

FOR IMMEDIATE RELEASE:

Furusato Announces Consolidated Financial Results for the Year Ended March 31, 2006

Osaka, Japan, May 9, 2006 – Furusato Industries, Ltd. announced its consolidated financial results for the year ended March 31, 2006. 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

(Millions of yen, except per share amounts)	Year Ended March 31, 2006	Year Ended March 31, 2005	% Change
Operating Results:			
Net Sales	¥ 84,129	¥ 74,739	12.6%
Operating Income	4,681	3,800	23.2%
Ordinary Income	5,148	4,226	21.8%
Net Income	2,880	1,772	62.6%
Financial Position:			
Total Assets	¥ 45,580	¥ 41,327	-
Shareholders' Equity	23,950	20,866	-
Shareholders' Equity Ratio	52.5%	50.5%	-
Cash Flows:			
Net Cash Provided by Operating Activities	¥ 2,255	¥ (163)	-
Net Cash Used in Investing Activities	(690)	25	-
Net Cash Used in Financing Activities	(620)	748	-
Cash and Cash Equivalents at End of Period	4,062	3,117	-
Per Share Data:			
Net Income	¥ 184.37	¥ 113.00	-
Shareholders' Equity	1,544.22	1,344.86	-

Note: % change for net sales, operating income, ordinary income and net income indicates the year-over-year increase/decrease.

[Consolidated operating results]

In the year ended March 31, 2006, the overall Japanese economy continued a gradual recovery, driven by positive capital investment based on solid corporate earnings and steady growth in consumer spending, reflecting improved employment and income conditions. On the other hand, uncertain U.S. economy due to soaring crude oil prices and earnings decrease in export industries due to a tone of strong yen were reasons for concerns.

In the manufacturing industry and steel frame construction industry, business domain of Furusato group, the orders received for machine tools recorded the 42nd consecutive month of year-over-year increase, reflecting the capital investment growth due to strong corporate earnings. The improved Industrial Production from autumn, led by IT-related industry resulted in increase in the factory utilization rate. In the steel frame construction sector, demand for warehouses and stores related to capital investment showed an upward trend. Meanwhile, there were concerns over price decline of steel frame construction supplies by softening prices of raw materials and delay in construction projects, negatively impacted by a quake-resistance data fabrication case.

Based on our customer-first policy, Furusato group strived to stabilize sales prices, secure a sales channel, expand product diversity by increase of suppliers, and promote an effective delivery system with reinforced inventory and logistics functions. In line with these efforts, we worked hard to establish marketing proposal methods focused on end-users' needs and expand our demand base by the Plumbing business growth.

[Consolidated financial position]

Total assets as of March 31, 2006 stood at ¥45,580 million, an increase of ¥4,253 million, compared with March 31, 2005. Total shareholders' equity was ¥23,950 million, an increase of ¥3,084 million, from the same period of the previous year. Consequently, shareholders' equity ratio improved to 52.5% from 50.5%.

Consolidated Earnings Forecasts for Fiscal 2006 (April 1, 2006 – March 31, 2007)

(Millions of yen)	First Half	Full-Year
Net Sales	¥ 42,591	¥ 87,360
Ordinary Income	2,431	5,170
Net Income	1,429	2,997

Reference: Forecast of net income per share (full-year) ¥ 188.55

*Furusato resolved disposal of treasury stock and secondary offering of shares at the Board of Directors meeting held on April 10, 2006. Net income per share is calculated based on the number of shares outstanding after the disposal of 400,000 shares of treasury stock.

*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.

Attachment

Consolidated balance sheets, consolidated statements of income, consolidated statements of retained earnings, consolidated statements of cash flows, and segment information

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Millions of Yen					
	March 31, 2005		March 31, 2006		Year-over-year change	
	Amounts	%	Amounts	%	Amounts	
Assets						
Current assets:						
Cash and cash equivalents	¥ 3,127		¥ 4,079		¥ 951	
Trade receivables (notes and accounts)	21,683		24,079		2,395	
Inventories	3,676		3,765		88	
Deferred tax assets	323		310		(13)	
Others	1,083		873		(209)	
Allowance for doubtful accounts	(206)		(185)		21	
Total current assets	29,688	71.8	32,921	72.2	3,233	
Fixed assets:						
Property, plant and equipment	8,781	21.3	8,804	19.3	23	
Buildings and structures	2,396		2,315		(81)	
Land	5,864		5,903		39	
Others	520		585		65	
Intangible fixed assets	160	0.4	115	0.3	(44)	
Consolidation adjustment account	26		8		(17)	
Others	133		106		(26)	
Investments and other assets	2,697	6.5	3,738	8.2	1,041	
Investment securities	1,299		2,651		1,352	
Deferred tax assets	681		357		(323)	
Others	1,114		860		(254)	
Allowance for doubtful accounts	(397)		(130)		267	
Total fixed assets	11,638	28.2	12,658	27.8	1,020	
Total assets	¥ 41,327	100.0	¥ 45,580	100.0	¥ 4,253	

