

FOR IMMEDIATE RELEASE:

Furusato Announces Consolidated Financial Results for the Year Ended March 31, 2004

Osaka, Japan, May 20, 2004 – Furusato Industries, Ltd. announced its consolidated financial results for the year ended 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)	Year Ended March 31, 2004	Year Ended March 31, 2003	% Change
Operating Results:			
Net Sales	¥ 62,032	¥ 51,877	19.6%
Operating Income	1,575	7	-
Ordinary Income	2,003	422	374.4%
Net Income	778	(137)	-
Financial Position:			
Total Assets	¥ 36,286	¥ 32,206	-
Shareholders' Equity	19,346	18,734	-
Shareholders' Equity Ratio	53.3%	58.2%	-
Cash Flows:			
Net Cash Provided by Operating Activities	¥ 985	¥ (224)	-
Net Cash Used in Investing Activities	(593)	239	-
Net Cash Used in Financing Activities	(482)	(218)	-
Cash and Cash Equivalents at End of Period	2,507	2,598	-
Per Share Data:			
Net Income	¥ 47.83	¥ (9.62)	-
Shareholders' Equity	1,245.34	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 fiscal 2004 ended March 31, 2005, the overall Japanese economy remained uncertain due to public capital investment reduction and continued deflation. Meanwhile, increased exports, driven by the recovery of U.S. economy and robust Chinese economy, a rebound in private capital investment, and rising long-underperforming stock prices resulted in signs of a moderate upward trend.

In the manufacturing sector and the steel frame construction industry, the Furusato group's business domains, the private capital investment was recovering, led by new and replacement demand for manufacturing facilities based on improved corporate earnings and steel frame construction demand for factories and warehouses showed signs of a recovery. On the other hand, fierce competition and soaring raw material prices were reasons for concerns.

In this business environment, coupled with expanding current businesses, the Furusato group developed new sales proposal methods for demand boosting, reduced rent expenses through purchases of sales offices and a distribution center, and streamlined cost structure.

Consequently, consolidated net sales for the period under review, increased 19.6% to ¥62,032 million from the same period a year ago. On the earnings front, operating income increased to ¥1,575 million, ordinary income significantly increased 374.4% to ¥2,003 million, and net income increased to ¥778 million.

[Consolidated financial position]

Total assets as of March 31, 2004 stood at ¥36,286 million, an increase of ¥ 4,079 million, compared with March 31, 2003. Total shareholders' equity was ¥19,346 million, an increase of ¥612 million from March 31, 2003. Consequently, shareholders' equity ratio was down to 53.3% from 58.2%.

Consolidated Earnings Forecasts for Fiscal 2004 (April 1, 2004 – March 31, 2005)

(Millions of yen)	First Half	Full-Year
Net Sales	¥ 32,704	¥ 64,972
Ordinary Income	1,111	2,414
Net Income	603	1,317

Reference: Forecast of net income per share (full-year) ¥ 83.55

*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					
	March 31, 2003		March 31, 2004		Year-over-year change	
	Amounts	%	Amounts	%	Amounts	
Assets						
Current assets:						
Cash and cash equivalents	¥ 2,199		¥ 2,507		¥ 308	
Trade receivables (notes and accounts)	14,233		17,596		3,363	
Marketable securities	1,009		99		(909)	
Inventories	2,823		3,012		188	
Deferred tax assets	169		273		103	
Others	652		328		(324)	
Allowance for doubtful accounts	(123)		(173)		(50)	
Total current assets	20,965	65.1	23,644	65.2	2,679	
Fixed assets:						
Property, plant and equipment:						
Buildings and structures	1,877		2,493		616	
Land	5,436		6,443		1,007	
Others	585		525		(60)	
Total property, plant and equipment	7,898	24.5	9,462	26.1	1,564	
Intangible fixed assets:						
Consolidation adjustment account	84		55		(29)	
Others	253		215		(38)	
Total intangible fixed assets	338	1.1	271	0.7	(67)	
Investments and other assets:						
Investment securities	1,003		1,416		412	
Deferred tax assets	829		800		(28)	
Others	1,663		1,249		(413)	
Allowance for doubtful accounts	(493)		(559)		(66)	
Total investments and other assets	3,003	9.3	2,907	8.0	(96)	
Total fixed assets	11,240	34.9	12,641	34.8	1,400	
Total assets	¥ 32,206	100.0	¥ 36,286	100.0	¥ 4,079	

