

FOR IMMEDIATE RELEASE:

Furusato Announces Financial Results for the Third Quarter Ended December 31, 2008

Osaka, Japan, February 4, 2009 – Furusato Industries, Ltd. announced its consolidated financial results for the third quarter ended December 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

	Nine Months Ended December 31, 2008	Nine Months Ended December 31, 2007
Operating Results:	(Millions of Yen)	(Millions of Yen)
Net Sales	¥ 67,414	¥ 67,678
Operating Income	3,566	3,188
Ordinary Income	3,900	3,507
Net Income	1,485	1,954
Per Share Data:	(Yen)	(Yen)
Net Income	¥ 94.00	¥ 123.64
	As of December 31, 2008	As of March 31, 2008
Financial Position:	(Millions of Yen)	(Millions of Yen)
Total Assets	¥ 50,043	¥ 54,025
Net Assets	29,823	28,860
Net Assets to Total Assets	59.6%	53.4%
Per Share Data:	(Yen)	(Yen)
Net Assets	¥ 1,887.18	¥ 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)
 - December 31, 2008: 16,438,648 shares
 - March 31, 2008: 16,438,648 shares
 - 2) Number of treasury stock at the end of period
 - December 31, 2008: 635,481 shares
 - March 31, 2008: 634,227 shares
 - 3) Average number of shares issued and outstanding for the period (consolidated, cumulative)
 - December 31, 2008: 15,803,871 shares
 - December 31, 2007: 15,805,069 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	-	10.00	-	-	-
Fiscal Year Ending March 31, 2009 (Forecast)	-	-	-	14.00	24.00

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

	Full-Year	% Change
Operating Results:	(Millions of Yen)	
Net Sales	¥ 83,655	(9.1%)
Operating Income	3,630	(15.9%)
Ordinary Income	4,038	(14.7%)
Net Income	1,504	(41.9%)
Per Share Data:	(Yen)	
Net Income	¥ 95.17	-

*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 DECEMBER 31, 2008)**1. Analysis of Operating Results****(1) Overview of Results**

During the three months ended December 31, 2008, the third quarter of the year ending March 31, 2009 (fiscal 2008), the construction industry has showed signs of a slowdown in demand since the second quarter of fiscal 2008. According to the statistics of the building construction starts for the three-month period from July to September closely related to Furusato's demand received for three-month period from October to December, the floor area of the steel frame building construction starts recorded a 39.9% year-over-year increase. However, the floor area for the three-month period from July to September 2007 sharply dropped by 39.7% compared to the same period of fiscal 2006 ended March 31, 2007, amid declining demand in building construction following the enforcement of the revised Building Standard Law. Considering this particular factor, compared to the same period of fiscal 2006, the floor area of the steel frame building construction starts decreased by 15.7%. Of the total steel frame buildings, non-dwelling as our target market decreased by 17.1% compared to the same period of fiscal 2006, reflecting a downward trend in capital investment.

Meanwhile, in the Machine Tools segment, the statistics of the domestic orders received for machine tools for the three-month period from July to September, a major indicator of our demand received for the three months from October to December, were sharply down 19.2% year over year, which was the third consecutive quarter of the decrease. In the Indices of Industrial Production indicating the factory operating rate in the manufacturing sector, overall industrial production for three-month period from October to December was down compared to the second quarter of fiscal 2008, the fourth consecutive quarterly decrease.

During the third quarter of fiscal 2008 (the three-month period from October 1 to December 31, 2008), overall consolidated net sales recorded ¥20,702 million, a decrease of 11.8%, compared to the same period of fiscal 2007. Reviewing consolidated net sales by segment, the Machine Tools segment recorded ¥12,853 million, a decrease of 23.4%, negatively impacted by deteriorating operating climate in the manufacturing sector. The Procured Construction Supplies segment recorded ¥5,878 million, up 10.7% year over year, reflecting favorable sales of steel frame construction supplies despite a decline in sales of the Plumbing business. The In-house Construction Supplies segment totaled ¥1,962 million, up 42.6%, which was primarily attributed to an increase in sales of mainly braces. Consequently, operating income was ¥901 million, down 14.1%, ordinary income amounted ¥1,005 million, down 13.3%, and net income was ¥326 million, down 47.5%.

