

FOR IMMEDIATE RELEASE:

## Furusato Announces Financial Results for the Year Ended March 31, 2008

Osaka, Japan, May 8, 2008 – Furusato Industries, Ltd. announced its financial results for the year ended March 31, 2008. 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  
The First Section of the Osaka Securities Exchange  
Code Number : 8087

All figures are rounded down to the nearest million yen.

### CONSOLIDATED FINANCIAL RESULTS

#### 1. Business Results

(Millions of yen, except per share amounts)	Year Ended March 31, 2008	Year Ended March 31, 2007	% Change
<b>Operating Results:</b>			
Net Sales	¥ 92,064	¥ 90,378	1.9%
Operating Income	4,317	5,097	(15.3%)
Ordinary Income	4,732	5,518	(14.3%)
Net Income	2,590	3,154	(17.9%)
ROE (Net Income to Net Assets)	9.2%	12.3%	-
ROA (Ordinary Income to Total Assets)	9.0%	11.5%	-
Operating Income to Net Sales	4.7%	5.6%	-
<b>Financial Position:</b>			
Total Assets	¥ 54,025	¥ 50,715	-
Net Assets	28,860	27,496	-
Net Assets to Total Assets	53.4%	54.2%	-
<b>Cash Flows:</b>			
Net Cash Provided by Operating Activities	¥ 3,034	¥ 1,323	-
Net Cash Used in Investing Activities	(4,550)	(811)	-
Net Cash Used in Financing Activities	591	(109)	-
Cash and Cash Equivalents at End of Period	3,541	4,465	-
<b>Per Share Data:</b>			
Net Income	¥ 163.92	¥ 199.86	-
Net Assets	1,826.06	1,739.63	-

Note: % change for net sales, operating income, ordinary income, and net income indicates the year-over-year increase/decrease.

**2. Dividends**

Record Date	Dividends Per Share			Total Dividends (Annual) Millions of Yen	Dividend Payout Ratio (Consolidated) %	Dividend on Net Assets (Consolidated) %
	Interim	Year-end	Annual			
	Yen					
Fiscal Year Ended March 31, 2007	10.00	30.00	40.00	632	20.0	2.4
Fiscal Year Ended March 31, 2008	10.00	31.00	41.00	647	25.0	2.3
Fiscal Year Ended March 31, 2009 (Forecast)	10.00	30.00	40.00	-	25.1	-

**CONSOLIDATED EARNINGS FORECAST FOR FISCAL 2008, ENDING MARCH 31, 2009**

(Millions of yen, except per share amounts)	First Half	Full-Year
<b>Operating Results:</b>		
Net Sales	48,443	¥ 97,032
Operating Income	2,201	4,386
Ordinary Income	2,406	4,788
Net Income	1,226	2,514
Net Income Per Share	¥ 77.57	¥ 159.07

## Notes:

1. Changes in major subsidiaries during the fiscal year: None
2. Changes in accounting principles, procedures or methods of presentation associated with consolidated financial statements (significant changes in basis for preparation of consolidated financial statements)
  - 1) Revisions associated with accounting standards: Yes
  - 2) Other changes: No
3. Issued and outstanding shares (common stock)
  - 1) At fiscal year-end (including treasury stock) March 31, 2008; 16,438,648 shares March 31, 2007; 16,438,648 shares
  - 2) Treasury stock at fiscal year-end March 31, 2008; 634,227 shares March 31, 2007; 632,938 shares

**【Reference】NON-CONSOLIDATED FINANCIAL RESULTS**

(Millions of yen, except per share amounts)	Year Ended March 31, 2008	Year Ended March 31, 2007	% Change
<b>Operating Results:</b>			
Net Sales	¥ 27,050	¥ 27,103	(0.2%)
Operating Income	2,073	2,461	(15.8%)
Ordinary Income	2,316	2,687	(13.8%)
Net Income	1,296	1,530	(15.3%)
<b>Financial Position:</b>			
Total Assets	¥ 31,920	¥ 30,603	-
Net Assets	23,038	22,789	-
Net Assets to Total Assets	72.2%	74.5%	-
<b>Per Share Data:</b>			
Net Income	¥ 82.06	¥ 97.00	-
Net Assets	1,457.71	1,441.87	-

Note: % change for net sales, operating income, ordinary income, and net income indicates the year-over-year increase/decrease.

**NON-CONSOLIDATED EARNINGS FORECAST FOR FISCAL 2008, ENDING MARCH 31, 2009**

(Millions of yen, except per share amounts)	First Half	Full-Year
<b>Operating Results:</b>		
Net Sales	¥ 14,400	¥ 28,270
Operating Income	1,114	2,122
Ordinary Income	1,225	2,341
Net Income	619	1,249
Net Income Per Share	¥ 39.17	¥ 79.03

\*The forecasts involve our management's assumptions, prospects and plans based on the information currently available. Actual results may differ materially from the expectations depending on various factors.

