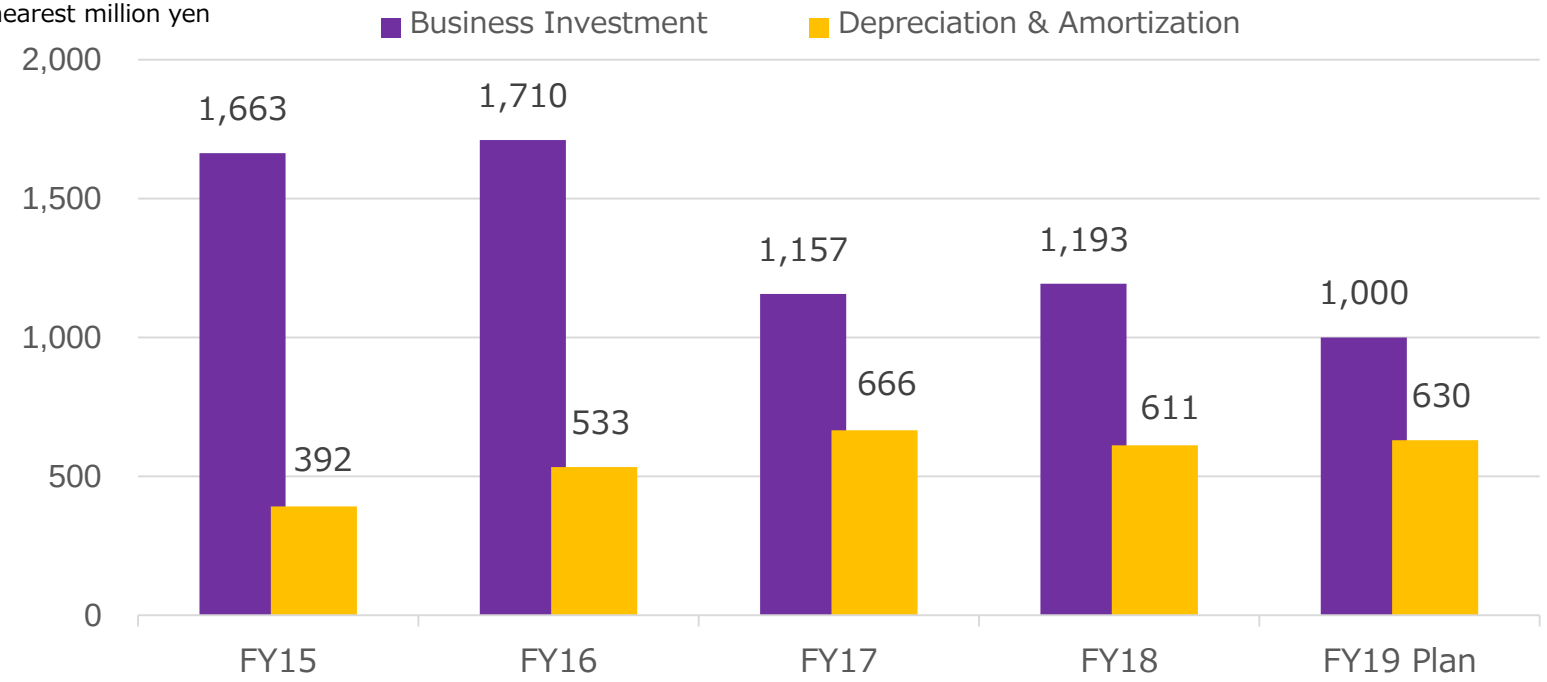
Business Investment Depreciation & Amortization

Rounded down to the nearest million yen

	FY15	FY16	FY17	FY18	FY19 plans
Business Investment	1,663 ・New Shiga Plant (Buildings, Machines) ・Facilities renewal at branches	1,710 ・New production system ・Shiga Plant Facilities ・Facilities renewal at branches	1,157 ・G-NET Nagoya ・New production system ・Facilities renewal at branches	1,193 ・G-NET Nagoya ・Gifu Shoji Headquarters ・Facilities renewal at branches	1,000 ・Shiga Plant Ⅱ ・Gifu Shoji Headquarters ・Facilities renewal at branches
Depreciation & amortization	392	533	666	611	630

