

October 29, 2021

FOR IMMEDIATE RELEASE

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President and Representative Director  
(Tokyo Stock Exchange Securities Code: 7128)  
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**Notice Regarding Disclosure of Financial Results of Delisted Subsidiary, Furusato Industries, Ltd.**

MARUKA FURUSATO Corporation (the “Company”) announced the financial results of Furusato Industries, Ltd., which became a wholly-owned subsidiary of the Company on October 1, 2021, in the attachment “Financial Results for the Second Quarter Ended September 30, 2021” (from April 1, 2021 to September 30, 2021).

**FOR IMMEDIATE RELEASE:**

**Furusato Announces Financial Results**  
**for the Second Quarter Ended September 30, 2021 [Japan GAAP]**

Osaka, Japan, October 29, 2021 – Furusato Industries, Ltd. announced its consolidated financial results in the first half of the year ending March 31, 2022. 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**

|   | <b>Six Months Ended<br/>September 30, 2021</b> | <b>Six Months Ended<br/>September 30, 2020</b> |
|---|--|--|
| <b>Operating Results:</b>                   | (Millions of Yen)                              | (Millions of Yen)                              |
| Net Sales                                   | ¥ <b>46,015</b>                                | ¥ 43,360                                       |
| Operating Income                            | <b>1,039</b>                                   | 1,383  |
| Ordinary Income                             | <b>1,441</b>                                   | 1,564  |
| Net Income Attributable to Owners of Parent | <b>850</b>                                     | 942  |
| <b>Per Share Data:</b>                      | (Yen)  | (Yen)  |
| Net Income Attributable to Owners of Parent | ¥ <b>58.66</b>                                 | ¥ 65.01  |
|   | <b>As of September 30, 2021</b>                | <b>As of March 31, 2021</b>                    |
| <b>Financial Position:</b>                  | (Millions of Yen)                              | (Millions of Yen)                              |
| Total Assets                                | ¥ <b>66,942</b>                                | ¥ 66,512                                       |
| Net Assets                                  | <b>44,318</b>                                  | 44,261   |
| Net Assets to Total Assets                  | <b>66.2%</b>                                   | 66.2%  |
| <b>Per Share Data:</b>                      | (Yen)  | (Yen)  |
| Net Assets                                  | ¥ <b>3,045.67</b>                              | ¥ 3,036.29                                     |

Notes:

1. Comprehensive income (loss)
  - Six months ended September 30, 2021 ¥872 million, (27.2)%
  - Six months ended September 30, 2020 ¥1,198 million, (21.8)%
2. Equity capital
  - September 30, 2021: ¥44,318 million
  - March 31, 2021: ¥44,013 million
3. Changes in major subsidiaries during the period under review
  - (Change in specific subsidiaries due to changes in the scope of consolidation): None
4. Adoption of special accounting methods for the preparation of quarterly consolidated financial statements: None
5. Changes in accounting principles, changes in accounting estimates, and retrospective restatements

- 1) Changes in accounting principles resulting from revisions in accounting standards: Yes
- 2) Changes other than those in 1) above: None
- 3) Changes in accounting estimates: None
- 4) Retrospective restatements: None
6. Number of shares Issued and outstanding (common stock)
  - 1) Number of shares issued at the end of period (including treasury stock)
 

|                     |                   |
|---------------------|-------------------|
| September 30, 2021: | 14,574,366 shares |
| March 31, 2021:     | 14,574,366 shares |
  - 2) Number of treasury shares at the end of period
 

|                     |               |
|---------------------|---------------|
| September 30, 2021: | 23,200 shares |
| March 31, 2021:     | 78,612 shares |
  - 3) Average number of shares outstanding for the period (consolidated, cumulative)
 

|                     |                   |
|---------------------|-------------------|
| September 30, 2021: | 14,495,821 shares |
| September 30, 2020: | 14,496,110 shares |

## 2. Dividends

|  | Dividends Per Share (Yen) |      |    |          |        |
|--|---------------------------|------|----|----------|--------|
|  | 1Q                        | 2Q   | 3Q | Year-end | Annual |
| Fiscal Year Ended March 31, 2021             | -                         | 5.00 | -  | 35.50    | 40.50  |
| Fiscal Year Ending March 31, 2022            | -                         | -    | -  | -        | -      |
| Fiscal Year Ending March 31, 2022 (Forecast) | -                         | -    | -  | -        | -      |

Note: Changes from the latest dividend forecast: None

Furusato has not disclosed its earnings results and dividend forecast due to delisting of its common shares on September 29, 2021.

