

FOR IMMEDIATE RELEASE:

Furusato Announces Financial Results for the Third Quarter Ended December 31, 2020 [Japan GAAP]

Osaka, Japan, February 3, 2021 – Furusato Industries, Ltd. announced its consolidated financial results for the nine months ended December 31, 2020. 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, 2020	Nine Months Ended December 31, 2019
Operating Results:	(Millions of Yen)	(Millions of Yen)
Net Sales	¥ 66,483	¥ 79,292
Operating Income	2,227	3,120
Ordinary Income	2,491	3,394
Net Income Attributable to Owners of Parent	1,492	2,196
Per Share Data:	(Yen)	(Yen)
Net Income Attributable to Owners of Parent	¥ 102.96	¥ 151.51
	As of December 31, 2020	As of March 31, 2020
Financial Position:	(Millions of Yen)	(Millions of Yen)
Total Assets	¥ 63,312	¥ 66,888
Net Assets	43,460	42,302
Equity Ratio	68.3%	63.0%
Per Share Data:	(Yen)	(Yen)
Net Assets	¥ 2,981.22	¥ 2,908.60

Notes:

1. Comprehensive income
 - Nine months ended December 31, 2020 ¥2,007 million, (12.7)%
 - Nine months ended December 31, 2019 ¥2,299 million, 47.8%
2. Equity capital
 - December 31, 2020: ¥43,215 million
 - March 31, 2020: ¥42,163 million
3. Changes in major subsidiaries during the period under review
(change in specific subsidiaries due to changes in the scope of consolidation): No
4. Adoption of special accounting methods for the preparation of quarterly consolidated financial statements: No

5. 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: No
 - 4) Retrospective restatements: No
6. Number of shares issued and outstanding (common stock)
- 1) Number of issued shares at the end of period (including treasury stock)
 - December 31, 2020: 14,574,366 shares
 - March 31, 2020: 14,574,366 shares
 - 2) Number of treasury stock at the end of period
 - December 31, 2020: 78,465 shares
 - March 31, 2020: 78,120 shares
 - 3) Average number of outstanding shares for the period (consolidated, cumulative)
 - December 31, 2020: 14,496,049 shares
 - December 31, 2019: 14,496,581 shares

2. Dividends

	Dividends Per Share (Yen)				
	1Q	2Q	3Q	Year-end	Annual
Fiscal Year Ended March 31, 2020	-	5.00	-	53.50	58.50
Fiscal Year Ending March 31, 2021	-	5.00	-		
Fiscal Year Ending March 31, 2021 (Forecast)				31.50	36.50

CONSOLIDATED EARNINGS FORCAST FOR FISCAL 2020, ENDING MARCH 31, 2021

	Full-Year	% Change
Operating Results:	(Millions of Yen)	
Net Sales	¥ 91,900	(12.2)%
Operating Income	2,500	(37.1)%
Ordinary Income	2,870	(33.8)%
Net Income Attributable to Owners of Parent	1,750	(37.7)%
Per Share Data:	(Yen)	
Net Income Attributable to Owners of Parent	¥ 120.72	-

*This material contains forward-looking statements that reflects Furusato's plans and expectations. These forward-looking statements are based on information currently available and a rational evaluation based on certain assumptions that may cause Furusato's future results to be materially different from any future results expressed or implied by these forward-looking statements due to various factors including change of business environment, market trend and others.

RESULTS OF OPERATIONS (NINE MONTHS ENDED DECEMBER 31, 2020)

1. Analysis of Operating Results

(1) Overview of Results

During the nine months ended December 31, 2020, the Japanese economy was still in a severe situation, impacted by the spread of the COVID-19 pandemic. As for the future prospect, the situation remains uncertain due mainly to a downside risk of domestic and overseas economy despite high expectations of the COVID-19 vaccination.

The business environment and overview by segment are as follows:

(Equipment and Tools Segment)

Regarding the business environment, the industrial production index decreased by 20.4% year over year (April-June period), 12.6% year over year (July-September period), and 3.7% year over year (October-December period), respectively, while the automotive production index decreased by 50.0% year over year (April-June period) and 16.4% year over year (July-September period), and increased by 0.7% year over year (October-December period), respectively. The new housing starts, a leading indicator, decreased by 9.9% year over year (January-March period), 12.4% year over year (April-June period), and 10.1% year over year (July-September period) year over year.

