

During the year ended March 31, 2010, the business environment, in which Furusato Group operates, was extremely severe due to a substantial decrease in capital investment stemming from financial crisis and worsening deflation. Under these circumstances, in the Steel Frame Building business, the sales price and volume dropped due to fierce competition triggered by stagnant demand. In regard to in-house products, increased manufacturing cost affected by reduced production output resulted in worsening the profitability. In the Plumbing business, net sales were down significantly, impacted by restrained capital investment in the manufacturing sector. In the Machine Tools segment, the Industrial Tools business turned to an upward trend in the second half of fiscal 2009 while the Machines business substantially decreased in sales due to sluggish demand.

Accordingly, consolidated net sales were ¥53,776 million, down 35.3% year over year despite our cost-cutting efforts such as reduced remuneration for directors and employment adjustment. We recorded operating loss of ¥780 million, for the first time since 2000 when Furusato made G-net a subsidiary. Ordinary loss was ¥520 million. Accordingly, net loss was ¥1,407 million due to recording extraordinary losses including amortization of goodwill.

We firmly determine that will never happen again and strive to achieve an early recovery of our business performance.

We look forward to your continued understanding and support in the years ahead.

Ryohei Furusato
President and Representative Director

