

FOR IMMEDIATE RELEASE:

Furusato Announces Financial Results for the First Quarter Ended June 30, 2010

Osaka, Japan, July 30, 2010 – Furusato Industries, Ltd. announced its consolidated financial results for the three months ended June 30, 2010, the first quarter of the year ending March 31, 2011. 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, 2010	Three Months Ended June 30, 2009
Operating Results:	(Millions of Yen)	(Millions of Yen)
Net Sales	¥ 13,869	¥ 12,332
Operating Income	(207)	(416)
Ordinary Income	(127)	(346)
Net Income	(74)	(254)
Per Share Data:	(Yen)	(Yen)
Net Income	¥ (4.82)	¥ (16.10)
	As of June 30, 2010	As of March 31, 2010
Financial Position:	(Millions of Yen)	(Millions of Yen)
Total Assets	¥ 41,557	¥ 42,187
Net Assets	27,928	28,429
Net Assets to Total Assets	67.2%	67.4%
Per Share Data:	(Yen)	(Yen)
Net Assets	¥ 1,831.79	¥ 1,838.27

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, 2010: 15,574,366 shares

March 31, 2010: 15,574,366 shares

2) Number of treasury stock at the end of period

June 30, 2010: 327,940 shares

March 31, 2010: 109,240 shares

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

June 30, 2010: 15,395,472 shares

June 30, 2009: 15,802,712 shares

2. Dividends

	Dividends Per Share (Yen)				
	1Q	Interim	3Q	Year-end	Annual
Fiscal Year Ended March 31, 2010	-	5.00	-	5.00	10.00
Fiscal Year Ending March 31, 2011	-				
Fiscal Year Ending March 31, 2011 (Forecast)		5.00	-	5.00	10.00

CONSOLIDATED EARNINGS FORECAST FOR FISCAL 2010, ENDING MARCH 31, 2011

	First Half	Full-Year
Operating Results:	(Millions of Yen)	(Millions of Yen)
Net Sales	¥ 30,700	¥ 64,700
Operating Income	140	530
Ordinary Income	265	780
Net Income	250	610
Per Share Data:	(Yen)	(Yen)
Net Income	¥ 16.17	¥ 39.44

*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, 2010)**1. Analysis of Operating Results****(1) Overview of Results**

During the three months ended June 30, 2010, the first quarter of the year ending March 31, 2011, the Japanese economy moved into self-sustaining recovery track despite the severe business environment including high unemployment ratio. Of the capital investments, production equipments are showing signs of leveling off. Meanwhile, some business fields have remained weak such as continuing soft demand for manufacturing build-ings like factories and flat demand for housing construction.

Under these business environment, sales of machines and equipments to the manufacturing sector was on an upward trend while sales of construction supplies to the steel frame building industry remained stagnant. Accordingly, net sales for the first quarter of fiscal 2010 totaled ¥13,869 million, up 12.5% year over year. As a result of continued efforts to cut SG&A expenses, the expenses decreased by 6.3% year over year, but we could not achieve a turnaround on the earnings front. Operating loss was ¥207 million (in1Q of fiscal 2009, ¥416 million) while ordinary loss was ¥127 million (in1Q of fiscal 2009, ¥346 million). Consequently, net loss was ¥74 million (in1Q of fiscal 2009, ¥254 million).

From the first quarter of fiscal year ending March 31, 2011, Furusato applies the "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" and changed the classification by segment. The former "Machine Tools Segment" divided into two businesses, the "Equipment and Tools Business" and the "Machine and Facility Business". The Equipment and Tools Business offers equipments and tools associated with factory operating ratio while the Machine and Facility Business offers mainly large machines related to machine and facility investment. Meanwhile, the "Procured Construction Supplies Segment" and the "In-house Construction Supplies Segment" were consolidated into the "Construction and Piping Products Business".

Analysis of Results by Segment

〈Equipment and Tools Business〉

As an indicator of the business environment, the Indices of Industrial Production, indicating a factory operating ratio, increased moderately as a whole, but the pace of improvement slowed down. Especially, production of motor vehicle parts had increased rapidly ahead of other products, but started to decline after April. In these circumstances, net sales of this business increased by 27.7% year over year to ¥7,749 million while operating loss was ¥26 million.

〈Machine and Facility Business〉

According to the Orders Received for Machinery as an indicator of the business environment, private sector excluding volatile orders was moderately recovering. In addition, the domestic demand of the Orders Received for Machine Tools increased slowly, but fell far short of the level in the July-September quarter of 2008, just before the so-called Lehman Shock. Amid the these conditions, net sales of this business increased by 17.2% year over year to ¥1,802 million while operating loss was ¥50 million.

