

FOR IMMEDIATE RELEASE:

Furusato Announces Consolidated Financial Results for the First Half Ended September 30, 2005

Osaka, Japan, November 10, 2005 – Furusato Industries, Ltd. announced its consolidated financial results for the six months ended September 30, 2005, the first half 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

	Six Months Ended September 30, 2005		Six Months Ended September 30, 2004		FY2004
	(Millions of Yen)	(% Change)	(Millions of Yen)	(Millions of Yen)	
Operating Results:					
Net Sales	¥ 40,532	12.5 %	¥ 36,033	¥ 74,739	
Operating Income	2,224	24.7 %	1,783	3,800	
Ordinary Income	2,470	23.3 %	2,002	4,226	
Net Income	1,366	101.6 %	677	1,772	
Financial Position:					
Total Assets	¥ 42,255		¥ 38,454	¥ 41,327	
Shareholders' Equity	22,283		19,829	20,866	
Shareholders' Equity Ratio	52.7 %		51.6 %	50.5%	
Cash Flows:					
Net Cash Provided by Operating Activities	¥ 1,224		¥ (445)	¥ (163)	
Net Cash Used in Investing Activities	(71)		(50)	25	
Net Cash Used in Financing Activities	(691)		1,414	748	
Cash and Cash Equivalents at End of Period	3,579		3,425	3,117	
Per Share Data:					
Net Income	¥ 88.17		¥ 43.67	¥ 113.00	
Shareholders' Equity	1,437.94		1,278.26	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]

During the first half of FY 2005, the Japanese economy is highly likely to have crawled out of long-term stagnation. Capital investment recorded a steady upward trend, contributed by high corporate profit while consumer spending and housing investment were positive in line with improved employment and income conditions. Furthermore, following the completion of inventory adjustments, IT-related industries accelerated the production.

On the other hand, raw materials prices continued to rise due to soaring crude oil prices and improved supply-demand balance led by economic recovery. The companies could not pass all of the cost increase on to their selling prices.

In the manufacturing sector closely related to FURUSATO's operation, manufacturing capital investment continued an upward movement, driven by roughly end of excess facility capacity adjustment, coupled with the high corporate earnings. In this favorable environment, the orders received for machine tools have continued to increase for the 36th consecutive month on year-over-year basis. Of non-residential steel frame building construction started by use, Factory and Work Room increased by 29.8% over the prior year. Moreover, the improved factory utilization rate by a rebound in demand contributed to sales growth in industrial parts, tools and consumable products.

In the steel frame construction industry, non-residential Offices rose by 18.3% in line with the growth of Factory and Work Room from the comparable period a year ago, positively impacted by upward capital investment in the non-manufacturing sector, which was nearly offset by 17.4% decrease of residential construction. Accordingly, the overall steel frame buildings demand was down 1.0%, nearly flat from a year earlier.

Under these circumstances, FURUSATO group maintained steady supply with inventory diversification and enhancement of inventory and logistics functions in accordance with our "customer-first policy". In the Procured Construction Supplies segment, reinforcement of tools marketing resulted in sales volume increase. Furthermore, a proactive approach to a new market, plumbing industry, contributed to expand demand structure.

Consequently, consolidated net sales for the period under review increased 12.5% to ¥40,532 million from the same period a year earlier. Operating income increased 24.7% to ¥2,224 million and ordinary income increased to 23.3% to ¥2,470 million with net income growth by 101.6% to ¥1,366 million.

[Consolidated financial position]

Total assets as of September 30, 2005 stood at ¥42,255 million, an increase of ¥928 million, compared with March 31, 2005.

Total liabilities stood at ¥19,972 million, a decrease of ¥487 million compared with the previous fiscal year-end.

Total shareholders' equity at the end of the first half was ¥22,283 million, an increase of ¥1,416 million, from March 31, 2005.

Consequently, shareholders' equity ratio improved to 52.7% from 50.5%.

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

	FY2005 (Forecast)	FY2004 (Actual)
(Millions of Yen)		
Operating Results:		
Net Sales	¥ 82,664	¥ 74,739
Ordinary Income	5,001	4,226
Net Income	2,812	1,772

Reference: Forecast of net income per share in FY2005 is ¥ 179.52.

