

FOR IMMEDIATE RELEASE:

Furusato Announces Consolidated Financial Results for the First Half Ended September 30, 2003

Osaka, Japan, November 20, 2003 – Furusato Industries, Ltd. announced its consolidated financial results for the six months ended September 30, 2003, the first half of the year ending March 31, 2004. The following summary of the financial results is unaudited and for reference only.

Securities Traded : The Second 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, 2003	Six Months Ended September 30, 2002	FY2002
Operating Results:			
Net Sales	¥ 28,550	¥ 25,057	¥ 51,877
Operating Income	465	(193)	7
Ordinary Income	663	14	422
Net Income	284	(147)	(137)
Financial Position:			
Total Assets	¥ 33,971	¥ 31,450	¥ 32,206
Shareholders' Equity	18,940	18,908	18,734
Shareholders' Equity Ratio	55.8%	60.1%	58.2%
Cash Flows:			
Net Cash Provided by Operating Activities	¥ (232)	¥ (211)	¥ (224)
Net Cash Used in Investing Activities	(1,100)	203	239
Net Cash Used in Financing Activities	245	(73)	(218)
Cash and Cash Equivalents at End of Period	1,511	2,720	2,598
Per Share Data:			
Net Income	¥ 17.50	¥ (9.85)	¥ (9.62)
Shareholders' Equity	1,185.60	1,117.34	1,123.80

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 fiscal 2003, ended September 30, 2003, the Japanese economy showed signs of upward trend, driven by a moderate recovery in private capital investment based on rising stagnant stock prices and moderate improvement of corporate earnings, while sluggish consumer spending, resulting from severe employment condition and sharp appreciation of the yen were reasons for concerns.

In the manufacturing sector and the steel frame construction industry, the Furusato group's business domains, manufacturing capital investment-related indices and steel frame construction demand showed a recovery in line with improved corporate earnings in some companies. Meanwhile, there were concerns over fierce selling price competition and rising raw material costs.

In this business environment, Furusato group strived to diversify current businesses with a wide range of proposed supplies to satisfy customers' needs under our customer-first policy. In regard to expenses, purchase of sales offices and a distribution center resulted in promoting rationalization in the Furusato group. In addition, elimination or consolidation of sales offices contributed to lower the selling, general and administrative expenses.

Consequently, consolidated net sales for the period under review, consolidated net sales was ¥28,550 million, an increase of ¥3,493 million (13.9%), driven by positive sales of the Machine Tools segment from the same period a year earlier. Ordinary income were ¥663 million, an increase of ¥649 million, from the comparable period a year ago, contributed by sales increase and cost reduction. Interim net income was 284 million yen.

[Consolidated financial position]

Total assets as of September 30, 2003 stood at ¥33,971 million, an increase of ¥ 1,765 million, compared with March 31, 2003. Total shareholders' equity at the end of the first half was ¥18,940 million, an increase of ¥206 million, from the previous fiscal year-end. Consequently, shareholders' equity ratio decreased to 55.8% from 58.2%.

Consolidated Earnings Forecasts for Fiscal 2003 (April 1, 2003 – March 31, 2004)

(Millions of yen)	FY2003 (Forecast)	FY2002 (Actual)
Net Sales	¥ 57,140	¥ 51,877
Ordinary Income	1,370	422
Net Income	540	(137)

Reference: Forecast of net income per share (full-year) ¥32.55

*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 (UNAUDITED)

	Millions of Yen							
	September 30, 2002		September 30, 2003		March 31, 2003		VS March 31, 2003	
	Amounts	%	Amounts	%	Amounts	%	Amounts	
Assets								
Current assets:								
Cash and cash equivalents	¥ 2,720		¥ 1,518		¥ 2,199		¥	(680)
Trade receivables (notes and accounts)	12,984		15,902		14,233			1,669
Marketable securities	808		400		1,009			(609)
Inventories	2,887		2,743		2,823			(80)
Deferred tax assets	230		200		169			31
Others	318		453		652			(198)
Allowance for doubtful accounts	(121)		(159)		(123)			(36)
Total current assets	19,827	63.0	21,059	62.0	20,965	65.1		94
Fixed assets:								
Property, plant and equipment:								
Buildings and structures	1,957		2,561		1,877			684
Land	5,436		6,445		5,436			1,009
Others	461		518		585			(66)
Total property, plant and equipment	7,855	25.0	9,526	28.0	7,898	24.5		1,627
Intangible fixed assets:								
Consolidation adjustment account	96		70		84			(14)
Others	243		229		253			(24)
Total intangible fixed assets	340	1.1	299	0.9	338	1.1		(39)
Investments and other assets:								
Investment securities	1,581		1,288		1,003			284
Deferred tax assets	684		754		829			(74)
Others	1,567		1,566		1,663			(97)
Allowance for doubtful accounts	(406)		(523)		(493)			(30)
Total investments and other assets	3,427	10.9	3,086	9.1	3,003	9.3		82
Total fixed assets	11,623	37.0	12,911	38.0	11,240	34.9		1,670
Total assets	¥ 31,450	100.0	¥ 33,971	100.0	¥ 32,206	100.0	¥	1,764