The summary of each business is as follows:

【Industrial Equipment Business (Down 14.0% Y-o-Y)】

The sales resulted in a smaller decline in the October to December period, impacted by an upward trend in the automobile and semiconductor production in line with a recovery of economic activities. Although we will accelerate our sales promotion toward the end of fiscal year, it is unclear to what extent we will be affected by the COVID-19 pandemic. Regarding the Motion Control (MC) Department, a new business launched through a business transfer, continued to record favorable earnings and worked on establishing its foundation for the future business development.

【Machine and Tools for Automotive Business (Down 29.1% Y-o-Y)】

Domestic automotive production was on an upward trend, mainly led by Toyota, while the degree of recovery varies by the regions in foreign manufacturers. Component manufacturers as our major clients, especially global ones, were also on the way to recovery. Although a decline in the sales was smaller in the October to December period following out of the worst of it in the April to September period, it takes some time to fully recover from a great decline.

【Housing Equipment Business (Down 6.9% Y-o-Y)】

The sales turned to a year-over-year growth in the October to December period due to starting postponed projects in the first half in line with a recovery of economic activities. We will continue to make efforts to improve earnings by increasing orders of projects with construction.

【Security Business (Up 76.2% Y-o-Y)】

The sales of security devices recorded a year-over-year decrease due to a sluggish capital investment, while the sales of the project business increased substantially, contributed by some big projects. Regarding thermal cameras to prevent the infection of the COVID-19, although prices of some devices fell, the sales were steady by launching new products. Demand for the thermal cameras is expected to continue based on the expansion of their applications.

The summary of each segment is as follows:

	Net Sales	Y-o-Y	Operating Income	Y-o-Y
Equipment and Tools	¥33,207M	(10.4)%	¥1,175M	+38.7%

In the Equipment and Tools Segment, overall sales decreased by 3.5% year over year in the October to December period, which resulted in a smaller decline compared with a 13.8% year-over-year decrease in the April to September period. Overall operating income increased further by 96.0% year over year in the October to December period compared with a 17.2% year-over-year growth in the April to September due to sales growth in the Security Business with high profitability and an improvement in profitability in the Industrial Equipment Business, accounting for a big composition in volume of this segment.

(Machine and Facility Segment)

Regarding the business environment, the domestic demand for machine tools by the Japan Machine Tool Builders' Association decreased by 49.4% year over year (April-June period), 37.4% year over year (July-September period), and 14.0% year over year (October-December period), which was on a recovery trend.

The summary of each business is as follows:

【Machine Tool Business (Down 39.2% Y-o-Y)】

The orders received was on an upward trend, a 0.4% year-over-year decrease in the October to December period, compared with a 25% year-over-year decrease in the April to September period, while the sales recorded a smaller decline compared with the same period of the previous fiscal year. The backlog at the end of December 2020 decreased by 17% year over year.

【Factory Automation Business (Up 30.4% Y-o-Y)】

The sales recorded a year-over-year growth, contributed by a big project, while the orders received decreased by 43% year over year due to a rebound of special demand in the same period of the previous fiscal year. The backlog at the end of December 2020 decreased by 71% year over year.

	Net Sales	Y-o-Y	Operating Income	Y-o-Y
Machine and Facility	¥10,605M	(32.0)%	¥210M	(54.9)%

In the Machine and Facility Segment, overall sales decreased by 26.0% year over year in the October to December period, which resulted in a slightly smaller decline compared with a 34.9% year-over-year decrease in the April to September period. Overall operating income decreased by 50.7% year over year in the October to December period, which resulted in a slightly smaller decline compared with a 56.1% year-over-year decrease in the April to September period, although we made efforts to reduce the SG&A expenses.

(Construction and Piping Products Segment)

Regarding the business environment, the construction starts of steel frame buildings by floor area, a leading indicator, showed a downward trend, a 14.9% year-over-year decrease in the January-March period, a 9.9% year-over-year decrease in the April to June period, and a 21.1% year-over-year decrease (July-September period).

The summary of each business is as follows:

【Building Supplies Business (Down 17.4% Y-o-Y)】

The sales resulted in a smaller decline in the October to December period despite continued sluggish demand. Regarding in-house products, the volume and the unit price recoded a year-over-year decrease due to sluggish demand, but the sales volume resulted in a smaller decline. Regarding the purchasing supplies, the sales volume resulted in a smaller decline, less affected by a rebound of special factors of high strength bolts.