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

	Millions of Yen					
	March 31, 2003		March 31, 2004		Year-over-year change	
	Amounts	%	Amounts	%	Amounts	
Liabilities						
Current liabilities:						
Trade payable (notes and accounts)	¥ 11,182		¥ 13,297		¥ 2,114	
Accrued income taxes	74		930		856	
Others	929		995		66	
Total current liabilities	12,186	37.8	15,224	42.0	3,037	
Long-term liabilities:						
Reserve for employees' retirement benefits	903		1,324		420	
Reserve for directors' retirement benefits	348		361		13	
Others	33		29		(3)	
Total long-term liabilities	1,285	4.0	1,715	4.7	429	
Total liabilities	13,472	41.8	16,939	46.7	3,467	
Shareholders' Equity						
Common stock	5,232	16.2	5,232	14.4	-	
Capital surplus	5,975	18.6	5,975	16.5	-	
Retained earnings	7,616	23.7	8,216	22.7	600	
Net unrealized gain (losses) on revaluation of securities	(24)	(0.1)	308	0.8	332	
Treasury stock, at cost	(65)	(0.2)	(385)	(1.1)	(320)	
Total shareholders' equity	18,734	58.2	19,346	53.3	612	
Total liabilities and shareholders' equity	¥ 32,206	100.0	¥ 36,286	100.0	¥ 4,079	

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

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Millions of Yen					
	Year ended March 31, 2003		Year ended March 31, 2004		Year-over-year change	
	Amounts	%	Amounts	%	Amounts	
Net sales	¥ 51,877	100.0	¥ 62,032	100.0	¥ 10,154	
Cost of sales	44,240	85.3	52,836	85.2	8,595	
Gross profit	7,637	14.7	9,196	14.8	1,558	
Selling, general and administrative expenses	7,630	14.7	7,620	12.3	(9)	
Operating income	7	0.0	1,575	2.5	1,568	
Non-operating income	624	1.2	684	1.1	59	
Interest and dividend income	76		52		(24)	
Purchase discount	463		521		57	
Rent income	28		62		34	
Others	55		47		(8)	
Non-operating expenses	209	0.4	256	0.4	46	
Interest expenses	-		4		4	
Loss on sale of trade notes	67		54		(13)	
Sales discount	115		139		24	
Leasehold value	-		41		41	
Others	26		16		(10)	
Ordinary income	422	0.8	2,003	3.2	1,580	
Extraordinary income	-	-	28	0.0	28	
Gain on sale of marketable securities	-		24		24	
Gain on sale of fixed assets	-		3		3	
Extraordinary losses	492	0.9	479	0.8	(12)	
Provision for allowance for doubtful accounts	113		126		13	
Loss on write-down of marketable securities	109		1		(108)	
Loss on write-down of memberships	106		-		(106)	
Provision for reserve for employees' retirement benefits	151		302		151	
Others	11		48		37	
Income before income taxes and minority interests	(69)	(0.1)	1,552	2.5	1,621	
Income taxes	299	0.6	1,075	1.7	775	
Adjustment	(189)	(0.4)	(301)	(0.5)	(111)	
Minority interests	(42)	(0.1)	-	-	42	
Net income	¥ (137)	(0.3)	¥ 778	1.3	¥ 915	

