

FOR IMMEDIATE RELEASE:

## Furusato Announces Consolidated Financial Results for the First Quarter Ended June 30, 2005

Osaka, Japan, August 9, 2005 – Furusato Industries, Ltd. announced its consolidated financial results for the three months ended June 30, 2005, the first quarter of the year ending March 31, 2006. The following summary of the financial results is unaudited and for reference only.

Securities Traded : The Second Section of the Tokyo Stock Exchange  
The Second Section of the Osaka Securities Exchange  
Code Number : 8087

All figures are rounded down to the nearest million yen.

### CONSOLIDATED FINANCIAL RESULTS

	Three Months Ended June 30, 2005		Three Months Ended June 30, 2004	FY2004
	(Millions of Yen)	(% Change)	(Millions of Yen)	(Millions of Yen)
<b>Operating Results:</b>				
Net Sales	¥ 19,238	14.8 %	¥ 16,753	¥ 74,739
Operating Income	943	36.4 %	691	3,800
Ordinary Income	1,074	33.1 %	806	4,226
Net Income	615	28.2 %	479	1,772
<b>Financial Position:</b>				
Total Assets	¥ 40,180		¥ 37,107	¥ 41,327
Shareholders' Equity	21,309		19,698	20,866
Shareholders' Equity Ratio	53.0 %		53.1 %	50.5 %
<b>Cash Flows:</b>				
Net Cash Provided by Operating Activities	¥ 260		¥ (1,012)	¥ (163)
Net Cash Used in Investing Activities	(56)		(106)	25
Net Cash Used in Financing Activities	(669)		1,330	748
Cash and Cash Equivalents at End of Period	2,652		2,719	3,117
<b>Per Share Data:</b>				
Net Income	¥ 39.69		¥ 30.91	¥ 113.00
Shareholders' Equity	1,347.99		1,269.22	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 first quarter of fiscal 2005, the three-month period from April 1 to June 30, 2005, the Japanese economy continued a gradual recovery due to moderate increase of capital investment based on improving corporate earnings and steady consumer spending. On the other hand, continued correction phase in the digital product market and soaring crude oil price were reasons for concern.

Under these circumstances, consolidated net sales for the first quarter increased 14.8% to ¥19,238 million from the same period a year earlier. Operating income increased 36.4% to ¥943 million, ordinary income increased 33.1% to ¥1,074 million, and net income increased 28.2% to ¥615 million.

In Machine Tools segment, net sales were up 11.5% year-over-year, driven by positive performance of machines business, benefiting from favorable demand of machine tools in line with steady growth of industrial tools business.

In Procured Construction Supplies and In-house Construction Supplies segments, net sales were up 28.2% and 11.3%, respectively, reflecting continued higher selling prices from the last year based on steady demand for steel frame building construction.

**[Consolidated financial position]**

Total assets as of June 30, 2005 stood at ¥40,180 million, a decrease of ¥1,146 million, compared with March 31, 2005.

Total liabilities stood at ¥18,871 million, a decrease of ¥1,589, compared with the previous fiscal year-end.

Total shareholders' equity at the end of the first quarter was ¥21,309 million, an increase of ¥442 million, from March 31, 2005. Consequently, shareholders' equity ratio improved to 53.0% from 50.5%.

**Consolidated Earnings Forecasts for Fiscal 2005 (April 1, 2005 – March 31, 2006)**

	FY2005 (Forecast)	Six months ended September 30, 2005 (Forecast)
(Millions of Yen)		
<b>Operating Results:</b>		
Net Sales	¥ 76,376	¥ 37,842
Ordinary Income	4,098	1,984
Net Income	2,309	1,115

Reference: Forecast of net income per share in FY2005 is ¥ 147.02.

\*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 cash flows and segment information.

## CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	June 30, 2005		June 30, 2004		Change vs June 30, 2004		March 31, 2005	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
<b>Assets</b>								
Current assets	<b>28,602</b>	<b>71.2</b>	24,564	66.2	4,037	16.4	29,688	71.8
Cash and cash equivalents	2,663		2,827		(163)		3,127	
Trade receivables (notes and accounts)	20,899		17,281		3,618		21,683	
Marketable securities	-		99		(99)		-	
Inventories	3,745		3,148		596		3,676	
Others	1,293		1,207		86		1,199	
Fixed assets	<b>11,577</b>	<b>28.8</b>	12,542	33.8	(964)	(7.7)	11,638	28.2
Property, plant and equipment	8,743		9,435		(691)		8,781	
Intangible fixed assets	139		252		(112)		160	
Investments and other assets	2,693		2,854		(160)		2,697	
<b>Total assets</b>	<b>40,180</b>	<b>100.0</b>	37,107	100.0	3,073	8.3	41,327	100.0
<b>Liabilities</b>								
Current liabilities	<b>17,156</b>	<b>42.7</b>	15,640	42.1	1,515	9.7	18,760	45.4
Trade payable (notes and accounts)	14,829		12,586		2,243		15,211	
Short-term borrowings	500		1,400		(900)		1,000	
Others	1,826		1,654		172		2,548	
Long-term liabilities	<b>1,714</b>	<b>4.3</b>	1,767	4.8	(53)	(3.0)	1,700	4.1
Reserve for employees' retirement benefits	1,304		1,369		(65)		1,280	
Others	410		398		12		419	
<b>Total liabilities</b>	<b>18,871</b>	<b>47.0</b>	17,408	46.9	1,462	8.4	20,460	49.5
<b>Shareholders' Equity</b>								
Capital	<b>5,232</b>	<b>13.0</b>	5,232	14.1	-	-	5,232	12.7
Capital surplus	<b>5,975</b>	<b>14.9</b>	5,975	16.1	-	-	5,975	14.4
Retained earnings	<b>10,151</b>	<b>25.2</b>	8,604	23.2	1,547	18.0	9,741	23.6
Net unrealized gain (losses) on revaluation of securities	<b>359</b>	<b>0.9</b>	274	0.7	85	31.0	322	0.8
Treasury stock, at cost	<b>(410)</b>	<b>(1.0)</b>	(388)	(1.0)	(21)	5.6	(405)	(1.0)
<b>Total shareholders' equity</b>	<b>21,309</b>	<b>53.0</b>	19,698	53.1	1,610	8.2	20,866	50.5
<b>Total liabilities and shareholders' equity</b>	<b>40,180</b>	<b>100.0</b>	37,107	100.0	3,073	8.3	41,327	100.0

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

## CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Three months ended June 30, 2005		Three months ended June 30, 2004		Change		Year ended March 31, 2005	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
<b>Net sales</b>	<b>19,238</b>	<b>100.0</b>	16,753	100.0	2,484	14.8	74,739	100.0
Cost of sales	<b>16,311</b>	<b>84.8</b>	14,173	84.6	2,137	15.1	63,170	84.5
Gross profit	<b>2,926</b>	<b>15.2</b>	2,579	15.4	346	13.4	11,568	15.5
Selling, general and administrative expenses	<b>1,983</b>	<b>10.3</b>	1,888	11.3	95	5.0	7,768	10.4
<b>Operating income</b>	<b>943</b>	<b>4.9</b>	691	4.1	251	36.4	3,800	5.1
Non-operating income	<b>186</b>	<b>1.0</b>	179	1.1	7	4.1	682	0.9
Non-operating expenses	<b>55</b>	<b>0.3</b>	63	0.4	(8)	(12.7)	255	0.3
<b>Ordinary income</b>	<b>1,074</b>	<b>5.6</b>	806	4.8	267	33.1	4,226	5.7
Extraordinary income	-	-	51	0.3	(51)	(100.0)	127	0.2
Extraordinary losses	-	-	-	-	-	-	670	0.9
Income before income taxes	<b>1,074</b>	<b>5.6</b>	858	5.1	216	25.2	3,683	4.9
Income taxes	<b>426</b>	<b>2.2</b>	415	2.5	10	2.6	1,852	2.5
Adjustment	<b>32</b>	<b>0.2</b>	(37)	(0.2)	69	(187.6)	59	0.1
<b>Net income</b>	<b>615</b>	<b>3.2</b>	479	2.9	135	28.2	1,772	2.4

