

*FY2005 ended March 31, 2006
Financial Results &
FY2006 ending March 31, 2007
Business Plan*

May 2006

FURUSATO INDUSTRIES, LTD.

Any information presented in this Financial Results concerning Furusato's plans, strategies, or prospects that is not historical facts represents our forecasts regarding the company's future business performance based on information currently available. These statements involve a number of risks, uncertainties, and other factors that could cause actual results to be materially different. Readers are encouraged not to depend entirely on the forecasts when making investment decisions.

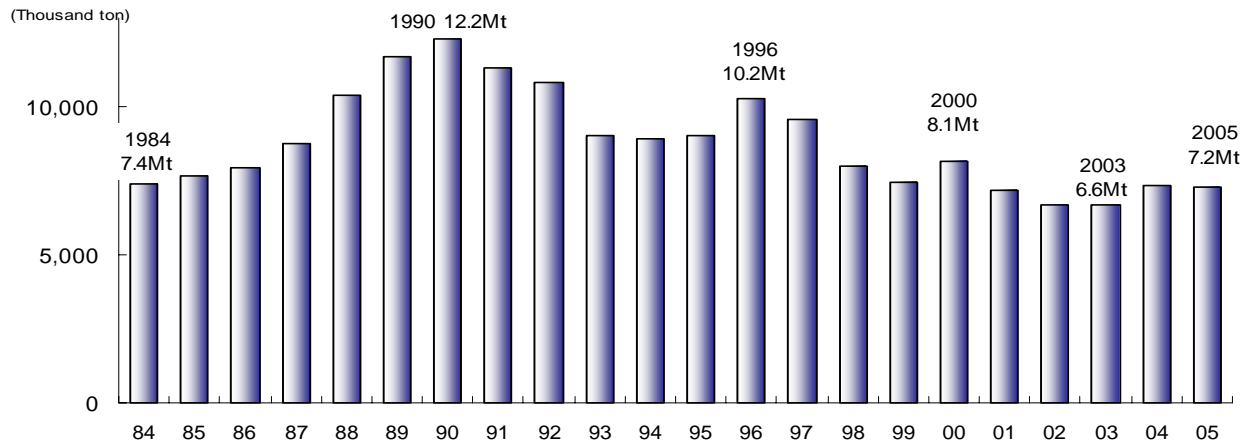
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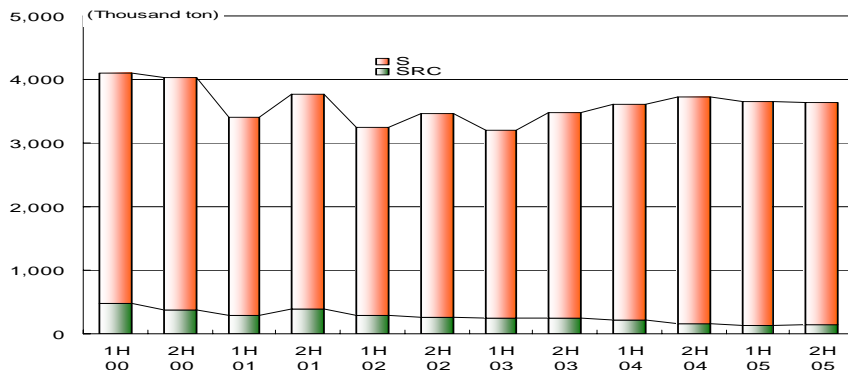
Steel Frame Construction Industry

Volume of Steel Frame Used for Building Construction Started (Calendar year basis)

[Resource] Construction Statistics; Building Construction Started by Structure (Floor area of Steel Frame (S) and Steel Frame Reinforced Concrete (SRC) buildings)
Formula: (S: $\text{m}^2 \times 100\text{kg}$) + (SRC: $\text{m}^2 \times 50\text{kg}$)



Half-yearly Volume by Structure (Calendar year basis)

