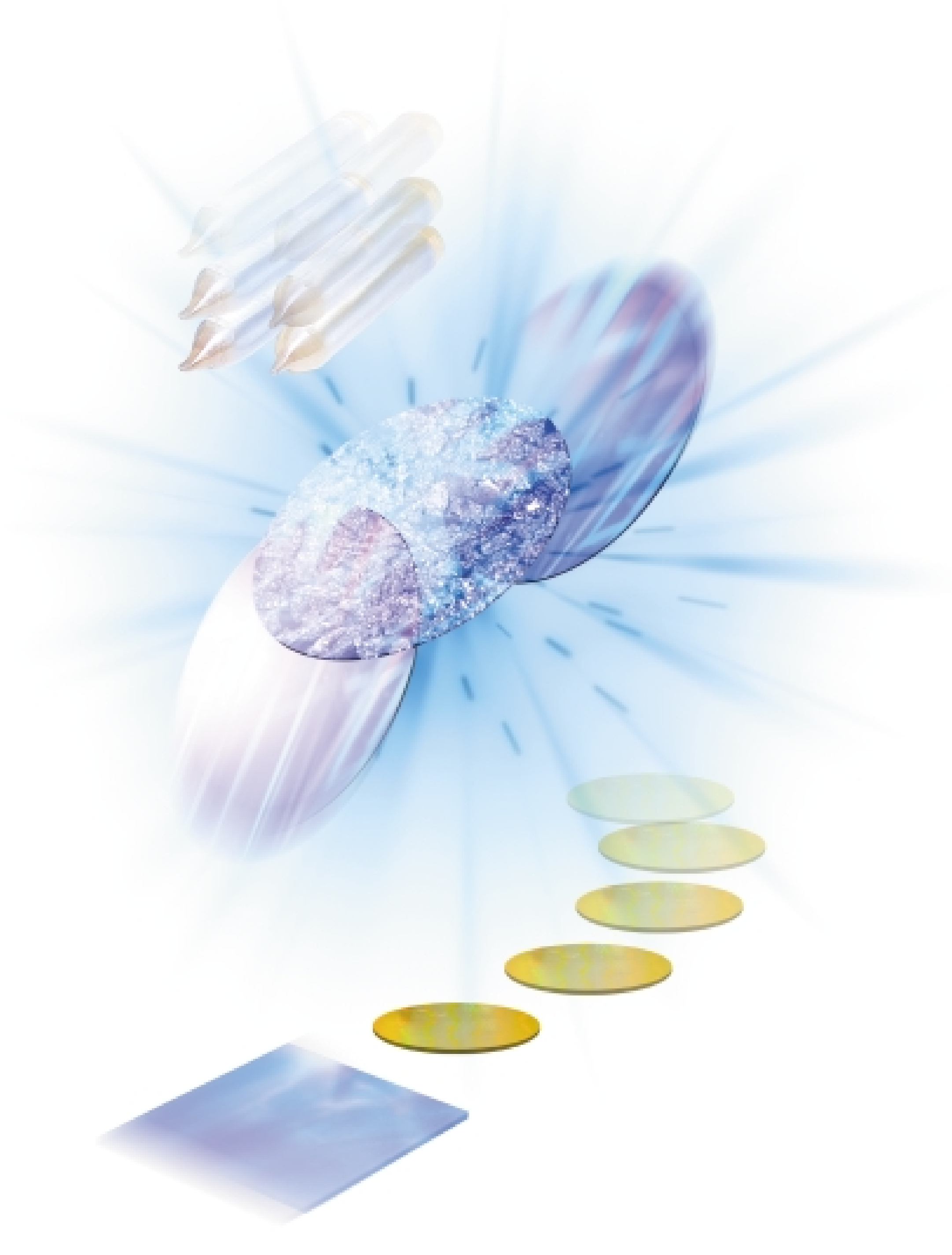
FURUKAWA
Annual Report 2003



PROFILE

During the more than 125 years since its establishment in 1875, Furukawa Co., Ltd. has achieved steady growth in its business. While developing and expanding its business, the Company has spawned a number of companies, such as The Furukawa Electric Co., Ltd. and Fuji Electric Co., Ltd. Today, Furukawa's principal businesses include the manufacture and sale of industrial machinery, electronic materials, chemicals, fuel sales, electric power generation, and the smelting and refining of nonferrous metals. In response to the dramatic changes in the economic environment, the Company is working to ensure its prosperity in the 21st century by continuing to promote reforms of its corporate structure and developing new technologies based on the management principles of **innovation**, **creativity**, and **harmony**. With an eye toward the future, Furukawa aims to be a company that offers products and services that appeal to customers, and to contribute to the creation of a prosperous society that is in harmony with the environment.