Rounded down to the nearest million yen



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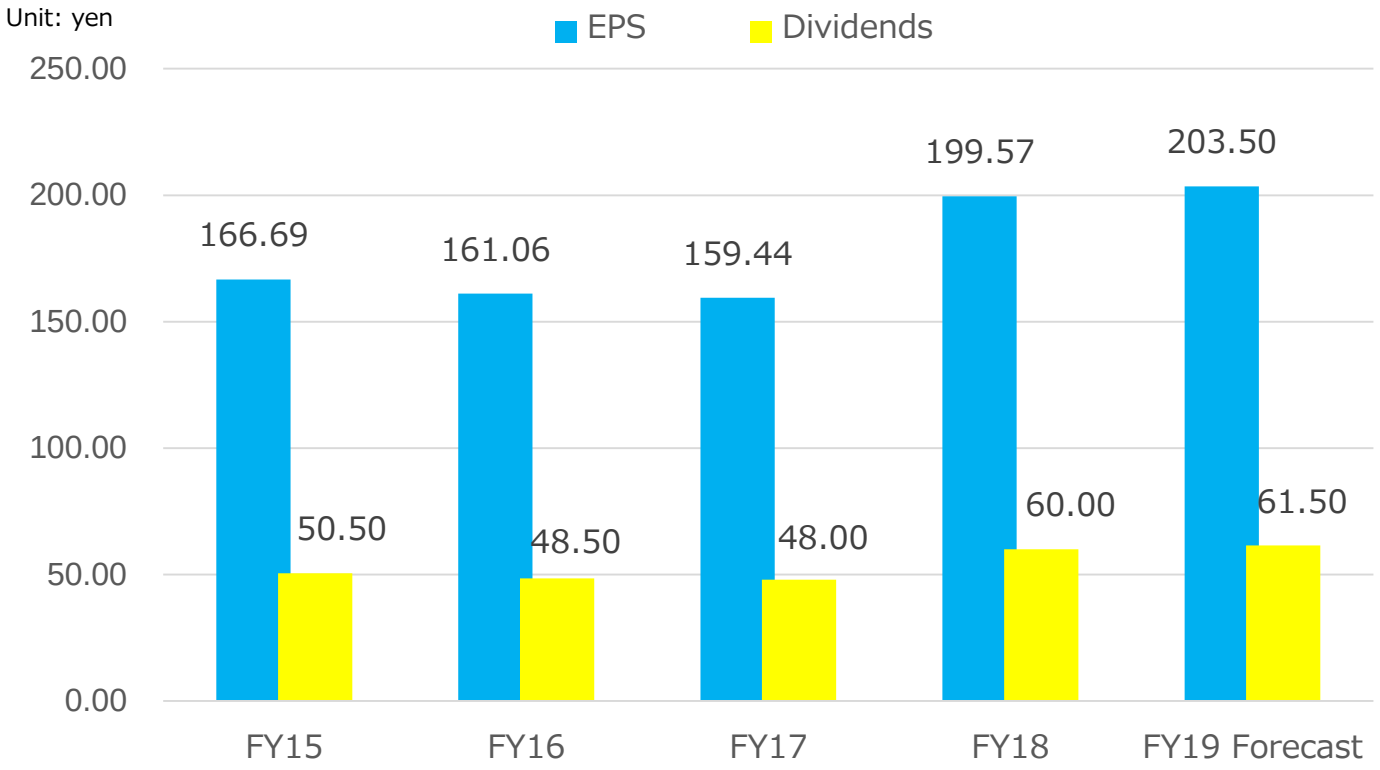
Returns to shareholders

Unit: yen

	FY15	FY16	FY17	FY18	FY19 Forecast
EPS	166.69	161.06	159.44	199.57	203.50
Dividends	50.50	48.50	48.00	60.00	61.50
Share price (Fiscal year-end)	1,685	1,687	1,825	1,612	1,782*

* : Stock price at Q3E



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Non-consolidated Results – Furusato

(Millions of yen)	Q3 FY19	% of sales	Q3 FY18	% of sales	YoY	
Net sales	26,620	100%	25,662	100%	+958	+3.7%
Gross profit	5,940	22.3%	5,649	22.0%	+291	+5.2%
SG&A	4,218	15.8%	4,165	16.2%	+52	+1.3%
Operating income	1,722	6.5%	1,483	5.8%	+238	+16.1%
Ordinary income	1,861	7.0%	1,667	6.5%	+193	+11.6%
Net income attributable to owners of parent	1,230	4.6%	1,117	4.4%	+113	+10.1%

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Non-consolidated Results – G-net

(Millions of yen)	Q3 FY19	% of sales	Q3 FY18	% of sales	YoY	
Net sales	46,685	100%	51,596	100%	(4,911)	(9.5)%
Gross profit	4,477	9.6%	4,891	9.5%	(414)	(8.5)%
SG&A	3,550	7.6%	3,803	7.4%	(253)	(6.7)%
Operating income	927	2.0%	1,088	2.1%	(161)	(14.8)%
Ordinary income	1,068	2.3%	1,237	2.4%	(168)	(13.6)%
Net income attributable to owners of parent	696	1.5%	814	1.6%	(117)	(14.4)%

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Non-consolidated Results – Gifu Shoji

(Millions of yen)	Q3 FY19	% of sales	Q3 FY18	% of sales	YoY	
Net sales	5,100	100%	4,862	100%	+238	+4.9%
Gross profit	768	15.1%	757	15.6%	+10	+1.4%
SG&A	472	9.3%	450	9.3%	+22	+5.0%
Operating income	295	5.8%	307	6.3%	(12)	(3.9)%
Ordinary income	363	7.1%	365	7.5%	(1)	(0.5)%
Net income attributable to owners of parent	236	4.6%	233	4.8%	+3	+1.3%

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Non-consolidated Results – Security Design

(Millions of yen)	Q3 FY19	% of sales	Q3 FY18	% of sales	YoY	
Net sales	1,988	100%	1,975	100%	+12	+0.6%
Gross profit	791	39.8%	703	35.6%	+88	+12.6%
SG&A	659	33.2%	486	24.6%	+172	+35.4%
Operating income	132	6.7%	216	10.9%	(83)	(38.6)%
Ordinary income	139	7.0%	213	10.8%	(74)	(34.7)%
Net income attributable to owners of parent	90	4.5%	139	7.0%	(48)	(35.0)%

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