※This quarterly financial result is not subject to quarterly review procedures by the certified public accountants and the auditing firm.

※Explanation regarding proper use of the financial forecast and other notes

The common shares of Furusato were delisted on September 29, 2021. Furusato established a joint holding company, "MARUKA FURUSATO Corporation" via joint share transfer with Maruka Corporation on October 1, 2021.

Regarding the submission date of the quarterly securities report, Furusato leaves it blank because we will not submit the report due to delisting its common shares on September 29, 2021.

**RESULTS OF OPERATIONS AND FINANCIAL POSITION (SIX MONTHS ENDED SEPTEMBER 30, 2021)****1. Analysis of Operating Results****(1) Overview of Results**

During the six months ended September 30, 2021, the Japanese economy was still in a severe situation, impacted by the COVID-19, and remained uncertain overall despite a continuous improvement in economic conditions. Amid the progress of vaccination, there were expectations of the effects of various policies and improvement in overseas economies, but there were also concerns about an economic downturn, mainly impacted by shortages and price hikes of materials.

The business environment and overview by segment are as follows:

**(Equipment and Tools Segment)**

Regarding the business environment, the industrial production index remained year-over-year growth, but showed signs of slowdown. The automotive production index turned to be flat from a substantial year-over-year growth in the April-June period. The new housing starts showed an upward trend compared to the same period of the previous fiscal year.

The summary of each business is as follows:

**【Industrial Equipment Business (Up 15.2% Y-o-Y)】**

The sales increased by 13.7% year over year in the July-September period following a 16.6% year-over-year growth in the April-June period, recording a year-over-year growth for the two consecutive quarters.

**【Machine and Tools for Automotive Business (Up 15.3% Y-o-Y)】**

The sales substantially increased by 40.5% year over year in the July-September period as the same period of last year was the bottom following a decrease of 2.9% year over year in the April-June period. The sales in the July-September period increased moderately by 4.6% compared to the April-June period.

**【Housing Equipment Business (Up 7.0% Y-o-Y)】**

The sales increased by 0.2% year over year in the July-September period following a double-digit year-over-year growth of 14.6% in the April-June period. Some products were impacted by supply chain disruption due mainly to semiconductor chip shortage.

**【Security Business (Down 34.8% Y-o-Y)】**

The sales decreased by 28.6% year over year in the July-September period following a 40.7% year-over-year decrease in the April-June period due to fading demand for measures against the COVID-19. However, the sales in the July-September period increased by 11.9% compared to the April-June period, which showed an upward trend.

**(Machine and Facility Segment)**

Regarding the business environment, the domestic demand for machine tools in the April-September period increased by 85.6% year over year.

The summary of each business is as follows:

**【Machine Tool Business (Up 1.1% Y-o-Y)】**

The orders received increased by 88.3% year over year in the July-September period following a 51.6% year-over-year growth in the April-June period. The sales turned to a 7.5% year-over-year growth in the July-September period from a 7.3% year-over-year decline in the April-June period based on the favorable orders. The backlog at the end of the reporting period increased by 74.9% year over year.

**【Factory Automation Business (Down 37.3% Y-o-Y)】**

The sales recorded a year-over-year decrease due to fading the effects of a big project in the same period of the previous fiscal year. The orders received increased by 49.4% year over year in the July-September period following a 60.5% year-over-year increase in the April-June period. The backlog at the end of reporting period increased by 52.8% year over year.