*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

(Millions of yen)

	September 30, 2004		September 30, 2005		March 31, 2005		Change vs March 31,2005 Amounts
	Amounts	%	Amounts	%	Amounts	%	
Assets							
Current assets	26,541	69.0	30,419	72.0	29,688	71.8	731
Cash and cash equivalents	3,434		3,594		3,127		467
Trade receivables (notes and accounts)	18,292		21,898		21,683		214
Marketable securities	99		-		-		-
Inventories	3,269		3,685		3,676		8
Deferred income taxes	266		291		323		(32)
Others	1,356		1,123		1,083		40
Allowance for doubtful accounts	(176)		(173)		(206)		33
Fixed assets	11,912	31.0	11,836	28.0	11,638	28.2	197
Property, plant and equipment	8,844	23.0	8,746	20.7	8,781	21.3	(34)
Buildings and structures	2,453		2,361		2,396		(35)
Land	5,864		5,864		5,864		-
Others	526		520		520		0
Intangible fixed assets	234	0.6	124	0.3	160	0.4	(35)
Consolidation adjustment account	41		11		26		(14)
Others	193		112		133		(20)
Investments and other assets	2,833	7.4	2,964	7.0	2,697	6.5	267
Investment securities	1,154		1,739		1,299		440
Deferred income taxes	931		491		681		(189)
Others	1,269		856		1,114		(257)
Allowance for doubtful accounts	(521)		(123)		(397)		274
Total assets	38,454	100.0	42,255	100.0	41,327	100.0	928

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

(Millions of yen)

	September 30, 2004		September 30, 2005		March 31, 2005		Change vs March 31,2005
	Amounts	%	Amounts	%	Amounts	%	Amounts
Liabilities							
Current liabilities	16,874	43.9	18,058	42.8	18,760	45.4	(701)
Trade payable (notes and accounts)	13,486		15,483		15,211		271
Short-term borrowings	1,500		500		1,000		(500)
Accrued income taxes	899		1,020		1,379		(359)
Others	988		1,055		1,168		(113)
Long-term liabilities	1,749	4.5	1,913	4.5	1,700	4.1	213
Reserve for employees' retirement benefits	1,344		1,320		1,280		39
Reserve for directors' retirement benefits	378		568		394		173
Others	26		25		25		0
Total liabilities	18,624	48.4	19,972	47.3	20,460	49.5	(487)
Shareholders' Equity							
Capital	5,232	13.6	5,232	12.4	5,232	12.7	-
Capital surplus	5,975	15.5	5,975	14.1	5,975	14.4	-
Retained earnings	8,802	22.9	10,903	25.8	9,741	23.6	1,161
Net unrealized gain (losses) on revaluation of securities	213	0.6	583	1.4	322	0.8	261
Treasury stock, at cost	(394)	(1.0)	(411)	(1.0)	(405)	(1.0)	(5)
Total shareholders' equity	19,829	51.6	22,283	52.7	20,866	50.5	1,416
Total liabilities and shareholders' equity	38,454	100.0	42,255	100.0	41,327	100.0	928

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

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Six months ended September 30, 2004		Six months ended September 30, 2005		Change Amounts	Year ended March 31, 2005	
	Amounts	%	Amounts	%		Amounts	%
Net sales	36,033	100.0	40,532	100.0	4,499	74,739	100.0
Cost of sales	30,450	84.5	34,382	84.8	3,931	63,170	84.5
Gross profit	5,582	15.5	6,150	15.2	567	11,568	15.5
Selling, general and administrative expenses	3,799	10.5	3,925	9.7	126	7,768	10.4
Operating income	1,783	4.9	2,224	5.5	441	3,800	5.1
Non-operating income	342	1.0	367	0.9	24	682	0.9
Interest and dividend income	16		24		8	27	
Purchase discount	287		296		9	569	
Rent income	25		27		2	54	
Others	14		17		3	30	
Non-operating expenses	123	0.3	120	0.3	(2)	255	0.3
Interest expenses	3		1		(1)	6	
Loss on sale of trade notes	19		8		(10)	33	
Sales discount	80		96		16	163	
Leasehold value	6		6		(0)	13	
Others	13		7		(6)	38	
Ordinary income	2,002	5.6	2,470	6.1	467	4,226	5.7
Extraordinary income	120	0.3	95	0.2	(24)	127	0.2
Reversal of allowance for doubtful accounts	-		95		95	-	
Gain on sale of marketable securities	100		-		(100)	108	
Reversal of reserve for debt guarantee losses	19		-		(19)	19	
Extraordinary losses	635	1.8	171	0.4	(463)	670	0.9
Provision for allowance for doubtful accounts	40		-		(40)	40	
Addition to prior years' liability for directors' retirement benefits	-		170		170	-	
Impairment losses	579		-		(579)	579	
Others	16		1		(15)	50	
Income before income taxes	1,487	4.1	2,394	5.9	906	3,683	4.9
Income taxes	869	2.4	984	2.4	115	1,852	2.5
Adjustment	(59)	(0.2)	43	0.1	102	59	0.1
Net income	677	1.9	1,366	3.4	688	1,772	2.4

