

FOR IMMEDIATE RELEASE:

**Furusato Announces Financial Results
for the Year Ended March 31, 2021 [Japan GAAP]**

Osaka, Japan, May 7, 2021 – Furusato Industries, Ltd. announced its financial results for the year ended March 31, 2021. 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.

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

All figures are rounded down to the nearest million yen.

CONSOLIDATED FINANCIAL RESULTS

1. Business Results

	Year Ended March 31, 2021	Year Ended March 31, 2020
Operating Results:	(Millions of Yen)	(Millions of Yen)
Net Sales	¥ 89,478	¥ 104,619
Operating Income	2,778	3,973
Ordinary Income	3,116	4,334
Net Income Attributable to Owners of Parent	1,935	2,808
ROE (Net Income to Net Assets)	4.5%	6.8%
ROA (Ordinary Income to Total Assets)	4.7%	6.4%
Operating Income to Net Sales	3.1%	3.8%
Per Share Data:	(Yen)	(Yen)
Net Income Attributable to Owners of Parent	¥ 133.53	¥ 193.71
	As of March 31, 2021	As of March 31, 2020
Financial Position:	(Millions of Yen)	(Millions of Yen)
Total Assets	¥ 66,512	¥ 67,083
Net Assets	44,261	42,302
Equity Ratio	66.2%	62.9%
Per Share Data:	(Yen)	(Yen)
Net Assets	¥ 3,036.29	¥ 2,908.60
Cash Flows:	(Millions of Yen)	(Millions of Yen)
Net Cash Provided by Operating Activities	¥ 4,644	¥ 4,750
Net Cash Used in Investing Activities	(2,561)	(3,550)
Net Cash Used in Financing Activities	(873)	(1,520)
Cash and Cash Equivalents at End of Period	14,093	12,883

Notes:

1. Comprehensive income
 - Year ended March 31, 2021: ¥2,809 million, 22.7%
 - Year ended March 31, 2020: ¥2,288 million, (0.6)%
2. Equity capital
 - March 31, 2021: ¥44,013 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. 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 in accounting policies other than 1) above based on revisions of accounting standard: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatements: No
5. Number of issued and outstanding shares (common stock)
 - 1) Number of issued and outstanding shares at the end of period (including treasury stock)
 - March 31, 2021: 14,574,366 shares
 - March 31, 2020: 14,574,366 shares
 - 2) Number of treasury stock at the end of period
 - March 31, 2021: 78,612 shares
 - March 31, 2020: 78,120 shares
 - 3) Average number of shares (consolidated, cumulative)
 - March 31, 2021: 14,495,986 shares
 - March 31, 2020: 14,496,509 shares

2. Dividends

	Dividends Per Share (Yen)					Total Dividends (Annual)	Dividend Payout Ratio (Consolidated)	Dividend on Net Assets (Consolidated)
	1Q	2Q	3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Fiscal Year Ended March 31, 2020	-	5.00	-	53.50	58.50	849	30.2	2.1
Fiscal Year Ended March 31, 2021	-	5.00	-	35.50	40.50	588	30.3	1.4
Fiscal Year Ending March 31, 2022 (Forecast)	-	-	-	-	-		-	

Note: Furusato has not determined the dividend forecast for the fiscal year ending March 31, 2022 at this point.

CONSOLIDATED EARNINGS FORECAST FOR FISCAL 2021, ENDING MARCH 31, 2022

Furusato has not determined its consolidated earnings forecast for fiscal 2021, ending March 31, 2022 at this point. Please refer to “4. Earnings Forecast for fiscal 2021, ending March 31, 2022” in the section “RESULTS OF OPERATIONS AND FINANCIAL POSITION (YEAR ENDED MARCH 31, 2022)” on P6 for its earnings forecasts.

[REFERENCE] NON-CONSOLIDATED FINANCIAL RESULTS

	Year Ended March 31, 2021	Year Ended March 31, 2020
Operating Results:	(Millions of Yen)	(Millions of Yen)
Net Sales	¥ 29,638	¥ 34,289
Operating Income	899	2,022
Ordinary Income	3,591	2,219
Net Income	3,182	1,469
Per Share Data:	(Yen)	(Yen)
Net Income	¥ 219.58	¥ 101.34
	As of March 31, 2021	As of March 31, 2020
Financial Position:	(Millions of Yen)	(Millions of Yen)
Total Assets	¥ 35,698	¥ 33,413
Net Assets	26,968	24,444
Equity Ratio	75.5%	73.2%
Per Share Data:	(Yen)	(Yen)
Net Assets	¥ 1,860.47	¥ 1,686.24

※This immediate release is not subject to audit by certified public accountants or auditing firms.

※ 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 AND FINANCIAL POSITION (YEAR ENDED MARCH 31, 2021)

1. Analysis of Operating Results

(1) Overview of Results

During the year ended March 31, 2021, in the Japanese economy, economic activities stagnated due to the COVID-19 pandemic, and although there were signs of a temporary recovery, the outlook remains uncertain. In the Furusato Group, we are promoting our business portfolio management by diversifying our operations into fields with different economic sensitivities such as industrial production, machinery and facility, building supplies, and security. Major businesses recorded a double-digit year-over-year decrease, while the Security business grew substantially in sales and profits, which positively contributed to sales and profits of the Group.