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

	Millions of Yen					
	March 31, 2005		March 31, 2006		Year-over-year change	
	Amounts	%	Amounts	%	Amounts	
Liabilities						
Current liabilities:						
Trade payable (notes and accounts)	¥ 15,211		¥ 16,547		¥ 1,335	
Short-term borrowings	1,000		730		(270)	
Accrued income taxes	1,379		1,236		(142)	
Others	1,168		1,153		(14)	
Total current liabilities	18,760	45.4	19,668	43.2	908	
Long-term liabilities:						
Deferred tax liabilities	-		105		105	
Reserve for employees' retirement benefits	1,280		1,249		(31)	
Reserve for directors' retirement benefits	394		582		188	
Others	25		24		(0)	
Total long-term liabilities	1,700	4.1	1,961	4.3	261	
Total liabilities	20,460	49.5	21,629	47.5	1,169	
Shareholders' Equity						
Common stock	5,232	12.7	5,232	11.5	-	
Capital surplus	5,975	14.4	5,975	13.1	-	
Retained earnings	9,741	23.6	12,262	26.9	2,520	
Net unrealized gain on revaluation of securities	322	0.8	896	1.9	573	
Treasury stock, at cost	(405)	(1.0)	(415)	(0.9)	(9)	
Total shareholders' equity	20,866	50.5	23,950	52.5	3,084	
Total liabilities and shareholders' equity	¥ 41,327	100.0	¥ 45,580	100.0	¥ 4,253	

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

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Millions of Yen					
	Year ended March 31, 2005		Year ended March 31, 2006		Year-over-year change	
	Amounts	%	Amounts	%	Amounts	
Net sales	¥ 74,739	100.0	¥ 84,129	100.0	¥ 9,389	
Cost of sales	63,170	84.5	71,566	85.1	8,396	
Gross profit	11,568	15.5	12,562	14.9	993	
Selling, general and administrative expenses	7,768	10.4	7,880	9.4	112	
Operating income	3,800	5.1	4,681	5.6	881	
Non-operating income	682	0.9	711	0.8	29	
Interest and dividend income	27		36		9	
Purchase discount	569		592		23	
Rent income	54		55		0	
Others	30		26		(4)	
Non-operating expenses	255	0.3	244	0.3	(11)	
Interest expenses	6		3		(3)	
Loss on sale of trade notes	33		16		(17)	
Sales discount	163		198		35	
Leasehold value	13		13		0	
Others	38		12		(26)	
Ordinary income	4,226	5.7	5,148	6.1	922	
Extraordinary income	127	0.2	92	0.1	(34)	
Reversal of allowance for doubtful accounts	-		88		88	
Gain on sale of marketable securities	108		3		(104)	
Reversal of reserve for debt guarantee losses	19		0		(19)	
Extraordinary losses	670	0.9	188	0.2	(481)	
Provision for allowance for doubtful accounts	40		-		(40)	
Addition to prior years' liability for directors' retirement benefits	-		170		170	
Impairment loss	579		-		(579)	
Others	50		17		(33)	
Income before income taxes	3,683	4.9	5,053	6.0	1,369	
Income taxes	1,852	2.5	2,122	2.5	269	
Adjustment	59	0.1	50	0.1	(8)	
Net income	¥ 1,772	2.4	¥ 2,880	3.4	¥ 1,108	

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

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (UNAUDITED)

	Millions of Yen	
	Year ended March 31, 2005	Year ended March 31, 2006
	Amounts	Amounts
Capital surplus		
Capital surplus at beginning of the period	¥ 5,975	¥ 5,975
Capital surplus at end of the period	5,975	5,975
Retained earnings		
Retained earnings at beginning of the period	8,216	9,741
Increase in retained earnings	1,772	2,880
Net income	1,772	2,880
Decrease in retained earnings	246	360
Cash dividends	232	340
Directors' bonuses	14	19
Retained earnings at end of the period	¥ 9,741	¥ 12,262

