

FOR IMMEDIATE RELEASE:

## Furusato Announces Consolidated Financial Results for the First Quarter Ended June 30, 2006

Osaka, Japan, August 8, 2006 – Furusato Industries, Ltd. announced its consolidated financial results for the three months ended June 30, 2006, the first quarter of the year ending March 31, 2007. 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)	Three Months Ended June 30, 2006		Three Months Ended June 30, 2005	FY2005
	(% Change)			
<b>Operating Results:</b>				
Net Sales	¥ 21,381	11.1%	¥ 19,238	¥ 84,129
Operating Income	1,018	8.0%	943	4,681
Ordinary Income	1,143	6.4%	1,074	5,148
Net Income	691	12.3%	615	2,880
<b>Financial Position:</b>				
Total Assets	¥ 45,863		¥ 40,180	¥ 45,580
Shareholders' Equity	24,796		21,309	23,950
Shareholders' Equity Ratio	54.1%		53.0%	52.5%
<b>Cash Flows:</b>				
Net Cash Provided by Operating Activities	¥ (901)		¥ 260	¥ 2,255
Net Cash Used in Investing Activities	164		(56)	(690)
Net Cash Used in Financing Activities	326		(669)	(620)
Cash and Cash Equivalents at End of Period	3,652		2,652	4,062
<b>Per Share Data:</b>				
Net Income	¥ 43.98		¥ 39.69	¥ 184.37
Shareholders' Equity	1,568.69		1,374.99	1,544.22

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 2006, the three-month period from April 1 to June 30, 2006, the Japanese economy was on a recovery trend, led by positive domestic private demand, which resulted from favorable household sector, reflecting brisk corporate sector based on high corporate earnings. In accordance with incremental growth in capital investment in the manufacturing industry, the orders received for machine tools marked the 45th consecutive month of year-over-year growth. The Indices of Industrial Production were on an upward trend overall, coupled with moderate increase in exports and steady capital investment. In the steel frame construction demand, overall non-residential construction demand decreased slightly.

During the period under review, in the Machine Tools segment, the Machines and FA System businesses were positive, driven by favorable orders received for machine tools based on improved machinery investment, while the Machine Tools business remained solid due to increased corporate manufacturing output. On the other hand, in the Procured Construction Supplies segment and In-house Construction Supplies segment showed slight increase, reflecting flat demand and softening prices.

Consequently, consolidated net sales for the first quarter increased 11.1% to ¥21,381 million from the same period a year earlier. On the earnings front, operating income was up 8.0% to ¥1,018 million, ordinary income was up 6.4% to ¥1,143 million, and net income increased 12.3% to ¥691 million.

**[Consolidated financial position]**

Total assets as of June 30, 2006 stood at ¥45,863 million, an increase of ¥283 million, compared with March 31, 2006. Total assets stood at ¥24,796 million, an increase of ¥845 million, compared with the previous fiscal year-end. Consequently, shareholders' equity ratio improved to 54.1% from 52.5%.

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

(Millions of yen)	Full-year (Forecast)	Six months ended Sep. 30, 2006 (Forecast)
<b>Operating Results:</b>		
Net Sales	¥ 87,360	¥ 42,591
Ordinary Income	5,170	2,431
Net Income	2,997	1,429

Reference: Forecast of net income per share (full-year) ¥189.60

The consolidated earnings forecasts for fiscal 2006 ending March 31, 2007 is unchanged from the forecasts announced on May 9, 2006.

\*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 changes in shareholders' equity, consolidated statements of retained earnings, consolidated statements of cash flows, and segment information

## CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Millions of Yen							
	June 30, 2006		June 30, 2005		Year-over-Year Change		March 31, 2006	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
<b>Assets</b>								
<b>Current assets:</b>								
Cash and cash equivalents	¥ 3,669		¥ 2,663		¥ 1,005		¥ 4,079	
Trade receivables (notes and accounts)	25,042		20,899		4,142		24,079	
Inventories	3,849		3,745		103		3,765	
Others	969		1,293		(324)		997	
<b>Total current assets</b>	<b>33,530</b>	<b>73.1</b>	<b>28,602</b>	<b>71.2</b>	<b>4,927</b>	<b>17.2</b>	<b>32,921</b>	<b>72.2</b>
<b>Fixed assets:</b>								
Property, plant and equipment	8,625		8,743		(117)		8,804	
Intangible fixed assets	103		139		(36)		115	
Investments and other assets	3,604		2,693		910		3,738	
<b>Total fixed assets</b>	<b>12,333</b>	<b>26.9</b>	<b>11,577</b>	<b>28.8</b>	<b>756</b>	<b>6.5</b>	<b>12,658</b>	<b>27.8</b>
<b>Total assets</b>	<b>45,863</b>	<b>100.0</b>	<b>40,180</b>	<b>100.0</b>	<b>5,683</b>	<b>14.1</b>	<b>45,580</b>	<b>100.0</b>
<b>Liabilities</b>								
<b>Current liabilities:</b>								
Trade payable (notes and accounts)	16,291		14,829		1,461		16,547	
Short-term borrowings	730		500		230		730	
Others	2,017		1,826		190		2,390	
<b>Total current liabilities</b>	<b>19,038</b>	<b>41.5</b>	<b>17,156</b>	<b>42.7</b>	<b>1,882</b>	<b>11.0</b>	<b>19,668</b>	<b>43.2</b>
<b>Long-term liabilities:</b>								
Reserve for employees' retirement benefits	1,274		1,304		(29)		1,249	
Others	753		410		343		711	
<b>Total long-term liabilities</b>	<b>2,028</b>	<b>4.4</b>	<b>1,714</b>	<b>4.3</b>	<b>314</b>	<b>18.3</b>	<b>1,961</b>	<b>4.3</b>
<b>Total liabilities</b>	<b>21,067</b>	<b>45.9</b>	<b>18,871</b>	<b>47.0</b>	<b>2,196</b>	<b>11.6</b>	<b>21,629</b>	<b>47.5</b>
<b>Net Assets</b>								
<b>Shareholders' equity:</b>								
Common stock	5,232		-		-		-	
Capital surplus	6,591		-		-		-	
Retained earnings	12,511		-		-		-	
Treasury stock, at cost	(326)		-		-		-	
<b>Total shareholders' equity</b>	<b>24,009</b>	<b>52.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revaluation and translation adjustment:</b>								
Net unrealized gain on revaluation of securities	787		-		-		-	
<b>Total revaluation and translation adjustment</b>	<b>787</b>	<b>1.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total net assets</b>	<b>24,796</b>	<b>54.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and net assets</b>	<b>45,863</b>	<b>100.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Shareholders' Equity</b>								
Common stock	-	-	5,232	13.0	-	-	5,232	11.5
Capital surplus	-	-	5,975	14.9	-	-	5,975	13.1
Retained earnings	-	-	10,151	25.2	-	-	12,262	26.9
Net unrealized gain on revaluation of securities	-	-	359	0.9	-	-	896	1.9
Treasury stock, at cost	-	-	(410)	(1.0)	-	-	(415)	(0.9)
<b>Total shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>21,309</b>	<b>53.0</b>	<b>-</b>	<b>-</b>	<b>23,950</b>	<b>52.5</b>
<b>Total liabilities and shareholders' equity</b>	<b>¥ -</b>	<b>-</b>	<b>¥ 40,180</b>	<b>100.0</b>	<b>¥ -</b>	<b>-</b>	<b>¥ 45,580</b>	<b>100.0</b>

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

## CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Millions of Yen							
	Three months ended June 30, 2006		Three months ended June 30, 2005		Year-over-Year Change		March 31, 2006	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
<b>Net sales</b>	¥ 21,381	100.0	¥ 19,238	100.0	¥ 2,142	11.1	¥ 84,129	100.0
Cost of sales	18,311	85.6	16,311	84.8	2,000	12.3	71,566	85.1
<b>Gross profit</b>	<b>3,069</b>	<b>14.4</b>	<b>2,926</b>	<b>15.2</b>	<b>142</b>	<b>4.9</b>	<b>12,562</b>	<b>14.9</b>
Selling, general and administrative expenses	2,050	9.6	1,983	10.3	66	3.4	7,880	9.4
<b>Operating income</b>	<b>1,018</b>	<b>4.8</b>	<b>943</b>	<b>4.9</b>	<b>75</b>	<b>8.0</b>	<b>4,681</b>	<b>5.6</b>
Non-operating income	194	0.9	186	1.0	7	4.0	711	0.8
Non-operating expenses	69	0.3	55	0.3	13	25.1	244	0.3
<b>Ordinary income</b>	<b>1,143</b>	<b>5.3</b>	<b>1,074</b>	<b>5.6</b>	<b>69</b>	<b>6.4</b>	<b>5,148</b>	<b>6.1</b>
Extraordinary income	72	0.3	-	-	72	100.0	92	0.1
Extraordinary losses	-	-	-	-	-	-	188	0.2
<b>Income before income taxes</b>	<b>1,216</b>	<b>5.7</b>	<b>1,074</b>	<b>5.6</b>	<b>141</b>	<b>13.2</b>	<b>5,053</b>	<b>6.0</b>
Income taxes	519	2.4	426	2.2	93	21.8	2,122	2.5
Adjustment	5	0.0	32	0.2	(27)	(82.7)	50	0.1
<b>Net income</b>	<b>¥ 691</b>	<b>3.2</b>	<b>¥ 615</b>	<b>3.2</b>	<b>¥ 75</b>	<b>12.3</b>	<b>¥ 2,880</b>	<b>3.4</b>