## RESULTS OF OPERATIONS AND FINANCIAL POSITION (Year Ended March 31, 2008)

## 1. Analysis of Operating Results

(Millions of yen, except per share amounts)	Year ended March 31, 2008	Year ended March 31, 2007	% change
Net sales	¥ 92,064	¥ 90,378	1.9%
Operating income	4,317	5,097	(15.3%)
Ordinary income	4,732	5,518	(14.3%)
Net income	2,590	3,154	(17.9%)
Earnings per share (EPS)	¥ 163.92	¥ 199.86	(18.0%)

## (1) Overview of Results

During the year ended March 31, 2008, the Japanese economy showed a downward trend by sluggish consumer spending and a slowdown in sales of automobiles and housings, reflecting the financial turmoil stemming from the U.S. subprime mortgage crisis, a sharp rise in crude oil and raw material prices and a stronger yen against the dollar and the worldwide decline in stock prices due to deterioration of the U.S. economy. These factors negatively affected corporate earnings, which resulted in an increase in elements of uncertainty in the private capital investment.

Major businesses of Furusato Group were Steel Frame Construction Supplies business and Machine Tools business. In the construction industry related to the Steel Frame Construction Supplies business, building confirmation period was prolonged due to the confused building confirmation procedures in accordance with the revised Building Standard Law, effective in June 2007. This resulted in a decrease in the number of building construction started. The floor area of building construction started recorded 22% year-over-year decrease as a whole in July and over 40% year-over-year decrease in August and September respectively. The confusion by the building confirmation was getting back to normal from the end of 2007, while the floor area of building construction started decreased more than 10% in January and February 2008 from the corresponding period of the previous year.

Meanwhile, in the machines and industrial tools industry, the orders received for machine tools increased by 8.1% from 2006. Of the total demand, the domestic demand was down 1.5% from the previous year. The industrial production relatively remained favorable until it recorded a year-over-year decrease in the three-month period from January to March 2008. There were concerns over a slowdown in production activities.

During the period under review, Furusato Group implemented a reinforced strategy for stable business development according to the business plan. As part of the strategy, Furusato made Gifu Shoji Co., Ltd., a direct trading company of industrial tools, a subsidiary in October 2007. Gifu Shoji is retailing to automotive industry mainly in Tokai area. The acquisition of Gifu Shoji enabled Furusato Group to reach the automotive industry that had been a challenging field to enter for G-net Corporation, a subsidiary of Furusato, as a wholesaler. The marketing channel to the automotive industry consisting of a large share in the manufacturing sector significantly benefits to the Furusato Group. In addition, knowledge and sales know-how of hard metal tools that Gifu Shoji has accumulated are greatly valuable for the Machine Tools business. Accordingly, we expect a big impact from these merits in the future.

In the Steel Frame Construction Supplies business, despite a double-digit decrease in the demand for steel frame building, net sales were down by low single digit percentage compared to FY2006, as a result of a consistent effort to reinforce sales activities while the gross profit margin was down due to fierce competition. The Plumbing business, a new field, increased by 22.6% from FY2006 despite the negative impact by the revised Building Standard Law.

Consequently, consolidated net sales for the year ended March 31, 2008 increased by 1.9% to ¥92,064 million from the previous year. On the earnings front, operating income was down 15.3% to ¥4,317 million, ordinary income was down by 14.3% to ¥4,732 million, and accordingly, net income declined by 17.9% to ¥2,590 million.

## (2) Analysis of Results by Segment

## 1) Machine Tools segment

(Millions of yen, except per share amounts)	Amounts	Change	% change
Net sales	¥ 64,984	¥ 1,747	¥ 2.8%
Operating income	2,122	(414)	(16.3%)

The Machine Tools segment offers machines including metal working machines and facility equipments, a wide range of industrial tools, equipments, and parts and consumable supplies used at manufacturing sites to the manufacturing industry primarily in Japan. The Industrial Tools business provides machines and industrial tools necessary for the production activities of the manufacturing sector by wholesale. We implement a differentiation strategy by setting hard metal tools and tools and jig plates as a core. Machines business and FA System business establish a new role of a comprehensive supplier to offer primarily machine tools related to the capital investment with the original engineering service. Moreover, the business of Gifu Shoji was added to this segment in the second half of FY 2007, which contributed to strengthen the business portfolio as a retailing business to the automotive sector.

During the period under review, Segment sales increased by 2.8% to ¥64,984 million. Operating income decreased by 16.3% to ¥2,122 million. The major factor was an increase in SG&A expenses due to goodwill and amortization of goodwill recorded as a result of the acquisition of Gifu Shoji despite an addition of its net sales for the second half of FY2007. By business, in the Industrial Tools business, net sales were slightly up 1.1% from the previous year, led by focusing on sales promotion of a targeted field centered on the core, backed by the solid industrial production. In the Machines business and the FA System business, net sales were down 8.1%, negatively impacted by a slowdown in the private capital investment and the domestic demand for machine tools.

## 2) Procured Construction Supplies segment

(Millions of yen, except per share amounts)	Amounts	Change	% change
Net sales	¥ 21,198	¥ 327	¥ 1.6%
Operating income	1,772	(181)	(9.3%)

The Procured Construction Supplies segment purchases and retails fastening products, steel products such as hardware, welding materials and processing tools used for steel frame building works. Furusato carries inventory from high strength bolts, major supply for joining connection, welding materials to various standard supplies including PB products at our local branches serving local demand and has a processing system in respond to customers' requirements, which enables us to provide comprehensive supply services. The Plumbing business in this segment offers supplies used in the plumbing sector through the same comprehensive supply service system.