During the nine months ended December 31, 2008, overall consolidated net sales recorded ¥67,414 million, a decrease of 0.4%, compared to the same period of fiscal 2007. Reviewing consolidated net sales by segment, the Machine Tools segment recorded ¥44,504 million, a decrease of 6.2%. The Procured Construction Supplies segment recorded ¥17,532 million, up 10.7% year over year. The In-house Construction Supplies segment totaled ¥5,353 million, up 22.7%. On the earnings front, gross profit margin was 15.9%, up 1.5 pts. year over year, which resulted from implementing the price policy for the steel frame construction supplies mainly in the first half. The selling, general and administrative (SG&A) expenses ratio was 10.6%, up 0.9 pts. due to a delay in cost reduction measures against a sharp sales decline in the Machine Tools segment. Accordingly, the SG&A expenses were ¥7,159 million, up 9.6%.

Consequently, operating income for the nine months amounted to ¥3,566 million, up 11.8%, and ordinary income was ¥3,900 million, up 11.2%. Net income declined by 24.0% to ¥1,485 million due to recording a loss on revaluation of investment securities of ¥779 million under extraordinary losses.

(2) Overview of Consolidated financial position and cash flows

〈Financial position〉

As of December 31, 2008, total assets decreased by ¥3,981 million to ¥50,043 million from the end of the previous fiscal year. That was due primarily to decreased current assets of ¥3,220 million including a decrease in trade notes and accounts receivable of ¥3,054 million, along with decreased fixed assets of ¥761 million including a decrease in investment securities of ¥533 million.

Total liabilities totaled to ¥20,220 million, a decrease of ¥4,944 million from the fiscal 2007 year-end. This resulted from decreased current liabilities of ¥4,315 million including a decrease in trade notes and accounts payable of ¥3,198 million, a decrease in short-term borrowings of ¥540 million, and a decrease in accrued income taxes of ¥483 million and decreased long-term liabilities of ¥629 million including a decrease in long-term loans of ¥300 million and a decrease in reserve for directors' retirement benefits of ¥659 million.

Net assets increased by ¥963 million to ¥29,823 million from the end of the previous fiscal year. This was attributed to net income of ¥1,485 million and dividend paid of ¥647 million.

Accordingly, net assets to total assets increased to 59.6% from 53.4%.

〈Cash flows〉

Cash and cash equivalents as of December 31, 2008 totaled ¥3,156 million, a decrease of ¥385 million from March 31, 2008.

Net cash provided by operating activities increased by ¥1,517 million. Factors behind the result were income before income taxes of ¥3,018 million, loss on revaluation of investment securities of ¥779 million and a decrease in trade notes and accounts receivable of ¥3,008 million, which counted contribution from a decrease in trade notes and accounts payable of ¥3,063 million and income taxes paid of ¥1,879 million.

Net cash used in investing activities dropped by ¥417 million, mainly resulting from purchases of property, plant and equipment of ¥375 million.

Net cash used in financing activities decreased by ¥1,486 million. That was mainly owing to a decrease in short-term borrowings of ¥540 million, repayment of long-term loans of ¥300 million and dividends paid of ¥644 million.

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

Furusato has revised the full-year earnings forecasts for the year ending March 31, 2009. Consolidated sales and profits significantly decreased due to shrinking investment in production facilities in the manufacturing sector and reduced industrial production in the economic downturn. Additionally, Furusato recorded the loss on revaluation of investment securities caused by a substantial decline in stock prices.

