

FOR IMMEDIATE RELEASE:

Furusato Announces Financial Results for the First Quarter Ended June 30, 2008

Osaka, Japan, August 8, 2008 – Furusato Industries, Ltd. announced its consolidated financial results for the three months ended June 30, 2008, the first quarter of the year ending March 31, 2009. 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

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007
Operating Results:	(Millions of Yen)	(Millions of Yen)
Net Sales	¥ 22,429	¥ 21,766
Operating Income	1,116	1,003
Ordinary Income	1,236	1,119
Net Income	611	636
Per Share Data:	(Yen)	(Yen)
Net Income	¥ 38.67	¥ 40.25
	As of June 30, 2008	As of March 31, 2008
Financial Position:	(Millions of Yen)	(Millions of Yen)
Total Assets	¥ 53,454	¥ 54,025
Net Assets	29,057	28,860
Net Assets to Total Assets	54.4%	53.4%
Per Share Data:	(Yen)	(Yen)
Net Assets	¥ 1,838.58	¥ 1,826.06

Notes:

1. Changes in major subsidiaries during the period under review
(changes in specific subsidiaries involving changes in the scope of consolidation): No
2. Adoption of simplified accounting methods and accounting methods particular to the preparation of quarterly financial statements: Yes
3. Changes in accounting principles, procedures or methods of presentation associated with quarterly financial statements
(significant changes in basis for preparation of quarterly financial statements)
 - 1) Changes resulting from revisions to accounting standards: Yes
 - 2) Other changes: No

4. Number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding at the end of period (including treasury stock)

June 30, 2008: 16,438,648 shares

March 31, 2008: 16,438,648 shares

2) Number of treasury stock at the end of period

June 30, 2008: 634,402 shares

March 31, 2008: 634,227 shares

3) Average number of shares issued and outstanding for the period (consolidated, cumulative)

June 30, 2008: 15,804,316 shares

June 30, 2007: 15,805,624 shares

2. Dividends

	Dividends Per Share (Yen)				
	1Q	Interim	3Q	Year-end	Annual
Fiscal Year Ended March 31, 2008	-	10.00	-	31.00	41.00
Fiscal Year Ending March 31, 2009	-	-	-	-	-
Fiscal Year Ending March 31, 2009 (Forecast)	-	10.00	-	30.00	40.00

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

	First Half	Full-Year
Operating Results:	(Millions of Yen)	(Millions of Yen)
Net Sales	¥ 48,443	¥ 97,032
Operating Income	2,201	4,386
Ordinary Income	2,406	4,788
Net Income	1,226	2,514
Per Share Data:	(Yen)	(Yen)
Net Income Per Share	¥ 77.57	¥ 159.07

*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 (THREE MONTHS ENDED JUNE 30, 2008)**Qualitative Information and Financial Statements****1. Overview of Results**

During the three months ended June 30, 2008, the first quarter of the year ending March 31, 2009, in the construction industry, the negative impact by the revised Building Standard Law was nearly under control while a trend in capital investment showed signs of a slowdown due primarily to the price inflation of raw materials. According to the statistics of the building construction started for three months from January to March, the floor area of steel frame buildings recorded a 7.9% year-over-year decrease.

Meanwhile, in Machine Tools segment, the statistics of the orders received for machine tools reflecting a trend in domestic capital investment were down 3.0% for the three months ended March 31, 2008 compared to the same period of the previous year. The Indices of Industrial Production indicating the operating rate in the manufacturing sector turned to a downward trend following a year-over-year decrease for two consecutive quarters, the three-month periods from January to March and from April to June.

During the period under review, consolidated net sales were ¥22,429 million, up 3.0% from the first quarter of fiscal 2007. Reviewing the consolidated sales for the quarter by business segment, the Machine Tools segment reported a 1.1% increase, to ¥15,265 million, which benefited from the addition of the operating results of Gifu Shoji Co., Ltd., a newly consolidated company from the second half of fiscal 2007. In the Procured Construction Supplies segment, net sales recorded ¥5,598 million, up 7.8%, driven by 12.6% year-over-year sales growth in the Plumbing business, coupled with a rise in selling prices of some products. In-house Construction Supplies segment recorded ¥1,556 million in sales, up 6.1%, which was attributed to passing an increase in the prices of raw materials used in braces on to the selling price.