**(Construction and Piping Products Segment)**

Regarding the business environment, the construction starts of steel frame buildings by floor area in the January-June period increased by 9.1% year over year. Steel product price soared.

The summary of each business is as follows:

**【Building Supplies Business (Up 9.4% Y-o-Y)】**

Construction demand continued to show signs of recovery. Amid the business environment, the sales increased by 15.9% year over year in the July-September period following a 2.9% year-over-year growth in the April-June period due to our efforts to pass hiking cost on to the selling price on the back of price hike in

materials.

**【Piping Products Business (Up 3.8% Y-o-Y)】**

The sales recorded moderate growth for two consecutive quarters with a year-over-year growth of 2.9% in the April-June period and 4.7% in the July-September period, respectively.

Accordingly, during the period under review, consolidated net sales increased by 6.1% year over year to ¥46,015 million. On the earnings front, operating income decreased by 24.9% year over year to ¥1,039 million due to decreased gross profit margin affected by sales decline in the Security Business and an increase in SG&A expenses, and ordinary income decreased by 7.9% year over year to ¥1,441 million. Consequently, net income attributable to owners of parent was ¥850 million, down 9.8% year over year.

The summary of each segment is as follows:

|                                  | Net Sales | Y-o-Y  | Operating Income | Y-o-Y   |
|----------------------------------|-----------|--------|------------------|---------|
| Equipment and Tools              | ¥23,424M  | +8.9%  | ¥267M            | (63.0)% |
| Machine and Facility             | ¥6,444M   | (6.9)% | ¥63M             | (59.4)% |
| Construction and Piping Products | ¥16,146M  | +8.2%  | ¥616M            | +40.0%  |

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

Furusato has not disclosed its earnings forecast due to delisting its common shares on September 29, 2021.

FURUSATO MARUKA Corporation, the wholly-owning company of Furusato, will disclose its earnings forecast as soon as it is finalized.

**CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

|  | Thousands of Yen             |                                  |
|--|------------------------------|----------------------------------|
|  | March 31,<br>2021<br>Amounts | September 30,<br>2021<br>Amounts |
| <b>Assets</b>  |                              |                                  |
| <b>Current assets:</b>                                     |                              |                                  |
| Cash and deposits  | ¥ 14,093,323                 | ¥ 14,166,777                     |
| Notes and accounts receivable-trade                        | 18,817,569                   | -                                |
| Notes and accounts receivable - trade, and contract assets | -                            | 18,743,227                       |
| Electronically recorded monetary claims-operating          | 3,924,145                    | 4,782,379                        |
| Securities   | 300,708                      | -                                |
| Merchandise and finished goods                             | 4,550,481                    | 4,815,417                        |
| Work in process  | 456,601                      | 546,433                          |
| Raw materials and supplies                                 | 132,169                      | 131,140                          |
| Other  | 909,311                      | 915,738                          |
| Allowance for doubtful accounts                            | (5,692)                      | (2,925)                          |
| <b>Total current assets</b>                                | <b>43,178,617</b>            | <b>44,098,187</b>                |
| <b>Non-current assets:</b>                                 |                              |                                  |
| <b>Property, plant and equipment:</b>                      |                              |                                  |
| Buildings and structures, net                              | 5,298,323                    | 5,166,155                        |
| Machinery, equipment and vehicles, net                     | 727,940                      | 668,286                          |
| Land   | 8,928,859                    | 8,927,582                        |
| Construction in progress                                   | 494                          | 109,474                          |
| Other, net   | 318,129                      | 295,224                          |
| <b>Total property, plant and equipment</b>                 | <b>15,273,747</b>            | <b>15,166,723</b>                |
| <b>Intangible assets:</b>                                  |                              |                                  |
| Goodwill   | 608,337                      | 383,500                          |
| Trade right  | 1,400,000                    | 1,320,000                        |
| Other  | 818,471                      | 795,783                          |
| <b>Total intangible assets</b>                             | <b>2,826,809</b>             | <b>2,499,283</b>                 |
| <b>Investments and other assets:</b>                       |                              |                                  |
| Investment securities                                      | 3,017,411                    | 3,062,723                        |
| Retirement benefit asset                                   | 1,034,818                    | 1,054,066                        |
| Deferred tax assets  | 129,547                      | 58,013                           |
| Other  | 1,130,124                    | 1,082,732                        |
| Allowance for doubtful accounts                            | (78,635)                     | (78,805)                         |
| <b>Total investments and other assets</b>                  | <b>5,233,267</b>             | <b>5,178,730</b>                 |
| <b>Total non-current assets</b>                            | <b>23,333,824</b>            | <b>22,844,736</b>                |
| <b>Total assets</b>  | <b>¥ 66,512,442</b>          | <b>¥ 66,942,924</b>              |

