

FOR IMMEDIATE RELEASE:

Furusato Announces Consolidated Financial Results for the Year Ended March 31, 2005

Osaka, Japan, May 13, 2005 – Furusato Industries, Ltd. announced its consolidated financial results for the year ended March 31, 2005. The following summary of the financial results is unaudited and for reference only.

Securities Traded : The Second Section of the Tokyo Stock Exchange
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, 2005	Year Ended March 31, 2004	% Change
Operating Results:			
Net Sales	¥ 74,739	¥ 62,032	20.5%
Operating Income	3,800	1,575	141.2%
Ordinary Income	4,226	2,003	111.0%
Net Income	1,772	778	127.7%
Financial Position:			
Total Assets	¥ 41,327	¥ 36,286	-
Shareholders' Equity	20,866	19,346	-
Shareholders' Equity Ratio	50.5%	53.3%	-
Cash Flows:			
Net Cash Provided by Operating Activities	¥ (163)	¥ 985	-
Net Cash Used in Investing Activities	25	(593)	-
Net Cash Used in Financing Activities	748	(482)	-
Cash and Cash Equivalents at End of Period	3,117	2,507	-
Per Share Data:			
Net Income	¥ 113.00	¥ 47.83	-
Shareholders' Equity	1,344.86	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 fiscal 2004 ended March 31, 2005, the overall Japanese economy showed signs of moderate economic boost. Capital investment was on a moderate upward trend, contributed by high corporate earnings due to a recovery in export industry while consumer spending showed signs of a rebound, driven by positive consumer confidence based on improved income condition.

On the other hand, there were concerns over raw materials price rises, reflecting soaring crude oil prices, tight supply-demand balance mainly in steel products, and negative impact by natural disasters frequently occurred.

The manufacturing sector and the steel frame construction industry, the Furusato group's business domains, showed a recovery, led by private capital investment, including 30th consecutive month year-over-year increase in orders received for machine tools, improved manufacturing capacity utilization rate by the economic rebound, and increased steel frame buildings such as factories and warehouses. Meanwhile, price increase in construction steel products affected by soaring raw material prices, postponed construction schedule due to shortage of steel products, and an amendment of construction styles were reasons for concerns.

Based on the customer-first policy, the Furusato group strived to stabilize the output by securing raw materials, reinforce product diversity by expanding supplier base, and promote an efficient delivery system with strengthened inventory and distribution functions. In line with those strategic actions, establishing proposal methods focusing on end-users' needs and developing new market resulted in expanding demand base.

Consequently, consolidated net sales for the period under review, increased 20.5% to ¥74,739 million from the same period a year ago. Operating income increased 141.2% to ¥3,800 million, ordinary income increased 111.0% to ¥4,226 million, and net income increased 127.7% to ¥1,772 million.

[Consolidated financial position]

Total assets as of March 31, 2005 stood at ¥41,327 million, an increase of ¥ 5,040 million, compared with March 31, 2004. Total shareholders' equity was ¥20,866 million, an increase of ¥1,519 million from March 31, 2004. Consequently, shareholders' equity ratio was down to 50.5% from 53.3%.

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

(Millions of yen)	First Half	Full-Year
Net Sales	¥ 37,842	¥ 76,376
Ordinary Income	1,984	4,098
Net Income	1,115	2,309