Consequently, consolidated operating income amounted to ¥1,116 million, up 11.2%, and ordinary income was ¥1,236 million, up 10.4%. Extraordinary income recorded reversal of allowance for doubtful accounts of ¥29 million, while extraordinary losses totaled ¥126 million including directors' retirement benefits, etc. As a result, net income for the first quarter of fiscal 2008 declined by 3.9% to ¥611 million.

2. Overview of Consolidated financial position and cash flows**〈Financial position〉**

Total assets decreased by ¥570 million to ¥53,454 million from the end of the previous fiscal year. That was due primarily to decreased current assets of ¥678 million including a decrease in trade notes and accounts receivable of ¥2,040 million, an increase in cash and cash equivalents of ¥713 million and increased inventories of ¥506 million.

Total liabilities totaled to ¥24,397 million, a decrease of ¥768 million from the fiscal 2007 year-end. This resulted from a decrease in current liabilities of ¥373 million and long-term liabilities of ¥394 million.

Net assets increased by ¥197 million to ¥29,057 million from the end of the previous fiscal year. This was attributed to net income of ¥611 million and dividend paid of ¥489 million.

Accordingly, net assets to total assets increased to 54.4% from 53.4%.

〈Cash flows〉

Cash and cash equivalents as of June 30, 2008 totaled ¥4,246 million, an increase of ¥704 million from March 31, 2008.

Net cash provided by operating activities increased by ¥1,788 million. This was due primarily to an increase in inventories of ¥506 million, a decrease in trade notes and accounts payable of ¥477 million and income taxes paid of ¥871 million despite income before income taxes of ¥1,139 million and a decrease in trade notes and accounts receivable of ¥1,992 million.

Net cash used in investing activities dropped by ¥242 million, mainly resulting from purchases of property, plant and equipment of ¥240 million.

Net cash used in financing activities decreased by ¥841 million. That was mainly owing to a decrease in short-term borrowings of ¥265 million, repayment of long-term debt of ¥150 million and dividends paid of ¥426 million.

3. Earnings Forecast for fiscal 2008, ending March 31, 2009

The earnings forecast for fiscal 2008 is unchanged from the forecast announced on May 8, 2008.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Thousands of Yen	
	June 30, 2008	March 31, 2008
	Amounts	Amounts
Assets		
Current assets:		
Cash and cash equivalents	¥ 4,322,030	¥ 3,608,132
Trade receivables (notes and accounts)	26,514,849	28,554,949
Purchased goods	4,162,525	3,784,271
Finished goods	225,977	207,939
Raw materials	202,551	155,784
Work in process	607,716	544,500
Supplies	5,791	6,054
Deferred tax assets	388,824	337,807
Others	545,396	483,589
Allowance for doubtful accounts	(70,347)	(99,232)
Total current assets	36,905,315	37,583,796
Fixed assets:		
Property, plant and equipment:		
Buildings and structures, net	3,022,425	2,856,297
Land	6,808,776	6,808,776
Others, net	663,326	730,699
Total property, plant and equipment	10,494,528	10,395,774
Intangible fixed assets:		
Goodwill	1,320,730	1,398,129
Others	123,610	119,666
Total intangible fixed assets	1,444,341	1,517,795
Investments and other assets:		
Investment securities	3,243,099	3,122,577
Deferred tax assets	356,351	379,297
Others	1,101,662	1,131,354
Allowance for doubtful accounts	(90,712)	(105,197)
Total investments and other assets	4,610,400	4,528,032
Total fixed assets	16,549,270	16,441,602
Total assets	¥ 53,454,586	¥ 54,025,398