For details, please refer to the immediate release, "Revision to Full-Year Earnings and Annual Dividend Forecasts for the Year Ending March 31, 2009", announced today.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Thousands of Yen	
	December 31, 2008 Amounts	March 31, 2008 Amounts
Assets		
Current assets:		
Cash and cash equivalents	¥ 3,241,953	¥ 3,608,132
Trade receivables (notes and accounts)	25,500,604	28,554,949
Purchased goods and finished goods	4,196,499	3,992,210
Work in process	624,235	544,500
Raw materials and supplies	241,967	161,838
Deferred tax assets	198,118	337,807
Others	428,790	483,589
Allowance for doubtful accounts	(68,767)	(99,232)
Total current assets	34,363,402	37,583,796
Fixed assets:		
Property, plant and equipment:		
Buildings and structures, net	2,958,752	2,856,297
Land	6,801,723	6,808,776
Others, net	649,033	730,699
Total property, plant and equipment	10,409,509	10,395,774
Intangible fixed assets:		
Goodwill	1,165,353	1,398,129
Others	142,982	119,666
Total intangible fixed assets	1,308,336	1,517,795
Investments and other assets:		
Investment securities	2,589,074	3,122,577
Deferred tax assets	370,764	379,297
Others	1,109,083	1,131,354
Allowance for doubtful accounts	(106,294)	(105,197)
Total investments and other assets	3,962,628	4,528,032
Total fixed assets	15,680,474	16,441,602
Total assets	¥ 50,043,877	¥ 54,025,398

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

	Thousands of Yen	
	December 31, 2008	March 31, 2008
	Amounts	Amounts
Liabilities		
Current liabilities:		
Trade payable (notes and accounts)	¥ 15,566,183	¥ 18,764,810
Short-term borrowings	375,000	915,000
Accrued income taxes	418,222	902,158
Reserve for bonuses	272,579	520,581
Reserve for directors' bonuses	14,020	29,940
Others	882,607	711,779
Total current liabilities	17,528,613	21,844,269
Long-term liabilities:		
Long-term loans	900,000	1,200,000
Deferred tax liabilities	386,040	281,846
Reserve for employees' retirement benefits	1,134,090	1,107,252
Reserve for directors' retirement benefits	49,499	708,930
Others	222,211	22,914
Total long-term liabilities	2,691,842	3,320,943
Total liabilities	20,220,455	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	17,613,134	16,775,555
Treasury stock, at cost	(187,162)	(185,929)
Total shareholders' equity	29,105,060	28,268,713
Revaluation and translation adjustment:		
Net unrealized gain on revaluation of securities	718,360	591,115
Total revaluation and translation adjustment	718,360	591,115
Minority interests	-	356
Total net assets	29,823,421	28,860,185
Total liabilities and net assets	¥ 50,043,877	¥ 54,025,398

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

**CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED DECEMBER 31, 2008 (UNAUDITED)**

	Thousands of Yen
	Nine months ended December 31, 2008
	Amounts
Net sales	¥ 67,414,979
Cost of sales	56,689,019
Gross profit	10,725,959
Selling, general and administrative expenses	7,159,505
Operating income	3,566,454
Non-operating income:	
Interest income	4,534
Dividend income	52,299
Purchase discount	423,162
Rent income	42,113
Others	27,198
Total non-operating income	549,309
Non-operating expenses:	
Interest expenses	15,833
Loss on sale of trade notes	9,883
Sales discount	176,343
Leasehold value	9,463
Others	4,011
Total non-operating expenses	215,534
Ordinary income	3,900,228
Extraordinary income:	
Proceeds from sale of investment securities	1,500
Reversal of allowance for doubtful accounts	26,062
Total extraordinary income	27,562
Extraordinary losses:	
Loss on disposal of fixed assets	22,652
Loss on revaluation of investment securities	779,537
Directors' retirement benefits	107,008
Total extraordinary losses	909,197
Income before income taxes	3,018,593
Income taxes	1,409,450
Adjustment	123,590
Total income taxes	1,533,041
Net income	¥ 1,485,551

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

CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED DECEMBER 31, 2008 (UNAUDITED)