Reference: Forecast of net income per share (full-year) ¥ 147.02

*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, 2004		March 31, 2005		Year-over-year change	
	Amounts	%	Amounts	%	Amounts	
Assets						
Current assets:						
Cash and cash equivalents	¥ 2,507		¥ 3,127		¥ 620	
Trade receivables (notes and accounts)	17,596		21,683		4,087	
Marketable securities	99		-		(99)	
Inventories	3,012		3,676		664	
Deferred tax assets	273		323		50	
Others	328		1,083		755	
Allowance for doubtful accounts	(173)		(206)		(33)	
Total current assets	23,644	65.2	29,688	71.8	6,043	
Fixed assets:						
Property, plant and equipment:						
Buildings and structures	2,493		2,396		(97)	
Land	6,443		5,864		(579)	
Others	525		520		(5)	
Total property, plant and equipment	9,462	26.1	8,781	21.3	(681)	
Intangible fixed assets:						
Consolidation adjustment account	55		26		(29)	
Others	215		133		(81)	
Total intangible fixed assets	271	0.7	160	0.4	(111)	
Investments and other assets:						
Investment securities	1,416		1,299		(117)	
Deferred tax assets	800		681		(119)	
Others	1,249		1,114		(135)	
Allowance for doubtful accounts	(559)		(397)		162	
Total investments and other assets	2,907	8.0	2,697	6.5	(210)	
Total fixed assets	12,641	34.8	11,638	28.2	(1,002)	
Total assets	¥ 36,286	100.0	¥ 41,327	100.0	¥ 5,040	

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

	Millions of Yen				
	March 31, 2004		March 31, 2005		Year-over-year change
	Amounts	%	Amounts	%	Amounts
Liabilities					
Current liabilities:					
Trade payable (notes and accounts)	¥ 13,297		¥ 15,211		¥ 1,913
Short-term borrowings	-		1,000		1,000
Accrued income taxes	930		1,379		448
Others	995		1,168		173
Total current liabilities	15,224	42.0	18,760	45.4	3,535
Long-term liabilities:					
Reserve for employees' retirement benefits	1,324		1,280		(43)
Reserve for directors' retirement benefits	361		394		33
Others	29		25		(4)
Total long-term liabilities	1,715	4.7	1,700	4.1	(14)
Total liabilities	16,939	46.7	20,460	49.5	3,521
Shareholders' Equity					
Common stock	5,232	14.4	5,232	12.7	-
Capital surplus	5,975	16.5	5,975	14.4	-
Retained earnings	8,216	22.7	9,741	23.6	1,525
Net unrealized gain on revaluation of securities	308	0.8	322	0.8	14
Treasury stock, at cost	(385)	(1.1)	(405)	(1.0)	(19)
Total shareholders' equity	19,346	53.3	20,866	50.5	1,519
Total liabilities and shareholders' equity	¥ 36,286	100.0	¥ 41,327	100.0	¥ 5,040

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

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Millions of Yen					
	Year ended March 31, 2004		Year ended March 31, 2005		Year-over-year change	
	Amounts	%	Amounts	%	Amounts	
Net sales	¥ 62,032	100.0	¥ 74,739	100.0	¥ 12,707	
Cost of sales	52,836	85.2	63,170	84.5	10,334	
Gross profit	9,196	14.8	11,568	15.5	2,372	
Selling, general and administrative expenses	7,620	12.3	7,768	10.4	147	
Operating income	1,575	2.5	3,800	5.1	2,224	
Non-operating income	684	1.1	682	0.9	(1)	
Interest and dividend income	52		27		(25)	
Purchase discount	521		569		47	
Rent income	62		54		(8)	
Others	47		30		(16)	
Non-operating expenses	256	0.4	255	0.3	(0)	
Interest expenses	4		6		2	
Loss on sale of trade notes	54		33		(20)	
Sales discount	139		163		23	
Leasehold value	41		13		(27)	
Others	16		38		22	
Ordinary income	2,003	3.2	4,226	5.7	2,223	
Extraordinary income	28	0.0	127	0.2	98	
Gain on sale of marketable securities	24		108		83	
Gain on sale of fixed assets	3		-		(3)	
Reversal of reserve for debt guarantee losses	-		19		19	
Extraordinary losses	479	0.8	670	0.9	190	
Provision for allowance for doubtful accounts	126		40		(86)	
Loss on write-down of marketable securities	1		-		(1)	
Provision for reserve for employees' retirement benefits	302		-		(302)	
Impairment loss	-		579		579	
Others	48		50		2	
Income before income taxes	1,552	2.5	3,683	4.9	2,131	
Income taxes	1,075	1.7	1,852	2.5	777	
Adjustment	(301)	(0.5)	59	0.1	360	
Net income	¥ 778	1.3	¥ 1,772	2.4	¥ 993	