During the period under review, Segment sales were up 1.6% to ¥21,198 million and ordinary income was down 9.3% to ¥1,772 million from FY2006. Of the total net sales, the Steel Frame Construction Supplies business decreased by 3.1% to ¥16,535 million, while the Plumbing business increased by 22.6% to ¥4,662 million from the previous fiscal year. The net sales of the Steel Frame Construction Supplies business recorded a slight decline despite a decrease in the demand for the steel frame building by 11.3% from FY2006, reflecting the revised Building Standard Law. However, gross profit margin was down 0.4% due to fierce competition caused by reinforced marketing activities, which resulted in decline in operating income. In terms of the ratio of the total segment sales, the Plumbing business increased to 22% from 18.2% from FY2006. The decline in overall gross profit margin in the segment was attributed to lower gross profit margin of the Plumbing business compared to that of the Steel Frame Construction Supplies business results, while overall income decline in the segment was partially offset by an increase in the gross profit of the Plumbing business by ¥130 million.

## 3) In-house Construction Supplies segment

(Millions of yen, except per share amounts)	Amounts	Change	% change
Net sales	¥ 5,842	¥ (379)	¥ (6.1%)
Operating income	300	(206)	(40.7%)

The In-house Construction Supplies segment manufactures turnbuckle braces, foundation bolts, steel products such as hardware at Furusato own plants and retails them to users. The market and sales channel of this segment are the same as those of the Procured Construction Supplies segment excluding Plumbing business. Therefore, Furusato provides the same users with both the high strength bolts and the tools in the Procured Construction Supplies segment and the turnbuckle braces in the In-house Construction Supplies segment. The turnbuckle braces manufactured at 12 plants of Furusato from Hokkaido to Kyushu consists of more than 80% of total segment sales. Local production close to the market in each region contributes to shorten delivery time, delivery cost reduction and reinforced customer services, which enables us to offer a comprehensive supply service.

During the period under review, segment sales were down 6.1% to ¥5,842 million. The segment has the product mix affected by the number of the building construction started and is directly impacted by the revised Building Standard Law. The turnbuckle braces primarily used for building structure such as Factories and Warehouses related to corporate capital investment were down 7.0% from FY2006. Operating income was down 40.7% to ¥300 million due to a decrease in gross profit margin by 1.2 pts. by fierce competition and nearly flat SG&A expenses from FY2006.

#### 4) Other

(Millions of yen, except per share amounts)	Amounts		% change	
Net sales	¥	38	¥	(19.7%)
Operating income		5		(11.7%)

#### (3) Earnings Forecast for fiscal 2008, ending March 31, 2009

(Millions of yen, except per share amounts)	Year ending March 31, 2009	Year ended March 31, 2008	% change
Net sales	¥ 97,032	¥ 92,064	5.4%
Operating income	4,386	4,317	1.6%
Ordinary income	4,788	4,732	1.2%
Net income	2,514	2,590	(3.0%)
Earnings per share (EPS)	159.07	163.92	(3.0%)

The business environment for the fiscal 2008 ending March 31, 2009 is likely to be deteriorating in both the Steel Frame Construction Supplies business and the machine tools business, reflecting rising raw material prices led by steel, decline in corporate capital investment due to a slowdown in consumer spending and economic uncertainty.

Under these circumstances, Furusato Group will strive to reinforce our operating base by consistently promoting measures for stable growth.

In the Steel Frame Construction Supplies business, the demand for the steel frame building is likely to improve gradually following the end of the confusion caused by the revised Building Standard Law, while purchasing prices of mainly steel raw materials and steel products are scheduled to rise significantly. We will focus on measures to set fair selling prices, reflecting purchasing price inflation.

In the Plumbing business, we will continue the ongoing market share expansion measure with the aim of sales volume increase and boost gross profit margin through improvement of sourcing routes and a review of inventory items.

In the Machine Tools business, we will increase the orders for machine tools, led by high value-added engineering service and create greater synergy with Gifu Shoji with the aim of market share increase in the domestic demand for machine tools.

## 2. Analysis of Financial Position

Analysis of assets, liabilities, net assets and cash flows

(1) Total assets increased ¥3,310 to ¥54,025 million from the end of the previous fiscal year. That was mainly due to an increase of ¥501 million in trade notes and accounts receivable, ¥504 million in buildings and structures, ¥1,102 million in land and ¥1,395 million in goodwill despite a decrease of ¥908 million in cash and cash equivalents.

(2) Liabilities amounted to ¥25,165 million, an increase of ¥1,946 million, from the end of the previous fiscal year. That was mainly due to an increase of ¥716 million in trade notes and accounts payable, ¥415 million in short-term borrowings and ¥1,200 million in long-term loans despite a decrease of ¥381 million in accrued income taxes.

(3) Net assets increased ¥1,364 million to ¥28,860 million from the end of the previous fiscal year. Retained earnings increased by ¥1,958 million while net unrealized gain on revaluation of securities decreased by ¥592 million.

(4) Net cash provided by operating activities totaled ¥3,034 million, an increase of ¥1,710 million from the previous fiscal year. This was primary due to a decrease in trade notes and accounts payable of ¥986 million and income taxes paid of ¥2,483 million despite income before income taxes and minority interests of ¥4,685 million and a decrease in trade notes and accounts receivable of ¥1,763 million.

(5) Net cash used in investing activities was ¥4,550 million, an increase of ¥3,738 million from the previous fiscal year. This was mainly due to purchases of property, plant and equipment of ¥1,524 million and purchases of new consolidated subsidiary's stock of ¥3,032 million.