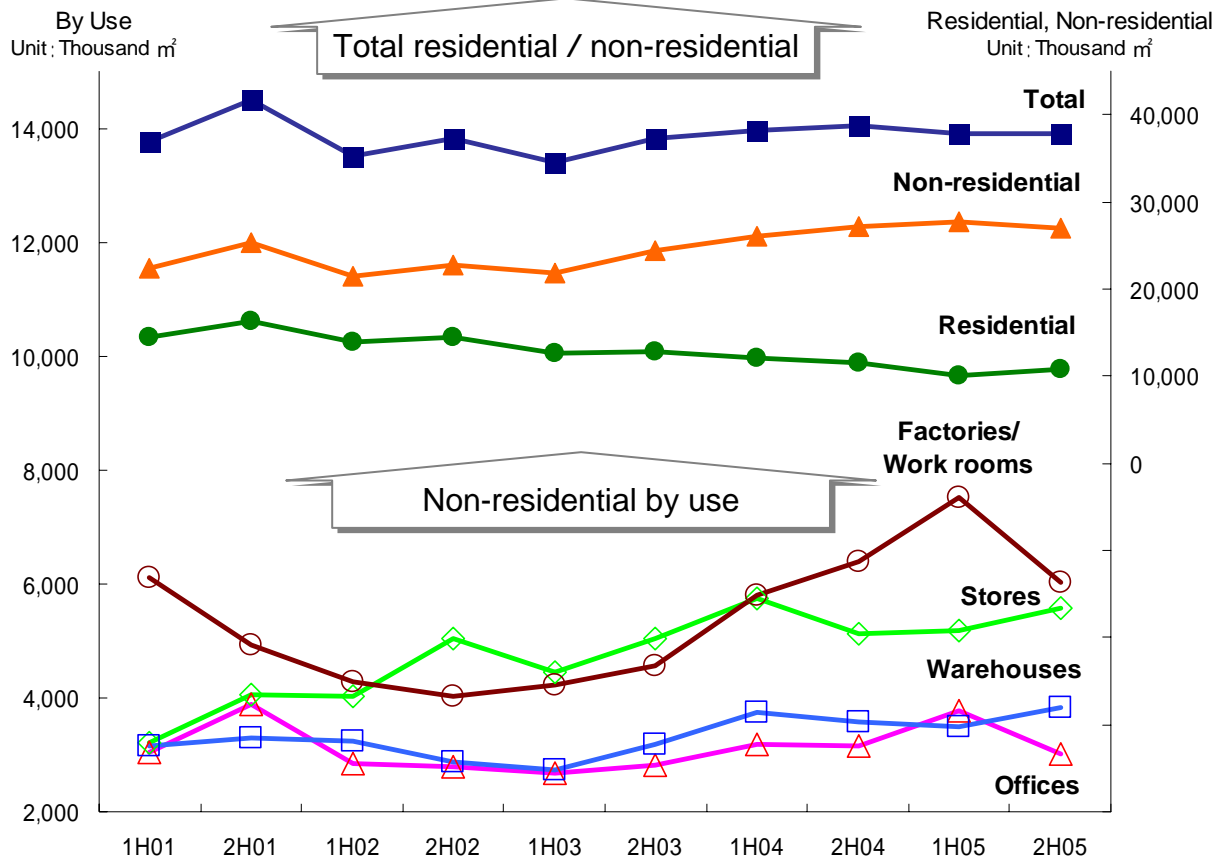


- 2005; 7.2Mt, -0.6% vs. 2004
- 59% of the highest level in 1990
- 1H05; +1.3% vs 1H04,
2H05; -2.4% vs. 2H04
- SRC structure on downward trend
Share; 1H00 11.8% 2H05 4.0%
Volume; 05 vs. 00; 31.6%
(S structure; 96.3%)

Steel Frame Construction Industry

Floor Area of Non-residential Steel Frame Building Construction Started (Calendar year basis)

(Resource) Construction Statistics;
 Non-residential Building Construction Started by Use (S + SRC)
 Formula: (S : m² × 100kg) + (SRC : m² × 50kg)



Floor area of steel frame buildings (S+SRC) in 2005
 Total; -1.8% vs. 2004

- Residential; -11.9% vs. 2004, Turn to upward in 2H05
- Non-residential ; +2.7% vs. 2004, Downward trend in 2H05

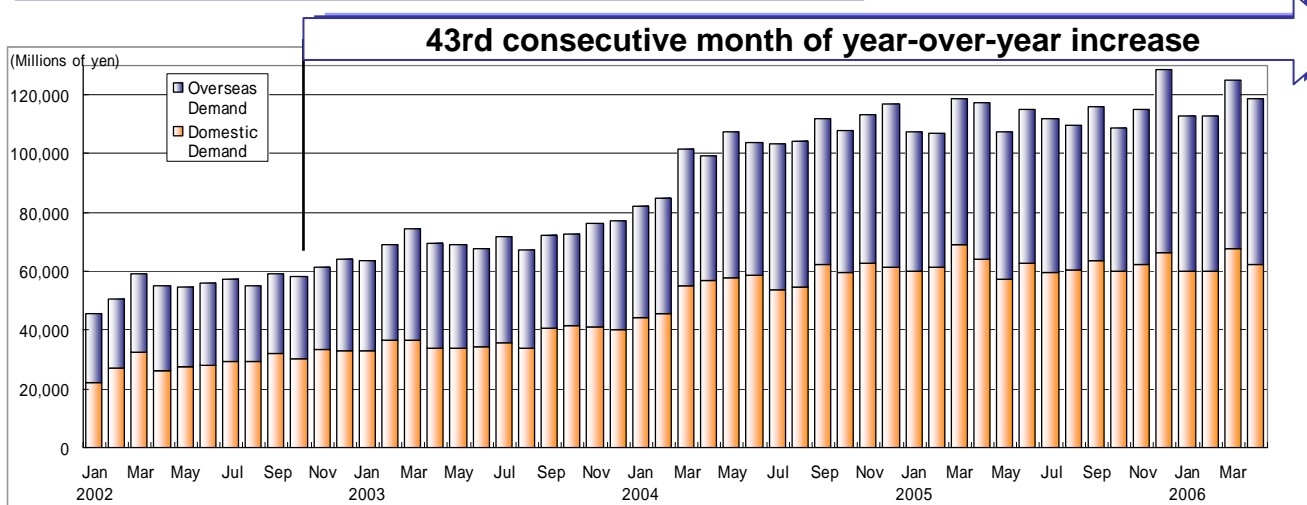
By Use (Y-O-Y change)

- Factories/ Work rooms; 2H05 -5.5%
- Stores; 2H05 +8.4%
- Warehouses; 2H05 +7.7%
- Offices; 2H05 -4.8%

Machines and Industrial Tools Market

Monthly Orders Received for Machine Tools

(Resource) Statistics of Orders Received by Japan Machine Tool Builders Association (JMTBA)

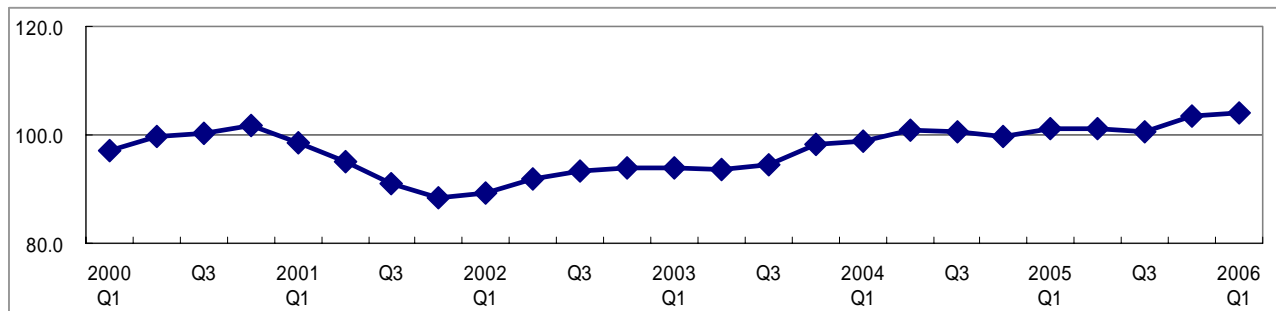


43rd consecutive month of year-over-year increase since October 2002

Monthly average orders received; Over ¥100B since 2004

Industrial Production Index (Year 2000 = 100)

(Resource) Statistics by Ministry of Economy, Trade and Industry



(Related to manufacturing capacity utilization rate)

