

FOR IMMEDIATE RELEASE:

Furusato Announces Consolidated Financial Results for the First Half Ended September 30, 2004

Osaka, Japan, November 15, 2004 – Furusato Industries, Ltd. announced its consolidated financial results for the six months ended September 30, 2004, the first half of the year ending March 31, 2005. 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, 2004	Six Months Ended September 30, 2003	FY2003
Operating Results:			
Net Sales	¥ 36,033	¥ 28,550	¥ 62,032
Operating Income	1,783	465	1,575
Ordinary Income	2,002	663	2,003
Net Income	677	284	778
Financial Position:			
Total Assets	¥ 38,454	¥ 33,971	¥ 36,286
Shareholders' Equity	19,829	18,940	19,346
Shareholders' Equity Ratio	51.6%	55.8%	53.3%
Cash Flows:			
Net Cash Provided by Operating Activities	¥ (445)	¥ (232)	¥ 985
Net Cash Used in Investing Activities	(50)	(1,100)	(593)
Net Cash Used in Financing Activities	1,414	245	(482)
Cash and Cash Equivalents at End of Period	3,425	1,511	2,507
Per Share Data:			
Net Income	¥ 43.67	¥ 17.50	¥ 47.83
Shareholders' Equity	1,278.26	1,185.60	1,245.34

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 2004 ended September 30, 2004, the Japanese economy was on moderate upward trend. The favorable domestic demand led by positive export business contributed to higher corporate earnings and capital investment. Meanwhile, consumer spending improved gradually based on sound income condition.

In the manufacturing sector and the steel frame construction industry, the Furusato group's business domains, the investment in machines in both large and small- and medium-sized manufacturing companies substantially increased, driven by high corporate earnings and increased demand. The steel frame construction demand for factories and warehouses, etc. linked with manufacturing capital investment showed signs of recovery after the second half of the previous fiscal year. The floor area of stores construction started also showed a moderate recovery in the first half of this fiscal year due to the expectation of improved consumer spending. However, there were concerns over uncertain orders received for machine tools, currently 24th consecutive month year-over-year increase, and shortfall of steel materials due to increased exports to China and favorable shipbuilding industry.

In this business environment, the Furusato group focuses on an initiative to deliver what customers needs in the requested way in our core businesses, the Machine Tools, Procured Construction Supplies, and In-house Construction Supplies, respectively, based on our customer-first policy. In the six months ended September 30, 2004, the Furusato group strived to expand demand base by proposing potential needs that the customers did not recognize in line with supply source increase by manufacturer diversity and stabilizing delivery with reinforced inventory functions.

Consequently, consolidated net sales for the period under review increased 26.2% to ¥36,033 million from the same period a year earlier. Operating income increased 283.0% to ¥1,783 million, and ordinary income increased to 201.7% to ¥2,002 million with net income growth by 138.4% to ¥677 million.

[Consolidated financial position]

Total assets as of September 30, 2004 stood at ¥38,454 million, an increase of ¥ 2,168million, compared with March 31, 2004. Total shareholders' equity at the end of the first half was ¥19,829 million, an increase of ¥483 million, from the previous fiscal year-end. Consequently, shareholders' equity ratio was down to 51.6% from 53.3%.

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

(Millions of yen)	FY2004 (Forecast)	FY2003 (Actual)
Net Sales	¥ 72,743	¥ 62,032
Ordinary Income	3,844	2,003
Net Income	1,713	778

Reference: Forecast of net income per share (full-year) ¥109.13

*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, 2003		September 30, 2004		March 31, 2004		VS March 31, 2004	
	Amounts	%	Amounts	%	Amounts	%	Amounts	
Assets								
Current assets:								
Cash and cash equivalents	¥ 1,518		¥ 3,434		¥ 2,507		¥	926
Trade receivables (notes and accounts)	15,902		18,292		17,596			695
Marketable securities	400		99		99			0
Inventories	2,743		3,269		3,012			256
Deferred tax assets	200		266		273			(7)
Others	453		1,356		328			1,028
Allowance for doubtful accounts	(159)		(176)		(173)			(2)
Total current assets	21,059	62.0	26,541	69.0	23,644	65.2		2,896
Fixed assets:								
Property, plant and equipment:								
Buildings and structures	2,561		2,453		2,493			(40)
Land	6,445		5,864		6,443			(579)
Others	518		526		525			1
Total property, plant and equipment	9,526	28.0	8,844	23.0	9,462	26.1		(618)
Intangible fixed assets:								
Consolidation adjustment account	70		41		55			(14)
Others	229		193		215			(21)
Total intangible fixed assets	299	0.9	234	0.6	271	0.7		(36)
Investments and other assets:								
Investment securities	1,288		1,154		1,416			(262)
Deferred tax assets	754		931		800			130
Others	1,566		1,269		1,249			19
Allowance for doubtful accounts	(523)		(521)		(559)			38
Total investments and other assets	3,086	9.1	2,833	7.4	2,907	8.0		(73)
Total fixed assets	12,911	38.0	11,912	31.0	12,641	34.8		(728)
Total assets	¥ 33,971	100.0	¥ 38,454	100.0	¥ 36,286	100.0	¥	2,168