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

|   | Thousands of Yen             |                                  |
|---|------------------------------|----------------------------------|
|   | March 31,<br>2021<br>Amounts | September 30,<br>2021<br>Amounts |
| <b>Liabilities</b>                                    |                              |                                  |
| <b>Current liabilities:</b>                           |                              |                                  |
| Notes and accounts payable-trade                      | ¥ 12,215,679                 | ¥ 12,237,860                     |
| Electronically recorded obligations - operating       | 6,132,644                    | 6,812,890                        |
| Income taxes payable                                  | 439,554                      | 539,504                          |
| Provision for bonuses                                 | 709,267                      | 737,072                          |
| Provision for bonuses for directors                   | 17,300                       | 12,050                           |
| Other   | 1,528,291                    | 1,246,752                        |
| <b>Total current liabilities</b>                      | <b>21,042,737</b>            | <b>21,586,130</b>                |
| <b>Non-current liabilities:</b>                       |                              |                                  |
| Deferred tax liabilities                              | 913,295                      | 739,799                          |
| Provision for share-based remuneration for directors  | 10,196                       | 10,196                           |
| Retirement benefit liability                          | 77,673                       | 89,539                           |
| Other   | 206,595                      | 199,203                          |
| <b>Total non-current liabilities</b>                  | <b>1,207,759</b>             | <b>1,038,739</b>                 |
| <b>Total liabilities</b>                              | <b>22,250,496</b>            | <b>22,624,870</b>                |
| <b>Net Assets</b>                                     |                              |                                  |
| <b>Shareholders' equity:</b>                          |                              |                                  |
| Share capital   | 5,232,413                    | 5,232,413                        |
| Capital surplus                                       | 5,997,217                    | 5,940,770                        |
| Retained earnings                                     | 31,307,517                   | 31,618,155                       |
| Treasury shares                                       | (85,725)                     | (40,484)                         |
| <b>Total shareholders' equity</b>                     | <b>42,451,422</b>            | <b>42,750,855</b>                |
| <b>Accumulated other comprehensive income:</b>        |                              |                                  |
| Valuation difference on available-for-sale securities | 1,357,020                    | 1,385,717                        |
| Remeasurements of defined benefit plans               | 204,819                      | 181,480                          |
| <b>Total accumulated other comprehensive income</b>   | <b>1,561,840</b>             | <b>1,567,198</b>                 |
| <b>Non-controlling interests</b>                      | <b>248,683</b>               | <b>-</b>                         |
| <b>Total net assets</b>                               | <b>44,261,945</b>            | <b>44,318,054</b>                |
| <b>Total liabilities and net assets</b>               | <b>¥ 66,512,442</b>          | <b>¥ 66,942,924</b>              |