〈Construction and Piping Products Business〉

As an indicator of the business environment, the steel frame used for buildings calculated based on the number of building construction authorized in the statistics of the Building Construction Starts was 990,000 ton, down 16.9% year over year in the January–March quarter of 2010. Under this harsh business environment, net sales were down 8.7% to ¥4,311 million while operating loss was ¥159 million.

(2) Earnings Forecast for fiscal 2010, ending March 31, 2011

The earnings forecast is unchanged from the forecast announced on May 7, 2010.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Thousands of Yen	
	June 30, 2010	March 31, 2010
	Amounts	Amounts
Assets		
Current assets:		
Cash and deposits	¥ 6,913,626	¥ 6,905,754
Notes and accounts receivable-trade	16,538,595	16,891,413
Merchandise and finished goods	2,726,092	2,681,914
Work in process	419,905	424,446
Raw materials and supplies	149,415	159,548
Deferred tax assets	339,214	279,199
Other	636,180	597,252
Allowance for doubtful accounts	(30,790)	(39,059)
Total current assets	27,692,239	27,900,470
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	2,694,928	2,735,859
Land	6,801,723	6,801,723
Other, net	428,638	454,671
Total property, plant and equipment	9,925,290	9,992,254
Intangible assets:		
Total intangible assets	106,696	115,241
Investments and other assets:		
Investment securities	2,717,646	3,054,648
Prepaid pension cost	63,233	60,467
Deferred tax assets	382,161	398,461
Other	771,993	772,720
Allowance for doubtful accounts	(101,385)	(106,332)
Total investments and other assets	3,833,650	4,179,965
Total noncurrent assets	13,865,637	14,287,462
Total assets	¥ 41,557,877	¥ 42,187,932

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

	Thousands of Yen	
	June 30, 2010	March 31, 2010
	Amounts	Amounts
<u>Liabilities</u>		
Current liabilities:		
Notes and accounts payable-trade	¥ 10,869,963	¥ 11,106,372
Income taxes payable	31,869	48,762
Provision for bonuses	575,852	409,431
Provision for directors' bonuses	1,460	5,899
Other	704,870	600,181
Total current liabilities	12,184,015	12,170,648
Noncurrent liabilities:		
Deferred tax liabilities	591,558	695,477
Provision for retirement benefits	515,695	521,966
Provision for directors' retirement benefits	-	57,999
Other	338,362	312,802
Total noncurrent liabilities	1,445,616	1,588,246
Total liabilities	13,629,631	13,758,894
<u>Net Assets</u>		
Shareholders' equity:		
Capital stock	5,232,413	5,232,413
Capital surplus	6,135,350	6,135,350
Retained earnings	15,945,582	16,097,161
Treasury stock	(176,352)	(50,754)
Total shareholders' equity	27,136,994	27,414,171
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	791,251	1,014,866
Total valuation and translation adjustments	791,251	1,014,866
Total net assets	27,928,246	28,429,038
Total liabilities and net assets	¥ 41,557,877	¥ 42,187,932

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

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Thousands of Yen	
	Three months ended June 30, 2009	Three months ended June 30, 2010
	Amounts	Amounts
Net sales	¥ 12,332,334	¥ 13,869,713
Cost of sales	10,548,792	12,015,301
Gross profit	1,783,541	1,854,411
Selling, general and administrative expenses	2,199,678	2,062,185
Operating loss	(416,137)	(207,774)
Non-operating income:		
Interest income	411	274
Dividends income	18,899	20,823
Purchase discounts	75,175	94,482
Rent income	14,058	7,863
Other	8,552	5,707
Total non-operating income	117,097	129,150
Non-operating expenses:		
Interest expenses	3,178	4
Loss on sales of notes payable	1,011	-
Sales discounts	37,154	45,448
Cost of lease revenue	5,092	1,122
Other	729	2,555
Total non-operating expenses	47,166	49,131
Ordinary loss	(346,205)	(127,755)
Extraordinary income:		
Reversal of allowance for doubtful accounts	12,327	12,400
Insurance premiums refunded cancellation	-	37,826
Total extraordinary income	12,327	50,226
Extraordinary loss:		
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	6,873
Total extraordinary loss	-	6,873
Loss before income taxes	(333,877)	(84,402)
Income taxes-current	61,021	21,567
Income taxes-deferred	(140,532)	(31,717)
Total income taxes	(79,511)	(10,149)
Loss before minority interests	-	(74,253)
Net loss	¥ (254,366)	¥ (74,253)