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Millions of Yen	
	Year ended March 31, 2005	Year ended March 31, 2006
	Amounts	Amounts
Cash flows from operating activities:		
Income before income taxes	¥ 3,683	¥ 5,053
Depreciation and amortization	364	346
Impairment loss	579	-
Amortization of consolidation adjustment account	29	17
Decrease in reserve for employees' retirement benefits	(43)	(31)
Increase in reserve for directors' retirement benefits	33	188
Decrease in trade notes and accounts receivable	(108)	(157)
Interest and dividend income	(27)	(36)
Interest expenses and loss on sale of trade notes	39	19
Gain on sale of marketable securities	(108)	(3)
Increase in trade notes and accounts receivable	(3,850)	(2,305)
Increase in inventories	(664)	(88)
Change in other accounts receivable	(824)	203
Increase in trade notes and accounts payable	1,966	1,364
Change in accrued expenses	62	(1)
Directors' bonuses	(14)	(19)
Others	199	(74)
Subtotal	1,316	4,474
Interest and dividend income received	26	34
Payments for interest expenses and loss on sale of trade notes	(40)	(19)
Income taxes paid	(1,466)	(2,233)
Net cash provided by operating activities	(163)	2,255
Cash flows from investing activities:		
Increase in time deposits	(110)	(7)
Proceeds from sale of marketable securities	100	-
Purchases of investment securities	(2)	(430)
Proceeds from sale of investment securities	252	115
Purchases of property, plant and equipment	(202)	(324)
Loans receivable	(9)	(9)
Collection of loans receivable	16	14
Others	(18)	(49)
Net cash used in investing activities	25	(690)
Cash flows from financing activities:		
Change in short-term borrowings	1,000	(270)
Purchases of treasury stock	(19)	(9)
Dividends paid	(231)	(340)
Net cash used in financing activities	748	(620)
Effect of exchange rate changes on cash and cash equivalents	0	-
Change in cash and cash equivalents	609	944
Cash and cash equivalents at beginning of the period	2,507	3,117
Cash and cash equivalents at end of the period	¥ 3,117	¥ 4,062

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

SEGMENT INFORMATION

1. Business Segment Information

FY2004 (from April 1, 2004 to March 31, 2005)

(Millions of Yen)

	Net sales			Operating expenses	Operating income	Assets	Depreciation, amortization	Capital expenditures
	To customers	Intersegment	Total					
Machine Tools	¥ 52,819	¥ 530	¥ 53,349	¥ 51,638	¥ 1,711	¥ 19,124	¥ 100	¥ 79
Procured Construction Supplies	16,335	8	16,344	14,863	1,481	10,887	106	51
In-house Construction Supplies	5,518	-	5,518	5,018	499	5,828	153	109
Other	66	0	66	61	4	84	23	0
Total	74,739	538	75,278	71,581	3,697	35,924	384	241
Eliminations/ Corporate	-	(538)	(538)	(641)	102	5,402	9	1
Consolidated	¥ 74,739	-	¥ 74,739	¥ 70,939	¥ 3,800	¥ 41,327	¥ 393	¥ 242

FY2005 (from April 1, 2005 to March 31, 2006)

(Millions of Yen)

	Net sales			Operating expenses	Operating income	Assets	Depreciation, amortization	Capital expenditures
	To customers	Intersegment	Total					
Machine Tools	¥ 59,229	¥ 736	¥ 59,965	¥ 57,784	¥ 2,181	¥ 20,926	¥ 80	¥ 70
Procured Construction Supplies	18,883	13	18,896	17,093	1,803	11,100	109	152
In-house Construction Supplies	5,956	-	5,956	5,372	584	5,813	148	136
Other	59	-	59	51	7	60	15	0
Total	84,129	749	84,878	80,301	4,577	37,901	353	359
Eliminations/ Corporate	-	(749)	(749)	(853)	104	7,678	10	-
Consolidated	¥ 84,129	-	¥ 84,129	¥ 79,447	¥ 4,681	¥ 45,580	¥ 364	¥ 359

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, machines, material handlings, housing equipments, 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: Lease services and insurance services

3. With regard to assets, major corporate assets in elimination or corporation are surplus funds (cash and cash equivalents), long-term investment funds (investment securities), and assets in Administration section, which amounted to 9,356 million yen in FY2004 and 11,637 million yen in FY2005 on consolidated basis.

4. Depreciation and amortization, and capital expenditure include long-term prepaid expenses and the amortized amounts.

5. All figures are rounded down to the nearest million 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.