

FOR IMMEDIATE RELEASE:

## Furusato Announces Financial Results for the First Quarter Ended June 30, 2009

Osaka, Japan, July 31, 2009 – Furusato Industries, Ltd. announced its consolidated financial results for the three months ended June 30, 2009, the first quarter of the year ending March 31, 2010. 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, 2009	Three Months Ended June 30, 2008
<b>Operating Results:</b>	(Millions of Yen)	(Millions of Yen)
Net Sales	¥ <b>12,332</b>	¥ 22,429
Operating Income	<b>(416)</b>	1,116
Ordinary Income	<b>(346)</b>	1,236
Net Income	<b>(254)</b>	611
<b>Per Share Data:</b>	(Yen)	(Yen)
Net Income	¥ <b>(16.10)</b>	¥ 38.67
	<b>As of June 30, 2009</b>	As of June 30, 2008
<b>Financial Position:</b>	(Millions of Yen)	(Millions of Yen)
Total Assets	¥ <b>42,887</b>	¥ 47,171
Net Assets	<b>29,407</b>	29,987
Net Assets to Total Assets	<b>68.6%</b>	63.6%
<b>Per Share Data:</b>	(Yen)	(Yen)
Net Assets	¥ <b>1,860.90</b>	¥ 1,897.58

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: No
  - 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, 2009: 16,438,648 shares

March 31, 2009: 16,438,648 shares

## 2) Number of treasury stock at the end of period

June 30, 2009: 635,973 shares

March 31, 2009: 635,757 shares

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

June 30, 2009: 15,802,712 shares

June 30, 2008: 15,804,316 shares

## 2. Dividends

	Dividends Per Share (Yen)				
	1Q	Interim	3Q	Year-end	Annual
Fiscal Year Ended March 31, 2009	-	10.00	-	17.50	27.50
Fiscal Year Ending March 31, 2010	-				
Fiscal Year Ending March 31, 2010(Forecast)		5.00	-	5.00	10.00

**CONSOLIDATED EARNINGS FORECAST FOR FISCAL 2009, ENDING MARCH 31, 2010**

	First Half	Full-Year
<b>Operating Results:</b>	(Millions of Yen)	(Millions of Yen)
Net Sales	¥ 28,700	¥ 60,800
Operating Income	(100)	340
Ordinary Income	30	600
Net Income	(175)	110
<b>Per Share Data:</b>	(Yen)	(Yen)
Net Income	¥ (11.07)	¥ 6.96

\*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, 2009)****1. Analysis of Operating Results****(1) Overview of Results**

During the three months ended June 30, 2009, the first quarter of the year ending March 31, 2010, in regard to the business environment, corporate production activities remained a low level despite nearly completion of inventory adjustment in each business sector, while corporate capital investment drastically dropped, reflecting low factory operating ratio and heightened sense of oversupply of production facilities.

In the steel frame construction supplies business, the demand has decreased further every month. The floor area of steel frame building starts recorded an 18.9% year-over-year decrease for the three-month period from January to March. According to the sales breakdown by month, it declined further every month by 6.7% in January, 12.5% in February and 33.7% in March, respectively compared with the same period of the previous year. Moreover, it sharply dropped by 41.0% in April and 47.9% in May. In addition, the prices of steel products fell by more than 40% year over year, which led to a selling price decrease.

Meanwhile, in the Machine Tools segment, production activities in the manufacturing sector remained a low level. The Indices of Industrial Production indicating the factory operating rate, continued negative growth at over minus 30pts.

The orders received for machine tools, a leading indicator of the capital investment in the manufacturing sector, stayed an extremely low level. It recorded a 77.5% year-over-year decrease for the three-month period from April to June, which slightly improved from 84.6% for the three-month period from January to March.

Under these severe circumstances, Furusato Group strived to take actions with the aim of building a business structure to realize a medium-and long-term growth. In particular, we implemented measures to strengthen our focus fields including expansion of the Plumbing business and reinforcement of competitiveness of the Industrial Tools business. However, these measures do not take immediate and drastic effects in a short time. Consequently, consolidated net sales substantially decreased compared with the same period of the previous fiscal year due to widespread rapid slowdown in demand.

