Q1 FY2020
Earnings Presentation

August 2020

Furusato Industries, Ltd.

The First Section of the Tokyo Stock Exchange：8087

Q1 FY20 Financial Results Summary

Point Significant decrease in sales and profits, impacted by economic slowdown due to the COVID-19 pandemic

		YoY
Net sales	¥21,226M	(15.4)%
Operating income	¥591M	(25.0)%
Ordinary income	¥695M	(22.2)%
Net income attributable to owners of parent	¥400M	(30.6)%

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Q1 FY20
Financial Results

Q1 FY20 Consolidated Financial Results

Point Significant decrease in profits due to a double-digit YoY decline in sales despite improved profitability

(Millions of yen)	Q1 FY19 (Actual)	% of sales	Q1 FY20 (Actual)	% of sales	YoY
Net sales	**25,094**	100.0%	**21,226**	100.0%	**(15.4)%**
Cost of sales	21,370	85.2%	17,685	83.3%	(17.2)%
Gross profit	3,724	14.8%	3,540	16.7%	(4.9)%
SG&A	2,935	11.7%	2,949	13.9%	+0.5%
Operating income	**788**	3.1%	**591**	2.8%	**(25.0)%**
Ordinary income	**893**	3.6%	**695**	3.3%	**(22.2)%**
Income taxes	316	1.3%	255	1.2%	(19.3)%
Net income attributable to owners of parent	**576**	2.3%	**400**	1.9%	**(30.6)%**

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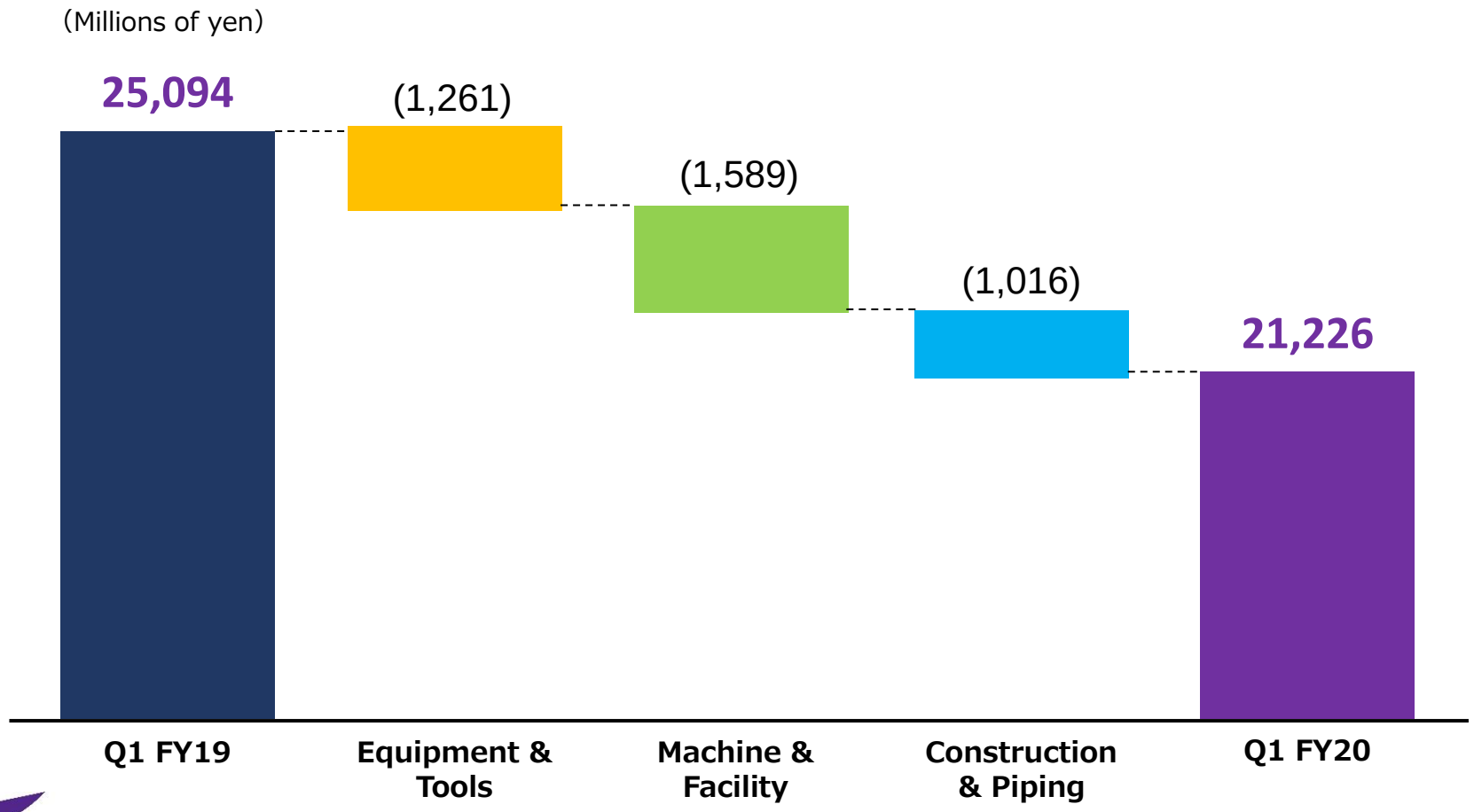
Changes in Net Sales by Factor

