

FOR IMMEDIATE RELEASE:

## Furusato Announces Consolidated Financial Results for the First Quarter Ended June 30, 2004

Osaka, Japan, August 11, 2004 – Furusato Industries, Ltd. announced its consolidated financial results for the three months ended June 30, 2004, the first quarter 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)	Three Months Ended June 30, 2004		Three Months Ended June 30, 2003	FY2003
	(% Change)			
<b>Operating Results:</b>				
Net Sales	¥ 16,753	28.7%	¥ 13,016	¥ 62,032
Operating Income	691	-	-	1,575
Ordinary Income	806	-	-	2,003
Net Income	479	-	-	778
<b>Financial Position:</b>				
Total Assets	¥ 37,107		¥ -	¥ 36,286
Shareholders' Equity	19,698		-	19,346
Shareholders' Equity Ratio	53.1%		-	53.3%
<b>Cash Flows:</b>				
Net Cash Provided by Operating Activities	¥ (1,012)		¥ -	¥ 985
Net Cash Used in Investing Activities	(106)		-	(593)
Net Cash Used in Financing Activities	1,330		-	(482)
Cash and Cash Equivalents at End of Period	2,719		-	2,507
<b>Per Share Data:</b>				
Net Income	¥ 30.91		¥ -	¥ 47.83
Shareholders' Equity	1,269.22		-	1,245.34

Note:

- As Furusato has started disclosing the quarterly financial results only this fiscal year, the equivalent results and changes for the quarter of the previous fiscal year are not stated.
- % change for net sales, operating income, ordinary income, and net income indicates the year-over-year increase/decrease.

**[Consolidated operating results]**

In the first quarter of fiscal 2004, the three-month period from April 1 to June 30, 2004, the Japanese economy was on a gradual recovery, led by exports and capital investment, and expanded private inventory investment based on increased domestic demand.

In line with the economic recovery, in the steel frame construction sector, the Furusato group's business domains, the construction demand was on an upward trend. The major drivers were large shopping centers, and factories and distribution centers for manufacturing robust digital products including related materials and parts.

On the other hand, coupled with demand increase in the digital products, manufacturing capital investment was positive, reflecting the 21st consecutive month of year-over-year growth in orders received for machine tools, driven by replacement demand for machines and equipments introduced in the bubble economy among small- and medium-sized mold and parts machining companies.

Consequently, consolidated net sales for the first quarter increased 28.7% to ¥16,753 million from the same period a year earlier. On the earnings front, operating income was ¥691 million, ordinary income was ¥806 million, and net income was ¥479 million.

**[Consolidated financial position]**

Total assets as of June 30, 2004 stood at ¥37,107 million, an increase of ¥821 million, compared with March 31, 2004. Total liabilities stood at ¥17,408 million, an increase of ¥468 million, compared with the previous fiscal year-end. Total shareholders' equity at the end of the first quarter was ¥19,698 million, an increase of ¥352 million, from March 31, 2004.

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

The consolidated earnings forecasts for fiscal 2004 ending March 31, 2005 is unchanged from the forecasts announced in the consolidated earnings release for the year ended March 31, 2004, dated May 20, 2004.

\*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 cash flows, and segment information

## CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Millions of Yen					
	June 30, 2004		March 31, 2004		VS March 31, 2004	
	Amounts	%	Amounts	%	Amounts	
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents	¥ 2,827		¥ 2,507		¥	319
Trade receivables (notes and accounts)	17,281		17,596			(315)
Marketable securities	99		99			0
Inventories	3,148		3,012			136
Others	1,207		427			779
<b>Total current assets</b>	<b>24,564</b>	<b>66.2</b>	<b>23,644</b>	<b>65.2</b>		<b>920</b>
<b>Fixed assets:</b>						
Property, plant and equipment	9,435		9,462			(27)
Intangible fixed assets	252		271			(18)
Investments and other assets	2,854		2,907			(52)
<b>Total fixed assets</b>	<b>12,542</b>	<b>33.8</b>	<b>12,641</b>	<b>34.8</b>		<b>(99)</b>
<b>Total assets</b>	<b>¥ 37,107</b>	<b>100.0</b>	<b>¥ 36,286</b>	<b>100.0</b>	¥	<b>821</b>
<b>Liabilities</b>						
<b>Current liabilities:</b>						
Trade payable (notes and accounts)	¥ 12,586		¥ 13,297		¥	(711)
Short-term borrowings	1,400		-			1,400
Others	1,654		1,926			(272)
<b>Total current liabilities</b>	<b>15,640</b>	<b>42.1</b>	<b>15,224</b>	<b>42.0</b>		<b>416</b>
<b>Long-term liabilities:</b>						
Reserve for employees' retirement benefits	1,369		1,324			44
Others	398		390			7
<b>Total long-term liabilities</b>	<b>1,767</b>	<b>4.8</b>	<b>1,715</b>	<b>4.7</b>		<b>52</b>
<b>Total liabilities</b>	<b>17,408</b>	<b>46.9</b>	<b>16,939</b>	<b>46.7</b>		<b>468</b>
<b>Shareholders' Equity</b>						
Common stock	5,232	14.1	5,232	14.4		-
Capital surplus	5,975	16.1	5,975	16.5		-
Retained earnings	8,604	23.2	8,216	22.7		388
Net unrealized gain on revaluation of securities	274	0.7	308	0.8		(33)
Treasury stock, at cost	(388)	(1.0)	(385)	(1.1)		(2)
<b>Total shareholders' equity</b>	<b>19,698</b>	<b>53.1</b>	<b>19,346</b>	<b>53.3</b>		<b>352</b>
<b>Total liabilities and shareholders' equity</b>	<b>¥ 37,107</b>	<b>100.0</b>	<b>¥ 36,286</b>	<b>100.0</b>	¥	<b>821</b>