Consolidated Financial Highlights

For the years ended 31st March, 2003, 2002, and 2001

	Millions of yen			Thousands of U.S. dollars	Per cent. change
	2003	2002	2001	2003	'03/'02
Net sales	¥151,630	¥149,436	¥144,333	$1,263,583	1.5%
Operating income (loss)	(1,591)	(4,678)	5,023	(139,266)	—
Income (loss) before income taxes and minority interests	(22,032)	(27,962)	(5,760)	(183,600)	—
Net income (loss)	(17,000)	(18,696)	(4,191)	(141,667)	—
Per share amounts (yen and U.S. dollars):					
Net income (loss):					
Basic	¥(67.88)	¥(74.56)	¥(16.71)	$(0.57)	—
Diluted	—	—	—	—	—
Cash dividends	—	—	3.00	—	—
Total assets	¥252,856	¥278,174	¥294,020	$2,107,133	(9.1)%
Shareholders' equity	33,665	49,791	61,491	280,542	(32.4)

Note: U.S. dollar amounts are translated from yen for convenience only at the rate of ¥120=$1.

CONTENTS

Forward-Looking Statements: This annual report contains forward-looking statements such as the plans, strategies and statements related to the outlook for future results. These forward-looking statements are not historical facts. They are expectations, estimates, forecasts and projections based on information currently available to the Company and are subject to various risks, uncertainties and assumptions. As such, actual results may differ materially from those projected.

TETSUO YOSHINO,
President and Representative Director

During fiscal 2003, ended 31st March, 2003, conditions in the Japanese economy remained difficult, characterized by weak consumer spending and private sector capital investment, a slump in exports from a deceleration in the U.S. economy and the stronger yen, and a plunge in the stock market. To respond to this exceedingly harsh economic environment, the Furukawa Group made every effort to rebuild its business foundation by aiming to strengthen its marketing structure, increase management efficiency, reduce costs including personnel expenses, and promote the development of new products.

In the mainstay Machinery Division, sales of environment-related operations increased, and exports of rock drills were favorable. Although replacement demand emerged in the second half of fiscal 2003 for UNIC cranes due to stricter exhaust gas regulations for trucks, sales declined during the fiscal year under review, owing to a fall in sales in the first half. Moreover, sales were adversely affected by the liquidation of a construction machinery subsidiary in Europe. Overall, sales in the Machinery Division declined substantially. The Electronic Materials and Chemicals Division recorded an increase in sales due to 100% capacity utilization on the back of robust demand for gallium phosphorus polycrystals and other crystal products. In the Metals Division, sales grew due to higher shipments of electrolytic copper at our copper smelting subsidiary in Australia. The Fuels and Others Division posted an increase in sales due to higher prices and the development of new customers.

As a result of the aforementioned operations, consolidated net sales increased ¥2,194 million to ¥151,630 million. Furukawa posted an operating loss of ¥1,591 million, an improvement of ¥3,087 million from the previous fiscal year, owing to the withdrawal from unprofitable businesses and other cost reduction effects. The Company recorded an extraordinary loss of ¥16,838 million from write-down of investments in securities due to the drop in stock market prices. Therefore, after the application of tax-effect accounting, Furukawa posted a net loss of ¥17,000 million, an improvement of ¥1,696 million from the previous fiscal year.

Net loss per share amounted to ¥67.88, compared with a net loss per share of ¥74.56 in the previous fiscal year. The Company regrets that it will be obliged to forgo the payment of cash dividends.