Point Security, Overseas & Others, Factory Automation, and Piping Products up



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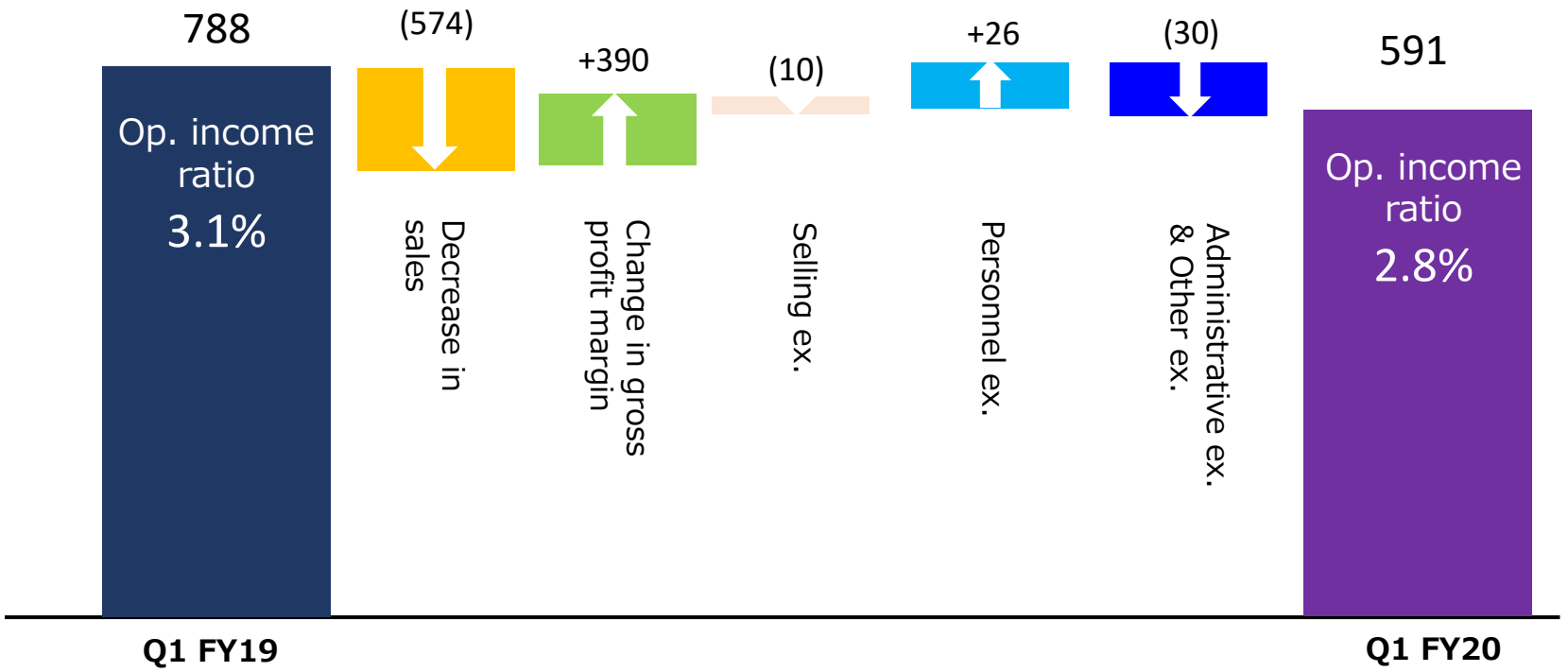
Changes in Operating Income by Factor

