

FOR IMMEDIATE RELEASE:

## Furusato Announces Consolidated Financial Results for the First Half Ended September 30, 2006

Osaka, Japan, November 9, 2006 – Furusato Industries, Ltd. announced its consolidated financial results for the six months ended September 30, 2006, the first half 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)	Six Months Ended September 30, 2006	Six Months Ended September 30, 2005	FY2005
	(% Change)		
<b>Operating Results:</b>			
Net Sales	¥ 43,877	8.3%	¥ 40,532
Operating Income	2,384	7.2%	2,224
Ordinary Income	2,612	5.8%	2,470
Net Income	1,522	11.4%	1,366
			84,129
			4,681
			5,148
			2,880
<b>Financial Position:</b>			
Total Assets	¥ 47,291		¥ 42,255
Net Assets	25,738		22,283
Net Assets to Total Assets	54.4%		52.7%
			45,580
			23,950
			52.5%
<b>Cash Flows:</b>			
Net Cash Provided by Operating Activities	¥ (432)		¥ 1,224
Net Cash Used in Investing Activities	(248)		(71)
Net Cash Used in Financing Activities	279		(691)
Cash and Cash Equivalents at End of Period	3,660		3,579
			2,255
			(690)
			(620)
			4,062
<b>Per Share Data:</b>			
Net Income	¥ 96.63		¥ 88.17
Net Assets	1,628.36		1,437.94
			184.37
			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]**

During the first half of FY 2006, the six-month period from April 1 to September 30, 2006, in the steel frame construction industry, the volume of steel frame used for building construction started and the floor area of steel frame building construction started marked 96.5% and 97.8%, respectively compared to the first half of FY2005. The prolonged building authorization due to falsified quake-resistance data problem negatively impacted somewhat on the demand for the steel frame construction.

In the machinery and industrial tools industry, orders received for machine tools recorded the 48th consecutive month growth on year-over-year basis and showed slowdown in the growth rate. Meanwhile, the domestic orders received were 100.02% in the first half of FY2006, flat from the comparable period of the previous year.

Consequently, consolidated net sales for the period under review increased 8.3% to ¥43.8 billion from the same period a year earlier. Operating income increased 7.2% to ¥2.3 billion, and ordinary income increased 5.8% to ¥2.6 billion with net income growth by 11.4% to ¥1.5 billion.

**[Consolidated financial position]**

Total assets as of September 30, 2006 stood at ¥47,291 million, an increase of ¥1,711 million, compared with March 31, 2006. Total liabilities stood at ¥21,553 million, a decrease of ¥76 million compared with the previous fiscal year-end. Total net assets at the end of the first half was ¥25,738 million, an increase of ¥1,788 million, from March 31, 2006. Consequently, shareholders' equity ratio improved to 54.4% from 52.5%.

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

(Millions of yen)	FY2006 (Forecast)	FY2005 (Actual)
<b>Operating Results:</b>		
Net Sales	¥ 88,494	¥ 84,129
Ordinary Income	5,209	5,148
Net Income	3,013	2,880