(6) Net cash used in financing activities amounted to ¥591 million, an increase of ¥700 million from the previous fiscal year. That was mainly due to dividends paid of ¥631 million and decrease in short-term borrowings of ¥275 million despite proceeds from long-term loans payable of ¥1,500 million.

Consequently, cash and cash equivalents at the end of fiscal 2007 totaled ¥3,541 million, a decrease of ¥923 million from the end of fiscal 2006.

#### Consolidated cash flow indicators

Fiscal year ended March 31	2004	2005	2006	2007	2008
Net assets to total assets (%)	53.3	50.5	52.5	54.2	<b>53.4</b>
Net assets to total assets on market value basis (%)	27.4	42.2	87.7	60.3	<b>29.3</b>
Debt repayment term (years)	-	-	0.3	0.4	<b>0.7</b>
Interest coverage ratio (times)	16.8	(4.1)	117.2	94.8	<b>155.6</b>

#### Calculation method:

- Net assets to total assets: Net assets/ total assets
- Net assets to total assets on market value basis: Total market value of shares/ total assets
- Debt repayment term: Interest-bearing debt/ operating cash flow
- Interest coverage ratio: Operating cash flow/ Interest expenses

#### Notes:

1. All indicators are calculated on a consolidated basis.
2. Total market value of stock is calculated by multiplying total number of shares outstanding at the end of the period (excluding treasury stock) by the closing share price at the end of the period.
3. Net cash provided by operating activities is as reported in the consolidated statements of cash flows. Interest-bearing debt refers to liabilities stated on the consolidated balance sheets on which interest is paid. Interest expense refers to interest expenses and loss on sale of trade notes stated on the consolidated statements of cash flows.

### 3. Basic Policy for Distribution of Profits and Dividends for FY2007

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

- (1) 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.
- (2) The target annual dividend payout ratio is approximately 25% 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 ¥31 per share, resulting in an annual dividend of ¥41 per share together with the interim dividend of ¥10 per share already paid.

## CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Millions of Yen					
	March 31, 2007		March 31, 2008		Year-over-year change	
	Amounts	%	Amounts	%	Amounts	
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents	¥ 4,516		¥ 3,608		¥ (908)	
Trade receivables (notes and accounts)	28,053		28,554		501	
Inventories	4,141		4,698		557	
Deferred tax assets	318		337		19	
Others	318		483		164	
Allowance for doubtful accounts	(119)		(99)		19	
<b>Total current assets</b>	<b>37,229</b>	<b>73.4</b>	<b>37,583</b>	<b>69.6</b>	<b>354</b>	
<b>Fixed assets:</b>						
<b>Property, plant and equipment:</b>						
Buildings and structures	2,351		2,856		504	
Land	5,705		6,808		1,102	
Others	700		730		30	
<b>Total property, plant and equipment</b>	<b>8,758</b>	<b>17.3</b>	<b>10,395</b>	<b>19.2</b>	<b>1,637</b>	
<b>Intangible fixed assets:</b>						
Goodwill	2		1,398		1,395	
Others	102		119		16	
<b>Total intangible fixed assets</b>	<b>105</b>	<b>0.2</b>	<b>1,517</b>	<b>2.8</b>	<b>1,412</b>	
<b>Investments and other assets:</b>						
Investment securities	3,160		3,122		(38)	
Deferred tax assets	385		379		(6)	
Others	1,197		1,131		(65)	
Allowance for doubtful accounts	(121)		(105)		16	
<b>Total Investments and other assets</b>	<b>4,621</b>	<b>9.1</b>	<b>4,528</b>	<b>8.4</b>	<b>(93)</b>	
<b>Total fixed assets</b>	<b>13,485</b>	<b>26.6</b>	<b>16,441</b>	<b>30.4</b>	<b>2,956</b>	
<b>Total assets</b>	<b>¥ 50,715</b>	<b>100.0</b>	<b>¥ 54,025</b>	<b>100.0</b>	<b>¥ 3,310</b>	

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

	Millions of Yen					
	March 31, 2007		March 31, 2008		Year-over-year change	
	Amounts	%	Amounts	%	Amounts	
<b>Liabilities</b>						
<b>Current liabilities:</b>						
Trade payable (notes and accounts)	¥ 18,048		¥ 18,764		¥ 716	
Short-term borrowings	500		915		415	
Accrued income taxes	1,283		902		(381)	
Reserve for bonuses	-		520		520	
Reserve for directors' bonuses	23		29		6	
Others	1,270		711		(558)	
<b>Total current liabilities</b>	<b>21,125</b>	<b>41.7</b>	<b>21,844</b>	<b>40.4</b>	<b>718</b>	
<b>Long-term liabilities:</b>						
Long-term loans	-		1,200		1,200	
Deferred tax liabilities	292		281		(10)	
Reserve for employees' retirement benefits	1,157		1,107		(50)	
Reserve for directors' retirement benefits	623		708		85	
Others	20		22		2	
<b>Total long-term liabilities</b>	<b>2,093</b>	<b>4.1</b>	<b>3,320</b>	<b>6.2</b>	<b>1,227</b>	
<b>Total liabilities</b>	<b>23,218</b>	<b>45.8</b>	<b>25,165</b>	<b>46.6</b>	<b>1,946</b>	
<b>Net Assets</b>						
<b>Shareholders' equity:</b>						
Common stock	5,232		5,232		-	
Capital surplus	6,446		6,446		-	
Retained earnings	14,816		16,775		1,958	
Treasury stock, at cost	(183)		(185)		(2)	
<b>Total shareholders' equity</b>	<b>26,312</b>	<b>51.9</b>	<b>28,268</b>	<b>52.3</b>	<b>1,956</b>	
<b>Revaluation and translation adjustment:</b>						
Net unrealized gain on revaluation of securities	1,183		591		(592)	
<b>Total revaluation and translation adjustment</b>	<b>1,183</b>	<b>2.3</b>	<b>591</b>	<b>1.1</b>	<b>(592)</b>	
<b>Minority interests</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	
<b>Total net assets</b>	<b>27,496</b>	<b>54.2</b>	<b>28,860</b>	<b>53.4</b>	<b>1,364</b>	
<b>Total liabilities and net assets</b>	<b>¥ 50,715</b>	<b>100.0</b>	<b>¥ 54,025</b>	<b>100.0</b>	<b>¥ 3,310</b>	