Point Gross profit margin growth (+1.9% YoY) can not cover a decrease in sales, an increase in depreciation & amortization, etc.

(Millions of yen)



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Sales by Segment

Point Big impact by a decrease in sales of Industrial Equipment, Machine Tool, and Building Supplies

(Millions of yen)	Q1 FY19 (Actual)	% of sales	Q1 FY20 (Actual)	% of sales	YoY
Net sales	**25,094**	100.0%	**21,226**	100.0%	**(15.4)%**
Equipment & Tools	**12,130**	48.3%	**10,868**	51.2%	**(10.4)%**
Industrial Equip.	8,398	33.5%	7,116	33.5%	(15.3)%
Machine & Tools for Automotive	1,863	7.4%	1,374	6.5%	(26.2)%
Housing Equipment	1,314	5.2%	1,137	5.4%	(13.4)%
Security	500	2.0%	1,181	5.6%	+136.2%
Overseas・Other	54	0.2%	58	0.3%	+7.4%
Machine & Facility	**4,489**	17.9%	**2,899**	13.7%	**(35.4)%**
Machine Tool	4,045	16.1%	2,375	11.2%	(41.3)%
Factory Automation	444	1.8%	524	2.5%	+18.0%
Construction & Piping Products	**8,474**	33.8%	**7,457**	35.1%	**(12.0)%**
Building Supplies	6,828	27.2%	5,803	27.3%	(15.0)%
Piping Products	1,646	6.6%	1,654	7.8%	+0.5%

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Profit by Segment / SG&A

Point Equipment & Tools op. income up due to strong sales in Security

(Millions of yen)	Q1 FY19 (Actual)	%	Q1 FY20 (Actual)	%	YoY
Gross profit (%)	**3,724**	14.8%	**3,540**	16.7%	**(4.9)%**
Equipment & Tools	1,495	12.3%	1,691	15.6%	+13.1%
Machine & Facility	316	7.0%	271	9.4%	(14.0)%
Construction & Piping Products	1,912	22.6%	1,577	21.1%	(17.6)%
SG&A(%)	**2,935**	11.7%	**2,949**	13.9%	**+0.5%**
Equipment & Tools	1,285	10.6%	1,358	12.5%	+5.7%
Machine & Facility	263	5.9%	246	8.5%	(6.3)%
Construction & Piping Products	1,404	16.6%	1,376	18.5%	(1.9)%
Op. income (%)	**788**	3.1%	**591**	2.8%	**(25.0)%**
Equipment & Tools	210	1.7%	332	3.1%	+58.1%
Machine & Facility	53	1.2%	25	0.9%	(52.6)%
Construction & Piping Products	508	6.0%	200	2.7%	(60.6)%

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Equipment & Tools Segment Main Points