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

**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

|  | Thousands of Yen                       |  |
|--|--|--|
|  | Six months ended<br>September 30, 2020 | Six months ended<br>September 30, 2021 |
|  | Amounts                                | Amounts                                |
| Net sales  | ¥ 43,360,919                           | ¥ 46,015,598                           |
| Cost of sales  | 36,208,862                             | 38,671,234                             |
| Gross profit   | 7,152,057                              | 7,344,364                              |
| Selling, general and administrative expenses                               | 5,768,514                              | 6,305,301                              |
| Operating income   | 1,383,543                              | 1,039,062                              |
| Non-operating income:  |  |  |
| Interest income  | 2,621                                  | 2,279                                  |
| Dividend income  | 34,732                                 | 34,014                                 |
| Purchase discounts   | 213,896                                | 226,330                                |
| Rental income  | 30,336                                 | 31,042                                 |
| Surrender value of insurance policies                                      | 39,396                                 | 89,914                                 |
| Other  | -                                      | 27,834                                 |
| Total non-operating income   | 320,984                                | 411,414                                |
| Non-operating expenses:  |  |  |
| Interest expenses  | 7                                      | -                                      |
| Sales discounts  | 122,988                                | -                                      |
| Rental cost  | 2,157                                  | 2,036                                  |
| Other  | 15,093                                 | 7,294                                  |
| Total non-operating expenses   | 140,247                                | 9,330                                  |
| Ordinary income  | 1,564,281                              | 1,441,146                              |
| Extraordinary loss:  |  |  |
| Loss on valuation of investments in capital of subsidiaries and associates | -                                      | 31,842                                 |
| Total extraordinary loss   | -                                      | 31,842                                 |
| Income before income taxes   | 1,564,281                              | 1,409,303                              |
| Income taxes-current   | 485,670                                | 471,025                                |
| Income taxes-deferred  | 68,792                                 | 71,072                                 |
| Total income taxes   | 554,462                                | 542,098                                |
| Net income   | 1,009,818                              | 867,205                                |
| Net Income attributable to non-controlling interests                       | 67,421                                 | 16,862                                 |
| Net income attributable to owners of parent                                | ¥ 942,397                              | ¥ 850,342                              |

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



**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

|  | Thousands of Yen                       |  |
|--|--|--|
|  | Six months ended<br>September 30, 2020 | Six months ended<br>September 30, 2021 |
|  | Amounts                                | Amounts                                |
| Net income   | ¥ 1,009,818                            | ¥ 867,205                              |
| Other comprehensive income:                                    |  |  |
| Valuation difference on available-for-sale securities          | 194,480                                | 28,697                                 |
| Deferred gains or losses on hedges                             | (389)                                  | -                                      |
| Remeasurements of defined benefit plans, net of tax            | (5,542)                                | (23,338)                               |
| Other comprehensive income                                     | 188,548                                | 5,358                                  |
| Comprehensive income:  | 1,198,366                              | 872,563                                |
| Comprehensive income attributable to                           |  |  |
| Comprehensive income attributable to owners of parent          | 1,130,945                              | 855,700                                |
| Comprehensive income attributable to non-controlling interests | ¥ 67,421                               | ¥ 16,862                               |