Over 100 pts. since 1Q05

Furusato Group Operating Results

	FY2005				FY2004		% Change vs. Forecast	% Change vs. FY04
	Actual	% of Sales	Previous Forecast	% of Sales	Actual	% of Sales		
Consolidated								
Net Sales	84,129		82,664		74,739		1.8%	12.6%
Gross Profit	12,562	14.9%	12,511	15.1%	11,568	15.5%	0.4%	8.6%
Operating Income	4,681	5.6%	4,550	5.5%	3,800	5.1%	2.9%	23.2%
Ordinary Income	5,148	6.1%	5,001	6.1%	4,226	5.7%	2.9%	21.8%
Net Income	2,880	3.4%	2,812	3.4%	1,772	2.4%	2.4%	62.6%
Furusato Industries, Ltd.								
Net Sales	24,853		24,712		21,862		0.6%	13.7%
Gross Profit	6,424	25.9%	6,530	26.4%	5,936	27.2%	(1.6%)	8.2%
Operating Income	2,387	9.6%	2,450	9.9%	1,981	9.1%	(2.6%)	20.5%
Ordinary Income	2,620	10.5%	2,676	10.8%	2,169	9.9%	(2.1%)	20.8%
Net Income	1,452	5.8%	1,494	6.0%	656	3.0%	(2.8%)	121.3%
G-net Corporation								
Net Sales	59,965		58,517		53,349		2.5%	12.4%
Gross Profit	6,105	10.2%	5,950	10.2%	5,603	10.5%	2.6%	9.0%
Operating Income	2,199	3.7%	2,007	3.4%	1,740	3.3%	9.6%	26.4%
Ordinary Income	2,535	4.2%	2,332	4.0%	2,074	3.9%	8.7%	22.2%
Net Income	1,445	2.4%	1,335	2.3%	1,137	2.1%	8.2%	27.0%

Classification of Operation for Financial Results

Consolidated	
Furusato Group	Business Segment
Furusato Industries, Ltd.	Procured Construction Supplies
	In-house Construction Supplies
G-net Corporation (100% subsidiary)	Machine Tools
Wakaba Lease	Other

Non-consolidated

Furusato Industries, Ltd.

Procured Supplies
Direct sale of procured steel frame construction supplies to steel fabricators and others

Furusato Industries, Ltd.

In-house Supplies
Direct sale of in-house manufacturing steel frame construction supplies to steel fabricators and others

G-net Corporation

Wholesale of mainly machines and industrial tools to retailers	Industrial Tools
	Machines
	Others

→ Omitted

Business segments are classified according to procurement methods of supplies.

Sales staff are engaged in sale of both procured and in-house supplies.



Gross profit margin is used to manage results of each segment because a part of costs is not allocated specifically.

Each division uses the operating income to manage the business progress.

In G-net, each division uses the operating income to manage the business progress. In this presentation, the gross profit margin is used as the common analysis method.

FAS
Housing Equipments
Overseas Sales
Security Systems

Furusato Sales and Income Change

Furusato (Non-consolidated)

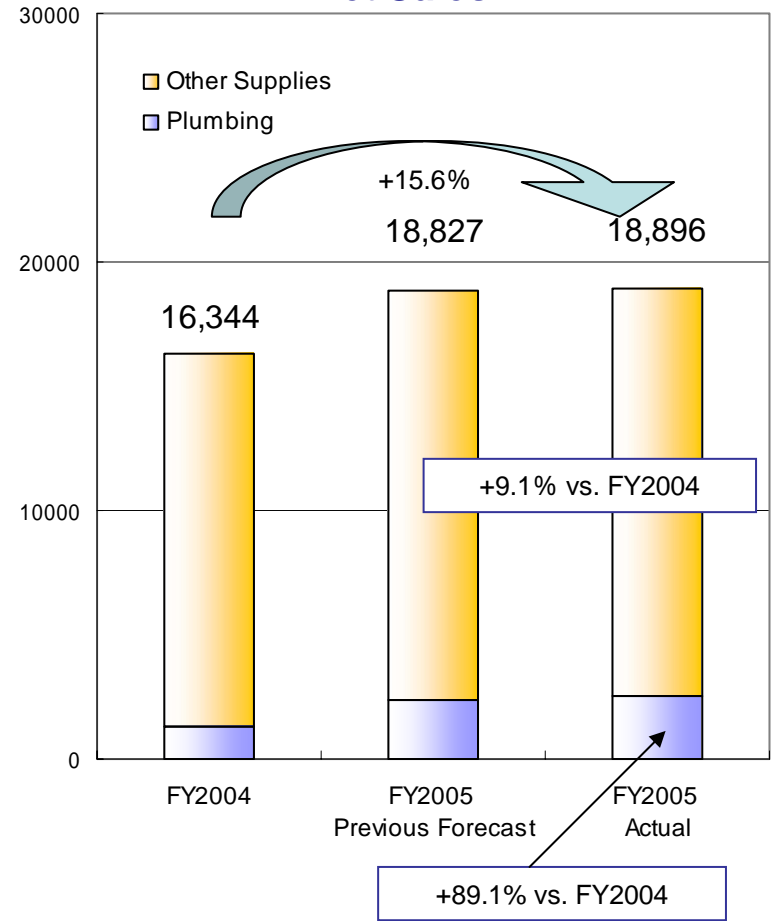
(Millions of yen)

	FY2005		
	Net Sales	Gross Profit	Profit Margin
Previous Forecast	24,712	6,530	26.43%
(Change)			
Procured Construction Supplies	+69	(91)	(0.57pts.)
*Plumbing	+157	+19	(0.49pts.)
*Other supplies	(88)	(110)	(0.54pts.)
In-house Construction Supplies	+71	(15)	(0.66pts.)
Total Change	+140	(106)	(0.58pts.)
% Change	0.6%	(1.6%)	-
Actual	24,853	6,424	25.85%