The business environment and overview by segment are as follows:

(Equipment and Tools Segment)

Regarding the business environment, the industrial production index decreased by 20.7% year over year (April-June period), 12.7% year over year (July-September period), 4.2% year over year (October-December period), and 1.3% (January-March period) respectively, while the automotive production index decreased by 49.8% year over year (April-June period), 16.5% year over year (July-September period), increased by 2.1% year over year (October-December period), and decreased by 3.4% (January-March 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), 10.1% year over year (July-September period) year over year, and 7.0% (October-December period) respectively.

The summary of each business is as follows:

【Industrial Equipment Business (Down 10.5% Y-o-Y)】

The sales showed on an upward trend in the second half of fiscal 2020, although the industrial production is currently on a downward trend due mainly to the impact of the semiconductor shortage on automobile production. This was contributed by sale of original products, expansion of EC sales, and the effects of policy measures related to the motion control business.

【Machine and Tools for Automotive Business (Down 26.8% Y-o-Y)】

Due to the tight global supply and demand for semiconductors, manufacturers of finished vehicles have been forced to reduce production or suspend operations. As a result, automobile production, which had been on a recovery trend, has turned negative since December, and a quick recovery is not expected. Although a decline in the sales was smaller, it will take some time to fully recover.

【Housing Equipment Business (Down 3.3% Y-o-Y)】

The sales recorded a year-over-year growth in the second half, contributed by efforts to increase orders in the market environment under flat market conditions. We will continue to make efforts to improve earnings by increasing orders of projects by utilizing our construction function.

【Security Business (Up 59.8% Y-o-Y)】

The sales and profits grew substantially despite showing a slowdown in sales growth in the January to March period. The big projects and the thermal cameras contributed to the growth.

	Net Sales	Y-o-Y	Operating Income	Y-o-Y
Equipment and Tools	¥45,534M	(8.3)%	¥1,461M	+18.8%

In the Equipment and Tools Segment, overall sales showed on a gradual recovery trend each quarter, and finally recorded a smaller decline, a 1.8% year-over-year decrease in the January to March period. Accordingly, overall sales were a single-digit decline in full-year of fiscal 2020. Regarding overall operating income, in the January to March period, it decreased by 25.3% year over year due mainly to a slowdown in sales of the Security Business that enjoys high profitability, and a temporary hike of personnel expenses, while in full-year of fiscal 2020, it recorded a double-digit year-over-year growth.

(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), 14.0% year over year (October-December period), and increased by 1.6% year over year (January-March period), which has been recovering every quarter.

The summary of each business is as follows:

【Machine Tool Business (Down 36.3% Y-o-Y)】

The orders received turned to a 1.2% year-over-year increase in the January to March period, and accordingly, the year-over-year decline of net sales has been smaller gradually. The backlog at the end of March 2021 increased by 2.3% year over year.

【Factory Automation Business (Up 18.0% Y-o-Y)】

Although the orders received substantially decreased year over year by the third quarter, it recovered to a 1.1% year-over-year decrease in the January to March period. The backlog at the end of March 2021 decreased by 50% year over year.

	Net Sales	Y-o-Y	Operating Income	Y-o-Y
Machine and Facility	¥14,320M	(30.8)%	¥305M	(49.2)%

In the Machine and Facility Segment, overall sales decreased by 26.6% year over year in the second half, which resulted in a slightly smaller decline compared with a 34.9% year-over-year decrease in the first half. Overall operating income decreased by 39.0% year over year in the second half, which resulted in a slightly smaller decline compared with a 56.1% year-over-year decrease in the first half due to an improvement of profitability and 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 no signs of a recovery, a 14.9% year-over-year decrease (January-March period), a 9.9% year-over-year decrease (April-June period), and a 21.1% year-over-year decrease (July-September period), and a 13.8% year-over-year decrease (October-December period).

The summary of each business is as follows:

【Building Supplies Business (Down 15.9% Y-o-Y)】

The sales recorded a double-digit year-over-year decrease throughout the fiscal year, reflecting decreased demand. Regarding in-house products, sales volume and unit prices recorded a year-over-year decrease due to decreased demand. The high strength bolts, our major purchasing supplies, turned to a single-digit year-over-year decrease in the January to March period from a double-digit decrease by the third quarter of this fiscal year due to fading the impact of special factors in the previous fiscal year.

【Piping Products Business (Down 4.5% Y-o-Y)】

The sales have recorded a single-digit decrease since the second quarter, due to the postpone and cancel of construction projects, and a slowdown in production, reflecting a decrease in overall demand, although the sales decreased a slight year-over-year growth in the first quarter due to an order of a big project.

	Net Sales	Y-o-Y	Operating Income	Y-o-Y
Construction and Piping Products	¥29,624M	(13.6)%	¥899M	(55.5)%

In the Construction and Piping Products Segment, overall sales decreased by 11.4% year over year in the second half, which resulted in a slightly smaller decline compared with a 15.6% year-over-year decrease in the first half. Overall operating income decreased substantially, reflecting a decrease in sales, and deteriorated gross profit margin despite efforts to reduce the SG&A expenses.