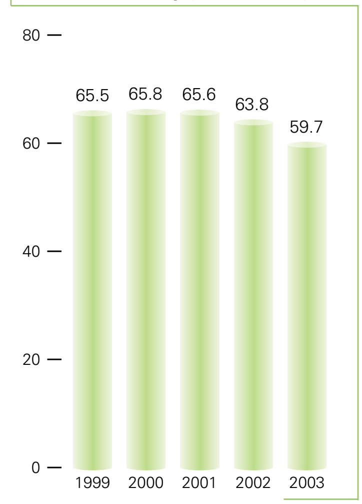
Despite these results in fiscal 2003, we will work together to implement four specific measures aimed at increasing Furukawa's corporate value, ensuring the satisfaction and happiness of customers, shareholders, and employees, and becoming a company that contributes to the creation of a prosperous society that functions in total harmony with the environment. Specifically, Furukawa will 1) expand its offerings of innovative high-value-added products and services; 2) raise the percentage of sales accounted for by new products and new businesses by promoting the development of such products and businesses; 3) significantly reduce the costs of existing products through such measures as shortening lead times and enhancing technological capabilities; and 4) scale down or cease unprofitable operations and promote tie-ups with other companies.

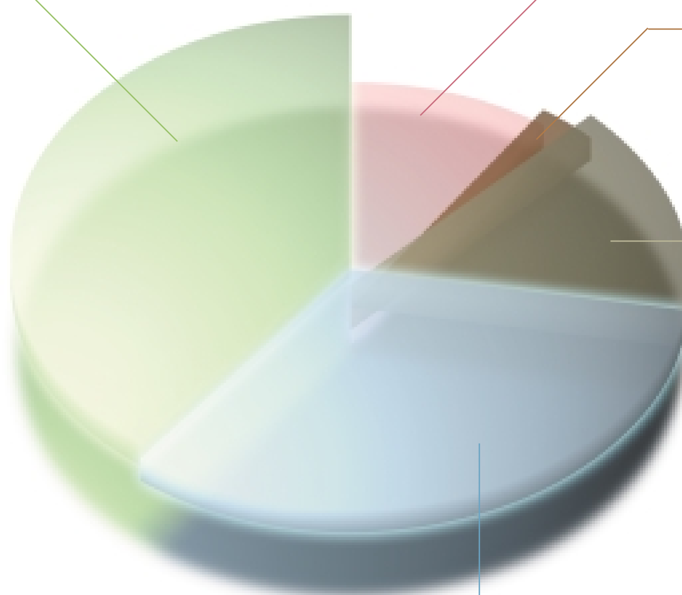
Machinery

39.4%

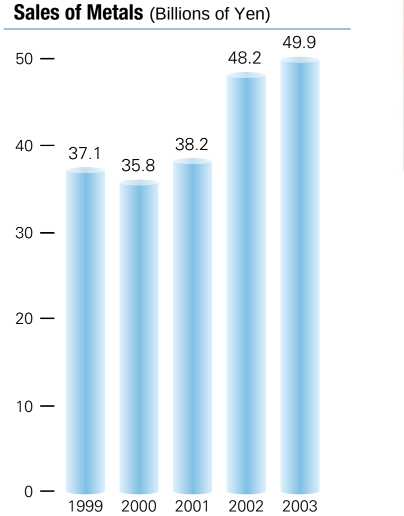
The Machinery Division manufactures and sells a wide range of products, including products that preserve and improve the environment, such as high-performance systems for the treatment of gas pollutants, and sewage treatment facilities for rural communities that play a role in preserving and enhancing the environment. The division also manufactures and sells such industrial machinery as pumps and stone crushers, as well as steel bridges, multistory parking systems, and foundry products. Products of this division also include rock drills, including hydraulic rock breakers and crawler drills, for which Furukawa holds the top market share in Japan. In addition, the division manufactures and sells such civil-engineering and construction-use products as construction machinery and truck-mounted cranes. The division handles remote data inspection systems for facilities that integrate IT, which contributes to an improvement in work efficiency and labor-saving operations.

Sales of Machinery (Billions of Yen)





Sales of Metals (Billions of Yen)

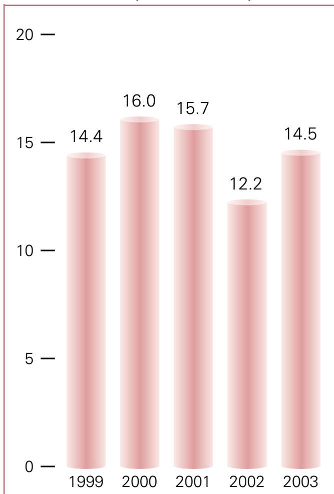


Metals

32.9%

Furukawa imports copper ore into Japan, where it is smelted at the facilities of affiliated companies that produce copper, gold, silver, and sulfuric acid for sale to the Company. Overseas, Furukawa also smelts copper in Australia, which offers strong advantages in terms of resource supply and sales. To ensure stable supplies of copper ore, we are also engaged in overseas mine development projects.