Furusato Procured Construction Supplies Segment -Operating Results

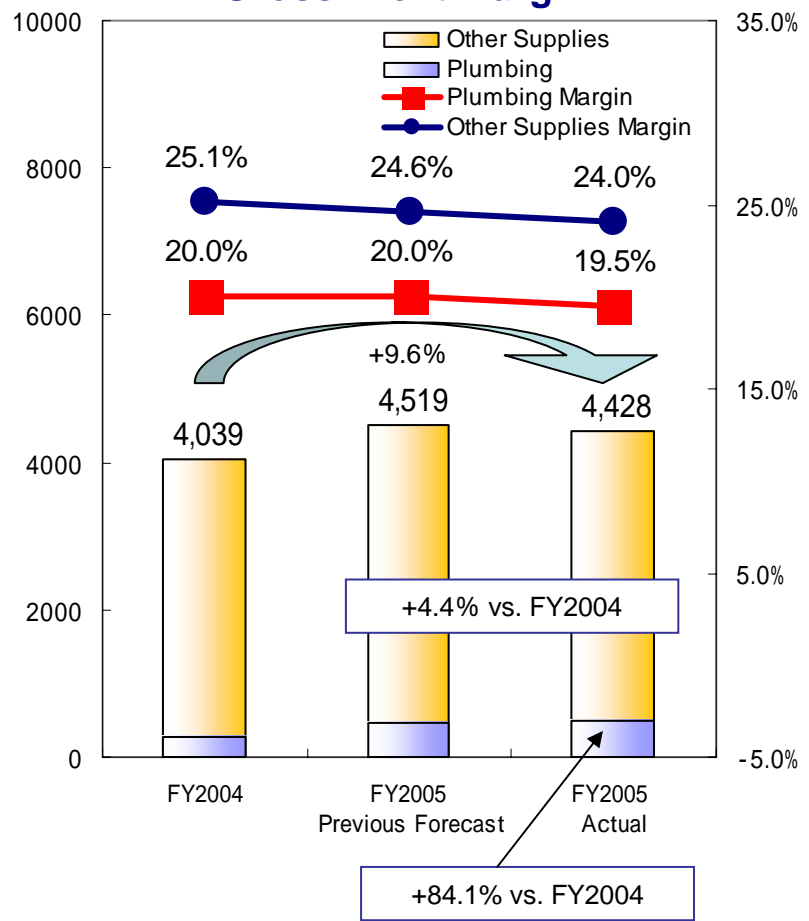
(Millions of yen)

Net Sales



(Millions of yen)

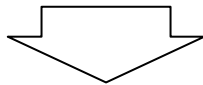
Gross Profit Margin



Furusato Procured Construction Supplies Segment -Operating Results Breakdown

Profit margin decline-Factor 1

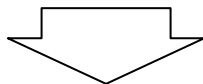
+5% plumbing sales in total sales



Profit margin - 0.26pts.

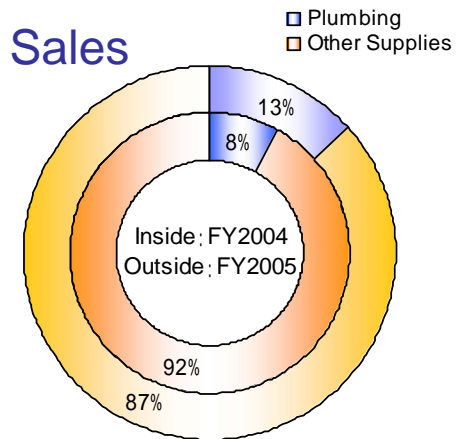
Profit margin decline-Factor 2

- ▶ FY2004 Price upward phase
- ▶ FY2005 Price downward phase

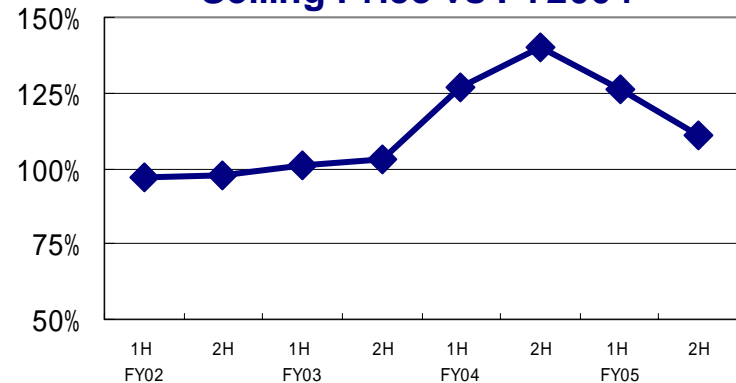


**End of higher profit margin,
due to low price inventories**

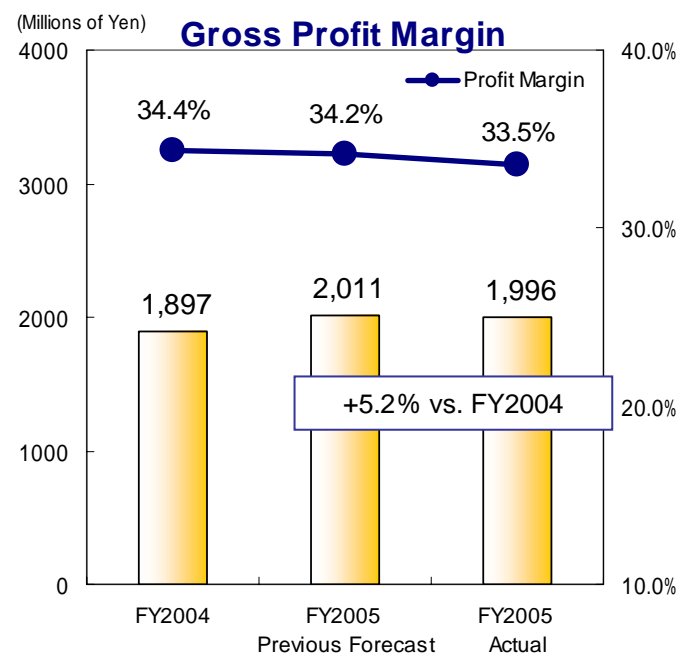
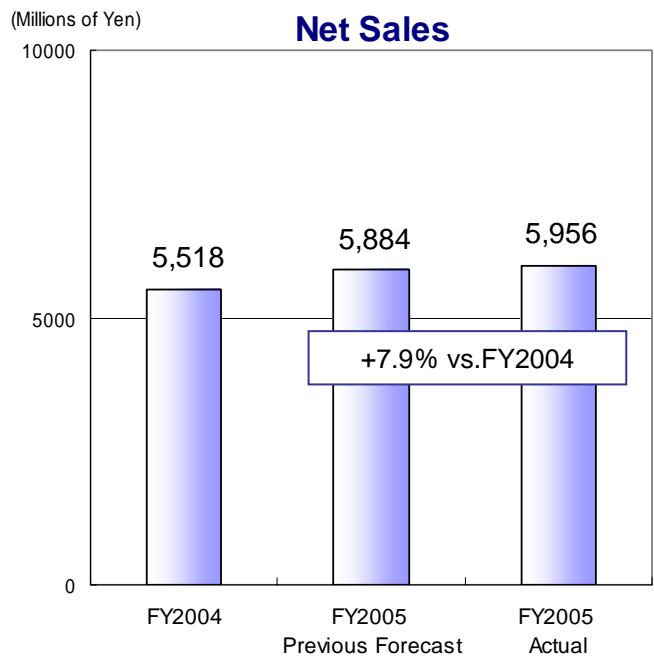
Net Sales