Accordingly, consolidated net sales during the period decreased by 14.5% year over year to ¥89,478 million (-16.2% in Q3). On the earnings front, gross profit margin decreased by 7.9% year over year by an improvement in gross profit margin. SG&A expenses decreased by 0.5% year over year, the main factors of changes were a reduction in freight and shipping expenses, an increase in reversal of allowance for doubtful accounts, and an increase of personnel expenses. Operating income decreased by 30.1% year over year to ¥2,778 million (-28.6% in Q3), and ordinary income decreased by 28.1% year over year to ¥3,116 million (-26.6% in Q3). Consequently, net income attributable to owners of parent decreased by 31.1% year over year to ¥1,935 million (-32.0% in Q3).

(2) Overview of Consolidated Financial Position

〈Total assets〉

As of March 31, 2021, total assets decreased by ¥571 million to ¥66,512 million from the end of the previous fiscal year. According to a breakdown of the change, total current assets decreased by ¥1,891 million from the fiscal 2019 year-end. That was due primarily to an increase in cash and deposits of ¥1,209 million, a decrease in notes and accounts receivable-trade of ¥3,206 million, an increase in electronically recorded monetary claims-operating of ¥152 million, an increase in securities of ¥300 million, and a decrease in inventories by ¥436 million. Total non-current assets increased by ¥1,320 million. That was due primarily to an increase in property, plant, and equipment of ¥766 million, a decrease in intangible assets of ¥353 million, an increase in investment securities of ¥501 million, and an increase in retirement benefit asset of ¥355 million.

〈Total liabilities〉

Total liabilities decreased by ¥2,530 million to ¥22,250 million from the end of the previous fiscal year. According to a breakdown of the change, total current liabilities decreased by ¥3,008 million from the fiscal 2019 year-end. That was due primarily to a decrease in notes and accounts payable-trade by ¥1,359 million, and a decrease in income taxes payable by ¥267 million. Total noncurrent liabilities increased by ¥477 million from the fiscal 2019 year-end. That was due primarily to an increase in deferred tax liabilities of ¥472 million.

〈Net assets〉

Net assets increased by ¥1,959 million to ¥44,261 million from the end of the previous fiscal year. This was attributed to net income attributable to owners of parent of ¥1,935 million, dividends from surplus of ¥849 million, an increase in valuation difference on available-for-sale securities of ¥556 million, and an increase in remeasurements of defined benefit plans of ¥207 million.

(3) Overview of Consolidated Cash Flows

〈Cash flows〉

Cash and cash equivalents (hereinafter referred to as "cash") as of March 31, 2021 increased by ¥1,209 million from the beginning of fiscal 2020 to ¥14,093 million (in fiscal 2019, ¥12,883 million) due to an increase in cash from operating activities and a decrease in cash from investment activities and financing activities.

〈Net cash from operating activities〉

Net cash provided by operating activities was ¥4,644 million (in fiscal 2019, net cash provided by operating activities ¥4,750 million). Factors behind the result were income before income taxes of ¥3,147 million, depreciation and amortization of ¥908 million, amortization of goodwill of ¥118 million, a decrease of allowance for doubtful accounts of ¥188 million, a decrease in notes and accounts receivable-trade of ¥2,816 million, a decrease in inventories of ¥436 million, a decrease in notes and accounts payable-trade of ¥1,117 million, and income taxes paid of ¥1,810 million.

〈Net cash from investing activities〉

Net cash used in investing activities totaled ¥2,561 million (in fiscal 2019, net cash used in investing activities ¥3,550 million), mainly resulting from purchases of property, plant, and equipment of ¥1,433 million, purchase of intangible assets of ¥1,161 million, and purchase of investment securities of ¥46 million.

〈Net cash from financing activities〉

Net cash used in financing activities was ¥873 million (in fiscal 2019, net cash provided by financing activities ¥1,520 million). That was mainly owing to cash dividends paid of ¥847 million, and repayments of long-term loans payable of ¥25 million.

(4) Earnings Forecast for fiscal 2021, ending March 31, 2022

Regarding the consolidated earnings forecast for fiscal 2021, ending March 31, 2022, Furusato has not determined as it is difficult to reasonably estimate it. Furusato will promptly announce it as soon as the estimate can be made.

(5) Basic Policy for Distribution of Profits, Dividends for FY2020 and Dividends Forecasts for FY2021

Furusato regards our dividend policy as one of the critical management issues and adopts the following policy:

- (i) In order to increase the returns to shareholders over the long term, we strive to reinforce our profit structure. Internal capital resources will be secured for active investment in growing businesses.
- (ii) The target annual dividend payout ratio is 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 to pay ¥10 as the stable dividend returns to our shareholders.

Note: Amount is rounded up by ¥0.5.

¥0.01 - ¥0.49; ¥0.5

¥0.51 - ¥0.99; ¥1.0

In accordance with this policy, Furusato plans to pay a year-end dividend of ¥35.5 per share, resulting in an annual dividend of ¥40.5 per share together with the interim dividend of ¥5.0 per share already paid.

Regarding the year-end dividend and the annual dividend for fiscal 2021, ending March 31, 2022, Furusato has not determined as it is difficult to reasonably estimate the consolidated earnings forecast.

CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED MARCH 31, 2021

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Thousands of Yen	
	March 31, 2020	March 31, 2021
	Amounts	Amounts
Assets		
Current assets:		
Cash and deposits	¥ 12,883,804	¥ 14,093,323
Notes and accounts receivable-trade	22,024,449	18,817,569
Electronically recorded monetary claims-operating	3,771,629	3,924,145
Securities	-	300,708
Merchandise and finished goods	4,952,449	4,550,481
Work in process	468,470	456,601
Raw materials and supplies	155,165	132,169
Other	864,252	909,311
Allowance for doubtful accounts	(50,303)	(5,692)
Total current assets	45,069,918	43,178,617
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	10,541,644	11,147,547
Accumulated depreciation	(5,564,851)	(5,849,224)
Buildings and structures, net	4,976,792	5,298,323
Machinery, equipment and vehicles	3,181,559	3,320,428
Accumulated depreciation	(2,422,171)	(2,592,487)
Machinery, equipment and vehicles, net	759,388	727,940
Land	7,487,330	8,928,859
Construction in progress	1,010,686	494
Other	1,017,472	1,146,735
Accumulated depreciation	(744,607)	(828,606)
Others, net	272,865	318,129
Total property, plant and equipment	14,507,063	15,273,747
Intangible assets:		
Goodwill	727,209	608,337
Trade right	1,560,000	1,400,000
Other	893,305	818,471
Total intangible assets	3,180,515	2,826,809
Investments and other assets:		
Investment securities	2,515,991	3,017,411
Retirement benefit asset	678,911	1,034,818
Deferred tax assets	61,804	129,547
Other	1,292,203	1,130,124
Allowance for doubtful accounts	(222,860)	(78,635)
Total investments and other assets	4,326,051	5,233,267
Total non-current assets	22,013,630	23,333,824
Total assets	¥ 67,083,548	¥ 66,512,442

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

	Thousands of Yen	
	March 31, 2020	March 31, 2021
	Amounts	Amounts
<u>Liabilities</u>		
Current liabilities:		
Notes and accounts payable-trade	¥ 13,575,244	¥ 12,215,679
Electronically recorded obligations-operating	6,179,966	6,132,644
Current portion of long-term borrowings	25,000	-
Income taxes payable	707,467	439,554
Provision for bonuses	730,495	709,267
Provision for bonuses for directors	14,875	17,300
Other	2,817,789	1,528,291
Total current liabilities	24,050,837	21,042,737
Non-current liabilities:		
Deferred tax liabilities	440,405	913,295
Provision for share-based remuneration for directors	10,196	10,196
Retirement benefit liability	72,932	77,673
Other	206,841	206,595
Total noncurrent liabilities	730,376	1,207,759
Total liabilities	24,781,214	22,250,496
<u>Net Assets</u>		
Shareholders' equity:		
Share capital	5,232,413	5,232,413
Capital surplus	5,997,217	5,997,217
Retained earnings	30,221,251	31,307,517
Treasury shares	(85,062)	(85,725)
Total shareholders' equity	41,365,820	42,451,422
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	800,902	1,357,020
Deferred gains or losses on hedges	(11)	-
Remeasurements of defined benefit plans	(2,864)	204,819
Total accumulated other comprehensive income	798,026	1,561,840
Non-controlling interests	138,487	248,683
Total net assets	42,302,334	44,261,945
Total liabilities and net assets	¥ 67,083,548	¥ 66,512,442

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

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Thousands of Yen	
	Year ended March 31, 2020	Year ended March 31, 2021
	Amounts	Amounts
Net sales	¥ 104,619,924	¥ 89,478,943
Cost of sales	88,805,058	74,914,197
Gross profit	15,814,866	14,564,746
Selling, general and administrative expenses:		
Freight and packing costs	1,472,753	1,376,176
Provision of allowance for doubtful accounts	(11,713)	(182,945)
Provision for bonuses for directors	14,875	17,300
Salaries, allowances and bonuses	5,040,453	5,028,076
Provision for bonuses	647,941	634,422
Retirement benefit expenses	187,346	223,488
Other	4,489,497	4,690,130
Total selling, general and administrative expenses	11,841,153	11,786,648
Operating income	3,973,712	2,778,097
Non-operating income:		
Interest income	5,228	5,187
Dividend income	79,022	59,222
Purchase discounts	515,140	426,673
Rent income	65,882	61,104
Other	38,051	68,531
Total non-operating income	703,325	620,719
Non-operating expenses:		
Interest expenses	3,074	7
Sales discounts	289,212	255,038
Rental cost	4,953	4,302
Other	45,172	23,088
Total non-operating expenses	342,413	282,437
Ordinary income	4,334,624	3,116,379
Extraordinary income:		
Gain on sales of investment securities	-	30,731
Total extraordinary income	-	30,731
Extraordinary loss:		
Loss on abandonment of inventories	21,851	-
Loss on valuation of investment securities	3,228	-
Total extraordinary loss	25,080	-
Income before income taxes	4,309,544	3,147,111
Income taxes-current	1,440,937	1,042,918
Income taxes-deferred	27,950	58,344
Total income taxes	1,468,887	1,101,263
Net income	2,840,657	2,045,847
Net income attributable to non-controlling interests	32,527	110,196
Net income attributable to owners of parent	¥ 2,808,129	¥ 1,935,651

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Thousands of Yen	
	Year ended March 31, 2020	Year ended March 31, 2021
	Amounts	Amounts
Net income	¥ 2,840,657	¥ 2,045,847
Other comprehensive income:		
Valuation difference on available-for-sale securities	(413,299)	556,118
Deferred gains or losses on hedges	(11)	11
Remeasurements of defined benefit plans, net of tax	(138,350)	207,683
Total other comprehensive income	(551,660)	763,813
Comprehensive income:	2,288,996	2,809,661
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,256,468	2,699,465
Comprehensive income attributable to non-controlling interests	¥ 32,527	¥ 110,196