- Industrial Equipment
  - Impacted by sluggish demand under the COVID-19 pandemic (Industrial production index -20.2% YoY)
  - MC Dept., joined by business transfer in Jan. 2020, contributed to an addition to sales
- Machine & Tools For Automotive
  - Impacted by production adjustment in the automotive industry (Automotive production index –50.0% YoY)
  - Sluggish demand for construction machinery, machinery and aircraft-related
- Housing Equipment
  - Sluggish demand for new construction, remodeling and renovation
  - Impacted by a delay in supply of manufacturers' products under the COVID-19 pandemic
- Security
  - Sales and profits growth by the sale of thermal cameras, related devices to prevent the infection of the COVID-19
  - Developing the market by establishing branches in Hokuriku and Okinawa from this fiscal year

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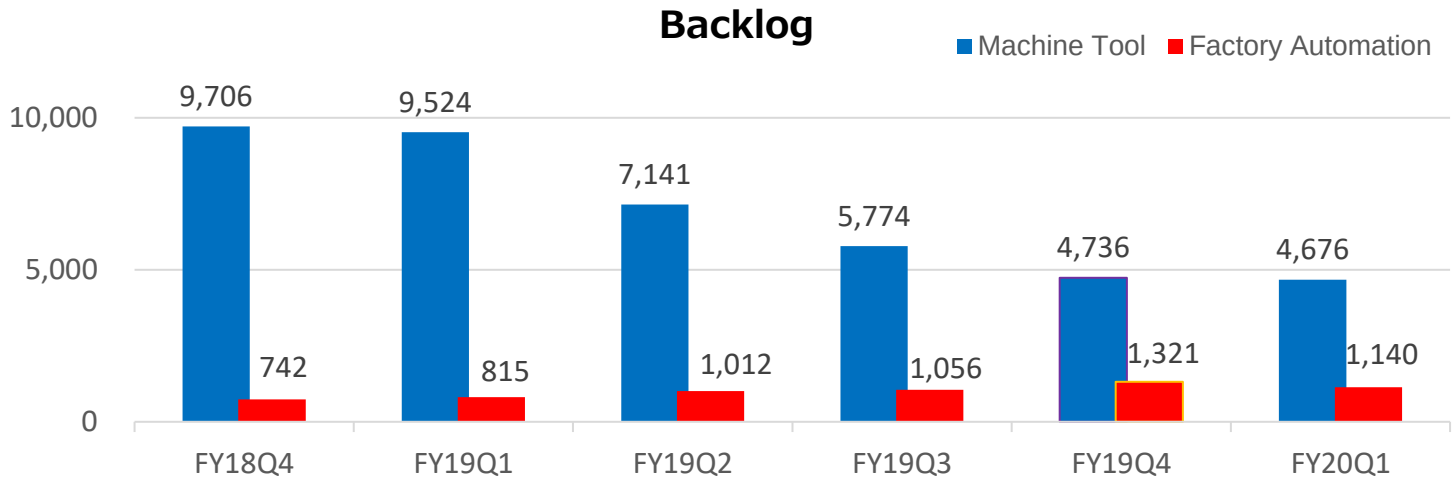
Machine and Facility Main Points

■ Machine Tool
- Sluggish demand（Statistics of domestic demand for machine tools -49.4% YoY)
- Of backlog at end of March, recording 47% in sales due mainly to a delay in shipment
- Q1 orders received -39.3% YoY, Q1E backlog -50.9% YoY

■ Factory Automation
- Sales growth by recording sales of big orders
- Q1 orders received -31.6% YoY, Q1E backlog +39.8% YoY



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Construction & Piping Products Main Points

■ Building Supplies

- Decrease in steel frame buildings（Construction starts of steel frame buildings by floor area -14.9% YoY)
- In-house products (Turnbuckle brace) Sales -10.9% YoY
  Volume -10.2% YoY／Unit price -0.8% YoY
- Purchasing supplies (High strength bolts) Sales -23.9% YoY
  Volume -30.1% YoY ／Unit price +8.8% YoY