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

|   | Thousands of Yen                       |  |
|---|--|--|
|   | Six months ended<br>September 30, 2020 | Six months ended<br>September 30, 2021 |
|   | Amounts                                | Amounts                                |
| <b>Cash flows from operating activities:</b>                |  |  |
| Income before income taxes                                  | ¥ 1,564,281                            | ¥ 1,409,303                            |
| Depreciation  | 417,937                                | 440,593                                |
| Amortization of goodwill                                    | 81,630                                 | 49,706                                 |
| Increase (decrease) in provision for bonuses for directors  | (5,980)                                | (5,250)                                |
| Increase (decrease) in retirement benefit liability         | 2,468                                  | (19,248)                               |
| Decrease (increase) in retirement benefit asset             | (19,545)                               | 11,866                                 |
| Increase (decrease) in provision for bonuses                | 3,274                                  | 27,804                                 |
| Increase (decrease) in allowance for doubtful accounts      | (186,324)                              | (2,596)                                |
| Interest and dividend income                                | (37,353)                               | (36,293)                               |
| Interest expenses   | 7                                      | -                                      |
| Decrease (increase) in trade receivables                    | 3,358,063                              | (788,480)                              |
| Decrease (increase) in inventories                          | 429,961                                | (353,737)                              |
| Increase (decrease) in trade payables                       | (2,692,885)                            | 248,364                                |
| Other   | 28,781                                 | (32,933)                               |
| Subtotal  | 2,944,316                              | 949,100                                |
| Interest and dividends income received                      | 39,018                                 | 38,432                                 |
| Interest paid   | (22)                                   | -                                      |
| Income taxes paid   | (1,135,956)                            | (454,197)                              |
| <b>Net cash provided by (used in) operating activities</b>  | <b>1,847,355</b>                       | <b>533,334</b>                         |
| <b>Cash flows from investing activities:</b>                |  |  |
| Purchase of property, plant and equipment                   | (1,301,717)                            | (188,364)                              |
| Purchase of intangible assets                               | (1,124,207)                            | (49,052)                               |
| Purchase of investment securities                           | (6,206)                                | (5,505)                                |
| Proceeds from redemption of investment securities           | -                                      | 300,000                                |
| Payments of guarantee deposits                              | (9,304)                                | (5,600)                                |
| Other   | 12,133                                 | 3,913                                  |
| <b>Net cash provided by (used in) investing activities</b>  | <b>(2,429,301)</b>                     | <b>55,390</b>                          |
| <b>Cash flows from financing activities:</b>                |  |  |
| Repayments of long-term borrowings                          | (25,000)                               | -                                      |
| Purchase of treasury shares                                 | (335)                                  | (1,032)                                |
| Dividends paid  | (774,951)                              | (514,239)                              |
| <b>Net cash provided by (used in) financing activities</b>  | <b>(800,287)</b>                       | <b>(515,271)</b>                       |
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>(1,382,233)</b>                     | <b>73,454</b>                          |
| <b>Cash and cash equivalents at beginning of the period</b> | <b>12,883,804</b>                      | <b>14,093,323</b>                      |
| <b>Cash and cash equivalents at end of the period</b>       | <b>¥ 11,501,570</b>                    | <b>¥ 14,166,777</b>                    |

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

(Notes in the event of significant changes in the amount of shareholders' equity)  
Not applicable

(Changes of accounting policies)  
(Accounting standard for revenue recognition and other accounting changes)

Furusato has been implementing the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No. 29, issued on March 31, 2020, hereinafter "Accounting Standard for Revenue Recognition") since the beginning of the first quarter of this fiscal year. The new standard recognizes revenues for goods or services based on the amount estimated to be received in exchange for such goods or services at the point when control of the promised goods or services is transferred to the client. The main changes involved are described below.

(1) Recognizing revenue for agent transactions

For certain transactions that only involve Furusato as an agent in providing goods or services to a customer, the entire amount received as compensation from the client was previously recognized as revenue, but now only the difference between the amount received from the client and the amount paid to the supplier is recognized as revenue.

(2) Revenue recognition on transaction price

With respect to revenue recognition related to transaction prices, Furusato previously recorded the amount of money generated from rebate contracts with major distributors based on the degree of achievement of sales amounts as selling, general and administrative expenses. However, we have changed its method of calculating the transaction price of such contracts to reflect the impact of price change. In addition, we have also changed its method of calculating sales discounts, which had been recorded at the time of collection of sales proceeds, to reflect the effect of price change.

(3) Revenue recognition for construction contract

In the past, construction contracts related to the Security Business were recognized as revenue based on the completed contract method because the degree of completion could not be reasonably estimated. However, for transactions in which the consideration for the performed portion of the contract is guaranteed, we have changed our method of recognizing revenue based on the cost recovery method when the performance obligation is expected to be satisfied within a certain period of time and the costs incurred in satisfying the performance obligation are expected to be recovered.

We have been implementing the Accounting Standard for Revenue Recognition transitionally, in accordance with the provision in Article 84 of the standard, by calculating the cumulative effect of retroactively applying the new policy from before the beginning of this fiscal year, adjusted for retained earnings at the beginning of this fiscal year, and applying the new policy to the remaining balance at the beginning of this fiscal year.