Reference: Forecast of net income per share (full-year) ¥190.62

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

**CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

	Millions of Yen							
	September 30, 2005		<b>September 30, 2006</b>		March 31, 2006		Change vs March 31,2006	
	Amounts	%	Amounts	%	Amounts	%	Amounts	
<b>Assets</b>								
<b>Current assets:</b>								
Cash and cash equivalents	¥ 3,594		¥ 3,680		¥ 4,079		¥	(399)
Trade receivables (notes and accounts)	21,898		26,320		24,079			2,240
Inventories	3,685		3,747		3,765			(17)
Deferred income taxes	291		300		310			(10)
Others	1,123		700		873			(172)
Allowance for doubtful accounts	(173)		(114)		(185)			70
<b>Total current assets</b>	<b>30,419</b>	<b>72.0</b>	<b>34,634</b>	<b>73.2</b>	<b>32,921</b>	<b>72.2</b>		<b>1,712</b>
<b>Fixed assets:</b>								
<b>Property, plant and equipment</b>								
Buildings and structures	2,361		2,267		2,315			(48)
Land	5,864		5,660		5,903			(243)
Others	520		694		585			108
<b>Total property, plant and equipment</b>	<b>8,746</b>	<b>20.7</b>	<b>8,621</b>	<b>18.3</b>	<b>8,804</b>	<b>19.3</b>		<b>(183)</b>
<b>Intangible fixed assets</b>								
Consolidation adjustment account	11		-		8			(8)
Goodwill	-		7		-			7
Others	112		90		106			(15)
<b>Total intangible fixed assets</b>	<b>124</b>	<b>0.3</b>	<b>98</b>	<b>0.2</b>	<b>115</b>	<b>0.3</b>		<b>(16)</b>
<b>Investments and other assets</b>								
Investment securities	1,739		2,464		2,651			(187)
Deferred income taxes	491		415		357			57
Others	856		1,189		860			328
Allowance for doubtful accounts	(123)		(130)		(130)			0
<b>Total investments and other assets</b>	<b>2,964</b>	<b>7.0</b>	<b>3,938</b>	<b>8.3</b>	<b>3,738</b>	<b>8.2</b>		<b>199</b>
<b>Total fixed assets</b>	<b>11,836</b>	<b>28.0</b>	<b>12,657</b>	<b>26.8</b>	<b>12,658</b>	<b>27.8</b>		<b>(1)</b>
<b>Total assets</b>	<b>¥ 42,255</b>	<b>100.0</b>	<b>¥ 47,291</b>	<b>100.0</b>	<b>¥ 45,580</b>	<b>100.0</b>	<b>¥</b>	<b>1,711</b>

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

	Millions of Yen							
	September 30, 2005		September 30, 2006		March 31, 2006		Change vs March 31,2006	
	Amounts	%	Amounts	%	Amounts	%	Amounts	
<b>Liabilities</b>								
<b>Current liabilities:</b>								
Trade payable (notes and accounts)	¥ 15,483		¥ 16,505		¥ 16,547		¥	(42)
Short-term borrowings	500		730		730			-
Accrued income taxes	1,020		1,135		1,236			(100)
Reserve for directors' bonuses	-		11		-			11
Others	1,055		1,213		1,153			60
<b>Total current liabilities</b>	<b>18,058</b>	<b>42.8</b>	<b>19,597</b>	<b>41.5</b>	<b>19,668</b>	<b>43.2</b>		<b>(71)</b>
<b>Long-term liabilities:</b>								
Deferred tax liabilities	-		41		105			(63)
Reserve for employees' retirement benefits	1,320		1,289		1,249			40
Reserve for directors' retirement benefits	568		602		582			20
Others	25		21		24			(2)
<b>Total long-term liabilities</b>	<b>1,913</b>	<b>4.5</b>	<b>1,955</b>	<b>4.1</b>	<b>1,961</b>	<b>4.3</b>		<b>(5)</b>
<b>Total liabilities</b>	<b>19,972</b>	<b>47.3</b>	<b>21,553</b>	<b>45.6</b>	<b>21,629</b>	<b>47.5</b>		<b>(76)</b>
<b>Shareholders' Equity</b>								
Common stock	5,232	12.4	-	-	5,232	11.5		-
Capital surplus	5,975	14.1	-	-	5,975	13.1		-
Retained earnings	10,903	25.8	-	-	12,262	26.9		-
Net unrealized gain on revaluation of securities	583	1.4	-	-	896	1.9		-
Treasury stock, at cost	(411)	(1.0)	-	-	(415)	(0.9)		-
<b>Total shareholders' equity</b>	<b>22,283</b>	<b>52.7</b>	<b>-</b>	<b>-</b>	<b>23,950</b>	<b>52.5</b>		<b>-</b>
<b>Total liabilities and shareholders' equity</b>	<b>42,255</b>	<b>100.0</b>	<b>-</b>	<b>-</b>	<b>45,580</b>	<b>100.0</b>		<b>-</b>
<b>Net Assets</b>								
<b>Shareholders' equity:</b>								
Common stock	-		5,232		-			-
Capital surplus	-		6,591		-			-
Retained earnings	-		13,343		-			-
Treasury stock, at cost	-		(327)		-			-
<b>Total shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>24,840</b>	<b>52.5</b>	<b>-</b>	<b>-</b>		<b>-</b>
<b>Revaluation and translation adjustment:</b>								
Net unrealized gain on revaluation of securities	-		898		-			-
<b>Total revaluation and translation adjustment</b>	<b>-</b>	<b>-</b>	<b>898</b>	<b>1.9</b>	<b>-</b>	<b>-</b>		<b>-</b>
<b>Total net assets</b>	<b>-</b>	<b>-</b>	<b>25,738</b>	<b>54.4</b>	<b>-</b>	<b>-</b>		<b>-</b>
<b>Total liabilities and net assets</b>	<b>¥ -</b>	<b>-</b>	<b>¥ 47,291</b>	<b>100.0</b>	<b>¥ -</b>	<b>-</b>		<b>¥ -</b>