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

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Millions of yen)

	Six months ended September 30, 2004	Six months ended September 30, 2005	Year ended March 31, 2005
	Amounts	Amounts	Amounts
Capital surplus			
Capital surplus at beginning of the period	5,975	5,975	5,975
Capital surplus at end of the period	5,975	5,975	5,975
Retained earnings			
Retained earnings at beginning of the period	8,216	9,741	8,216
Increase in retained earnings	677	1,366	1,772
Net income	677	1,366	1,772
Decrease in retained earnings	91	205	246
Cash dividends	77	186	232
Directors' bonuses	14	19	14
Retained earnings at end of the period	8,802	10,903	9,741

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Six months ended September 30, 2004	Six months ended September 30, 2005	Year ended March 31, 2005
	Amounts	Amounts	Amounts
Cash flows from operating activities:			
Income before income taxes	1,487	2,394	3,683
Depreciation and amortization	182	168	364
Impairment losses	579	-	579
Amortization of consolidation adjustment account	14	14	29
Change in reserve for employees' retirement benefits	20	39	(43)
Increase in reserve for directors' retirement benefits	17	173	33
Decrease in allowance for doubtful accounts	(15)	(177)	(108)
Interest and dividend income	(16)	(24)	(27)
Interest expenses and loss on sale of trade notes	22	10	39
Gain on sale of marketable securities	(100)	-	(108)
Increase in trade notes and accounts receivable	(638)	(150)	(3,850)
Increase in inventories	(256)	(8)	(664)
Change in other accounts receivable	(1,021)	52	(824)
Increase in trade notes and accounts payable	266	277	1,966
Change in accrued expenses	25	(2)	62
Directors' bonuses	(14)	(19)	(14)
Others	(58)	(226)	199
Subtotal	493	2,521	1,316
Interest and dividend income received	16	24	26
Interest and loss on sale of trade notes paid	(22)	(10)	(40)
Income taxes paid	(932)	(1,310)	(1,466)
Net cash provided by operating activities	(445)	1,224	(163)
Cash flows from investing activities:			
Increase in time deposits	(108)	(5)	(110)
Proceeds from sale of marketable securities	-	-	100
Purchases of investment securities	(1)	(1)	(2)
Proceeds from sale of investment securities	205	69	252
Purchases of property, plant and equipment	(115)	(111)	(202)
Loans receivable	(5)	(7)	(9)
Collection of loans receivable	7	8	16
Others	(32)	(23)	(18)
Net cash used in investing activities	(50)	(71)	25
Cash flows from financing activities:			
Change in short-term borrowings	1,500	(500)	1,000
Purchases of treasury stock	(8)	(5)	(19)
Dividends paid	(77)	(185)	(231)
Net cash used in financing activities	1,414	(691)	748
Effect of exchange rate changes on cash and cash equivalents	0	-	0
Increase in cash and cash equivalents	918	462	609
Cash and cash equivalents at beginning of the period	2,507	3,117	2,507
Cash and cash equivalents at end of the period	3,425	3,579	3,117

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

SEGMENT INFORMATION

1. Business Segment Information

First half of FY2004 (April 1, 2004 to September 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	25,942	7,448	2,608	34	36,033	-	36,033
(2)Intersegment sales and transfers	201	3	-	0	205	(205)	-
Total	26,143	7,452	2,608	34	36,238	(205)	36,033
Operating expenses	25,313	6,772	2,380	32	34,499	(249)	34,250
Operating income	829	679	227	2	1,739	43	1,783

First half of FY2005 (April 1, 2005 to September 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	28,415	9,186	2,900	30	40,532	-	40,532
(2)Intersegment sales and transfers	320	6	-	-	326	(326)	-
Total	28,736	9,192	2,900	30	40,859	(326)	40,532
Operating expenses	27,768	8,273	2,618	26	38,687	(379)	38,308
Operating income	967	919	281	3	2,172	52	2,224

FY 2004 (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.