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

Year Ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Thousands of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at April 1, 2019	5,232,413	5,997,217	28,195,735	(84,407)	39,340,959
Changes of items during the period					
Dividends from surplus			(871,190)		(871,190)
Net income attributable to owners of parent			2,808,129		2,808,129
Change in scope of consolidation			88,577		88,577
Purchases of treasury stock				(654)	(654)
Net changes in items other than shareholders' equity					
Total changes of items during the period	-	-	2,025,516	(654)	2,024,861
Balance at March 31, 2020	5,232,413	5,997,217	30,221,251	(85,062)	41,365,820

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2019	1,214,201	-	135,485	1,349,687	-	40,690,646
Changes of items during the period						
Dividends from surplus						(871,190)
Net income attributable to owners of parent						2,808,129
Change in scope of consolidation						88,577
Purchases of treasury stock						(654)
Net changes in items other than shareholders' equity	(413,299)	(11)	(138,350)	(551,660)	138,487	(413,173)
Total changes of items during the period	(413,299)	(11)	(138,350)	(551,660)	138,487	1,611,687
Balance at March 31, 2020	800,902	(11)	(2,864)	798,026	138,487	42,302,334

Year Ended March 31, 2021 (from April 1, 2020 to March 31, 2021) (Thousands of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at April 1, 2020	5,232,413	5,997,217	30,221,251	(85,062)	41,365,820
Changes of items during the period					
Dividends from surplus			(849,386)		(849,386)
Net income attributable to owners of parent			1,935,651		1,935,651
Purchases of treasury stock				(663)	(663)
Net changes in items other than shareholders' equity					
Total changes of items during the period	-	-	1,086,265	(663)	1,085,601
Balance at March 31, 2021	5,232,413	5,997,217	31,307,517	(85,725)	42,451,422

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2020	800,902	(11)	(2,864)	798,026	138,487	42,302,334
Changes of items during the period						
Dividends from surplus						(849,386)
Net income attributable to owners of parent						1,935,651
Purchases of treasury stock						(663)
Net changes in items other than shareholders' equity	556,118	11	207,683	763,813	110,196	874,009
Total changes of items during the period	556,118	11	207,683	763,813	110,196	1,959,611
Balance at March 31, 2021	1,357,020	-	204,819	1,561,840	248,683	44,261,945

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Thousands of Yen	
	Year ended March 31, 2020	Year ended March 31, 2021
	Amounts	Amounts
Cash flows from operating activities:		
Income before income taxes	¥ 4,309,544	¥ 3,147,111
Depreciation	698,764	908,234
Amortization of goodwill	54,295	118,872
Increase (decrease) in provision for bonuses for directors	(15,025)	2,425
Increase (decrease) in retirement benefit liability	10,079	4,740
Decrease (increase) in retirement benefit asset	(35,108)	(41,130)
Increase (decrease) in provision for bonuses	29,619	(21,227)
Increase (decrease) in allowance for doubtful accounts	(14,301)	(188,835)
Interest and dividends income	(84,251)	(64,410)
Interest expenses	3,074	7
Loss (gain) on sales of investment securities	-	(30,731)
Decrease (increase) in trade receivables	5,088,096	2,816,162
Decrease (increase) in inventories	(305,544)	436,834
Increase (decrease) in trade payables	(3,127,710)	(1,117,287)
Other	(112,065)	415,727
Subtotal	6,499,468	6,386,491
Interest and dividend income received	88,869	68,450
Interest paid	(2,441)	(22)
Income taxes paid	(1,835,883)	(1,810,155)
Net cash provided by (used in) operating activities	4,750,013	4,644,764
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,845,258)	(1,433,254)
Payments for removal of noncurrent assets	(6,000)	-
Purchase of intangible assets	(1,674,312)	(1,161,566)
Purchase of investment securities	(14,845)	(11,377)
Proceeds from sales of investment securities	-	46,831
Payments for guarantee deposits	(10,248)	(14,271)
Other	51	11,963
Net cash provided by (used in) investing activities	(3,550,614)	(2,561,673)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(550,000)	-
Repayments of long-term borrowings	(100,000)	(25,000)
Purchase of treasury shares	(654)	(663)
Dividends paid	(869,677)	(847,906)
Net cash provided by (used in) financing activities	(1,520,332)	(873,570)
Net increase (decrease) in cash and cash equivalents	(320,933)	1,209,519
Cash and cash equivalents at beginning of the period	13,056,546	12,883,804
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	148,190	-
Cash and cash equivalents at end of the period	¥ 12,883,804	¥ 14,093,323

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

■ Notes to Consolidated Financial Statements

(Notes on premise of a going concern)

Not applicable

(Business combination)

(Finalization of the provisional accounting treatment related to the business combination)

The provisional accounting treatment for the business combination with Nidec-Shimpo Corporation on March 30, 2020 was applied in the previous consolidated fiscal year, but was finalized in the current consolidated fiscal year.