Sales of Electronic Materials and Chemicals (Billions of Yen)



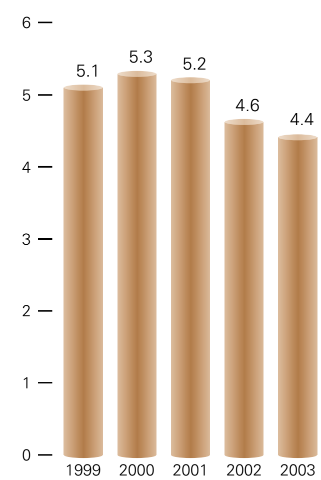
Electronic Materials and Chemicals 9.6%

The Electronic Materials and Chemicals Division manufactures and sells products for electronics-related sectors. These products include high-purity metallic arsenic, for which the Company holds the top share of the world market, as well as functional materials for displays, noise filters, and electrolytic aluminum capacitor foil. This division also manufactures and sells such chemical products as titanium dioxide, cuprous oxide, and functional materials for photocatalysts. In addition, this division is working to develop high-value-added products, and these efforts include beginning the manufacture and sale of such semiconductor manufacturing equipment as metal-organic chemical vapor deposition (MOCVD) systems.

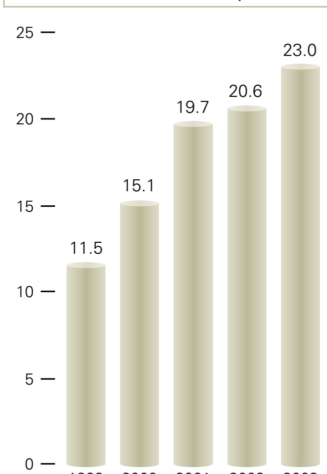
Real Estate 2.9%

The Real Estate Division focuses its operations on the rental of office buildings in Tokyo, Osaka, and Fukuoka, and secures stable profits that contribute to Furukawa's business results.

Sales of Real Estate (Billions of Yen)

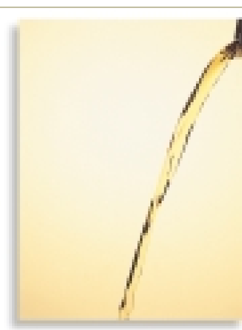


Sales of Fuels and Others (Billions of Yen)



Fuels and Others 15.2%

The Fuels and Others Division engages mainly in the purchase and sales of petroleum products, petrochemicals, liquefied petroleum gas (LPG), coke, and aggregate. The division also engages in freight services and trading as well as e-business and other services.



Machinery

The Machinery Division posted consolidated sales of ¥59,699 million, down 6.4% from the previous fiscal year, due in part to the liquidation of a construction machinery subsidiary in Europe. This division recorded operating income of ¥1,353 million, an improvement of ¥2,822 million from an operating loss in the previous fiscal year, owing to withdrawal from unprofitable businesses and cost reductions.

Regarding industrial machinery, in environment-related products, sales increased considerably, reflecting stronger marketing efforts, with higher demand for high-performance dioxin-removal equipment and pumps for agricultural irrigation facilities and wastewater processing plants. Despite tougher competition, sales of steel bridges grew, and shipments of multistory parking systems were favorable. Shipments of foundry products declined, however, as the production switch to high-value-added products fell behind expectations.

In such development machinery as rock drill and construction machinery, business conditions were severe due to cuts in public spending and a fall in private-sector capital investment in Japan. However, exports of hydraulic rock breakers and hydraulic crawler drills increased to the Middle East, North America, China and Southeast Asia. To continue aggressive efforts to expand overseas rock drill operations, we signed an agreement with Sandvik Coromant in Sweden, which has a strong sales network around the world.