【Piping Products Business (Down 4.3% Y-o-Y)】

The sales resulted in a slightly greater year-over-year decline in the October to December period, impacted by a decline in the volume and the unit price of small businesses, affected by a decrease in overall demand, despite an order of a big project.

	Net Sales	Y-o-Y	Operating Income	Y-o-Y
Machine and Facility	¥22,670M	(14.8)%	¥743M	(56.8)%

In the Construction and Piping Products Segment, overall sales decreased by 13.3% year over year in the October to December period, which resulted in a slightly smaller decline compared with a 15.6% year-over-year decrease in the April to September period. Overall operating income decreased by 45.4% year over year in the October to December period, which resulted in a slightly smaller decline compared with a 62.2% year over year in the April to September period, contributed by efforts to reduce the SG&A expenses.

Accordingly, consolidated net sales during the period decreased by 16.2% year over year to ¥66,483 million (-18.6% in H1). On the earnings front, gross profit margin decreased by 8.7% year over year by an improvement in gross profit margin. Regarding SG&A expenses, the main factors of changes were a reduction in freight and shipping expenses and an increase in reversal of allowance for doubtful accounts. Operating income decreased by 28.6% year over year to ¥2,227 million (-36.9% in H1), and ordinary income decreased by 26.6% year over year to ¥2,491 million (-34.3% in H1). Consequently, net income attributable to owners of parent decreased by 32.0% year over year to ¥1,492 million (-39.9% in H1).

(2) Earnings Forecast for fiscal 2020, ending March 31, 2021

The earnings forecast is unchanged from the forecast announced on August 21, 2020 in the press release “Notice Regarding Consolidated Earnings and Dividends Forecasts”

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Thousands of Yen	
	March 31, 2020 Amounts	December 31, 2020 Amounts
Assets		
Current assets:		
Cash and deposits	¥ 12,883,804	¥ 11,723,825
Notes and accounts receivable-trade	22,024,449	18,154,660
Electronically recorded monetary claims-operating	3,771,629	4,265,324
Securities	-	301,627
Merchandise and finished goods	4,952,449	4,354,694
Work in process	468,470	365,235
Raw materials and supplies	155,165	123,269
Other	864,252	1,310,426
Allowance for doubtful accounts	(50,303)	(4,340)
Total current assets	45,069,918	40,594,724
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	4,976,792	5,369,238
Machinery, equipment and vehicles, net	758,911	769,840
Land	7,487,330	8,928,859
Construction in progress	1,010,686	494
Other, net	272,865	290,228
Total property, plant and equipment	14,506,586	15,358,661
Intangible assets:		
Goodwill	1,171,097	1,048,651
Trade right	1,560,000	1,440,000
Other	255,305	218,048
Total intangible assets	2,986,402	2,706,699
Investments and other assets:		
Investment securities	2,515,991	2,828,130
Retirement benefit asset	678,911	709,499
Deferred tax assets	61,804	61,504
Other	1,292,203	1,134,877
Allowance for doubtful accounts	(222,860)	(81,708)
Total investments and other assets	4,326,051	4,652,303
Total non-current assets	21,819,040	22,717,664
Total assets	¥ 66,888,958	¥ 63,312,388

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

	Thousands of Yen	
	March 31, 2020 Amounts	December 31, 2020 Amounts
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	¥ 13,575,244	¥ 10,555,280
Electronically recorded obligations-operating	6,179,966	6,113,473
Current portion of long-term borrowings	25,000	-
Income taxes payable	707,467	254,640
Provision for bonuses	730,495	376,438
Provision for bonuses for directors	14,875	13,342
Other	2,817,789	1,569,094
Total current liabilities	24,050,837	18,882,271
Non-current liabilities:		
Deferred tax liabilities	245,815	676,100
Provision for share-based remuneration for directors	10,196	10,196
Retirement benefit liability	72,932	78,216
Other	206,841	205,255
Total noncurrent liabilities	535,786	969,768
Total liabilities	24,586,624	19,852,039
Net Assets		
Shareholders' equity:		
Share capital	5,232,413	5,232,413
Capital surplus	5,997,217	5,997,217
Retained earnings	30,221,251	30,864,435
Treasury stock	(85,062)	(85,535)
Total shareholders' equity	41,365,820	42,008,531
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	800,902	1,218,167
Deferred gains or losses on hedges	(11)	-
Remeasurements of defined benefit plans	(2,864)	(11,178)
Total accumulated other comprehensive income	798,026	1,206,988
Non-controlling interests	138,487	244,829
Total net assets	42,302,334	43,460,349
Total liabilities and net assets	¥ 66,888,958	¥ 63,312,388