As a result of the finalization of this provisional accounting treatment, the initial allocation of acquisition costs in the comparative information included in the consolidated financial statements for the fiscal year ended March 31, 2020 reflects a significant revision, and a portion of the amount recorded as goodwill has been reclassified.

As a result, the provisionally calculated goodwill amount of 1,089,653 thousand yen decreased by 443,887 thousand yen to 645,766 thousand yen due to the finalization of the accounting treatment. In addition, machinery, equipment and vehicles under property, plant and equipment increased by 477 thousand yen, other under intangible assets increased by 638,000 thousand yen, and deferred tax liabilities under long-term liabilities increased by 194,590 thousand yen at the end of the previous fiscal year.

SEGMENT INFORMATION

1. Outline of business segments reported

The business segments reported are the segments of Furusato Group for which separate financial information is available and for which operating income/loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance.

Furusato Group comprises of three segments, the “Equipment and Tools Segment”, the “Machine and Facility Segment” and the “Construction and Piping Products Segment”.

The Equipment and Tools Segment offers mainly equipment and tools to the manufacturing industry and equipments to the housing market.

The Machine and Facility Segment offers primarily machine tools and facilities installed in production lines.

The Construction and Piping Products Segment sells fastening products, hardware, welding materials, piping supplies, etc. and manufactures and sells turnbuckle braces and foundation bolts, etc.

2. Information on net sales, operating income (loss), assets, liabilities and other items by business segment reported

Year Ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Thousands of Yen)

	Net sales			Operating income	Assets	Other items	
	To customers	Intersegment	Total			Depreciation, amortization	Increase in tangible and intangible fixed assets
Business segment reported							
Equipment and Tools	¥ 49,633,148	¥ 1,251,848	¥ 50,884,997	¥ 1,229,625	¥ 23,836,044	¥ 203,119	¥ 2,966,420
Machine and Facility	20,706,886	212,599	20,919,485	601,857	5,849,099	31,194	282,826
Construction and Piping Products	34,279,889	9,121	34,289,010	2,022,602	22,906,859	461,504	1,551,558
Subtotal	104,619,924	1,473,568	106,093,493	3,854,085	52,592,003	695,819	4,800,805
Adjustment (*1)	-	(1,473,568)	(1,473,568)	119,626	14,491,544	2,945	-
Total amounts on the consolidated statements of income (*2)	¥ 104,619,924	-	¥ 104,619,924	¥ 3,973,712	¥ 67,083,548	¥ 698,764	¥ 4,800,805

Note:

1. Adjustment

(1) Adjustment of operating income amounted to ¥119,626 thousand, which includes elimination of intersegment transaction of ¥120,846 thousand, adjustment of inventory of ¥(3,598) thousand and adjustment of noncurrent assets of ¥2,379 thousand.

(2) Adjustment of assets amounted to ¥14,491,544 thousand, which includes elimination of intersegment transaction of ¥(849,967) thousand and corporate assets not allocated to each business segment reported of ¥15,341,512 thousand. The majority of corporate assets are surplus funds, long-term investment funds and assets in Administration section, which do not belong to each business segment reported.

(3) The majority of adjustment of depreciation and amortization are ¥2,945 thousand, do not belong to business segments reported.

2. Segment operating income is adjusted with operating income on the consolidated statements of income.

Year Ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Thousands of Yen)

	Net sales			Operating income	Assets	Other items	
	To customers	Intersegment	Total			Depreciation, amortization	Increase in tangible and intangible fixed assets
Business segment reported							
Equipment and Tools	¥ 45,534,655	¥ 1,035,214	¥ 46,569,870	¥ 1,461,090	¥ 23,482,178	¥ 397,441	¥ 127,785
Machine and Facility	14,320,179	366,291	14,686,470	305,540	4,483,120	40,857	14,446
Construction and Piping Products	29,624,109	13,992	29,638,101	899,585	22,471,519	467,727	1,301,024
Subtotal	89,478,943	1,415,499	90,894,442	2,666,216	50,436,817	906,026	1,443,255
Adjustment (*1)	-	(1,415,499)	(1,415,499)	111,881	16,075,624	2,208	-
Total amounts on the consolidated statements of income (*2)	¥ 89,478,943	-	¥ 89,478,943	¥ 2,778,097	¥ 66,512,442	¥ 908,234	¥ 1,443,255

Note:

1. Adjustment

(1) Adjustment of operating income amounted to ¥111,881 thousand, which includes elimination of intersegment transaction of ¥112,627 thousand, adjustment of inventory of ¥(3,029) thousand and adjustment of noncurrent assets of ¥2,283 thousand.

(2) Adjustment of assets amounted to ¥16,075,624 thousand, which includes elimination of intersegment transaction of ¥(916,037) thousand and corporate assets not allocated to each business segment reported of ¥16,991,662 thousand. The majority of corporate assets are surplus funds, long-term investment funds and assets in Administration section, which do not belong to each business segment reported.

(3) The majority of adjustment of depreciation and amortization are ¥2,208 thousand, do not belong to business segments reported.