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

## CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Millions of Yen					
	Year ended March 31, 2007		Year ended March 31, 2008		Year-over-year change	
	Amounts	%	Amounts	%	Amounts	
<b>Net sales</b>	¥ 90,378	100.0	¥ 92,064	100.0	¥ 1,686	
Cost of sales	77,043	85.2	78,866	85.7	1,822	
<b>Gross profit</b>	13,334	14.8	13,198	14.3	(136)	
Selling, general and administrative expenses	8,237	9.1	8,880	9.6	643	
<b>Operating income</b>	5,097	5.6	4,317	4.7	(779)	
Non-operating income	688	0.8	693	0.8	4	
Interest and dividend income	42		57		14	
Purchase discount	567		558		(8)	
Rent income	55		54		(0)	
Others	23		21		(1)	
Non-operating expenses	267	0.3	278	0.3	11	
Interest expenses	5		15		10	
Loss on sale of trade notes	8		12		3	
Sales discount	223		227		4	
Leasehold value	13		12		(0)	
Others	17		10		(6)	
<b>Ordinary income</b>	5,518	6.1	4,732	5.1	(786)	
Extraordinary income	144	0.2	19	0.0	(124)	
Gain on the previous fiscal term adjustment	24		-		(24)	
Gain on sale of fixed assets	72		-		(72)	
Reversal of allowance for doubtful accounts	22		19		(2)	
Gain on sale of marketable securities	25		-		(25)	
Others	-		0		0	
Extraordinary losses	66	0.1	66	0.1	0	
Impairment losses	55		-		(55)	
Loss on disposal of fixed assets	-		36		36	
Loss on revaluation of investment securities	-		21		21	
Loss on revaluation of memberships	-		8		8	
Others	10		-		(10)	
<b>Income before income taxes and minority interests</b>	5,597	6.2	4,685	5.1	(911)	
Income taxes	2,319	2.6	2,029	2.2	(289)	
Adjustment	123	0.1	65	0.1	(58)	
Minority interests	-	-	0	0.0	0	
<b>Net income</b>	¥ 3,154	3.5	¥ 2,590	2.8	¥ (563)	

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

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

FY2006 ( from April 1, 2006 to March 31, 2007 )

(Millions of Yen)

	Shareholders' equity					Revaluation and translation adjustment	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized gain on revaluation of securities	
Balance at March 31, 2006	5,232	5,975	12,262	(415)	23,054	896	23,950
Changes during the period							
Dividends*			(418)		(418)		(418)
Dividends (Interim)			(158)		(158)		(158)
Directors' bonuses*			(23)		(23)		(23)
Net income			3,154		3,154		3,154
Purchases of treasury stock				(3)	(3)		(3)
Disposal of treasury stock		616		90	706		706
Retirement of treasury stock		(145)		145	-		-
Changes in items other than shareholders' equity						287	287
Total changes during the period	-	471	2,554	231	3,258	287	3,545
Balance at March 31, 2007	5,232	6,446	14,816	(183)	26,312	1,183	27,496

Note: 1. \*Allocated at the ordinary general meeting of shareholders held in June 2006.  
2. All figures are rounded down to the nearest million yen.

FY2007 ( from April 1, 2007 to March 31, 2008 )

(Millions of Yen)

	Shareholders' equity					Revaluation and translation adjustment	Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized gain on revaluation of securities		
Balance at March 31, 2007	5,232	6,446	14,816	(183)	26,312	1,183	-	27,496
Changes during the period								
Dividends (Interim)			(632)		(632)			(632)
Net income			2,590		2,590			2,590
Purchases of treasury stock				(2)	(2)			(2)
Changes in items other than shareholders' equity						(592)	0	(592)
Total changes during the period	-	-	1,958	(2)	1,956	(592)	0	1,364
Balance at March 31, 2008	5,232	6,446	16,775	(185)	28,268	591	0	28,860