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

	Thousands of Yen	
	June 30, 2008 Amounts	March 31, 2008 Amounts
Liabilities		
Current liabilities:		
Trade payable (notes and accounts)	¥ 18,249,191	¥ 18,764,810
Short-term borrowings	650,000	915,000
Accrued income taxes	399,185	902,158
Reserve for bonuses	742,171	520,581
Reserve for directors' bonuses	6,770	29,940
Others	1,423,411	711,779
Total current liabilities	21,470,730	21,844,269
Long-term liabilities:		
Long-term loans	1,050,000	1,200,000
Deferred tax liabilities	493,020	281,846
Reserve for employees' retirement benefits	1,113,581	1,107,252
Reserve for directors' retirement benefits	46,099	708,930
Others	223,724	22,914
Total long-term liabilities	2,926,425	3,320,943
Total liabilities	24,397,156	25,165,212
Net Assets		
Shareholders' equity:		
Common stock	5,232,413	5,232,413
Capital surplus	6,446,673	6,446,673
Retained earnings	16,896,818	16,775,555
Treasury stock, at cost	(186,109)	(185,929)
Total shareholders' equity	28,389,796	28,268,713
Revaluation and translation adjustment:		
Net unrealized gain on revaluation of securities	667,633	591,115
Total revaluation and translation adjustment	667,633	591,115
Minority interest	-	356
Total net assets	29,057,430	28,860,185
Total liabilities and net assets	¥ 53,454,586	¥ 54,025,398

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

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Thousands of Yen
	Three months ended June 30, 2008
	Amounts
Net sales	¥ 22,429,509
Cost of sales	18,920,115
Gross profit	3,509,393
Selling, general and administrative expenses	2,393,276
Operating income	1,116,116
Non-operating income:	
Interest income	606
Dividend income	26,203
Purchase discount	146,001
Rent income	13,961
Others	8,935
Total non-operating income	195,709
Non-operating expenses:	
Interest expenses	5,754
Loss on sale of trade notes	4,102
Sales discount	61,705
Leasehold value	3,151
Others	952
Total non-operating expenses	75,665
Ordinary income	1,236,160
Extraordinary income:	
Reversal of allowance for doubtful accounts	29,617
Total extraordinary income	29,617
Extraordinary losses:	
Loss on disposal of fixed assets	19,299
Directors' retirement benefits	107,008
Total extraordinary losses	126,307
Income before income taxes	1,139,471
Income taxes	386,664
Adjustment	141,606
Total income taxes	528,271
Net income	¥ 611,200

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Thousands of Yen
	Three months ended
	June 30, 2008
	Amounts
Cash flows from operating activities:	
Income before income taxes	¥ 1,139,471
Depreciation and amortization	106,714
Amortization of goodwill	77,688
Decrease in reserve for directors' bonuses	(23,170)
Increase in reserve for employees' retirement benefits	6,328
Decrease in reserve for directors' retirement benefits	(662,831)
Increase in reserve for bonuses	221,590
Decrease in allowance for doubtful accounts	(43,369)
Interest and dividend income	(26,810)
Interest expenses	5,754
Decrease in trade notes and accounts receivable	1,992,706
Increase in inventory	(506,012)
Decrease in trade notes and accounts payable	(477,092)
Increase in other accounts payable	552,681
Increase in accrued expenses	47,509
Increase in long-term accounts payable	200,810
Others	31,138
Subtotal	<u>2,643,108</u>
Interest and dividend income received	27,549
Interest paid	(10,533)
Income taxes paid	(871,370)
Net cash provided by operating activities	<u>1,788,755</u>
Cash flows from investing activities:	
Increase in time deposits	(45,755)
Decrease in time deposits	36,151
Purchases of property, plant and equipment	(240,200)
Purchases of investment securities	(2,507)
Purchases of subsidiaries' stock	(645)
Loans receivable	(7,310)
Collection of loans receivable	2,082
Others	15,474
Net cash used in investing activities	<u>(242,709)</u>
Cash flows from financing activities:	
Decrease in short-term borrowings	(265,000)
Repayment of long-term debt	(150,000)
Purchases of treasury stock	(180)
Dividends paid	(426,571)
Net cash used in financing activities	<u>(841,751)</u>
Increase in cash and cash equivalents	<u>704,294</u>
Cash and cash equivalents at beginning of the period	<u>3,541,908</u>
Cash and cash equivalents at end of the period	<u>¥ 4,246,203</u>

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

SEGMENT INFORMATION

1. Business Segment Information

1st Quarter of FY2008 (from April 1, 2008 to June 30, 2008)