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Three months ended June 30, 2005	Three months ended June 30, 2004	Year ended March 31, 2005
	Amounts	Amounts	Amounts
<b>Cash flows from operating activities:</b>			
Income before income taxes	1,074	858	3,683
Depreciation and amortization	82	90	364
Change in trade notes and accounts receivable	817	121	(3,850)
Increase in inventories	(68)	(136)	(664)
Change in trade notes and accounts payable	(402)	(634)	1,966
Income taxes paid	(1,310)	(930)	(1,466)
Others	68	(381)	(197)
<b>Net cash provided by operating activities</b>	<b>260</b>	<b>(1,012)</b>	<b>(163)</b>
<b>Cash flows from investing activities:</b>			
Increase in time deposits	(1)	(108)	(110)
Proceeds from sale of marketable securities	-	-	100
Purchases of property, plant and equipment	(44)	(39)	(202)
Others	(10)	42	238
<b>Net cash used in investing activities</b>	<b>(56)</b>	<b>(106)</b>	<b>25</b>
<b>Cash flows from financing activities:</b>			
Change in short-term borrowings	(500)	1,400	1,000
Purchases of treasury stock	(4)	(2)	(19)
Dividends paid	(165)	(67)	(231)
<b>Net cash used in financing activities</b>	<b>(669)</b>	<b>1,330</b>	<b>748</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>-</b>	<b>0</b>	<b>0</b>
<b>Change in cash and cash equivalents</b>	<b>(465)</b>	<b>211</b>	<b>609</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>3,117</b>	<b>2,507</b>	<b>2,507</b>
<b>Cash and cash equivalents at end of the period</b>	<b>2,652</b>	<b>2,719</b>	<b>3,117</b>

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

## SEGMENT INFORMATION

## 1. Business Segment Information

1st Quarter of FY2005 ( from April 1, 2005 to June 30, 2005 ) ( Millions of yen )

	Machine Tools	Procured Construction Supplies	In-house Construction Supplies	Other	Total	Eliminations/Corporate	Consolidated
Net sales							
(1)Sales to outside customers	13,492	4,363	1,366	16	19,238	-	19,238
(2)Intersegment sales and transfers	157	3	-	-	160	(160)	-
Total	13,650	4,366	1,366	16	19,399	(160)	19,238
Operating expenses	13,270	3,953	1,244	13	18,481	(186)	18,295
Operating income	379	413	121	2	917	25	943

1st Quarter of FY2004 ( from April 1, 2004 to June 30, 2004 ) ( Millions of yen )

	Machine Tools	Procured Construction Supplies	In-house Construction Supplies	Other	Total	Eliminations/Corporate	Consolidated
Net sales							
(1)Sales to outside customers	12,104	3,402	1,227	18	16,753	-	16,753
(2)Intersegment sales and transfers	90	2	-	-	92	(92)	-
Total	12,194	3,404	1,227	18	16,845	(92)	16,753
Operating expenses	11,911	3,104	1,142	16	16,174	(112)	16,062
Operating income	282	300	85	2	671	20	691

FY 2004 ( from April 1, 2004 to March 31, 2005 ) ( Millions of yen )

	Machine Tools	Procured Construction Supplies	In-house Construction Supplies	Other	Total	Eliminations/Corporate	Consolidated
Net sales							
(1)Sales to outside customers	52,819	16,335	5,518	66	74,739	-	74,739
(2)Intersegment sales and transfers	530	8	-	0	538	(538)	-
Total	53,349	16,344	5,518	66	75,278	(538)	74,739
Operating expenses	51,638	14,863	5,018	61	71,581	(641)	70,939
Operating income	1,711	1,481	499	4	3,697	102	3,800

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. 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.