Selling Price vs FY2004

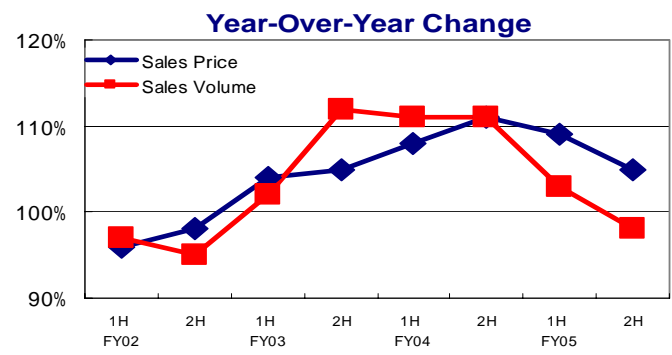


Furusato In-house Construction Supplies -Operating Results



Factors of Profit margin decline

- ⇒ Selling price decline
- ⇒ Manufacturing capacity utilization rate deterioration



G-net Sales and Income Change

G-net (Non-consolidated)

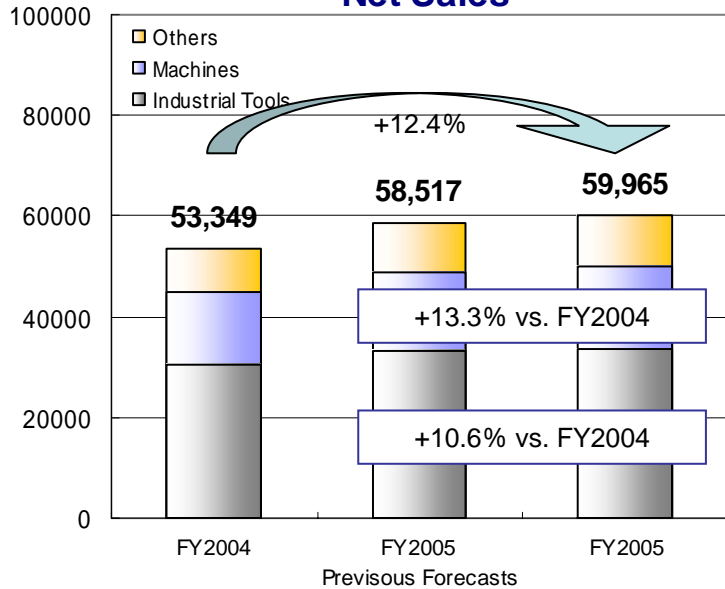
(Millions of yen)

	FY2005		
	Net Sales	Gross Profit	Profit Margin
Previous Forecast	58,517	5,950	10.17%
(Change)			
Industrial Tools	+746	+117	+0.10pts.
Machines	+485	+34	+0.01pts.
Other	+216	+2	(0.24pts.)
Total Change	+1,448	+155	+0.01pts.
% Change	2.5%	2.6%	-
Actual	59,965	6,105	10.18%

G-net Operating Results

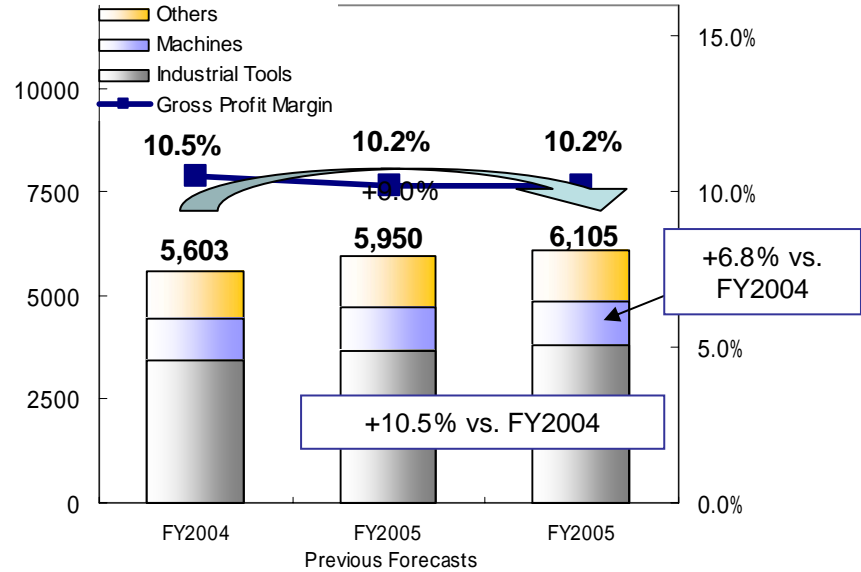
(Millions of yen)

Net Sales

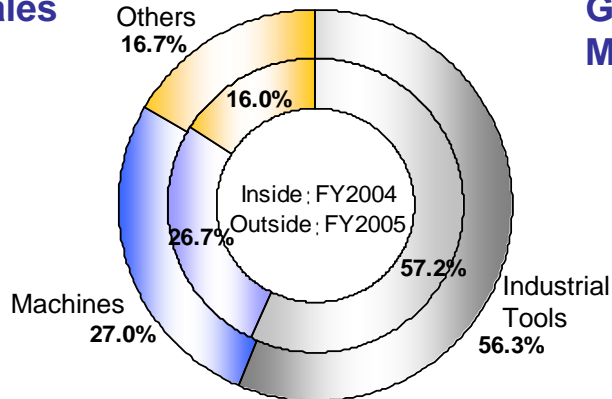


(Millions of yen)