2. Segment operating income is adjusted with operating income on the consolidated statements of income.

(Significant subsequent events)

(Notification Regarding Integration of Maruka Corporation and Furusato Industries, Ltd. through Establishment of Joint Holding Company (Share Transfer))

Maruka Corporation (“Maruka”) and Furusato Industries, Ltd. (“Furusato”) have reached an agreement with respect to the establishment of MARUKA FURUSATO Corporation, which will be the wholly owning parent company of both companies (the “Joint Holding Company”), through a joint share transfer (the “Share Transfer”) scheduled to become effective on October 1, 2021 (the “Integration”). As of May 7, 2021, pursuant to the resolution of the respective meetings of the Boards of Directors of Maruka and Furusato held on May 7, 2021, both companies have entered into an agreement on management integration concerning the Integration (the “Integration Agreement”), and have prepared a share transfer plan regarding the Share Transfer (the “Share Transfer Plan”).

The execution of the Integration and the Share Transfer is subject to the approval of the general meetings of shareholders of Maruka and Furusato respectively and any other permits and approvals required for the Integration.

(1) Purpose

Through the Integration, Maruka and Furusato will develop their platform strategy by achieving the synergy described below and strive to enhance their corporate value as an engineering trading company that fully supports manufacturing. It is expected that approximately 2 billion yen of synergy effects will be achieved by 2025 on a consolidated operating profit basis.

(i) Synergy through increased transaction volumes in machine tools

Although Maruka and Furusato sell a certain amount of machine tools in Japan, most of their brands do not overlap, and cross-selling will enable them to expand the lineup and satisfy the diverse needs of users. In addition, costs will be reduced due to favorable procurement conditions.

With respect to the brands for which both companies have purchasing channels, the transaction volume will be increased as a result of the Integration. However, by establishing a close relationship with manufacturers, we can provide various benefits such as offering a wider range of products and providing services under better conditions, and we can expect more effects than we can obtain from the total transaction volume, such as strengthening the relationship with users.

Furthermore, by utilizing Maruka’s domestic sales channel, Maruka and Furusato strive to achieve a comprehensive solution by providing a one-stop service through the cross-selling of Furusato’s equipment and tools and consumable goods centered on peripheral equipment of machine tools with Maruka’s machine tools.

(ii) Expansion of robot system integrator business

Maruka and Furusato have been strengthening their design and engineering functions to strengthen their ability to propose and introduce robotic automation lines, the demand of which is expected to increase, in order to address the declining birthrate and aging population and to improve production efficiency. The expansion of engineering functions and the strengthening of proposal capabilities will contribute to establishing their presence as an engineering trading company, enabling both companies to improve their ability to respond to diverse user needs. With these expanded and enhanced output functions, it is possible to efficiently manufacture and deliver the number of projects expected to increase due to orders of both companies.

(iii) Collaboration in global market

By taking advantage of Maruka’s global network consisting of 23 locations, mainly in North America and Asia, Maruka and Furusato will be able to develop high-quality and comprehensive sales operations that include industrial machinery as well as peripheral equipment and consumable goods.

By further expanding their lineup of machinery and peripheral equipment centered on private brands that are developed in Japan and expanding overseas, Maruka and Furusato strive to meet the user’s needs in a one-stop manner.

(iv) Improvement of ability to generate cash flow through efficiency of management resources and strategic investments

Maruka and Furusato strive to improve their ability to generate cash flow by allocating management capital to areas with high growth potential and securing the profitability and stability of the entire Group through the mutual utilization of domestic and overseas bases and optimization of the allocation of human

resources as well as concentrating management resources in strategic areas.

(2) Summary of Share Transfer

(i) Schedule of Share Transfer

Record date for the ordinary general meeting of shareholders (Furusato)	March 31, 2021 (Wed)
Meeting of board of directors for approval of the Integration Agreement and the Share Transfer Plan (both companies)	May 7, 2021 (Fri) (Today)
Conclusion of the Integration Agreement and preparation of the Share Transfer Plan (both companies)	May 7, 2021 (Fri) (Today)
Public notice of the record date for the extraordinary general meeting of shareholders (Maruka)	(Scheduled on) May 26, 2021 (Wed)
Record date for the extraordinary general meeting of shareholders (Maruka)	(Scheduled on) June 10, 2021 (Thu)
Ordinary general meeting of shareholders for approval of the Share Transfer Plan (Furusato)	(Scheduled on) June 21, 2021 (Mon)
Extraordinary general meeting of shareholders for approval of the Share Transfer Plan (Maruka)	(Scheduled on) July 16, 2021 (Fri)
Date of delisting of stocks (both companies)	(Scheduled on) September 29, 2021 (Wed)
Incorporation and registration of the Joint Holding Company (Effective date)	(Scheduled on) October 1, 2021 (Fri)
Listing of shares of the Joint Holding Company	(Scheduled on) October 1, 2021 (Fri)

During the procedures, the above schedule is subject to change upon consultation between the two companies if the necessity arises in the course of the proceedings for the Integration or under any other circumstances.

(ii) Method of the Share Transfer

The Share Transfer will consist of a joint share transfer with Maruka and Furusato as the wholly owned subsidiaries and the newly established Joint Holding Company as the wholly owning parent company.

(iii) Details of Allotment in Share Transfer (Share Transfer Ratio)

	Furusato	Maruka
Share Transfer Ratio	1	1.29

(Note 1) Details of Share Allotment in Share Transfer

One (1) share of common stock of the Joint Holding Company for One (1) share of common stock of Furusato, and 1.29 share of common stock of the Joint Holding Company for One (1) share of common stock of Maruka will be allotted. Provided, however, that the above share transfer ratio is subject to change upon consultation between Maruka and Furusato in the event of any material change to the conditions upon which the calculations are based.