	Thousands of Yen
	Three months ended December 31, 2008
	Amounts
Net sales	¥ 20,702,176
Cost of sales	17,385,293
Gross profit	3,316,883
Selling, general and administrative expenses	2,415,815
Operating income	901,068
Non-operating income:	
Interest income	1,230
Dividend income	22,025
Purchase discount	134,825
Rent income	14,086
Others	3,720
Total non-operating income	175,889
Non-operating expenses:	
Interest expenses	4,852
Loss on sale of trade notes	3,077
Sales discount	59,235
Leasehold value	3,159
Others	1,161
Total non-operating expenses	71,486
Ordinary income	1,005,471
Extraordinary income:	
Proceeds from sale of investment securities	1,500
Reversal of allowance for doubtful accounts	7,898
Total extraordinary income	9,398
Extraordinary losses:	
Loss on disposal of fixed assets	3,353
Loss on revaluation of investment securities	294,474
Total extraordinary losses	297,827
Income before income taxes	717,042
Income taxes	321,194
Adjustment	69,494
Total income taxes	390,688
Net income	¥ 326,353

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Thousands of Yen
	Nine months ended
	December 31, 2008
	Amounts
Cash flows from operating activities:	
Income before income taxes	¥ 3,018,593
Depreciation and amortization	328,620
Amortization of goodwill	233,065
Decrease in reserve for directors' bonuses	(15,920)
Increase in reserve for employees' retirement benefits	26,837
Decrease in reserve for directors' retirement benefits	(659,431)
Decrease in reserve for bonuses	(248,001)
Decrease in allowance for doubtful accounts	(29,367)
Interest and dividend income	(56,834)
Interest expenses	15,833
Gain on sale of investment securities	(1,500)
Loss on revaluation of investment securities	779,537
Decrease in trade notes and accounts receivable	3,008,043
Increase in inventory	(364,153)
Decrease in trade notes and accounts payable	(3,063,124)
Increase in other accounts payable	25,147
Increase in accrued expenses	53,023
Increase in long-term accounts payable	200,810
Others	108,855
Subtotal	<u>3,360,032</u>
Interest and dividend income received	57,273
Interest paid	(20,579)
Income taxes paid	<u>(1,879,247)</u>
Net cash provided by operating activities	<u>1,517,478</u>
Cash flows from investing activities:	
Increase in time deposits	(85,923)
Decrease in time deposits	66,223
Purchases of property, plant and equipment	(375,857)
Proceeds from sale of property, plant and equipment	10,448
Purchases of investment securities	(8,962)
Proceeds from sale of investment securities	20,500
Purchases of subsidiaries' stock	(645)
Loans receivable	(11,962)
Collection of loans receivable	10,450
Others	(41,628)
Net cash used in investing activities	<u>(417,357)</u>
Cash flows from financing activities:	
Decrease in short-term borrowings	(540,000)
Repayment of long-term loans	(300,000)
Purchases of treasury stock	(1,232)
Dividends paid	(644,767)
Net cash used in financing activities	<u>(1,486,000)</u>
Decrease in cash and cash equivalents	<u>(385,879)</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>¥ 3,156,029</u>

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

SEGMENT INFORMATION

1. Business Segment Information

Three Months Ended December 31 , 2008

(Thousands of Yen)

	Net sales			Operating income
	To customers	Intersegment	Total	
Machine Tools	¥ 12,853,375	¥ 310,563	¥ 13,163,939	¥ 120,404
Procured Construction Supplies	5,878,308	3,956	5,882,264	615,837
In-house Construction Supplies	1,962,861	-	1,962,861	139,879
Other	7,631	-	7,631	1,142
Total	20,702,176	314,519	21,016,696	877,263
Eliminations/ Corporate	-	(314,519)	(314,519)	23,804
Consolidated	¥ 20,702,176	-	¥ 20,702,176	¥ 901,068

Nine Months Ended December 31 , 2008

(Thousands of Yen)

