

FOR IMMEDIATE RELEASE:

Furusato Announces Consolidated Financial Results for the Third Quarter Ended December 31, 2006

Osaka, Japan, February 8, 2007 – Furusato Industries, Ltd. announced its consolidated financial results for the nine months ended December 31, 2006, the third 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)	Nine Months Ended December 31, 2006		Nine Months Ended December 31, 2005	FY2005
	(% Change)			
Operating Results:				
Net Sales	¥ 66,963	8.3%	¥ 61,858	¥ 84,129
Operating Income	3,762	10.6%	3,401	4,681
Ordinary Income	4,094	8.9%	3,759	5,148
Net Income	2,357	13.0%	2,086	2,880
Financial Position:				
Total Assets	¥ 47,932		¥ 42,724	¥ 45,580
Net Assets	26,563		23,021	23,950
Net Assets to Total Assets	55.4%		53.9%	52.5%
Cash Flows:				
Net Cash Provided by Operating Activities	¥ (372)		¥ 1,118	¥ 2,255
Net Cash Used in Investing Activities	(651)		(137)	(690)
Net Cash Used in Financing Activities	(105)		(666)	(620)
Cash and Cash Equivalents at End of Period	2,932		3,432	4,062
Per Share Data:				
Net Income	¥ 149.46		¥ 134.61	¥ 184.37
Net Assets	1,680.60		1,485.69	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 third quarter of fiscal 2006, the three-month period from October 1 to December 31, 2006, the capital investment continued to grow, led by improved corporate earnings and strong demand, which resulted in a moderate upward trend of industrial production. Meanwhile, consumer spending was nearly flat due to sluggish pay hike. In accordance with statistics of the Building Construction Started, demand for steel frame buildings increased overall. Especially, non-residential buildings grew steadily, driven by capital investment-related buildings including factories and warehouses.

Under these circumstances, in Machine Tools segment of Furusato Group, Machines business was favorable, supported by robust capital investment, and Industrial Tools business was also solid, reflecting positive industrial production. Procured Construction Supplies segment and In-house Construction Supplies segment increased slightly, driven by growth in Plumbing business and sales of braces, respectively.

Consequently, consolidated net sales for the nine-month period ended December 31, 2006 increased 8.3% to ¥66,963 million from the same period a year earlier. On the earnings front, operating income was up 10.6% to ¥3,762 million, ordinary income was up 8.9% to ¥4,094 million, and net income increased 13.0% to ¥2,357 million.

[Consolidated financial position]

Total assets as of December 31, 2006 stood at ¥47,932 million, an increase of ¥2,351 million, compared with March 31, 2006. Total net assets at the end of the third quarter were ¥26,563 million, an increase of ¥2,613 million, from March 31, 2006. Consequently, shareholders' equity ratio improved to 55.4% from 52.5%.

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

(Millions of yen)	FY2006 (Forecast)	FY2005 (Actual)
Operating Results:		
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