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

	Millions of Yen							
	September 30, 2003		September 30, 2004		March 31, 2004		VS March 31, 2004	
	Amounts	%	Amounts	%	Amounts	%	Amounts	
Liabilities								
Current liabilities:								
Trade payable (notes and accounts)	¥ 11,682		¥ 13,486		¥ 13,297		¥	189
Short-term borrowings	500		1,500		-			1,500
Accrued income taxes	396		899		930			(31)
Others	988		988		995			(7)
Total current liabilities	13,567	39.9	16,874	43.9	15,224	42.0		1,650
Long-term liabilities:								
Reserve for employees' retirement benefits	1,086		1,344		1,324			20
Reserve for directors' retirement benefits	345		378		361			17
Others	31		26		29			(2)
Total long-term liabilities	1,463	4.3	1,749	4.5	1,715	4.7		34
Total liabilities	15,030	44.2	18,624	48.4	16,939	46.7		1,684
Shareholders' Equity								
Common stock	5,232	15.4	5,232	13.6	5,232	14.4		-
Capital surplus	5,975	17.6	5,975	15.5	5,975	16.5		-
Retained earnings	7,802	23.0	8,802	22.9	8,216	22.7		586
Net unrealized gain on revaluation of securities	166	0.5	213	0.6	308	0.8		(94)
Treasury stock, at cost	(236)	(0.7)	(394)	(1.0)	(385)	(1.1)		(8)
Total shareholders' equity	18,940	55.8	19,829	51.6	19,346	53.3		483
Total liabilities and shareholders' equity	¥ 33,971	100.0	¥ 38,454	100.0	¥ 36,286	100.0	¥	2,168

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

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Millions of Yen							
	Six Month Ended September 30, 2003		Six Month Ended September 30, 2004		Year-over-year change	Year ended March 31, 2004		
	Amounts	%	Amounts	%	Amounts	Amounts	%	
Net sales	¥ 28,550	100.0	¥ 36,033	100.0	¥ 7,482	¥ 62,032	100.0	
Cost of sales	24,268	85.0	30,450	84.5	6,182	52,836	85.2	
Gross profit	4,281	15.0	5,582	15.5	1,300	9,196	14.8	
Selling, general and administrative expenses	3,816	13.4	3,799	10.5	(17)	7,620	12.3	
Operating income	465	1.6	1,783	4.9	1,317	1,575	2.5	
Non-operating income	343	1.2	342	1.0	(0)	684	1.1	
Interest and dividend income	33		16		(17)	52		
Purchase discount	250		287		37	521		
Rent income	37		25		(12)	62		
Others	22		14		(7)	47		
Non-operating expenses	145	0.5	123	0.3	(21)	256	0.4	
Interest expenses	2		3		1	4		
Loss on sale of trade notes	30		19		(11)	54		
Sales discount	68		80		12	139		
Leasehold value	29		6		(22)	41		
Others	14		13		(1)	16		
Ordinary income	663	2.3	2,002	5.6	1,339	2,003	3.2	
Extraordinary income	24	0.1	120	0.3	95	28	0.0	
Gain on sale of marketable securities	24		100		76	24		
Gain on sale of fixed assets	-		-		-	3		
Reversal of reserve for debt guarantee losses	-		19		19	-		
Extraordinary losses	91	0.3	635	1.8	544	479	0.8	
Provision for allowance for doubtful accounts	-		40		40	126		
Loss on write-down of marketable securities	-		-		-	1		
Provision for reserve for employees' retirement benefits	75		-		(75)	302		
Impairment loss	-		579		579	-		
Others	15		16		0	48		
Income before income taxes	596	2.1	1,487	4.1	890	1,552	2.5	
Income taxes	398	1.4	869	2.4	470	1,075	1.7	
Adjustment	(86)	(0.3)	(59)	(0.2)	26	(301)	(0.5)	
Net income	¥ 284	1.0	¥ 677	1.9	¥ 393	¥ 778	1.3	