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

## CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Millions of Yen			
	Three months ended June 30, 2004		Year ended March 31, 2004	
	Amounts	%	Amounts	%
<b>Net sales</b>	¥ 16,753	100.0	¥ 62,032	100.0
Cost of sales	14,173	84.6	52,836	85.2
<b>Gross profit</b>	<b>2,579</b>	<b>15.4</b>	9,196	14.8
Selling, general and administrative expenses	1,888	11.3	7,620	12.3
<b>Operating income</b>	<b>691</b>	<b>4.1</b>	1,575	2.5
Non-operating income	179	1.1	684	1.1
Non-operating expenses	63	0.4	256	0.4
<b>Ordinary income</b>	<b>806</b>	<b>4.8</b>	2,003	3.2
Extraordinary income	51	0.3	28	0.0
Extraordinary losses	-	-	479	0.8
<b>Income before income taxes</b>	<b>858</b>	<b>5.1</b>	1,552	2.5
Income taxes	415	2.5	1,075	1.7
Adjustment	(37)	(0.2)	(301)	(0.5)
<b>Net income</b>	<b>¥ 479</b>	<b>2.9</b>	¥ 778	1.3

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Millions of Yen	
	Three months ended June 30, 2004	Year ended March 31, 2004
	Amounts	Amounts
<b>Cash flows from operating activities:</b>		
Income before income taxes	¥ 858	¥ 1,552
Depreciation and amortization	90	380
Change in trade notes and accounts receivable	121	(3,416)
Increase in inventories	(136)	(188)
Change in trade notes and accounts payable	(634)	2,017
Income taxes paid	(930)	(210)
Others	(381)	850
<b>Net cash provided by operating activities</b>	<b>(1,012)</b>	<b>985</b>
<b>Cash flows from investing activities:</b>		
Increase in time deposits	(108)	-
Proceeds from sale of marketable securities	-	1,010
Purchases of property, plant and equipment	(39)	(1,886)
Others	42	282
<b>Net cash used in investing activities</b>	<b>(106)</b>	<b>(593)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	1,400	-
Purchases of treasury stock	(2)	(320)
Dividends paid	(67)	(162)
<b>Net cash used in financing activities</b>	<b>1,330</b>	<b>(482)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>0</b>	<b>(0)</b>
<b>Change in cash and cash equivalents</b>	<b>211</b>	<b>(90)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>2,507</b>	<b>2,598</b>
<b>Cash and cash equivalents at end of the period</b>	<b>¥ 2,719</b>	<b>¥ 2,507</b>

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

## SEGMENT INFORMATION

## 1. Business Segment Information

## 1st Quarter of FY2004 ( from April 1, 2004 to June 30, 2004 )

( Millions of Yen )

	Net sales			Operating expenses	Operating income
	To customers	Intersegment	Total		
Machine Tools	¥ 12,104	¥ 90	¥ 12,194	¥ 11,911	¥ 282
Procured Construction Supplies	3,402	2	3,404	3,104	300
In-house Construction Supplies	1,227	-	1,227	1,142	85
Other	18	-	18	16	2
Total	16,753	92	16,845	16,174	671
Eliminations/ Corporate	-	( 92 )	( 92 )	( 112 )	20
Consolidated	¥ 16,753	-	¥ 16,753	¥ 16,062	¥ 691

## 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