Although replacement demand emerged in the second half of fiscal 2003, shipments of UNIC cranes declined in the first half due to a delay in the application of new and stricter exhaust gas regulations for trucks, which restrained users from making new purchases, and reveue decreased.

Drainage Water Treatment Facilities for Agricultural Communities

Drainage water treatment facilities for agricultural communities process drainage water and ensure water quality, contributing substantially to the improvement of living conditions in rural communities.

Hydraulic Rock Breaker and Crawler Drill

Furukawa is the sole rock drill manufacturer in Japan, and boasts a number one market share under its brand name in Japan. The Company has worked to expand sales in Asia, the Middle East, the United States and Europe. To further develop overseas operations, Furukawa formed a business alliance with Sandvik Coromant of Sweden.

Metals

Sales amounted to ¥49,932 million, up 3.6% from the previous fiscal year. The division's operating loss widened ¥700 million to ¥6,012 million.

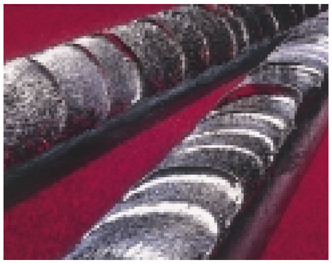
Overseas prices for electrolytic copper edged up slightly, although still low, due to expectations for an increase in demand in Asia. As a result, the average quoted price for copper per metric ton during the year rose ¥1,000 to ¥234,000. The mining ore market remains in a tight supply/demand balance, creating unfavorable charges for treatment and refining of copper concentrates. As a result, profits in smelting operations deteriorated. Sales of electrolytic copper rose from the previous fiscal year, as an increase in sales from Port Kembla Copper Pty. Ltd. in Australia compensated for a decline in domestic sales.

Port Kembla Copper improved operating capacity after periodic maintenance was conducted in August and September 2002, but has yet to achieve full capacity utilization. Compounded by worsened charges for treatment and refining of copper concentrates, the company recorded considerable losses.

Electronic Materials and Chemicals

Sales in the Electronic Materials and Chemicals Division rose 18.9% from the previous fiscal year, to ¥14,515 million. Operating income increased ¥956 million to ¥1,322 million.

There was a turnaround in demand for high-purity metallic arsenic, but the recovery was weak, leading to flat growth in shipments. Market prices rebounded sharply for gallium phosphorous polycrystals and electrolytic aluminum capacitor foil, and demand remained high—our plants continue to operate at maximum capacity. Furukawa began to increase facility capacity in response to increasing demand for crystal products. Shipments of titanium dioxide, sulfuric acid and polymer iron inorganic aggregation materials declined because of slumping market prices and intense competition.



Gallium Phosphorous Polycrystals

Gallium phosphate, a type of chemical semiconductor used in light-emitting diodes, is expected to be in great demand in the future.

Real Estate

Sales of the Real Estate Division decreased 4.2% to ¥4,437 million, and operating income increased ¥42 million from the previous period to ¥1,943 million.

In the market for the rental of office buildings—the core of our real estate business—vacancy rates increased, causing downward pressure on rents for existing buildings, due to the adverse effects of a large supply of new office buildings on the market and cutbacks in office size due to corporate restructuring. Under these conditions, the Company focused efforts on acquiring new tenants, maintaining rent levels and reducing expenses.

Fuels and Others

Sales increased 12.0% to ¥23,047 million. An operating loss of ¥188 million was recorded, virtually unchanged from the previous fiscal year.

In the fuels business, crude oil prices were rising due to reduced production in oil-producing nations in the first half of the fiscal year under review. In the second half, crude oil prices rose further due to the Iraq war, leading to an increase in fuel prices in Japan. Under these circumstances, we worked to pass on higher supply costs to sales prices, and to develop new customers.

Business Reform and Growth Strategy

Demand is waning in Japan due to declines in both public- and private-sector capital investment. In response, the Machinery Division is concentrating management resources on operations that support the provision of solutions in line with customer needs for water treatment facilities. In rock drills, the Company aims to increase production efficiency at its manufacturing bases and streamline and integrate the sales and service operations of two subsidiaries. In foundry products, in which profitability is declining due to competition with imports, we are looking to increase efficiency through spin-offs, and at the same time are pursuing synergies by strengthening the connection between production and marketing of Otsuka Iron Works, Ltd., which became a subsidiary through a capital tie-up.