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

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (UNAUDITED)

	Millions of Yen		
	Six Month Ended September 30, 2003	Six Month Ended September 30, 2004	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	7,616	8,216	7,616
Increase in retained earnings	284	677	778
Net income	284	677	778
Decrease in retained earnings	98	91	178
Cash dividends	83	77	163
Directors' bonuses	15	14	15
Retained earnings at end of the period	¥ 7,802	¥ 8,802	¥ 8,216

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, 2003	Six Month Ended September 30, 2004	Year ended March 31, 2005
	Amounts	Amounts	Amounts
Cash flows from operating activities:			
Income before income taxes	¥ 596	¥ 1,487	¥ 1,552
Depreciation and amortization	185	182	380
Impairment loss	-	579	-
Amortization of consolidation adjustment account	14	14	29
Increase in reserve for employees' retirement benefits	182	20	420
Change in reserve for directors' retirement benefits	(2)	17	13
Change in allowance for doubtful accounts	67	(15)	116
Interest and dividend income	(33)	(16)	(52)
Interest expenses and loss on sale of trade notes	32	22	58
Gain on sale of marketable securities	-	(100)	-
Loss on sale of marketable securities	3	-	15
Loss on write-down of marketable securities	-	-	1
Increase in trade notes and accounts receivable	(1,733)	(638)	(3,416)
Change in inventories	80	(256)	(188)
Change in other accounts receivable	-	(1,021)	-
Increase in trade notes and accounts payable	486	266	2,017
Increase in accrued expenses	10	25	30
Directors' bonuses	(15)	(14)	(15)
Others	(33)	(58)	244
Subtotal	(158)	493	1,208
Interest and dividend income received	30	16	46
Payments for interest expenses and loss on sale of trade notes	(33)	(22)	(58)
Income taxes paid	(70)	(932)	(210)
Net cash provided by operating activities	(232)	(445)	985
Cash flows from investing activities:			
Increase in time deposits	-	(108)	-
Proceeds from sale of marketable securities	610	-	1,010
Purchases of investment securities	(1)	(1)	(29)
Proceeds from sale of investment securities	57	205	83
Purchases of property, plant and equipment	(1,784)	(115)	(1,886)
Loans receivable	(13)	(5)	(26)
Collection of loans receivable	6	7	14
Proceeds from matured employees' insurance reserve fund	-	-	105
Others	25	(32)	135
Net cash used in investing activities	(1,100)	(50)	(593)
Cash flows from financing activities:			
Increase in short-term borrowings	500	1,500	-
Purchases of treasury stock	(170)	(8)	(320)
Dividends paid	(83)	(77)	(162)
Net cash used in financing activities	245	1,414	(482)
Effect of exchange rate changes on cash and cash equivalents	(0)	0	(0)
Change in cash and cash equivalents	(1,087)	918	(90)
Cash and cash equivalents at beginning of the period	2,598	2,507	2,598
Cash and cash equivalents at end of the period	¥ 1,511	¥ 3,425	¥ 2,507

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

SEGMENT INFORMATION

1. Business Segment Information

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

First half of FY2004 (from April 1, 2004 to September 30, 2004)

(Millions of Yen)

	Net sales			Operating expenses	Operating income
	To customers	Intersegment	Total		
Machine Tools	¥ 25,942	¥ 201	¥ 26,143	¥ 25,313	¥ 829
Procured Construction Supplies	7,448	3	7,452	6,772	679
In-house Construction Supplies	2,608	-	2,608	2,380	227
Other	34	0	34	32	2
Total	36,033	205	36,238	34,499	1,739
Eliminations/ Corporate	-	(205)	(205)	(249)	43
Consolidated	¥ 36,033	-	¥ 36,033	¥ 34,250	¥ 1,783

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

(Millions of Yen)

	Net sales			Operating expenses	Operating income
	To customers	Intersegment	Total		
Machine Tools	¥ 44,738	¥ 381	¥ 45,119	¥ 44,384	¥ 735
Procured Construction Supplies	12,623	18	12,642	11,989	653
In-house Construction Supplies	4,595	-	4,595	4,428	166
Other	74	-	74	69	4
Total	62,032	400	62,432	60,872	1,559
Eliminations/ Corporate	-	(400)	(400)	(415)	15
Consolidated	¥ 62,032	-	¥ 62,032	¥ 60,457	¥ 1,575

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.