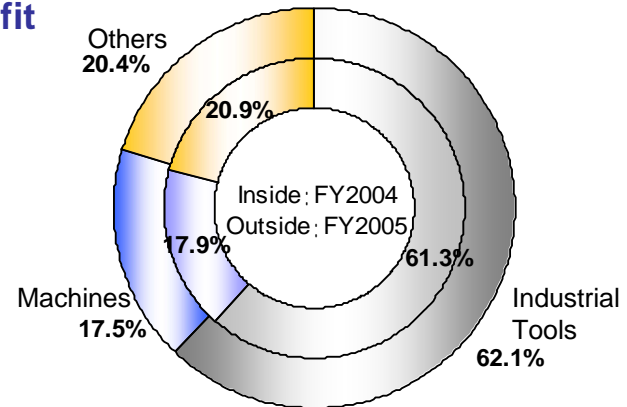
Gross Profit Margin



Net Sales



Gross Profit Margin



Consolidated

(Millions of yen)

		FY2006		FY2005		% Change vs. FY05
		Forecast	% of Sales	Actual	% of Sales	
1H	Net Sales	42,591		40,532		5.1%
	Gross Profit	6,371	15.0%	6,150	15.2%	3.6%
	Operating Income	2,219	5.2%	2,224	5.5%	(0.2%)
	Ordinary Income	2,431	5.7%	2,470	6.1%	(1.6%)
	Net Income	1,429	3.4%	1,366	3.4%	4.6%
Full-year	Net Sales	87,360		84,129		3.8%
	Gross Profit	13,035	14.9%	12,562	14.9%	3.8%
	Operating Income	4,748	5.4%	4,681	5.6%	1.4%
	Ordinary Income	5,170	5.9%	5,148	6.1%	0.4%
	Net Income	2,997	3.4%	2,880	3.4%	4.0%

Furusato (Non-consolidated)

(Millions of yen)

		FY2006		FY2005		% Change vs. FY05
		Forecast	% of Sales	Actual	% of Sales	
1H	Net Sales	12,718		12,092		5.2%
	Gross Profit	3,248	25.5%	3,209	26.5%	1.2%
	Operating Income	1,108	8.7%	1,200	9.9%	(7.7%)
	Ordinary Income	1,206	9.5%	1,322	10.9%	(8.8%)
	Net Income	729	5.7%	720	6.0%	1.1%
Full-year	Net Sales	26,000		24,853		4.6%
	Gross Profit	6,622	25.5%	6,424	25.9%	3.1%
	Operating Income	2,370	9.1%	2,387	9.6%	(0.7%)
	Ordinary Income	2,574	9.9%	2,620	10.5%	(1.8%)
	Net Income	1,512	5.8%	1,452	5.8%	4.1%

G-net (Non-consolidated)

(Millions of yen)

		FY2006		FY2005		% Change vs. FY05
		Forecast	% of Sales	Actual	% of Sales	
1H	Net Sales	30,200		28,736		5.1%
	Gross Profit	3,110	10.3%	2,924	10.2%	6.4%
	Operating Income	1,070	3.5%	982	3.4%	8.9%
	Ordinary Income	1,225	4.1%	1,156	4.0%	6.0%
	Net Income	701	2.3%	662	2.3%	5.8%
Full-year	Net Sales	62,014		59,965		3.4%
	Gross Profit	6,387	10.3%	6,105	10.2%	4.6%
	Operating Income	2,287	3.7%	2,199	3.7%	4.0%
	Ordinary Income	2,597	4.2%	2,535	4.2%	2.4%
	Net Income	1,489	2.4%	1,445	2.4%	3.0%

Furusato Sales and Income Change

FY2006 Forecast vs. FY2005 Actual

(Millions of yen)

	FY2006		
	Net Sales	Gross Profit	Profit Margin
FY2005 Actual	24,853	6,424	25.85%
(Change)			
Procured Construction Supplies	+998	+177	(0.29pts.)
*Plumbing	+497	+97	+0.00pts.
*Other Supplies	+501	+80	(0.24pts.)
In-house Construction Supplies	+149	+21	(0.47pts.)
Total Change	+1,147	+198	(0.35pts.)
% Change	4.6%	3.1%	-
FY2006 Forecast	26,000	6,622	25.50%

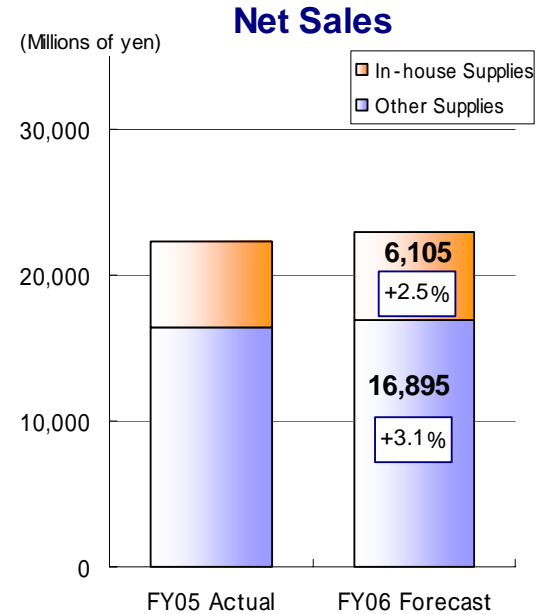
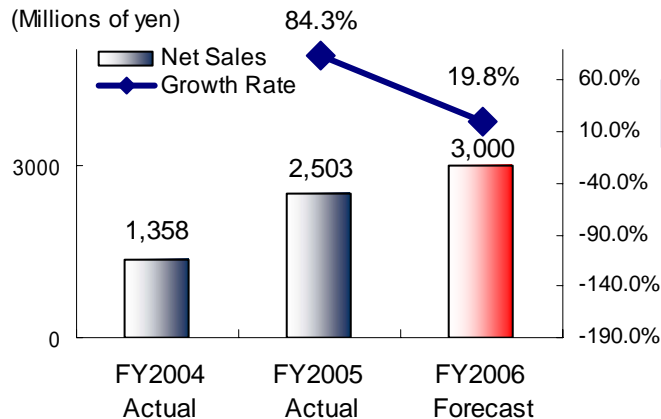
Furusato Forecast Breakdown