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Millions of Yen	
	Year ended March 31, 2007	Year ended March 31, 2008
	Amounts	Amounts
<b>Cash flows from operating activities:</b>		
Income before income taxes and minority interests	¥ 5,597	¥ 4,685
Depreciation and amortization	349	392
Impairment loss	55	-
Amortization of goodwill	10	157
Change in reserve for directors' bonuses	23	(7)
Decrease in reserve for employees' retirement benefits	(92)	(104)
Increase in reserve for directors' retirement benefits	41	44
Increase in reserve for bonuses	-	482
Decrease in allowance for doubtful accounts	(75)	(72)
Interest and dividend income	(42)	(57)
Interest expenses and loss on sale of trade notes	13	27
Gain on the previous fiscal term adjustment	(24)	-
Gain on sale of fixed assets	(72)	-
Gain on sale of marketable securities	(25)	-
Change in trade notes and accounts receivable	(3,930)	1,763
Increase in inventories	(376)	(317)
Decrease in other accounts receivable	612	-
Change in trade notes and accounts payable	1,432	(986)
Decrease in accrued expenses	-	(470)
Directors' bonuses	(23)	-
Others	97	(56)
Subtotal	3,569	5,479
Interest and dividend income received	44	58
Payments for interest expenses and loss on sale of trade notes	(13)	(19)
Income taxes paid	(2,276)	(2,483)
<b>Net cash provided by operating activities</b>	<b>1,323</b>	<b>3,034</b>
<b>Cash flows from investing activities:</b>		
Increase in time deposits	(350)	(66)
Decrease in time deposits	-	150
Purchases of property, plant and equipment	(498)	(1,524)
Proceeds from sale of property, plant and equipment	268	2
Purchases of investment securities	(201)	(8)
Proceeds from sale of investment securities	32	-
Purchases of new consolidated subsidiary's stock	-	(3,032)
Loans receivable	(12)	(12)
Collection of loans receivable	15	12
Others	(63)	(69)
<b>Net cash used in investing activities</b>	<b>(811)</b>	<b>(4,550)</b>
<b>Cash flows from financing activities:</b>		
Decrease in short-term borrowings	(230)	(275)
Proceeds from long-term loans payable	-	1,500
Purchases of treasury stock	(3)	(2)
Disposal of treasury stock	699	-
Dividends paid	(574)	(631)
<b>Net cash used in financing activities</b>	<b>(109)</b>	<b>591</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>0</b>	<b>-</b>
<b>Change in cash and cash equivalents</b>	<b>403</b>	<b>(923)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>4,062</b>	<b>4,465</b>
<b>Cash and cash equivalents at end of the period</b>	<b>¥ 4,465</b>	<b>¥ 3,541</b>

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

## SEGMENT INFORMATION

## 1. Business Segment Information

FY2006 ( from April 1, 2006 to March 31, 2007 )

( Millions of Yen )

	Net sales			Operating expenses	Operating income	Assets	Depreciation, amortization	Capital expenditures
	To customers	Intersegment	Total					
Machine Tools	¥ 63,237	¥ 875	¥ 64,112	¥ 61,575	¥ 2,537	¥ 23,273	¥ 76	¥ 54
Procured Construction Supplies	20,870	11	20,881	18,927	1,954	12,481	115	184
In-house Construction Supplies	6,221	-	6,221	5,714	507	5,978	145	299
Other	48	-	48	41	6	44	11	-
Total	90,378	886	91,264	86,258	5,005	41,776	348	538
Eliminations/ Corporate	-	(886)	( 886 )	( 977 )	91	8,938	11	0
Consolidated	¥ 90,378	-	¥ 90,378	¥ 85,280	¥ 5,097	¥ 50,715	¥ 360	¥ 538

FY2007 ( from April 1, 2007 to March 31, 2008 )

( Millions of Yen )

	Net sales			Operating expenses	Operating income	Assets	Depreciation, amortization	Capital expenditures
	To customers	Intersegment	Total					
Machine Tools	¥ 64,984	¥ 845	¥ 65,829	¥ 63,706	¥ 2,122	¥ 27,392	¥ 234	¥ 2,445
Procured Construction Supplies	21,198	9	21,207	19,435	1,772	12,676	111	273
In-house Construction Supplies	5,842	-	5,842	5,541	300	6,075	185	424
Other	38	-	38	32	5	34	6	-
Total	92,064	854	92,919	88,716	4,202	46,177	537	3,144
Eliminations/ Corporate	-	(854)	( 854 )	( 969 )	114	7,847	11	-
Consolidated	¥ 92,064	-	¥ 92,064	¥ 87,747	¥ 4,317	¥ 54,025	¥ 549	¥ 3,144

## Notes:

- Business segments are classified according to similarity of sorts and characters of manufactured and procured goods and operating groups used for the internal management.
- Major products and services by segment
  - Machine Tools:  
Industrial tools, machine tools, material handlings, housing equipments, and electric appliances and consumable supplies
  - Procured Construction Supplies:  
High strength bolts, fastening products, welding supplies, coating materials and steel frame-related supplies
  - In-house Construction Supplies: Turnbuckle braces and foundation bolts
  - Other: Lease services and insurance services
- With regard to assets, major corporate assets in eliminations or corporate are surplus funds (cash and cash equivalents), long-term investment funds (investment securities) and assets in Administration section, which amounted to ¥12,869 million in FY2006 and ¥13,912 million in FY2007 on consolidated basis.
- Depreciation and amortization and capital expenditures include long-term prepaid expenses and the amortized amounts.
- Change in accounting policy (the previous fiscal year)  
From fiscal 2006, ended March 31, 2007, Furusato adopted the Financial Accounting Standards No.4 issued on November 29, 2005, "Accounting Standards for Directors' Bonuses". As a result, the Machine Tools was up ¥3 million, the Procured Construction Supplies was up ¥11 million, and the In-house Construction Supplies was up ¥8 million. Operating expenses increased while operating income decreased the same amount that operating expenses increased compared to a case calculated based on the previous accounting policy.
- All figures are rounded down to the nearest million yen.