Gross profit margin significantly dropped owing to the fierce competition caused by shrinking market size and declined market prices. Selling, general and administrative expenses were down 8.1% year over year, led by a reduction in selling expenses, while it was up 7.1% year over year according to the percentage to sales. As a result, operating income turned to a loss, a decrease of ¥1,532 million compared with the first quarter of the previous fiscal year.

As a result, consolidated net sales for the first quarter of fiscal 2009 decreased by 45.0% to ¥12,332 million compared with the same period a year ago, operating loss amounted to ¥416 million, and ordinary loss was ¥346 million. Net loss for the first quarter of fiscal 2009 was ¥254 million.

**Analysis of Results by Segment****〈Machine Tools Segment〉**

The main business providing machines and industrial tools to the manufacturing sector by wholesale and retail was significantly impacted by a substantial decline in factory operating rate and capital investment, while the Housing Equipments business recorded a year-over-year increase. Segment sales decreased by 50.2% to ¥7,603 million, and operating loss was ¥349 million.

**〈Procured Construction Supplies Segment〉**

Segment sales decreased by 34.4% to ¥3,671 million, and operating income decreased by 78.5% to ¥128 million compared with the same period a year ago owing to a sales decrease in both the steel frame building business offering procured construction supplies to steel frame building sector and the Plumbing business.

**〈In-house Construction Supplies Segment〉**

Segment sales decreased by 32.6% to ¥1,048 million and operating loss was ¥224 million compared with the comparable period of fiscal 2008 due to low factory operating rate caused by a sales volume decline in mainly turnbuckle brace, one of our major products.

**〈Other Segment〉**

Segment sales were ¥8 million, down 10.6%, and operating income was ¥2 million, up 17.7% compared with the same period a year ago.

**(2) Overview of Consolidated financial position**

## 〈Total assets〉

As of June 30, 2009, total assets decreased by ¥4,283 million to ¥42,887 million from the end of the previous fiscal year. That was due primarily to decreased current assets of ¥3,958 million including an increase in cash and deposits of ¥1,399 million and a decrease in notes and accounts receivable-trade of ¥4,973 million.

## 〈Liabilities〉

Total liabilities totaled to ¥13,479 million, a decrease of ¥3,703 million from the fiscal 2008 year-end. This resulted from a decrease in current liabilities of ¥3,455 million including a decrease in notes and accounts payable-trade of ¥3,384 million.

## 〈Net assets〉

Net assets decreased by ¥580 million to ¥29,407 million from the end of the previous fiscal year. This was attributed to net loss of ¥254 million and dividend paid of ¥276 million.

Accordingly, net assets to total assets increased to 68.6% from 63.6%.

## 〈Cash flows〉

Cash and cash equivalents (hereinafter referred to as "cash") as of June 30, 2009 totaled ¥7,937 million (¥4,246 million as of June 30, 2008), an increase of ¥1,398 million on a consolidated basis from March 31, 2009 due to an increase in cash from operating activities and a decrease in cash from investing activities and financing activities.

Each cash flow for the first quarter of fiscal 2009 is as follows:

## 〈Net cash from operating activities〉

Net cash provided by operating activities was ¥1,847 million (¥1,788 million as of June 30, 2008). Factors behind the result were loss before income taxes of ¥333 million, a decrease in trade notes and accounts payable of ¥3,269 million and income taxes paid of ¥297 million, which counted contribution from a decrease in notes and accounts receivable-trade of ¥4,980 million and a decrease in inventory of ¥558 million.

## 〈Net cash from investing activities〉

Net cash used in investing activities totaled by ¥41 million (¥242 million as of June 30, 2008), mainly resulting from purchases of property, plant and equipment of ¥20 million.

## 〈Net cash from financing activities〉

Net cash used in financing activities was ¥407 million (¥841 million as of June 30, 2008). That was mainly owing to repayment of long-term loans payable of ¥150 million and cash dividends paid of ¥247million.

**(3) Earnings Forecast for fiscal 2009, ending March 31, 2010**

The earnings forecast for fiscal 2009 is unchanged from the forecast announced on May 8, 2009.

## CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Thousands of Yen	
	June 30, 2009	March 31, 2009
	Amounts	Amounts
<b>Assets</b>		
<b>Current assets:</b>		
Cash and deposits	¥ 8,024,296	¥ 6,624,942
Notes and accounts receivable-trade	15,281,921	20,255,391
Merchandise and finished goods	3,254,354	3,671,595
Work in process	564,740	696,062
Raw materials and supplies	198,642	208,906
Deferred tax assets	407,385	278,004
Other	315,540	286,579
Allowance for doubtful accounts	(33,670)	(49,329)
<b>Total current assets</b>	<b>28,013,210</b>	<b>31,972,152</b>
<b>Noncurrent assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings and structures, net	2,865,929	2,911,567
Land	6,801,723	6,801,723
Other, net	575,732	612,262
<b>Total property, plant and equipment</b>	<b>10,243,385</b>	<b>10,325,553</b>
<b>Intangible assets:</b>		
Goodwill	1,009,977	1,087,665
Other	137,098	142,446
<b>Total intangible assets</b>	<b>1,147,075</b>	<b>1,230,111</b>
<b>Investments and other assets:</b>		
Investment securities	2,316,678	2,437,193
Prepaid pension cost	98,489	138,943
Deferred tax assets	363,708	372,879
Other	808,670	809,352
Allowance for doubtful accounts	(104,165)	(115,157)
<b>Total investments and other assets</b>	<b>3,483,381</b>	<b>3,643,211</b>
<b>Total noncurrent assets</b>	<b>14,873,842</b>	<b>15,198,876</b>
<b>Total assets</b>	<b>¥ 42,887,052</b>	<b>¥ 47,171,028</b>

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

	Thousands of Yen	
	June 30, 2009	March 31, 2009
	Amounts	Amounts
<b><u>Liabilities</u></b>		
<b>Current liabilities:</b>		
Notes and accounts payable-trade	¥ 9,425,234	¥ 12,809,323
Short-term loans payable	300,000	310,000
Income taxes payable	70,496	325,269
Provision for bonuses	695,537	494,190
Provision for directors' bonuses	5,186	15,133
Other	663,096	661,275
<b>Total current liabilities</b>	<b>11,159,550</b>	<b>14,615,191</b>
<b>Noncurrent liabilities:</b>		
Long-term loans payable	750,000	900,000
Deferred tax liabilities	397,167	491,651
Provision for retirement benefits	898,007	903,468
Provision for directors' retirement benefits	52,899	51,199
Other	222,211	222,211
<b>Total noncurrent liabilities</b>	<b>2,320,287</b>	<b>2,568,531</b>
<b>Total liabilities</b>	<b>13,479,837</b>	<b>17,183,723</b>
<b><u>Net Assets</u></b>		
<b>Shareholders' equity:</b>		
Capital stock	5,232,413	5,232,413
Capital surplus	6,446,673	6,446,673
Retained earnings	17,329,397	17,860,313
Treasury stock	(187,546)	(187,380)
<b>Total shareholders' equity</b>	<b>28,820,937</b>	<b>29,352,021</b>
<b>Valuation and translation adjustments:</b>		
Valuation difference on available-for-sale securities	586,277	635,283
<b>Total valuation and translation adjustments</b>	<b>586,277</b>	<b>635,283</b>
<b>Total net assets</b>	<b>29,407,215</b>	<b>29,987,305</b>
<b>Total liabilities and net assets</b>	<b>¥ 42,887,052</b>	<b>¥ 47,171,028</b>

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	Three months ended June 30, 2009
	Amounts	Amounts
Net sales	¥ 22,429,509	¥ 12,332,334
Cost of sales	18,920,115	10,548,792
Gross profit	3,509,393	1,783,541
Selling, general and administrative expenses	2,393,276	2,199,678
Operating income (loss)	1,116,116	(416,137)
Non-operating income:		
Interest income	606	411
Dividends income	26,203	18,899
Purchase discounts	146,001	75,175
Rent income	13,961	14,058
Other	8,935	8,552
Total non-operating income	195,709	117,097
Non-operating expenses:		
Interest expenses	5,754	3,178
Loss on sales of notes payable	4,102	1,011
Sales discounts	61,705	37,154
Cost of lease revenue	3,151	5,092
Other	952	729
Total non-operating expenses	75,665	47,166
Ordinary income (loss)	1,236,160	(346,205)
Extraordinary income:		
Reversal of allowance for doubtful accounts	29,617	12,327
Total extraordinary income	29,617	12,327
Extraordinary loss:		
Loss on retirement of noncurrent assets	19,299	-
Directors' retirement benefits	107,008	-
Total extraordinary loss	126,307	-
Income (loss) before income taxes	1,139,471	(333,877)
Income taxes-current	386,664	61,021
Income taxes-deferred	141,606	(140,532)
Total income taxes	528,271	(79,511)
Net income (loss)	¥ 611,200	¥ (254,366)