	Net sales			Operating income
	To customers	Intersegment	Total	
Machine Tools	¥ 44,504,559	¥ 856,715	¥ 45,361,275	¥ 973,897
Procured Construction Supplies	17,532,421	12,340	17,544,761	1,970,506
In-house Construction Supplies	5,353,422	-	5,353,422	529,407
Other	24,575	-	24,575	4,941
Total	67,414,979	869,056	68,284,035	3,478,752
Eliminations/ Corporate	-	(869,056)	(869,056)	87,701
Consolidated	¥ 67,414,979	-	¥ 67,414,979	¥ 3,566,454

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: agent businesses, lease services and sale of procured supplies
- 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 RESULTS FOR THIRD QUARTER OF FISCAL 2007

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Thousands of Yen
	Nine months ended December 31, 2007
	Amounts
Net sales	¥ 67,678,428
Cost of sales	57,955,009
Gross profit	9,723,418
Selling, general and administrative expenses	6,534,530
Operating income	3,188,888
Non-operating income:	
Interest and dividend income	50,783
Purchase discount	419,165
Rent income	41,294
Others	12,216
Total non-operating income	523,460
Non-operating expenses:	
Interest expenses	7,649
Loss on sale of trade notes	8,440
Sales discount	171,616
Leasehold value	9,678
Others	7,498
Total non-operating expenses	204,883
Ordinary income	3,507,465
Extraordinary income:	
Reversal of allowance for doubtful accounts	15,930
Total extraordinary income	15,930
Extraordinary losses:	
Loss on disposal of fixed assets	32,824
Total extraordinary losses	32,824
Income before income taxes and minority interests	3,490,571
Income taxes	1,365,685
Adjustment	170,782
Minority interests	13
Net income	¥ 1,954,090

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Thousands of Yen	
	Nine months ended December 31, 2007	
	Amounts	
Cash flows from operating activities:		
Income before income taxes	¥	3,490,571
Depreciation and amortization		281,859
Decrease in trade notes and accounts receivable		2,611,567
Decrease in trade notes and accounts payable		(1,754,890)
Others		(380,786)
Subtotal		4,248,321
Income taxes paid		(2,483,202)
Others		39,279
Net cash provided by operating activities		1,804,397
Cash flows from investing activities:		
Increase in time deposits		(66,223)
Decrease in time deposits		150,644
Purchases of property, plant and equipment		(1,425,124)
Purchases of investment securities		(4,840)
Purchases of new consolidated subsidiary's stock		(3,032,988)
Others		(45,975)
Net cash used in investing activities		(4,424,508)
Cash flows from financing activities:		
Decrease in short-term borrowings		(125,000)
Proceeds from long-term loans payable		1,500,000
Purchases of treasury stock		(2,006)
Dividends paid		(629,177)
Others		(493)
Net cash used in financing activities		743,321
Decrease in cash and cash equivalents		(1,876,788)
Cash and cash equivalents at beginning of the period		4,465,741
Cash and cash equivalents at end of the period	¥	2,588,952

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

SEGMENT INFORMATION FOR THIRD QUARTER OF FISCAL 2007

1. Business Segment Information

Nine Months Ended December 31, 2007

(Thousands of Yen)

	Net sales			Operating expenses	Operating income
	To customers	Intersegment	Total		
Machine Tools	¥ 47,445,535	¥ 590,702	¥ 48,036,237	¥ 46,492,501	¥ 1,543,736
Procured Construction Supplies	15,842,262	7,063	15,849,325	14,523,560	1,325,765
In-house Construction Supplies	4,361,542	-	4,361,542	4,125,890	235,651
Other	29,088	-	29,088	24,202	4,885
Total	67,678,428	597,765	68,276,193	65,166,155	3,110,038
Eliminations/ Corporate	-	(597,765)	(597,765)	(676,615)	78,850
Consolidated	¥ 67,678,428	-	¥ 67,678,428	¥ 64,489,539	¥ 3,188,888

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: agent businesses, lease services and sale of procured supplies
- 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.