(Thousands of Yen)

	Net sales			Operating income
	To customers	Intersegment	Total	
Machine Tools	¥ 15,265,622	¥ 257,777	¥ 15,523,400	¥ 334,721
Procured Construction Supplies	5,598,113	4,331	5,602,445	598,754
In-house Construction Supplies	1,556,400	-	1,556,400	146,925
Other	9,372	-	9,372	2,285
Total	22,429,509	262,109	22,691,618	1,082,687
Eliminations/ Corporate	-	(262,109)	(262,109)	33,429
Consolidated	¥ 22,429,509	-	22,429,509	1,116,116

Notes:

1. Business segments are classified according to similarity of sorts and characters of manufactured and procured goods and operating groups used for the internal management.
2. Major products and services by segment
 - (1) Machine Tools:
Industrial tools, machine tools, material handlings, housing equipments, and electric appliances and consumable supplies
 - (2) Procured Construction Supplies:
High strength bolts, fastening products, welding supplies, coating materials and steel frame-related supplies
 - (3) In-house Construction Supplies: Turnbuckle braces and foundation bolts
 - (4) Other: agent businesses, lease services and sale of procured supplies
3. All figures are rounded down to the nearest thousand 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.

[REFERENCE] CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL 2007**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

	Thousands of Yen
	Three months ended June 30, 2007
	Amounts
Net sales	¥ 21,766,496
Cost of sales	18,645,407
Gross profit	3,121,089
Selling, general and administrative expenses	2,117,394
Operating income	1,003,694
Non-operating income	184,006
Interest and dividend income	23,563
Purchase discount	142,349
Rent income	13,883
Others	4,210
Non-operating expenses	68,335
Interest expenses	1,255
Loss on sale of trade notes	1,724
Sales discount	59,631
Leasehold value	3,224
Others	2,499
Ordinary income	1,119,365
Income before income taxes	1,119,365
Income taxes	556,588
Adjustment	(73,403)
Net income	¥ 636,180

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Thousands of Yen
	Three months ended June 30, 2007
	Amounts
Cash flows from operating activities:	
Income before income taxes	¥ 1,119,365
Depreciation and amortization	85,289
Decrease in trade notes and accounts receivable	1,534,226
Decrease in trade notes and accounts payable	(1,101,794)
Others	(105,533)
Subtotal	<u>1,531,553</u>
Income taxes paid	(1,235,557)
Others	21,560
Net cash provided by operating activities	<u>317,556</u>
Cash flows from investing activities:	
Purchases of investment securities	(976)
Purchases of property, plant and equipment	(134,544)
Others	(33,931)
Net cash used in investing activities	<u>(169,452)</u>
Cash flows from financing activities:	
Decrease in short-term borrowings	(200,000)
Purchases of treasury stock	(461)
Dividends paid	(415,727)
Net cash used in financing activities	<u>(616,188)</u>
Decrease in cash and cash equivalents	<u>(468,085)</u>
Cash and cash equivalents at beginning of the period	<u>4,465,741</u>
Cash and cash equivalents at end of the period	<u>¥ 3,997,656</u>

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

SEGMENT INFORMATION FOR FISCAL 2007

1. Business Segment Information

1st Quarter of FY2007 (from April 1, 2007 to June 30, 2007)

(Thousands of Yen)

	Net sales			Operating expenses	Operating income
	To customers	Intersegment	Total		
Machine Tools	¥ 15,096,266	¥ 181,704	¥ 15,277,971	¥ 14,819,587	¥ 458,383
Procured Construction Supplies	5,192,704	3,545	5,196,250	4,761,239	435,010
In-house Construction Supplies	1,466,736	-	1,466,736	1,384,393	82,343
Other	10,788	-	10,788	8,412	2,376
Total	21,766,496	185,250	21,951,746	20,973,633	978,113
Eliminations/ Corporate	-	(185,250)	(185,250)	(210,832)	25,581
Consolidated	¥ 21,766,496	-	¥ 21,766,496	¥ 20,762,801	¥ 1,003,694

Notes:

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 - In-house Construction Supplies: Turnbuckle braces and foundation bolts
 - Other: agent businesses, lease services and sale of procured supplies
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