Steel Frame Construction Supplies +2.9%

Demand by construction started;
Flat from FY2004

Temporary demand decrease due to
Prolonged building examination

Softening selling price based on
conventional steel product prices



Plumbing

+19.8%

Growth rate; Softening, but still higher
compared to other businesses

Respond to volume increase; Increase
full-time sales staff

G-net Sales and Income Change

FY2006 Forecast vs. FY2005 Actual (Millions of yen)

	FY2006		
	Net Sales	Gross Profit	Profit Margin
FY2005 Actual	59,965	6,105	10.18%
(Change)			
Industrial Tools	+1,494	+265	+0.28pts.
Machines	+530	+58	+0.14pts.
Others	+24	(41)	(0.44pts.)
Total Change	+2,048	+282	+0.12pts.
% Change	3.4%	4.6%	-
FY2006 Forecast	62,014	6,387	10.30%

G-net Forecast Breakdown

Market

Slowdown in domestic orders received for machine tools

(Statistics by JMTBA;

Jan. –Apr., 2006 -1.6% year-over-year)

No significant improvement in manufacturing capacity for machine tools

(Manufacturing projection in FY06 +2.7% from FY05)

Sales decrease in machine tools
Negative impact on sales of machine peripheral products

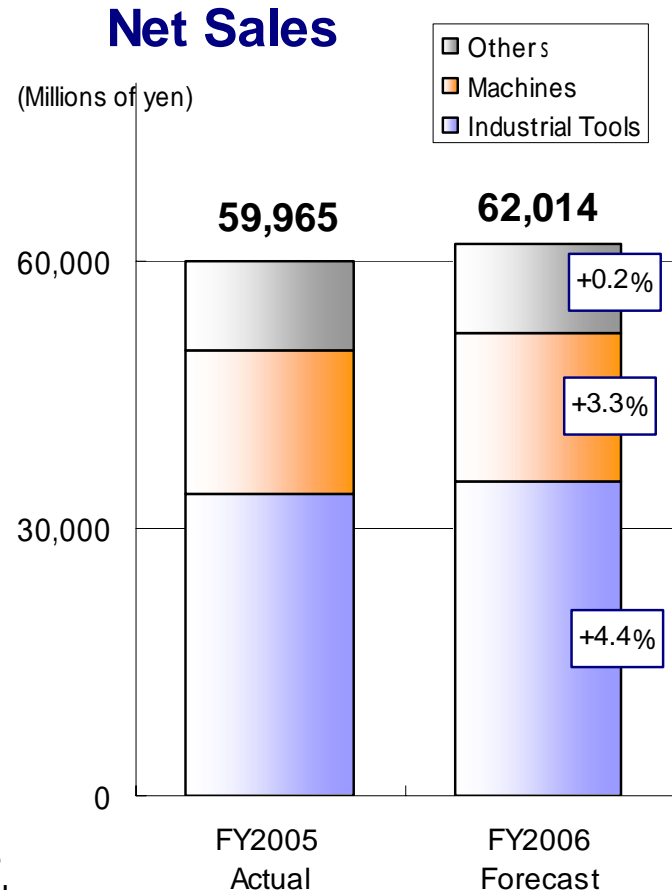
Strategy

Sales increase by reinforcing procurement and distribution functions

Market share improvement based on diversified customer base

Machine tools; Intensive sale of machine tools of principal manufacturers

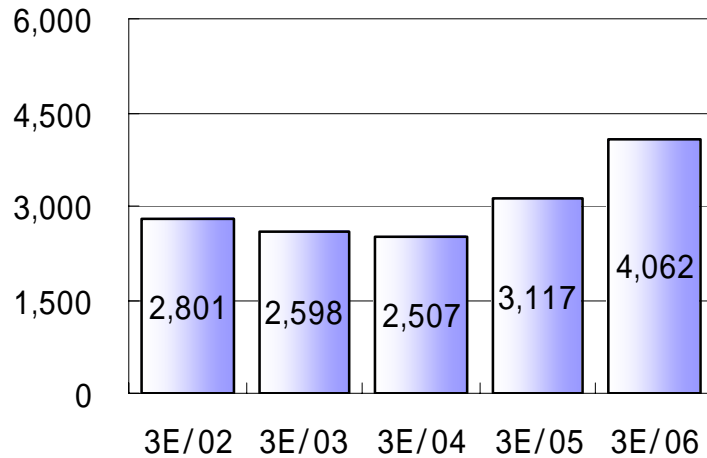
Yamazaki Mazak, Moriseiki, OKUMA Corporation, CITIZEN Precision Machinery, FANUC, Okuma & Howa Machinery



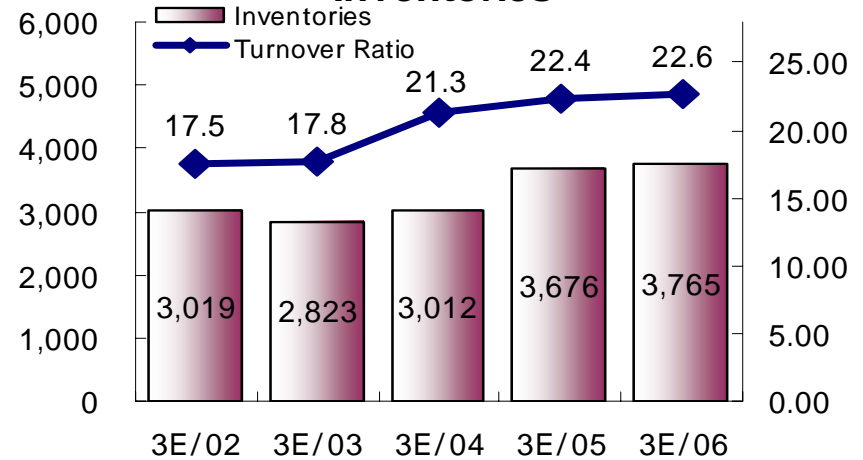
Consolidated Balance Sheets Principal Data