## 2. Geographical Segment Information

Omitted because Furusato group did not operate any consolidated subsidiaries and branches outside of Japan.

## 3. Overseas Sales

Omitted because the overseas sales volume was less than 10% of the consolidated net sales.

## NON-CONSOLIDATED FINANCIAL RESULTS

## NON-CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Millions of Yen					
	March 31, 2007		March 31, 2008		Year-over-year change	
	Amounts	%	Amounts	%	Amounts	
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents	¥ 3,070		¥ 1,916		¥	(1,153)
Trade notes receivables	4,883		4,067			(816)
Trade accounts receivables	4,238		4,520			281
Purchased goods	1,238		1,431			192
Finished goods	228		207			(20)
Raw materials	155		155			0
Work in process	426		544			118
Supplies	5		6			1
Advances paid	134		251			116
Prepaid expenses	69		75			6
Deferred tax assets	164		158			(5)
Short-term loans to an affiliate	2,000		1,000			(1,000)
Others	13		14			0
Allowance for doubtful accounts	(86)		(38)			48
<b>Total current assets</b>	<b>16,540</b>	<b>54.0</b>	<b>14,311</b>	<b>44.8</b>		<b>(2,228)</b>
<b>Fixed assets:</b>						
<b>Property, plant and equipment:</b>						
Buildings	2,206		2,587			381
Structures	112		118			6
Machinery and equipment	393		408			15
Vehicles and transportation equipment	22		18			(3)
Tools, furniture and fixture	116		142			25
Land	5,705		6,473			767
Construction in progress	104		91			(12)
<b>Total property, plant and equipment</b>	<b>8,660</b>	<b>28.3</b>	<b>9,840</b>	<b>30.8</b>		<b>1,180</b>
<b>Intangible fixed assets:</b>						
Leasehold rights	3		3			-
Software	34		83			49
Others	29		4			(25)
<b>Total Intangible fixed assets</b>	<b>67</b>	<b>0.3</b>	<b>91</b>	<b>0.3</b>		<b>24</b>
<b>Investments and other assets:</b>						
Investment securities	2,812		2,172			(639)
Investments in affiliates	1,776		4,857			3,081
Investment in capital	23		23			-
Long-term loans to employees	5		3			(2)
Reorganization claims in bankruptcy, and other	37		50			13
Long-term prepaid expenses	123		125			1
Long-term deposits	400		300			(100)
Guarantee deposits	137		122			(14)
Others	56		67			10
Allowance for doubtful accounts	(37)		(46)			(8)
<b>Total investments and other assets</b>	<b>5,334</b>	<b>17.4</b>	<b>7,676</b>	<b>24.1</b>		<b>2,341</b>
<b>Total fixed assets</b>	<b>14,062</b>	<b>46.0</b>	<b>17,608</b>	<b>55.2</b>		<b>3,545</b>
<b>Total assets</b>	<b>¥ 30,603</b>	<b>100.0</b>	<b>¥ 31,920</b>	<b>100.0</b>	¥	<b>1,317</b>

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

	Millions of Yen					
	March 31, 2007		March 31, 2008		Year-over-year change	
	Amounts	%	Amounts	%	Amounts	
<b>Liabilities</b>						
<b>Current Liabilities:</b>						
Trade notes payable	¥ 2,198		¥ 2,168		¥ (29)	
Trade accounts payable	3,329		3,294		(34)	
Short-term borrowings	-		300		300	
Other accounts payable	318		236		(82)	
Accrued income taxes	583		467		(116)	
Reserve for bonuses	-		253		253	
Accrued expenses	285		38		(247)	
Reserve for directors' bonuses	20		20		-	
Deposits received	10		13		2	
Others	21		55		33	
<b>Total current liabilities</b>	<b>6,768</b>	<b>22.1</b>	<b>6,848</b>	<b>21.5</b>	<b>80</b>	
<b>Long-term liabilities:</b>						
Long-term loans	-		1,200		1,200	
Deferred tax liabilities	292		62		(229)	
Reserve for employees' retirement benefits	133		114		(18)	
Reserve for directors' retirement benefits	537		565		27	
Guarantee deposits received	82		90		8	
<b>Total long-term liabilities</b>	<b>1,044</b>	<b>3.4</b>	<b>2,033</b>	<b>6.3</b>	<b>988</b>	
<b>Total liabilities</b>	<b>7,813</b>	<b>25.5</b>	<b>8,882</b>	<b>27.8</b>	<b>1,068</b>	
<b>Net Assets</b>						
<b>Shareholders' equity:</b>						
Common stock	5,232		5,232		-	
Capital surplus	6,446		6,446		-	
Capital reserve	5,975		5,975		-	
Other capital surplus	471		471		-	
Retained earnings	10,272		10,937		664	
Legal reserve	306		306		-	
Other retained earnings	9,965		10,630		664	
Reserve for advanced depreciation	4		4		(0)	
General reserve	7,000		7,000		-	
Retained earnings brought forward	2,961		3,626		665	
Treasury stock, at cost	(183)		(185)		(2)	
<b>Total shareholders' equity</b>	<b>21,767</b>	<b>71.1</b>	<b>22,430</b>	<b>70.3</b>	<b>662</b>	
<b>Revaluation and translation adjustment:</b>						
Net unrealized gain on revaluation of securities	1,022		608		(414)	
<b>Total revaluation and translation adjustment</b>	<b>1,022</b>	<b>3.4</b>	<b>608</b>	<b>1.9</b>	<b>(414)</b>	
<b>Total net assets</b>	<b>22,789</b>	<b>74.5</b>	<b>23,038</b>	<b>72.2</b>	<b>248</b>	
<b>Total liabilities and net assets</b>	<b>30,603</b>	<b>100.0</b>	<b>¥ 31,920</b>	<b>100.0</b>	<b>¥ 1,317</b>	