■ Piping Products

- Increasing deferred business investment in the manufacturing industry to secure cash on hands
- Sales growth due to an increase in sales to some major users

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B/S (Consolidated)

(Millions of yen)	Mar. 31, 2020	Jun. 30, 2020	Change
Current assets	45,069	39,362	(5,707)
Noncurrent assets	21,819	22,633	+814
Total assets	**66,888**	**61,995**	**(4,893)**
Current liabilities	24,050	19,340	(4,710)
Noncurrent liabilities	535	578	+42
Total liabilities	**24,586**	**19,918**	**(4,667)**
Shareholders' equity	41,365	40,989	(376)
Accumulated other comprehensive income	798	908	+110
Non-controlling interests	138	178	+39
Total net assets	**42,302**	**42,076**	**(225)**
Total liabilities and net assets	**66,888**	**61,995**	**(4,893)**
Equity Ratio	**63.0%**	**67.6%**	**+4.6P**

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Cash Flows (Consolidated)

(Millions of yen)	Q1 FY19	Q1 FY20	Change
Cash flows from operating activities	860	(165)	(1,026)
Cash flows from investing activities	(209)	(2,298)	(2,088)
Free cash flows	651	(2,463)	(3,115)
Cash flows from financing activities	(791)	(769)	+21
Cash and cash equivalents at end of the period	13,065	9,650	(3,414)

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Business Investment Depreciation & Amortization

Point Depreciation & Amortization +86.2%

(Millions of yen)	FY15	FY16	FY17	FY18	FY19	Q1 FY20
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 HQ ・Facilities renewal at branches	**1,827** ・Shiga Plant Ⅱland,etc. ・Machines for production ・Gifu Shoji HQ ・Facilities renewal at branches	**1,160** Acquisition of land, etc.
Depreciation & amortization	**392**	**533**	**666**	**611**	**698**	**208**
Amortization of goodwill	**-**	**-**	**-**	**-**	**54**	**40**

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Returns to shareholders

Point Dividend forecast has not determined due to undetermined consolidated earnings forecast

(Yen)	FY16	FY17	FY18	FY19	FY20
EPS	**161.06**	**159.44**	**199.57**	**193.71**	**–**
Dividend per share	**48.50**	**48.00**	**60.00**	**58.50**	**–**
Share price (Fiscal year-end)	**1,687**	**1,825**	**1,612**	**1,442**	**–**

Dividend policy : 30% of consolidated net income per share or 10 yen (lower limit)

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FY20 Earnings Forecasts

Regarding the consolidated earnings forecast for FY20, ending March 31, 2021, Furusato has not determined as it is difficult to reasonably estimate any impact of the COVID-19 at this point. We will promptly announce it as soon as the estimate can be made.

(Reference)Q1 FY20 Non-consolidated Results

(Millions of yen)	Q1 FY19 (Actual)	% of sales	Q1 FY20 (Actual)	% of sales	YoY
Net sales	**8,477**	100.0%	**7,460**	100.0%	**(12.0)%**
Cost of sales	6,564	77.4%	5,882	78.9%	(10.4)%
Gross profit	1,912	22.6%	1,577	21.1%	(17.6)%
SG&A	1,404	16.6%	1,376	18.5%	(1.9)%
Operating income	**508**	6.0%	**200**	2.7%	**(60.6)%**
Non-operating income	105	1.2%	2,574	34.5%	+2338.3%
Non-operating expenses	63	0.7%	46	0.6%	(25.9)%
Ordinary income	**550**	6.5%	**2,728**	36.6%	**+395.3%**
Income taxes	185	2.2%	92	1.2%	(49.9)%
Net income	**365**	4.3%	**2,635**	35.3%	**+620.9%**

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Furusato Group
Corporate Planning Dept.

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