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

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Thousands of Yen	
	Nine months ended December 31, 2019	Nine months ended December 31, 2020
	Amounts	Amounts
Net sales	¥ 79,292,226	¥ 66,483,755
Cost of sales	67,312,891	55,541,060
Gross profit	11,979,334	10,942,695
Selling, general and administrative expenses	8,858,659	8,715,527
Operating income	3,120,675	2,227,167
Non-operating income:		
Interest income	3,864	3,852
Dividend income	67,307	54,128
Purchase discounts	397,884	323,213
Rent income	49,789	45,508
Other	22,219	49,194
Total non-operating income	541,066	475,897
Non-operating expenses:		
Interest expenses	2,741	7
Sales discounts	221,455	188,148
Rental cost	3,178	2,683
Other	40,328	20,421
Total non-operating expenses	267,704	211,261
Ordinary income	3,394,037	2,491,803
Extraordinary loss:		
Loss on abandonment of inventories	19,505	-
Total extraordinary loss	19,505	-
Income before income taxes	3,374,532	2,491,803
Income taxes-current	963,154	650,863
Income taxes-deferred	196,979	242,027
Total income taxes	1,160,134	892,891
Net income	2,214,398	1,598,912
Net income attributable to non-controlling interests	18,062	106,342
Net income attributable to owners of parent	¥ 2,196,335	¥ 1,492,569

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, 2019	Nine months ended December 31, 2020
	Amounts	Amounts
Net income	¥ 2,214,398	¥ 1,598,912
Other comprehensive income:		
Valuation difference on available-for-sale securities	104,924	417,265
Deferred gains or losses on hedges	-	11
Remeasurements of defined benefit plans, net of tax	(19,813)	(8,314)
Total other comprehensive income	85,111	408,962
Comprehensive income:	2,299,509	2,007,874
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,281,447	1,901,532
Comprehensive income attributable to non-controlling interests	¥ 18,062	¥ 106,342

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

SEGMENT INFORMATION

1. Nine months ended December 31, 2019 (from April 1 to December 31, 2019)

(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	¥ 37,073,918	¥ 936,754	¥ 38,010,672	¥ 848,025
Machine and Facility	15,604,848	158,817	15,763,665	466,762
Construction and Piping Products	26,613,460	7,201	26,620,662	1,722,180
Subtotal	79,292,226	1,102,774	80,395,000	3,036,968
Adjustment (*1)	-	(1,102,774)	(1,102,774)	83,706
Total amounts on the consolidated statements of income (*2)	¥ 79,292,226	-	¥ 79,292,226	¥ 3,120,675

Note:

- Adjustment of operating income, ¥83,706 thousand, incorporates elimination of intersegment transaction, ¥86,336 thousand, adjustment of inventory, ¥(4,415) thousand and adjustment of non-current assets, ¥1,785 thousand.
- Operating income for segment is adjusted on operating income on the quarterly consolidated statements of income.

2. Nine months ended December 31, 2020 (from April 1 to December 31, 2020)

(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	¥ 33,207,742	¥ 775,679	¥ 33,983,422	¥ 1,175,993
Machine and Facility	10,605,600	323,051	10,928,652	210,631
Construction and Piping Products	22,670,412	10,964	22,681,376	743,531
Subtotal	66,483,755	1,109,695	67,593,451	2,130,156
Adjustment (*1)	-	(1,109,695)	(1,109,695)	97,010
Total amounts on the consolidated statements of income (*2)	¥ 66,483,755	-	¥ 66,483,755	¥ 2,227,167

Note:

- Adjustment of operating income, ¥97,010 thousand, incorporates elimination of intersegment transaction, ¥99,389 thousand, adjustment of inventory, ¥(4,116) thousand and adjustment of non-current assets, ¥1,737 thousand.
- Operating income for segment is adjusted on operating income on the quarterly consolidated statements of income.