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Thousands of Yen	
	Three months ended	Three months ended
	June 30, 2008	June 30, 2009
	Amounts	Amounts
<b>Cash flows from operating activities:</b>		
Income (loss) before income taxes	¥ 1,139,471	¥ (333,877)
Depreciation and amortization	106,714	98,216
Amortization of goodwill	77,688	77,688
Decrease in provision for directors' bonuses	(23,170)	(9,946)
Increase (decrease) in provision for retirement benefits	6,328	(5,460)
Decrease in prepaid pension costs	-	40,453
Increase (decrease) in provision for directors' retirement benefits	(662,831)	1,700
Increase in provision for bonuses	221,590	201,347
Decrease in allowance for doubtful accounts	(43,369)	(26,651)
Interest and dividends income	(26,810)	(19,311)
Interest expenses	5,754	3,178
Decrease in notes and accounts receivable-trade	1,992,706	4,980,646
Decrease (increase) in inventories	(506,012)	558,827
Decrease in notes and accounts payable-trade	(477,092)	(3,269,741)
Increase (decrease) in accounts payable-other	552,681	(41,655)
Increase in accrued expenses	47,509	39,073
Increase in long-term accounts payable-other	200,810	-
Other, net	31,138	(162,414)
Subtotal	2,643,108	2,132,072
Interest and dividends income received	27,549	20,527
Interest expenses paid	(10,533)	(7,861)
Income taxes paid	(871,370)	(297,211)
<b>Net cash provided by operating activities</b>	<b>1,788,755</b>	<b>1,847,527</b>
<b>Cash flows from investing activities:</b>		
Payments into time deposits	(45,755)	(46,693)
Proceeds from withdrawal of time deposits	36,151	45,755
Purchase of property, plant and equipment	(240,200)	(20,031)
Proceeds from sales of property, plant and equipment	-	84
Purchase of investment securities	(2,507)	(2,653)
Purchase of investments in subsidiaries	(645)	-
Payments of loans receivable	(7,310)	(6,880)
Collection of loans receivable	2,082	5,263
Other, net	15,474	(16,127)
<b>Net cash used in investing activities</b>	<b>(242,709)</b>	<b>(41,282)</b>
<b>Cash flows from financing activities:</b>		
Net decrease in short-term loans payable	(265,000)	(10,000)
Repayment of long-term loans payable	(150,000)	(150,000)
Purchase of treasury stock	(180)	(166)
Cash dividends paid	(426,571)	(247,661)
<b>Net cash used in financing activities</b>	<b>(841,751)</b>	<b>(407,828)</b>
<b>Net increase in cash and cash equivalents</b>	<b>704,294</b>	<b>1,398,416</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>3,541,908</b>	<b>6,539,018</b>
<b>Cash and cash equivalents at end of period</b>	<b>¥ 4,246,203</b>	<b>¥ 7,937,435</b>

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

## SEGMENT INFORMATION

## 1. Business Segment Information

Three Months Ended 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

Three Months Ended June 30, 2009

( Thousands of Yen )

	Net sales			Operating income (loss)
	To customers	Intersegment	Total	
Machine Tools	¥ 7,603,917	¥ 150,424	¥ 7,754,342	¥ (349,812)
Procured Construction Supplies	3,671,428	3,078	3,674,507	128,658
In-house Construction Supplies	1,048,613	-	1,048,613	(224,488)
Other	8,374	-	8,374	2,690
Total	12,332,334	153,503	12,485,837	(442,951)
Eliminations/ Corporate	-	(153,503)	(153,503)	26,814
Consolidated	¥ 12,332,334	-	¥ 12,332,334	¥ (416,137)

## 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.