*Unchanged from forecasts announced on November 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							
	December 31, 2006		December 31, 2005		Year-over-Year Change		March 31, 2006	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
Assets								
Current assets:								
Cash and cash equivalents	¥ 2,982		¥ 3,448		¥ (465)		¥ 4,079	
Trade receivables (notes and accounts)	27,185		22,757		4,427		24,079	
Inventories	4,107		3,558		549		3,765	
Others	482		958		(476)		997	
Total current assets	34,758	72.5	30,723	71.9	4,034	13.1	32,921	72.2
Fixed assets:								
Property, plant and equipment	8,706		8,780		(74)		8,804	
Intangible fixed assets	85		112		(26)		115	
Investments and other assets	4,382		3,108		1,273		3,738	
Total fixed assets	13,173	27.5	12,001	28.1	1,172	9.8	12,658	27.8
Total assets	47,932	100.0	42,724	100.0	5,207	12.2	45,580	100.0
Liabilities								
Current liabilities:								
Trade payable (notes and accounts)	17,192		15,495		1,696		16,547	
Short-term borrowings	500		680		(180)		730	
Others	1,633		1,580		53		2,390	
Total current liabilities	19,325	40.3	17,756	41.6	1,569	8.8	19,668	43.2
Long-term liabilities:								
Reserve for employees' retirement benefits	1,297		1,349		(52)		1,249	
Others	744		597		147		711	
Total long-term liabilities	2,042	4.3	1,947	4.5	95	4.9	1,961	4.3
Total liabilities	21,368	44.6	19,703	46.1	1,664	8.4	21,629	47.5
Net Assets								
Shareholders' equity:								
Common stock	5,232		-		-		-	
Capital surplus	6,591		-		-		-	
Retained earnings	14,020		-		-		-	
Treasury stock, at cost	(328)		-		-		-	
Total shareholders' equity	25,516	53.2	-	-	-	-	-	-
Revaluation and translation adjustment:								
Net unrealized gain on revaluation of securities	1,047		-		-		-	
Total revaluation and translation adjustment	1,047	2.2	-	-	-	-	-	-
Total net assets	26,563	55.4	-	-	-	-	-	-
Total liabilities and net assets	47,932	100.0	-	-	-	-	-	-
Shareholders' Equity								
Common stock	-	-	5,232	12.3	-	-	5,232	11.5
Capital surplus	-	-	5,975	14.0	-	-	5,975	13.1
Retained earnings	-	-	11,467	26.8	-	-	12,262	26.9
Net unrealized gain on revaluation of securities	-	-	759	1.8	-	-	896	1.9
Treasury stock, at cost	-	-	(414)	(1.0)	-	-	(415)	(0.9)
Total shareholders' equity	-	-	23,021	53.9	-	-	23,950	52.5
Total liabilities and shareholders' equity	¥ -	-	¥ 42,724	100.0	¥ -	-	¥ 45,580	100.0

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

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Millions of Yen							
	Nine months ended December 31, 2006		Nine months ended December 31, 2005		Year-over-Year Change		March 31, 2006	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
Net sales	¥ 66,963	100.0	¥ 61,858	100.0	¥ 5,105	8.3	¥ 84,129	100.0
Cost of sales	57,037	85.2	52,538	84.9	4,498	8.6	71,566	85.1
Gross profit	9,926	14.8	9,319	15.1	607	6.5	12,562	14.9
Selling, general and administrative expenses	6,164	9.2	5,917	9.6	246	4.2	7,880	9.4
Operating income	3,762	5.6	3,401	5.5	360	10.6	4,681	5.6
Non-operating income	532	0.8	540	0.9	(7)	(1.4)	711	0.8
Non-operating expenses	200	0.3	182	0.3	17	9.8	244	0.3
Ordinary income	4,094	6.1	3,759	6.1	334	8.9	5,148	6.1
Extraordinary income	112	0.2	90	0.1	21	23.6	92	0.1
Extraordinary losses	55	0.1	176	0.3	(120)	(68.2)	188	0.2
Income before income taxes	4,150	6.2	3,673	5.9	476	13.0	5,053	6.0
Income taxes	1,633	2.4	1,451	2.3	182	12.5	2,122	2.5
Adjustment	158	0.2	136	0.2	22	16.7	50	0.1
Net income	¥ 2,357	3.5	¥ 2,086	3.4	¥ 271	13.0	¥ 2,880	3.4

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

3rd Quarter of FY2006 (from April 1, 2006 to December 31, 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)
Dividends (Interim)			(158)		(158)
Directors' bonuses*			(23)		(23)
Net income			2,357		2,357
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	1,758	87	2,462
Balance at December 31, 2006	5,232	6,591	14,020	(328)	25,516

	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)
Dividends (Interim)			(158)
Directors' bonuses *			(23)
Net income			2,357
Purchases of treasury stock			(2)
Disposal of treasury stock			706
Changes in items other than shareholders' equity	151	151	151
Total changes during the period	151	151	2,613
Balance at December 31, 2006	1,047	1,047	26,563