(Millions of yen)

Cash in Hand

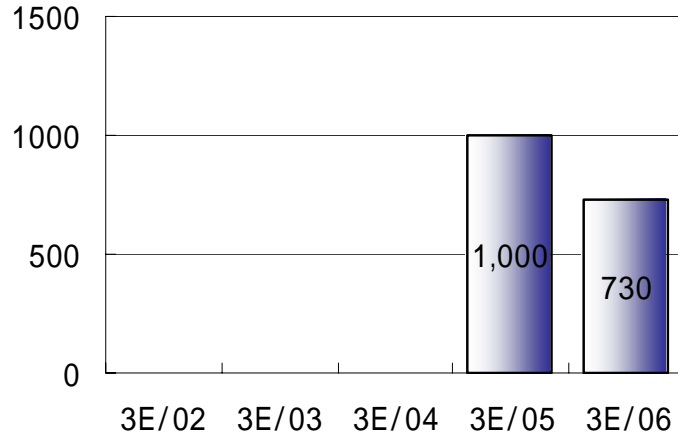


Inventories

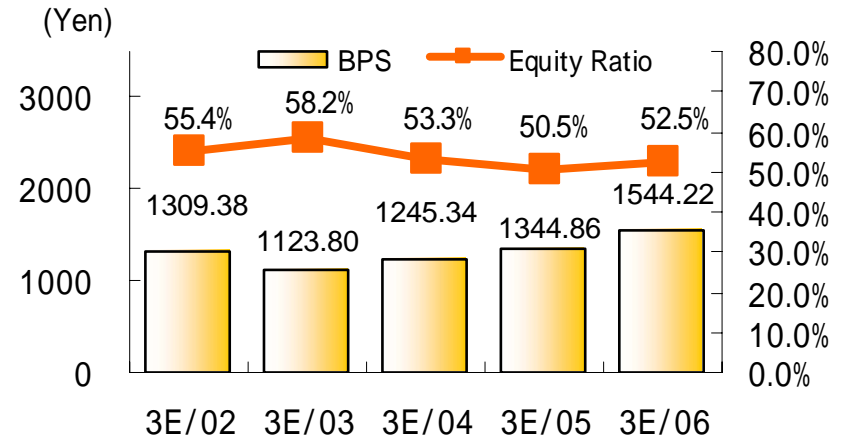


(Millions of yen)

Interest-Bearing Debt

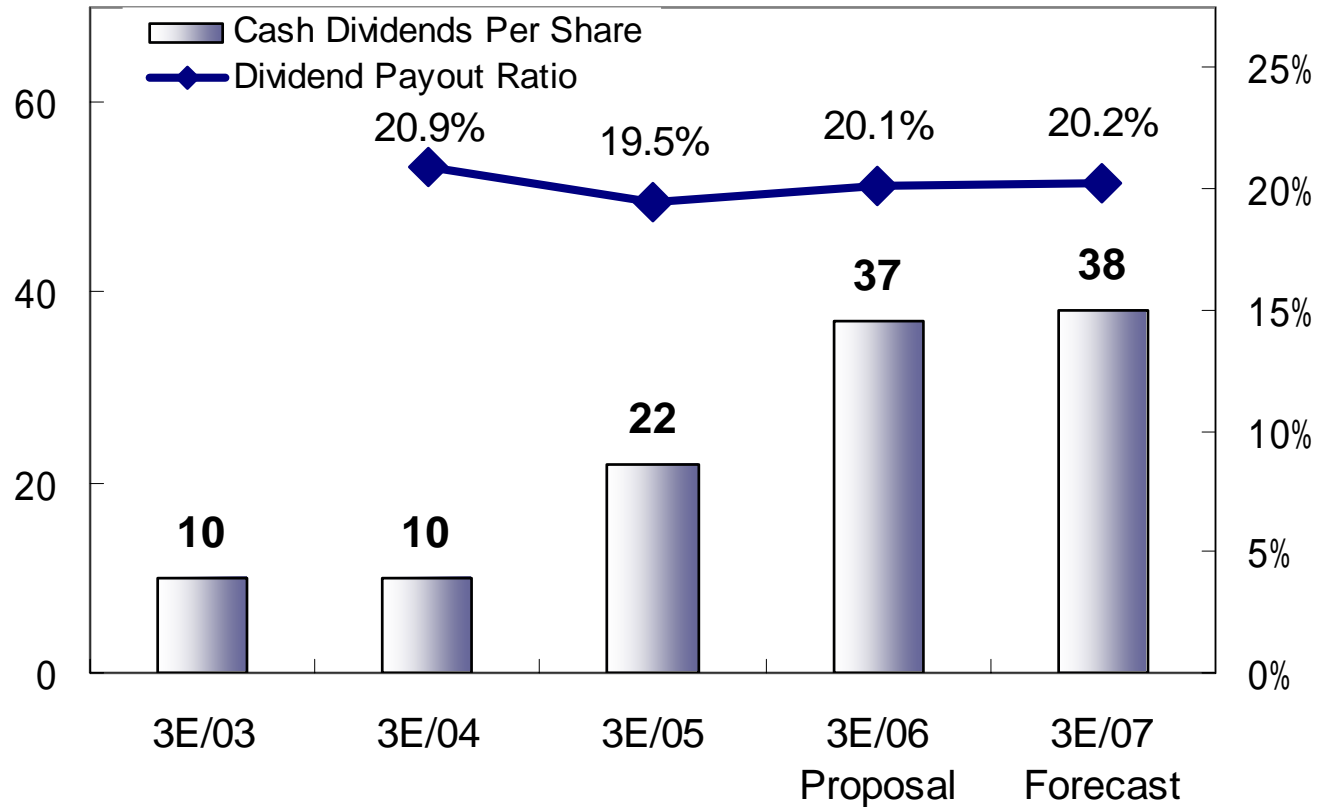


Equity Ratio



Returns to Shareholders

(Yen)



Dividend payout ratio is calculated based on consolidated net income.

FY2002 posted net loss.

Principal Financial Data