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

	Millions of Yen							
	September 30, 2002		September 30, 2003		March 31, 2003		VS March 31, 2003	
	Amounts	%	Amounts	%	Amounts	%	Amounts	
Liabilities								
Current liabilities:								
Trade payable (notes and accounts)	¥ 10,347		¥ 11,682		¥ 11,182		¥ 499	
Short-term borrowings	-		500		-		500	
Accrued income taxes	82		396		74		321	
Others	910		988		929		58	
Total current liabilities	11,339	36.1	13,567	39.9	12,186	37.8	1,380	
Long-term liabilities:								
Reserve for employees' retirement benefits	837		1,086		903		182	
Reserve for directors' retirement benefits	331		345		348		(2)	
Others	34		31		33		(1)	
Total long-term liabilities	1,202	3.8	1,463	4.3	1,285	4.0	178	
Total liabilities	12,542	39.9	15,030	44.2	13,472	41.8	1,558	
Shareholders' Equity								
Common stock	5,232	16.6	5,232	15.4	5,232	16.2	-	
Capital surplus	5,975	19.0	5,975	17.6	5,975	18.6	-	
Retained earnings	7,691	24.5	7,802	23.0	7,616	23.7	186	
Net unrealized gain (losses) on revaluation of securities	13	0.0	166	0.5	(24)	(0.1)	190	
Treasury stock, at cost	(4)	(0.0)	(236)	(0.7)	(65)	(0.2)	(170)	
Total shareholders' equity	18,908	60.1	18,940	55.8	18,734	58.2	206	
Total liabilities and shareholders' equity	¥ 31,450	100.0	¥ 33,971	100.0	¥ 32,206	100.0	¥ 1,764	

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

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Millions of Yen						
	Six Month Ended September 30, 2002		Six Month Ended September 30, 2003		Year-over-year change	Year ended March 31, 2003	
	Amounts	%	Amounts	%	Amounts	Amounts	%
Net sales	¥ 25,057	100.0	¥ 28,550	100.0	¥ 3,493	¥ 51,877	100.0
Cost of sales	21,416	85.5	24,268	85.0	2,851	44,240	85.3
Gross profit	3,640	14.5	4,281	15.0	641	7,637	14.7
Selling, general and administrative expenses	3,834	15.3	3,816	13.4	(17)	7,630	14.7
Operating income	(193)	(0.8)	465	1.6	659	7	0.0
Non-operating income	319	1.3	343	1.2	24	624	1.2
Interest and dividend income	40		33		(7)	76	
Purchase discount	230		250		19	463	
Rent income	14		37		23	28	
Others	33		22		(11)	55	
Non-operating expenses	111	0.4	145	0.5	33	209	0.4
Interest expenses	-		2		2	-	
Loss on sale of trade notes	40		30		(9)	67	
Sales discount	54		68		13	115	
Leasehold value	-		29		29	-	
Others	16		14		(2)	26	
Ordinary income	14	0.1	663	2.3	649	422	0.8
Extraordinary income	-	-	24	0.1	24	-	-
Gain on sale of marketable securities	-		24		24	-	
Extraordinary losses	246	1.0	91	0.3	(155)	492	0.9
Provision for allowance for doubtful accounts	-		-		-	113	
Loss on write-down of marketable securities	61		-		(61)	109	
Loss on write-down of memberships	103		-		(103)	106	
Provision for reserve for employees' retirement benefits	75		75		-	151	
Others	6		15		9	11	
Income before income taxes	(232)	(0.9)	596	2.1	829	(69)	(0.1)
Income taxes	91	0.4	398	1.4	307	299	0.6
Adjustment	(134)	(0.5)	(86)	(0.3)	48	(189)	(0.4)
Minority interests	(42)	(0.2)	-	-	42	(42)	(0.1)
Net income	¥ (147)	(0.6)	¥ 284	1.0	¥ 431	¥ (137)	(0.3)

Notes:

1. The Company made G-net Corporation a subsidiary by share exchange transaction on August 1, 2002.
2. All figures are rounded down to the nearest million yen.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (UNAUDITED)

	Millions of Yen		
	Six Month Ended September 30, 2002	Six Month Ended September 30, 2003	Year ended March 31, 2003
	Amounts	Amounts	Amounts
Capital surplus			
Capital surplus at beginning of the period	¥ 5,133	¥ 5,975	¥ 5,133
Capital reserve at beginning of the period	5,133		5,133
Increase in capital surplus	841	-	841
Issuance of new shares due to a share exchange transaction	841	-	841
Capital surplus at end of the period	5,975	5,975	5,975
Retained earnings			
Retained earnings at beginning of the period	7,924	7,616	7,924
Consolidated surplus at beginning of the period	7,924		7,924
Increase in retained earnings	-	284	-
Net income	-	284	-
Decrease in retained earnings	232	98	307
Cash dividends	69	83	154
Directors' bonuses	15	15	15
Net loss	147	-	137
Retained earnings at end of the period	¥ 7,691	¥ 7,802	¥ 7,616