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

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (UNAUDITED)

	Millions of Yen	
	Year ended March 31, 2004 Amounts	Year ended March 31, 2005 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	7,616	8,216
Increase in retained earnings	778	1,772
Net income	778	1,772
Decrease in retained earnings	178	246
Cash dividends	163	232
Directors' bonuses	15	14
Retained earnings at end of the period	¥ 8,216	¥ 9,741

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Millions of Yen	
	Year ended March 31, 2004	Year ended March 31, 2005
	Amounts	Amounts
Cash flows from operating activities:		
Income before income taxes	¥ 1,552	¥ 3,683
Depreciation and amortization	380	364
Impairment loss	-	579
Amortization of consolidation adjustment account	29	29
Change in reserve for employees' retirement benefits	420	(43)
Increase in reserve for directors' retirement benefits	13	33
Change in allowance for doubtful accounts	116	(108)
Interest and dividend income	(52)	(27)
Interest expenses and loss on sale of trade notes	58	39
Gain on sale of marketable securities	-	(108)
Loss on sale of marketable securities	15	-
Loss on write-down of marketable securities	1	-
Increase in trade notes and accounts receivable	(3,416)	(3,850)
Increase in inventories	(188)	(664)
Change in other accounts receivable	-	(824)
Increase in trade notes and accounts payable	2,017	1,966
Increase in accrued expenses	30	62
Directors' bonuses	(15)	(14)
Others	244	199
Subtotal	1,208	1,316
Interest and dividend income received	46	26
Payments for interest expenses and loss on sale of trade notes	(58)	(40)
Income taxes paid	(210)	(1,466)
Net cash provided by operating activities	985	(163)
Cash flows from investing activities:		
Increase in time deposits	-	(110)
Proceeds from sale of marketable securities	1,010	100
Purchases of investment securities	(29)	(2)
Proceeds from sale of investment securities	83	252
Purchases of property, plant and equipment	(1,886)	(202)
Loans receivable	(26)	(9)
Collection of loans receivable	14	16
Proceeds from matured employees' insurance reserve fund	105	-
Others	135	(18)
Net cash used in investing activities	(593)	25
Cash flows from financing activities:		
Increase in short-term borrowings	-	1,000
Purchases of treasury stock	(320)	(19)
Dividends paid	(162)	(231)
Net cash used in financing activities	(482)	748
Effect of exchange rate changes on cash and cash equivalents	(0)	0
Change in cash and cash equivalents	(90)	609
Cash and cash equivalents at beginning of the period	2,598	2,507
Cash and cash equivalents at end of the period	¥ 2,507	¥ 3,117

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

SEGMENT INFORMATION

1. Business Segment Information

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

FY2004 (from April 1, 2004 to March 31, 2005)

(Millions of Yen)

	Net sales			Operating expenses	Operating income	Assets	Depreciation, amortization	Capital expenditures
	To customers	Intersegment	Total					
Machine Tools	¥ 52,819	¥ 530	¥ 53,349	¥ 51,638	¥ 1,711	¥ 19,124	¥ 100	¥ 79
Procured Construction Supplies	16,335	8	16,344	14,863	1,481	10,887	106	51
In-house Construction Supplies	5,518	-	5,518	5,018	499	5,828	153	109
Other	66	0	66	61	4	84	23	0
Total	74,739	538	75,278	71,581	3,697	35,924	384	241
Eliminations/ Corporate	-	(538)	(538)	(641)	102	5,402	9	1
Consolidated	¥ 74,739	-	¥ 74,739	¥ 70,939	¥ 3,800	¥ 41,327	¥ 393	¥ 242

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, which amounted to ¥8,503 million in FY2003 and ¥9,356 million in FY2004 on consolidated basis.

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.