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

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

1st Quarter of FY2006 ( from April 1, 2006 to June 30, 2006 )

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2006	5,232	5,975	12,262	(415)	23,054
Changes during the period					
Dividends			(418)		(418)
Directors' bonuses			(23)		(23)
Net income			691		691
Acquisition of treasury stock				(1)	(1)
Disposal of treasury stock		616		90	706
Changes in items other than shareholders' equity					
Total changes during the period		616	249	89	955
Balance at June 30, 2006	5,232	6,591	12,511	(326)	24,009

	Revaluation and translation adjustment		Total net assets
	Net unrealized gain on revaluation of securities	Total	
Balance at March 31, 2006	896	896	23,950
Changes during the period			
Dividends			(418)
Directors' bonuses			(23)
Net income			691
Acquisition of treasury stock			(1)
Disposal of treasury stock			706
Changes in items other than shareholders' equity	(109)	(109)	(109)
Total changes during the period	(109)	(109)	845
Balance at June 30, 2006	787	787	24,796

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

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (UNAUDITED)

	Millions of Yen	
	Year ended June 30, 2005	Year ended March 31, 2006
	Amounts	Amounts
<b>Capital surplus</b>		
Capital surplus at beginning of the period	¥ 5,975	¥ 5,975
Capital surplus at end of the period	5,975	5,975
<b>Retained earnings</b>		
Retained earnings at beginning of the period	9,741	9,741
Increase in retained earnings	615	2,880
Net income	615	2,880
Decrease in retained earnings	205	360
Cash dividends	186	340
Directors' bonuses	19	19
Retained earnings at end of the period	¥ 10,151	¥ 12,262

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Millions of Yen		
	Three months ended June 30, 2006	Three months ended June 30, 2005	Year ended March 31, 2006
	Amounts	Amounts	Amounts
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥ 1,216	¥ 1,074	¥ 5,053
Depreciation and amortization	84	82	346
Change in trade notes and accounts receivable	(930)	817	(2,305)
Change in trade notes and accounts payable	(323)	(402)	1,364
Others	230	(15)	16
Subtotal	277	1,556	4,474
Income taxes paid	(1,196)	(1,310)	(2,233)
Others	18	14	15
<b>Net cash provided by operating activities</b>	<b>(901)</b>	<b>260</b>	<b>2,255</b>
<b>Cash flows from investing activities:</b>			
Purchases of investment securities	(0)	(0)	(430)
Purchases of property, plant and equipment	(94)	(44)	(324)
Proceeds from sales of property, plant and equipment	268	-	-
Others	(8)	(10)	63
<b>Net cash used in investing activities</b>	<b>164</b>	<b>(56)</b>	<b>(690)</b>
<b>Cash flows from financing activities:</b>			
Decrease in short-term borrowings	-	(500)	(270)
Purchases of treasury stock	(1)	(4)	(9)
Proceeds from disposal of treasury stock	699	-	-
Dividends paid	(371)	(165)	(340)
<b>Net cash used in financing activities</b>	<b>326</b>	<b>(669)</b>	<b>(620)</b>
<b>Change in cash and cash equivalents</b>	<b>(409)</b>	<b>(465)</b>	<b>944</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>4,062</b>	<b>3,117</b>	<b>3,117</b>
<b>Cash and cash equivalents at end of the period</b>	<b>¥ 3,652</b>	<b>¥ 2,652</b>	<b>¥ 4,062</b>

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

## SEGMENT INFORMATION

## 1. Business Segment Information

## 1st Quarter of FY2006 ( from April 1, 2006 to June 30, 2006 )

( Millions of Yen )

	Net sales			Operating expenses	Operating income
	To customers	Intersegment	Total		
Machine Tools	¥ 15,227	¥ 194	¥ 15,422	¥ 14,905	¥ 516
Procured Construction Supplies	4,677	2	4,679	4,292	387
In-house Construction Supplies	1,462	-	1,462	1,376	86
Other	14	-	14	11	2
Total	21,381	197	21,578	20,585	993
Eliminations/ Corporate	-	( 197 )	( 197 )	( 223 )	25
Consolidated	¥ 21,381	-	¥ 21,381	¥ 20,362	¥ 1,018

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

( Millions of Yen )

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

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

( Millions of Yen )

	Net sales			Operating expenses	Operating income
	To customers	Intersegment	Total		
Machine Tools	¥ 59,229	¥ 736	¥ 59,965	¥ 57,784	¥ 2,181
Procured Construction Supplies	18,883	13	18,896	17,093	1,803
In-house Construction Supplies	5,956	-	5,956	5,372	584
Other	59	-	59	51	7
Total	84,129	749	84,878	80,301	4,577
Eliminations/ Corporate	-	( 749 )	( 749 )	( 853 )	104
Consolidated	¥ 84,129	-	¥ 84,129	¥ 79,447	¥ 4,681

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, and 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.