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, 2009		Three months ended June 30, 2010	
	Amounts		Amounts	
Cash flows from operating activities:				
Loss before income taxes	¥	(333,877)	¥	(84,402)
Depreciation and amortization		98,216		84,600
Amortization of goodwill		77,688		-
Decrease in provision for directors' bonuses		(9,946)		(4,438)
Decrease in provision for retirement benefits		(5,460)		(6,271)
Decrease (increase) in prepaid pension costs		40,453		(2,765)
Increase (decrease) in provision for directors' retirement benefits		1,700		(57,999)
Increase in provision for bonuses		201,347		166,420
Decrease in allowance for doubtful accounts		(26,651)		(13,216)
Interest and dividends income		(19,311)		(21,097)
Interest expenses		3,178		4
Decrease in notes and accounts receivable-trade		4,980,646		361,019
Decrease (increase) in inventories		558,827		(29,502)
Decrease in notes and accounts payable-trade		(3,269,741)		(218,358)
Decrease in accounts payable-other		(41,655)		-
Increase in accrued expenses		39,073		35,616
Increase in long-term accounts payable-other		-		17,858
Other		(162,414)		24,987
Subtotal		2,132,072		252,455
Interest and dividends income received		20,527		22,131
Interest expenses paid		(7,861)		(4)
Income taxes paid		(297,211)		(43,948)
Net cash provided by operating activities		1,847,527		230,634
Cash flows from investing activities:				
Payments into time deposits		(46,693)		(86,796)
Proceeds from withdrawal of time deposits		45,755		79,693
Purchase of property, plant and equipment		(20,031)		(11,902)
Proceeds from sales of property, plant and equipment		84		346
Purchase of investment securities		(2,653)		(2,529)
Payments of loans receivable		(6,880)		(2,550)
Collection of loans receivable		5,263		2,622
Other		(16,127)		(13,389)
Net cash used in investing activities		(41,282)		(34,505)
Cash flows from financing activities:				
Net decrease in short-term loans payable		(10,000)		-
Repayment of long-term loans payable		(150,000)		-
Purchase of treasury stock		(166)		(125,597)
Cash dividends paid		(247,661)		(69,761)
Net cash used in financing activities		(407,828)		(195,359)
Net increase in cash and cash equivalents		1,398,416		769
Cash and cash equivalents at beginning of period		6,539,018		6,775,764
Cash and cash equivalents at end of period	¥	7,937,435	¥	6,776,533

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

SEGMENT INFORMATION

1. Business Segment Information

Three Months Ended June 30, 2009 (from April 1 to 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.

〈Business Segment Information〉

From the first quarter of fiscal year ending March 31, 2011, Furusato applies the “Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information” (ASBJ Statement No. 17 of March 27, 2009) and the “Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20 of March 21, 2009).

1. Outline of business segments reported

The business segments reported are the segments of Furusato Group for which separate financial information is available and for which operating income/loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance.

Furusato Group consists of its business units, identified by procured supplies, in-house products and services based on businesses, that are three reported segments of the “Equipment and Tools Business”, the “Machine and Facility Business” and the “Construction and Piping Products Business”.

The Equipment and Tools Business offers mainly equipments and tools to the manufacturing sector and equipments to the housing market.

The Machine and Facility Business offers primarily machine tools and facilities installed in production lines.

The Construction and Piping Products Business sells fastening products, hardware, welding materials, piping supplies, etc. and manufactures and sells turnbuckle braces and foundation bolts, etc.

2. Information on sales and income (loss) by business segment reported

Three Months Ended June 30, 2010 (from April 1 to June 30, 2010)

(Thousands of Yen)

Business segment reported	Net sales			Operating income (loss)
	To customers	Intersegment	Total	
Equipment and Tools	¥ 7,749,524	¥ 154,628	¥ 7,904,153	¥ (26,745)
Machine and Facility	1,802,551	21,011	1,823,562	(50,000)
Construction and Piping Products	4,311,480	3,337	4,314,818	(159,899)
Subtotal	13,863,556	178,977	14,042,534	(236,645)
Other (*)	6,156	-	6,156	1,429
Consolidated total	¥ 13,869,713	178,977	¥ 14,048,690	¥ (235,216)

Note: The “Other” category incorporates operations not included in business segments reported, including lease service and insurance agent.

3. Adjustment between total amounts of operating income (loss) for the business segment reported and operating income (loss) on the quarterly consolidated statements of income, and major reconciliation items (Reconciliation of valiance)

(Thousands of Yen)

Income (Loss)	Amounts
Total amounts of business segment reported	¥ (236,645)
Income included in "Other" category	1,429
Elimination of intersegment transactions	29,483
Inventory adjustment	(2,041)
Operating loss on the consolidated statements of income	¥ (207,774)