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

**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

	Millions of Yen						
	Six months ended September 30, 2005		Six months ended September 30, 2006		YoY Change	Year ended March 31, 2006	
	Amounts	%	Amounts	%	Amounts	Amounts	%
<b>Net sales</b>	¥ 40,532	100.0	¥ 43,877	100.0	¥ 3,344	¥ 84,129	100.0
Cost of sales	34,382	84.8	37,422	85.3	3,040	71,566	85.1
<b>Gross profit</b>	6,150	15.2	6,454	14.7	304	12,562	14.9
Selling, general and administrative expenses	3,925	9.7	4,069	9.3	144	7,880	9.4
<b>Operating income</b>	2,224	5.5	2,384	5.4	159	4,681	5.6
Non-operating income	367	0.9	359	0.8	(7)	711	0.8
Interest and dividend income	24		23		(1)	36	
Purchase discount	296		296		(0)	592	
Rent income	27		27		(0)	55	
Others	17		12		(5)	26	
Non-operating expenses	120	0.3	131	0.3	10	244	0.3
Interest expenses	1		2		0	3	
Loss on sale of trade notes	8		3		(5)	16	
Sales discount	96		107		11	198	
Leasehold value	6		6		(0)	13	
Others	7		10		3	12	
<b>Ordinary income</b>	2,470	6.1	2,612	6.0	142	5,148	6.1
Extraordinary income	95	0.2	138	0.3	42	92	0.1
Gain on sale of fixed assets	-		72		72	-	
Reversal of allowance for doubtful accounts	95		40		(55)	88	
Gain on sale of marketable securities	-		25		25	3	
Reversal of reserve for debt guarantee losses	-		-		-	0	
Extraordinary losses	171	0.4	55	0.1	(115)	188	0.2
Addition to prior years' liability for directors' retirement benefits	170		-		(170)	170	
Impairment losses	-		55		55	-	
Others	1		-		(1)	17	
<b>Income before income taxes</b>	2,394	5.9	2,695	6.1	300	5,053	6.0
Income taxes	984	2.4	1,098	2.5	113	2,122	2.5
Adjustment	43	0.1	74	0.2	30	50	0.1
<b>Net income</b>	¥ 1,366	3.4	¥ 1,522	3.5	¥ 156	¥ 2,880	3.4

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

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (UNAUDITED)**

	Millions of Yen	
	Six months ended September 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
<b>Increase in retained earnings</b>		
Net income	1,366	2,880
<b>Total</b>	1,366	2,880
<b>Decrease in retained earnings</b>		
Cash dividends	186	340
Directors' bonuses	19	19
<b>Total</b>	205	360
<b>Retained earnings at end of the period</b>	¥ 10,903	¥ 12,262

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

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**
**1st Half of FY2006 ( from April 1, 2006 to September 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			1,522		1,522
Purchases of treasury stock				(2)	(2)
Disposal of treasury stock		616		90	706
Changes in items other than shareholders' equity					
Total changes during the period	-	616	1,081	88	1,786
Balance at September 30, 2006	5,232	6,591	13,343	(327)	24,840

	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			1,522
Purchases of treasury stock			(2)
Disposal of treasury stock			706
Changes in items other than shareholders' equity	2	2	2
Total changes during the period	2	2	1,788
Balance at September 30, 2006	898	898	25,738

Note: 1. \*Allocated at the ordinary general meeting of shareholders held in June 2006.  
 2. All figures are rounded down to the nearest million yen.