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

## NON-CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Millions of Yen					
	Year ended March 31, 2007		Year ended March 31, 2008		Year-over-year change	
	Amounts	%	Amounts	%	Amounts	
<b>Net sales</b>	¥ 27,103	100.0	¥ 27,050	100.0	¥ (53)	
Cost of sales	20,398	75.3	20,583	76.1	185	
<b>Gross profit</b>	6,705	24.7	6,466	23.9	(238)	
Selling, general and administrative expenses	4,243	15.7	4,393	16.2	149	
<b>Operating income</b>	2,461	9.1	2,073	7.7	(388)	
Non-operating income	333	1.2	358	1.3	25	
Interest and dividend income	64		62		(2)	
Purchase discount	47		51		4	
Rent income	182		203		21	
Others	37		40		2	
Non-operating expenses	106	0.4	114	0.4	8	
Interest expenses	1		8		7	
Leasehold value	82		88		6	
Others	23		18		(5)	
<b>Ordinary income</b>	2,687	9.9	2,316	8.6	(371)	
Extraordinary income	136	0.5	24	0.1	(111)	
Gain on the previous fiscal term adjustment	24		-		(24)	
Gain on sale of fixed assets	72		-		(72)	
Reversal of allowance for doubtful accounts	13		24		11	
Gain on sale of marketable securities	25		-		(25)	
Others	-		0		0	
Extraordinary losses	66	0.2	44	0.2	(21)	
Impairment losses	55		-		(55)	
Loss on disposal of fixed assets	-		36		36	
Loss on revaluation of memberships	-		8		8	
Others	10		-		(10)	
<b>Income before income taxes</b>	2,757	10.2	2,296	8.5	(460)	
Income taxes	1,107	4.1	995	3.7	(111)	
Adjustment	119	0.4	4	0.0	(115)	
<b>Net income</b>	¥ 1,530	5.6	¥ 1,296	4.8	¥ (233)	

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

**NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**

FY2006 ( from April 1, 2006 to March 31, 2007 )

(Millions of Yen)

	Shareholders' equity									Revaluation and translation adjustment	Total net assets
	Common stock	Capital surplus		Legal reserve	Retained earnings			Treasury stock	Total shareholders' equity	Net unrealized gain on revaluation of securities	
		Capital reserve	Other capital surplus		Other retained earnings						
					Reserve for advanced depreciation	General reserve	Retained earnings brought forward				
Balance at March 31, 2006	5,232	5,975	-	306	5	7,000	2,026	(415)	20,129	708	20,837
Changes during the period											
Dividends *1							(418)		(418)		(418)
Dividends (Interim)							(158)		(158)		(158)
Reversal of reserve for advanced depreciation *1					(0)		0		-		-
Reversal of reserve for advanced depreciation *2					(0)		0		-		-
Directors' bonuses *1							(20)		(20)		(20)
Net income							1,530		1,530		1,530
Purchases of treasury stock								(3)	(3)		(3)
Disposal of treasury stock			616					90	706		706
Retirement of treasury stock			(145)					145	-		-
Changes in items other than shareholders' equity										313	313
Total changes during the period	-	-	471	-	(0)	-	935	231	1,637	313	1,951
Balance at March 31, 2007	5,232	5,975	471	306	4	7,000	2,961	(183)	21,767	1,022	22,789

Note: 1. \*Allocated at the ordinary general meeting of shareholders held in June 2006.  
 2. \*Posted for the fiscal year ended March 31, 2007.  
 3. All figures are rounded down to the nearest million yen.

FY2007 ( from April 1, 2007 to March 31, 2008 )

(Millions of Yen)

	Shareholders' equity									Revaluation and translation adjustment	Total net assets
	Common stock	Capital surplus		Legal reserve	Retained earnings			Treasury stock	Total shareholders' equity	Net unrealized gain on revaluation of securities	
		Capital reserve	Other capital surplus		Other retained earnings						
					Reserve for advanced depreciation	General reserve	Retained earnings brought forward				
Balance at March 31, 2007	5,232	5,975	471	306	4	7,000	2,961	(183)	21,767	1,022	22,789
Changes during the period											
Dividends							(632)		(632)		(632)
Reversal of reserve for advanced depreciation					(0)		0		-		-
Net income							1,296		1,296		1,296
Purchases of treasury stock								(2)	(2)		(2)
Changes in items other than shareholders' equity										(414)	(414)
Total changes during the period	-	-	-	-	(0)	-	665	(2)	662	(414)	248
Balance at March 31, 2008	5,232	5,975	471	306	4	7,000	3,626	(185)	22,430	608	23,038

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