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	
	Year ended March 31, 2003 Amounts	Year ended March 31, 2004 Amounts
<u>Capital surplus</u>		
Capital surplus at beginning of the period	¥ 5,133	¥ 5,975
Increase in capital surplus	841	-
Issuance of new shares due to a share exchange transaction	841	-
Capital surplus at end of the period	<u>5,975</u>	<u>5,975</u>
<u>Retained earnings</u>		
Retained earnings at beginning of the period	7,924	7,616
Increase in retained earnings	-	778
Net income	-	778
Decrease in retained earnings	307	178
Cash dividends	154	163
Directors' bonuses	15	15
Net loss	137	-
Retained earnings at end of the period	<u>¥ 7,616</u>	<u>¥ 8,216</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Millions of Yen	
	Year ended March 31, 2003	Year ended March 31, 2004
	Amounts	Amounts
Cash flows from operating activities:		
Income before income taxes	¥ (69)	¥ 1,552
Depreciation and amortization	353	380
Amortization of consolidation adjustment account	26	29
Increase in reserve for employees' retirement benefits	185	420
Change in reserve for directors' retirement benefits	(16)	13
Increase in allowance for doubtful accounts	64	116
Interest and dividend income	(76)	(52)
Interest expenses and loss on sale of trade notes	67	58
Loss on sale of marketable securities	3	15
Loss on write-down of marketable securities	109	1
Loss on write-down of memberships	106	-
Increase in trade notes and accounts receivable	(258)	(3,416)
Change in inventories	195	(188)
Change in trade notes and accounts payable	(430)	2,017
Increase in accrued expenses	18	30
Directors' bonuses	(15)	(15)
Others	(52)	244
Subtotal	211	1,208
Interest and dividend income received	65	46
Payments for interest expenses and loss on sale of trade notes	(67)	(58)
Income taxes paid	(434)	(210)
Net cash provided by operating activities	(224)	985
Cash flows from investing activities:		
Proceeds from sale of marketable securities	600	1,010
Purchases of investment securities	(2)	(29)
Proceeds from sale of investment securities	58	83
Purchases of property, plant and equipment	(271)	(1,886)
Loans receivable	(10)	(26)
Collection of loans receivable	14	14
Additional purchases of subsidiaries' stock	(30)	-
Proceeds from matured employees' insurance reserve fund	-	105
Others	(119)	135
Net cash used in investing activities	239	(593)
Cash flows from financing activities:		
Purchases of treasury stock	(64)	(320)
Dividends paid	(153)	(162)
Net cash used in financing activities	(218)	(482)
Effect of exchange rate changes on cash and cash equivalents	(0)	(0)
Decrease in cash and cash equivalents	(203)	(90)
Cash and cash equivalents at beginning of the period	2,801	2,598
Cash and cash equivalents at end of the period	¥ 2,598	¥ 2,507

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

SEGMENT INFORMATION

1. Business Segment Information

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

(Millions of Yen)

	Net sales			Operating expenses	Operating income	Assets	Depreciation, amortization	Capital expenditures
	To customers	Intersegment	Total					
Machine Tools	¥ 36,252	¥ 233	¥ 36,485	¥ 36,637	¥ (152)	¥ 11,956	¥ 75	¥ 151
Procured Construction Supplies	11,429	27	11,457	11,194	262	8,781	119	93
In-house Construction Supplies	4,123	-	4,123	4,230	(107)	5,556	163	101
Other	72	-	72	65	6	128	25	29
Total	51,877	260	52,138	52,129	9	26,422	384	376
Eliminations/ Corporate	-	(260)	(260)	(259)	(1)	5,783	(3)	76
Consolidated	¥ 51,877	-	¥ 51,877	¥ 51,870	¥ 7	¥ 32,206	¥ 380	¥ 452

FY2003 (from April 1, 2003 to March 31, 2004)

(Millions of Yen)

	Net sales			Operating expenses	Operating income	Assets	Depreciation, amortization	Capital expenditures
	To customers	Intersegment	Total					
Machine Tools	¥ 44,738	¥ 381	¥ 45,119	¥ 44,384	¥ 735	¥ 15,764	¥ 98	¥ 1,159
Procured Construction Supplies	12,623	18	12,642	11,989	653	9,542	112	40
In-house Construction Supplies	4,595	-	4,595	4,428	166	5,760	160	124
Other	74	-	74	69	4	106	29	25
Total	62,032	400	62,432	60,872	1,559	31,173	400	1,349
Eliminations/ Corporate	-	(400)	(400)	(415)	15	5,112	9	582
Consolidated	¥ 62,032	-	¥ 62,032	¥ 60,457	¥ 1,575	¥ 36,286	¥ 409	¥ 1,931

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. With regard to assets, major corporate assets in elimination or corporation are surplus funds (cash and marketable securities), long-term investment funds (investment securities), and assets in Administration section. The amounts in respective years are as follows:

FY2003: 9,107 million yen

FY2004: 8,503 million yen

4. Depreciation and amortization, and capital expenditure include long-term prepaid expenses and the amortized amounts.

5. 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.