Amid high expectations for market growth in East Asia, especially China, we aim to expand sales in UNIC and rock drill operations, leveraging our brand name and making use of optimal production locations to keep costs down through alliances with other companies. Further, in South Korea we plan to bolster sales of rock drills through the establishment of a new sales company.

In the Electronic Materials and Chemicals Division, we are filling out our product lineup through the manufacture and sale of semiconductor crystal formation equipment, as well as the development and sale of new products for new electrical materials using such equipment. Through these efforts, we aim to build the business into an earnings pillar based on operations in high-value-added electrical materials. At our Osaka Plant, where we produce titanium oxide, we aim to improve profitability by accelerating the move to electrical material products and halting production of titanium oxide.

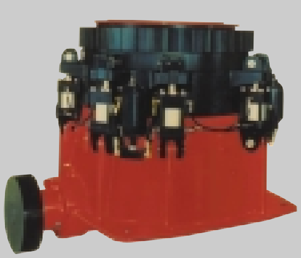
Furukawa is implementing measures to reduce overall personnel expenses. These measures include personnel cuts through business streamlining and the integration of marketing bases, introducing an early retirement program for employees over the age of 57, and enlarging the percentage of cuts to annual salaries of management and other professionals in 2003.

To slim down total assets, the Company is proceeding with the sale of securities and idle real estate. In the Real Estate Division, on 1st August, 2003, we absorbed subsidiary Furukawa Real Estate Co., Ltd. in an aim to bolster Group management and rationalize peripheral divisions.

Drill Jumbo

Furukawa received orders from China for 8 new two-boom and three-boom all-hydraulic wheel-type drill jumbos. These machines are the largest in the world and are able to drill large-diameter tunnels in one sweep. They are to be used in the construction of a dam on the Mekong river in Yunnan Province.

The drill jumbo can be effectively used for a wide variety of applications, including tunnel construction for high-specification roads that require large-diameter excavation, underground accumulation tanks and other projects for the construction of large-scale underground spaces. We expect significant demand in the future for large-scale civil engineering projects in overseas markets, including the expanding Chinese market.



Geopus Cone Crusher Made by Otsuka Iron Works, Ltd.

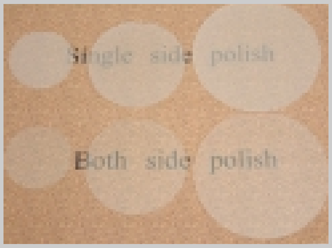
Crusher machinery manufacturer Otsuka Iron Works, Ltd. became a consolidated subsidiary in March 2003. The company handles cone crushers, jaw crushers, hammer crushers and other crushing machinery, as well as such pulverizing machinery as briquetting machines. We aim to expand the business under a division-of-labor structure and generate synergistic effects in technological exchange and marketing through a stronger relationship with the Company's industrial machinery division.

UNIC Crane U-CAN

Furukawa has developed the U-CAN System, a computer-controlled radio remote control system, and began marketing the U-CAN Series of UNIC cranes with the system as standard equipment. The crane offers substantial improvements in efficiency and labor savings in crane operations, thanks to its superior operability and reliability. We plan to quickly promote business development in China in addition to Japan.

Metal-Organic Chemical Vapor Deposition Equipment

Furukawa established the Semiconductor Equipment Business Department and began selling metal-organic chemical vapor deposition equipment (MOCVD) for growing chemical semiconductor crystals.



Sapphire Substrates

The main application for sapphire substrates is white and blue LEDs. Sapphire substrates are used as light sources in instrumentation panels for cars, backlights for LCD panels in cellular phones, and other applications. Compared with conventional lighting sources, white and blue LEDs have a longer lifespan and lower power consumption. Based on these benefits, they may someday replace fluorescent lights, backlight sources, and white lightbulbs.

Port Kembla Copper Pty. Ltd. (PKC), our copper smelting and refining subsidiary in New South Wales in Australia, has been posting substantial losses due to a slump in copper prices and unstable operations since it began trial operations in February 2000. Furukawa holds a 71.44% interest in PKC, which is capitalized at A$369.5 million.