If the number of shares of common stock of the Joint Holding Company which is to be delivered to a shareholder of Maruka or of Furusato through the Share Transfer contains any fraction less than one share, the Joint Holding Company will pay the relevant shareholder a cash amount corresponding to such fractional portion less than one share, pursuant to Article 234 of the Companies Act and other relevant laws and regulations.

(Note 2) Number of New Shares in the Joint Holding Company to be delivered through the Share Transfer (scheduled): 25,587,817 shares of common stock

The above number has been calculated based on the total number of issued and outstanding

shares in Maruka as of February 28, 2021 (9,327,700 shares) and the total number of issued and outstanding shares in Furusato as of March 31, 2021 (14,574,366 shares). Provided, however, that the treasury shares Maruka held as of February 28, 2021 (747,186 shares), the treasury shares Furusato held as of March 31, 2021 (55,412 shares) and the treasury shares acquired through the purchase of shares in connection with a share purchase request by a dissenting shareholder as set forth in Article 806, Paragraph 1 of the Companies Act that is exercised in connection with the Share Transfer, have been excluded in calculating the above number due to the fact that Maruka and Furusato plan to cancel their respective treasury shares that they currently hold or will newly acquire by the effective date of the Share Transfer, to the extent practicable. As the number of treasury shares, which are actually canceled by the effective date of the Share Transfer, is currently not yet fixed, the number of said shares to be issued by the Joint Holding Company may be changed.

(Note 3) Treatment of shares less than one unit

Maruka and Furusato will apply for the listing of the shares of the Joint Holding Company, which are to be allotted to the shareholders of Maruka and Furusato through the Share Transfer, on the Tokyo Stock Exchange. If such application is approved, the shares of the Joint Holding Company will be traded on the Tokyo Stock Exchange. Therefore, we believe that we may continue to provide liquidity for the shares of the Joint Holding Company to the shareholders of Maruka or Furusato, who will be allotted shares of the Joint Holding Company in such number equal to or more than 100 shares, which is the number of shares constituting one unit of shares of the Joint Holding Company, by holding 78 shares or more of Maruka or 100 shares or more of Furusato or otherwise.

The shareholders of Maruka or Furusato, who are allotted with the shares of the Joint Holding Company in such number less than 100 shares, may not sell such allotted shares on the Tokyo Stock Exchange or any other financial instruments exchange; however, such shareholders holding shares less than one unit may request the Joint Holding Company to purchase such shares, or alternatively, pursuant to such provisions to be specified in the articles of incorporation of the Joint Holding Company, they will also be able to purchase the shares from the Joint Holding Company, in such number, which, together with such shares less than one unit they hold, will constitute one unit.

(3) Profile of Joint Holding Company to be Established through Share Transfer

(i) Trade Name	MARUKA FURUSATO Corporation																						
(ii) Location of Head Office	1-2-10 Minamishin-machi, Chuo-ku, Osaka																						
(iii) Representatives and Directors (Scheduled)	<table> <tr> <td>Chairman and Representative Director</td> <td>Kunihiko Iida</td> </tr> <tr> <td>President and Representative Director</td> <td>Ryohei Furusato</td> </tr> <tr> <td>Director</td> <td>Toshiaki Takeshita</td> </tr> <tr> <td>Director</td> <td>Katsuhiro Yamashita</td> </tr> <tr> <td>Director</td> <td>Tsunehisa Namba</td> </tr> <tr> <td>Outside Director</td> <td>Kazuaki Kotani</td> </tr> <tr> <td>Outside Director</td> <td>Hiroyuki Nakatsukasa</td> </tr> <tr> <td>Outside Director</td> <td>Junko Takechi</td> </tr> <tr> <td>Standing Auditor</td> <td>Satoshi Onishi</td> </tr> <tr> <td>Outside Auditor</td> <td>Kyoko Hikita</td> </tr> <tr> <td>Outside Auditor</td> <td>Yasuo Sasaki</td> </tr> </table>	Chairman and Representative Director	Kunihiko Iida	President and Representative Director	Ryohei Furusato	Director	Toshiaki Takeshita	Director	Katsuhiro Yamashita	Director	Tsunehisa Namba	Outside Director	Kazuaki Kotani	Outside Director	Hiroyuki Nakatsukasa	Outside Director	Junko Takechi	Standing Auditor	Satoshi Onishi	Outside Auditor	Kyoko Hikita	Outside Auditor	Yasuo Sasaki
Chairman and Representative Director	Kunihiko Iida																						
President and Representative Director	Ryohei Furusato																						
Director	Toshiaki Takeshita																						
Director	Katsuhiro Yamashita																						
Director	Tsunehisa Namba																						
Outside Director	Kazuaki Kotani																						
Outside Director	Hiroyuki Nakatsukasa																						
Outside Director	Junko Takechi																						
Standing Auditor	Satoshi Onishi																						
Outside Auditor	Kyoko Hikita																						
Outside Auditor	Yasuo Sasaki																						
(iv) Principal Business	Management of subsidiaries and any and all businesses incidental or related thereto																						
(v) Paid-in Capital	5 billion																						
(vi) Fiscal Year End	December 31																						
(vii) Net Assets	Undetermined at present																						
(viii) Total Assets	Undetermined at present																						