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Millions of Yen		
	Six Month Ended September 30, 2002	Six Month Ended September 30, 2003	Year ended March 31, 2003
	Amounts	Amounts	Amounts
Cash flows from operating activities:			
Income before income taxes	¥ (232)	¥ 596	¥ (69)
Depreciation and amortization	169	185	353
Amortization of consolidation adjustment account	12	14	26
Increase in reserve for employees' retirement benefits	119	182	185
Decrease in reserve for directors' retirement benefits	(33)	(2)	(16)
Change in allowance for doubtful accounts	(23)	67	64
Interest and dividend income	(40)	(33)	(76)
Interest expenses and loss on sale of trade notes	40	32	67
Loss on sale of marketable securities	0	3	3
Loss on write-down of marketable securities	61	-	109
Loss on write-down of memberships	103	-	106
Change in trade notes and accounts receivable	1,038	(1,733)	(258)
Decrease in inventories	131	80	195
Change in trade notes and accounts payable	(1,259)	486	(430)
Change in accrued expenses	(5)	10	18
Directors' bonuses	(15)	(15)	(15)
Others	(47)	(33)	(52)
Subtotal	17	(158)	211
Interest and dividend income received	37	30	65
Payments for interest expenses and loss on sale of trade notes	(40)	(33)	(67)
Income taxes paid	(226)	(70)	(434)
Net cash provided by operating activities	(211)	(232)	(224)
Cash flows from investing activities:			
Proceeds from sale of marketable securities	400	610	600
Purchases of investment securities	(1)	(1)	(2)
Proceeds from sale of investment securities	-	57	58
Purchases of property, plant and equipment	(92)	(1,784)	(271)
Loans receivable	(8)	(13)	(10)
Collection of loans receivable	8	6	14
Additional purchases of subsidiaries' stock	(30)	-	(30)
Others	(72)	25	(119)
Net cash used in investing activities	203	(1,100)	239
Cash flows from financing activities:			
Increase in short-term borrowings	-	500	-
Purchases of treasury stock	(3)	(170)	(64)
Dividends paid	(69)	(83)	(153)
Net cash used in financing activities	(73)	245	(218)
Effect of exchange rate changes on cash and cash equivalents	(0)	(0)	(0)
Decrease in cash and cash equivalents	(81)	(1,087)	(203)
Cash and cash equivalents at beginning of the period	2,801	2,598	2,801
Cash and cash equivalents at end of the period	¥ 2,720	¥ 1,511	¥ 2,598

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

SEGMENT INFORMATION

1. Business Segment Information

First half of FY2002 (from April 1, 2002 to September 30, 2002)

(Millions of Yen)

	Net sales			Operating expenses	Operating income
	To customers	Intersegment	Total		
Machine Tools	¥ 17,319	¥ 101	¥ 17,420	¥ 17,618	¥ (198)
Procured Construction Supplies	5,636	9	5,646	5,555	90
In-house Construction Supplies	2,066	-	2,066	2,156	(89)
Other	34	-	34	30	4
Total	25,057	110	25,168	25,361	(193)
Eliminations/ Corporate	-	(110)	(110)	(110)	(0)
Consolidated	¥ 25,057	-	¥ 25,057	¥ 25,251	¥ (193)

First half of FY2003 (from April 1, 2003 to September 30, 2003)

(Millions of Yen)

	Net sales			Operating expenses	Operating income
	To customers	Intersegment	Total		
Machine Tools	¥ 20,396	¥ 204	¥ 20,600	¥ 20,439	¥ 161
Procured Construction Supplies	5,939	9	5,948	5,660	288
In-house Construction Supplies	2,177	-	2,177	2,165	12
Other	36	-	36	33	2
Total	28,550	213	28,763	28,299	464
Eliminations/ Corporate	-	(213)	(213)	(214)	0
Consolidated	¥ 28,550	-	¥ 28,550	¥ 28,084	¥ 465

FY2002 (from April 1, 2002 to March 31, 2003)

(Millions of Yen)

	Net sales			Operating expenses	Operating income
	To customers	Intersegment	Total		
Machine Tools	¥ 36,252	¥ 233	¥ 36,485	¥ 36,637	¥ (152)
Procured Construction Supplies	11,429	27	11,457	11,194	262
In-house Construction Supplies	4,123	-	4,123	4,230	(107)
Other	72	-	72	65	6
Total	51,877	260	52,138	52,129	9
Eliminations/ Corporate	-	(260)	(260)	(259)	(1)
Consolidated	¥ 51,877	-	¥ 51,877	¥ 51,870	¥ 7

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.