**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	Millions of Yen		
	Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
	Amounts	Amounts	Amounts
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥ 2,394	¥ 2,695	¥ 5,053
Depreciation and amortization	168	169	346
Impairment losses	-	55	-
Amortization of consolidation adjustment account	14	-	17
Amortization of goodwill	-	5	-
Increase in reserve for directors' bonuses	-	11	-
Change in reserve for employees' retirement benefits	39	40	(31)
Increase in reserve for directors' retirement benefits	173	20	188
Decrease in allowance for doubtful accounts	(177)	(71)	(157)
Interest and dividend income	(24)	(23)	(36)
Interest expenses and loss on sale of trade notes	10	6	19
Gain on sale of fixed assets	-	(72)	-
Gain on sale of marketable securities	-	(25)	(3)
Increase in trade notes and accounts receivable	(150)	(2,215)	(2,305)
Change in inventories	(8)	17	(88)
Decrease in other accounts receivable	52	320	203
Change in trade notes and accounts payable	277	(169)	1,364
Change in accrued expenses	(2)	0	(1)
Directors' bonuses	(19)	(23)	(19)
Others	(226)	4	(74)
Subtotal	<u>2,521</u>	<u>747</u>	<u>4,474</u>
Interest and dividend income received	24	23	34
Interest and loss on sale of trade notes paid	(10)	(6)	(19)
Income taxes paid	(1,310)	(1,196)	(2,233)
<b>Net cash provided by operating activities</b>	<u>1,224</u>	<u>(432)</u>	<u>2,255</u>
<b>Cash flows from investing activities:</b>			
Increase in time deposits	(5)	(319)	(7)
Purchases of investment securities	(1)	(2)	(430)
Proceeds from sale of investment securities	69	32	115
Purchases of property, plant and equipment	(111)	(222)	(324)
Proceeds from sale of property, plant and equipment	-	268	-
Loans receivable	(7)	(6)	(9)
Collection of loans receivable	8	7	14
Others	(23)	(5)	(49)
<b>Net cash used in investing activities</b>	<u>(71)</u>	<u>(248)</u>	<u>(690)</u>
<b>Cash flows from financing activities:</b>			
Decrease in short-term borrowings	(500)	-	(270)
Purchases of treasury stock	(5)	(2)	(9)
Proceeds from disposal of treasury stock	-	699	-
Dividends paid	(185)	(417)	(340)
<b>Net cash used in financing activities</b>	<u>(691)</u>	<u>279</u>	<u>(620)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	-	0	-
<b>Change in cash and cash equivalents</b>	<u>462</u>	<u>(401)</u>	<u>944</u>
<b>Cash and cash equivalents at beginning of the period</b>	<u>3,117</u>	<u>4,062</u>	<u>3,117</u>
<b>Cash and cash equivalents at end of the period</b>	<u>¥ 3,579</u>	<u>¥ 3,660</u>	<u>¥ 4,062</u>

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

## SEGMENT INFORMATION

## 1. Business Segment Information

1st Half of FY2005 ( from April 1, 2005 to September 30, 2005 )

( Millions of Yen )

	Net sales			Operating expenses	Operating income
	To customers	Intersegment	Total		
Machine Tools	¥ 28,415	¥ 320	¥ 28,736	¥ 27,768	¥ 967
Procured Construction Supplies	9,186	6	9,192	8,273	919
In-house Construction Supplies	2,900	-	2,900	2,618	281
Other	30	-	30	26	3
Total	40,532	326	40,859	38,687	2,172
Eliminations/ Corporate	-	( 326 )	( 326 )	( 379 )	52
Consolidated	¥ 40,532	-	¥ 40,532	¥ 38,308	¥ 2,224

1st Half of FY2006 ( from April 1, 2006 to September 30, 2006 )

( Millions of Yen )

	Net sales			Operating expenses	Operating income
	To customers	Intersegment	Total		
Machine Tools	¥ 30,813	¥ 405	¥ 31,219	¥ 30,015	¥ 1,203
Procured Construction Supplies	9,967	5	9,973	9,052	921
In-house Construction Supplies	3,069	-	3,069	2,854	214
Other	26	-	26	22	4
Total	43,877	411	44,288	41,944	2,344
Eliminations/ Corporate	-	( 411 )	( 411 )	( 451 )	40
Consolidated	¥ 43,877	-	¥ 43,877	¥ 41,492	¥ 2,384

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, 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. Change in accounting policy

From the first half of FY 2006, ended September 30, 2006, Furusato adopted the Financial Accounting Standards No.4 issued on November 29, 2005, "Accounting Standards for Directors' Bonuses". As a result, the Machine Tools was up ¥1 million, the Procured Construction Supplies was up ¥5 million, and the In-house Construction Supplies was up ¥4 million. Operating expenses increased while operating income decreased the same amount that operating expenses increased compared to a case calculated based on the previous accounting policy.

4. 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.