However, applying the method stipulated in Paragraph 86 of the Accounting Standard for Revenue Recognition, we do not retroactively apply the new accounting policy to the contracts almost all of whose revenue was recognized in compliance with the conventional method before the beginning of the first quarter under review. Furthermore, using the method specified in explanatory note (1) of Article 86 in the standard, retained earnings at the beginning of this fiscal year are adjusted by the cumulative monetary effect of contract terms and conditions effective after applying all contractual changes made before the beginning of this fiscal year.

As a result, during the six months ended September 30, 2021, net sales were down ¥711,875 thousand, cost of sales was down ¥533,441 thousand, SG&A expenses were ¥39,358 thousand, operating income was down ¥139,075 thousand, and ordinary income and net income were unchanged. Therefore, there was no impact on retained earnings at the beginning of this fiscal year.

As a result of the application of the revenue recognition accounting standard, "Notes and accounts receivable-trade," which was included in "Current assets" in the consolidated balance sheet for the previous fiscal year, is now included in "Notes, accounts receivable-trade and contract assets" from the first quarter of the current fiscal year. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made in the previous fiscal year to conform to the new presentation.

(Application of Accounting Standards for Calculation of Fair Value, etc.)

We apply the "Accounting Standard for Measurement of Fair Value" (ASBJ Statement No. 30, July 4, 2019,

hereinafter referred to as the "Accounting Standard for Measurement of Fair Value") from the beginning of the first quarter.

In accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Measurement of Fair Value and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), we have decided to apply the new accounting policies prospectively. There was no impact of this change on the quarterly consolidated financial statements.

## SEGMENT INFORMATION

### 1. Six months ended September 30, 2020 (from April 1 to September 30, 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   | ¥ 21,515,067 | ¥ 522,799    | ¥ 22,037,867 | ¥ 721,327        |
| Machine and Facility  | 6,920,384    | 284,335      | 7,204,720    | 157,191          |
| Construction and Piping Products                            | 14,925,467   | 4,532        | 14,929,999   | 440,849          |
| Subtotal  | 43,360,919   | 811,667      | 44,172,587   | 1,319,368        |
| Adjustment (*1)   | -            | (811,667)    | (811,667)    | 64,174           |
| Total amounts on the consolidated statements of income (*2) | ¥ 43,360,919 | -            | ¥ 43,360,919 | ¥ 1,383,543      |

Note:

- Adjustment of operating income, ¥64,174 thousand, incorporates elimination of intersegment transaction, ¥67,139 thousand, and adjustment of inventory, ¥(4,152) thousand, and adjustment of noncurrent assets, ¥1,188 thousand.
- Operating income for segment is adjusted on operating income on the quarterly consolidated statements of income.

#### (2) Information on impairment loss of noncurrent assets, goodwill, etc. for each reportable segment

None

### 2. Six months ended September 30, 2021 (from April 1 to September 30, 2021)

#### (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   | ¥ 23,424,209 | ¥ 526,891    | ¥ 23,951,100 | ¥ 267,048        |
| Machine and Facility  | 6,444,996    | 86,041       | 6,531,037    | 63,874           |
| Construction and Piping Products                            | 16,146,393   | 6,619        | 16,153,012   | 616,973          |
| Subtotal  | 46,015,598   | 619,552      | 46,635,150   | 947,895          |
| Adjustment (*1)   | -            | (619,552)    | (619,552)    | 91,166           |
| Total amounts on the consolidated statements of income (*2) | ¥ 46,015,598 | -            | ¥ 46,015,598 | ¥ 1,039,062      |

Note:

- Adjustment of operating income, ¥91,166 thousand, incorporates elimination of intersegment transaction, ¥93,792 thousand, and adjustment of inventory, ¥(3,716) thousand, and adjustment of noncurrent assets, ¥1,091 thousand.
- Operating income for segment is adjusted on operating income on the quarterly consolidated statements of income.

#### (2) Information on impairment loss of noncurrent assets, goodwill, etc. for each reportable segment

None