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 RETAINED EARNINGS (UNAUDITED)

	Millions of Yen	
	Nine months ended December 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	9,741	9,741
Increase in retained earnings		
Net income	2,086	2,880
Total	2,086	2,880
Decrease in retained earnings		
Cash dividends	340	340
Directors' bonuses	19	19
Total	360	360
Retained earnings at end of the period	¥ 11,467	¥ 12,262

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Millions of Yen		
	Nine months ended December 31, 2006	Nine months ended December 31, 2005	Year ended March 31, 2006
	Amounts	Amounts	Amounts
Cash flows from operating activities:			
Income before income taxes	¥ 4,150	¥ 3,673	¥ 5,053
Depreciation and amortization	258	256	346
Increase in trade notes and accounts receivable	(3,174)	(998)	(2,305)
Increase in trade notes and accounts payable	528	307	1,364
Others	94	96	16
Subtotal	<u>1,858</u>	<u>3,335</u>	<u>4,474</u>
Income taxes paid	(2,258)	(2,233)	(2,233)
Others	27	17	15
Net cash provided by operating activities	<u>(372)</u>	<u>1,118</u>	<u>2,255</u>
Cash flows from investing activities:			
Increase in time deposits	(350)	(6)	(7)
Purchases of investment securities	(200)	(2)	(430)
Purchases of property, plant and equipment	(377)	(222)	(324)
Proceeds from sale of property, plant and equipment	268	-	-
Others	9	93	70
Net cash used in investing activities	<u>(651)</u>	<u>(137)</u>	<u>(690)</u>
Cash flows from financing activities:			
Decrease in short-term borrowings	(230)	(320)	(270)
Purchases of treasury stock	(2)	(8)	(9)
Proceeds from disposal of treasury stock	699	-	-
Dividends paid	(572)	(338)	(340)
Net cash used in financing activities	<u>(105)</u>	<u>(666)</u>	<u>(620)</u>
Effect of exchange rate changes on cash and cash equivalents	0	-	-
Change in cash and cash equivalents	<u>(1,129)</u>	<u>314</u>	<u>944</u>
Cash and cash equivalents at beginning of the period	<u>4,062</u>	<u>3,117</u>	<u>3,117</u>
Cash and cash equivalents at end of the period	<u>¥ 2,932</u>	<u>¥ 3,432</u>	<u>¥ 4,062</u>

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

SEGMENT INFORMATION

1. Business Segment Information

3rd Quarter of FY2006 (from April 1, 2006 to December 31, 2006)

(Millions of Yen)

	Net sales			Operating expenses	Operating income
	To customers	Intersegment	Total		
Machine Tools	¥ 46,310	¥ 676	¥ 46,986	¥ 45,240	¥ 1,745
Procured Construction Supplies	15,813	8	15,822	14,297	1,524
In-house Construction Supplies	4,802	-	4,802	4,382	420
Other	37	-	37	31	5
Total	66,963	684	67,648	63,952	3,696
Eliminations/ Corporate	-	(684)	(684)	(750)	65
Consolidated	¥ 66,963	-	¥ 66,963	¥ 63,201	¥ 3,762

3rd Quarter of FY2005 (from April 1, 2005 to December 31, 2005)

(Millions of Yen)

	Net sales			Operating expenses	Operating income
	To customers	Intersegment	Total		
Machine Tools	¥ 42,981	¥ 479	¥ 43,461	¥ 42,004	¥ 1,456
Procured Construction Supplies	14,274	9	14,283	12,887	1,396
In-house Construction Supplies	4,556	-	4,556	4,092	464
Other	46	-	46	40	5
Total	61,858	489	62,348	59,024	3,323
Eliminations/ Corporate	-	(489)	(489)	(568)	78
Consolidated	¥ 61,858	-	¥ 61,858	¥ 58,456	¥ 3,401

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. 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.