The operating environment in the copper smelting and refining industry has never been worse. Copper prices and charges for treatment and refining of copper concentrates continue to deteriorate. Despite some signs of a recovery in copper prices, there are no expectations for a meaningful increase owing to lackluster conditions in the IT market and a delayed recovery in the global economy. Meanwhile, charges for treatment and refining of copper concentrates have deteriorated over the past several years, falling to a historical low. Future charges are expected to remain under severe conditions owing to a soft supply-demand balance.

On the operations side, the PKC plant was upgraded to a capacity of 120,000 tons after idle facilities were purchased and improved with some fine-tuning. However, after these facilities were put into operation PKC encountered some problems with older equipment, resulting in a considerable delay in increasing operational capacity. A major overhaul last year put PKC back on the right track, but more time and investment is needed to sustain a high rate of capacity utilization.

Under these circumstances, Furukawa continues to search for new investors in PKC in order to lighten its investment burden and losses. The principal shareholders of PKC have all agreed that the best step to take at this time is to halt operations at PKC, enter a repair and maintenance phase, and keep a close eye on market conditions.

The Company is also advancing other business reforms including a review of unprofitable operations, the reinforcement of existing operations and entering new businesses.

Outlook for Fiscal 2004

The Machinery Division is concentrating management resources in environment-related operations despite expectations for poor conditions to continue for demand in Japan. We expect to see the emergence of truck replacement demand related to exhaust gas regulations for our UNIC products throughout fiscal 2004. The Company will continue to focus efforts on the development of overseas markets for its machinery products.

In the Metals Division, Furukawa expects soft prices for electrolytic copper and poor conditions for buyers of mining ore to continue.

In the Electronic Materials and Chemicals Division, the Company expects favorable performance to continue for polycrystal products, and scant prospects for a full-scale recovery in demand for high-purity metallic arsenic.

Furukawa expects to record a consolidated extraordinary loss of ¥39.3 billion in line with the halt of operations at PKC. As this will adversely affect the shareholders' equity portion of the balance sheet, Furukawa plans to refortify its financial position and raise capital through several measures. First, the Company aims to increase shareholders' equity (approximately ¥14 billion and ¥9 billion on a non-consolidated and consolidated basis, respectively) in a merger with Furukawa Real Estate Co., Ltd. Second, the Company plans to spin off its power generation business into a subsidiary and sell all its shareholdings to The Furukawa Electric Co., Ltd. for ¥6.8 billion.

Moreover, Furukawa is examining the feasibility of raising capital to reinforce shareholders' equity during fiscal 2004.

For the 2004 fiscal year, ending 31st March, 2004, Furukawa forecasts consolidated net sales of ¥153,000 million, operating income of ¥2,000 million, and a net loss of ¥29,000 million yen.

September 2003

Tetsuo Yoshino

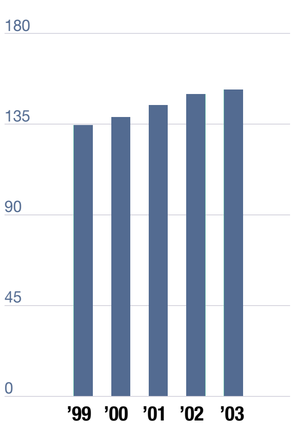
Tetsuo Yoshino
President and Representative Director

Consolidated Five-Year Financial Summary

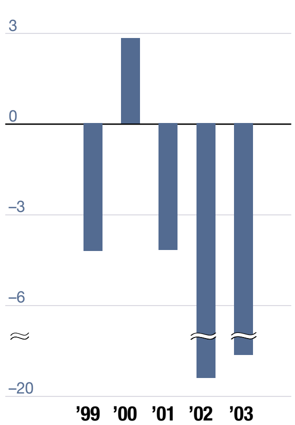
Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended 31st March

	Millions of yen, except for per share amounts and return on equity				
	2003	2002	2001	2000	1999
Net sales	¥151,630	¥149,436	¥144,333	¥138,146	¥133,897
Net income (loss)	(17,000)	(18,696)	(4,191)	2,811	(4,223)
Per share amounts (yen):					
Net income (loss):					
Basic	¥ (67.88)	¥ (74.56)	¥ (16.71)	¥ 11.21	¥ (16.84)
Diluted	—	—	—	10.26	—
Cash dividends	—	—	3.00	3.00	3.00
Net assets	134	199	245	229	229
Current assets	¥ 79,552	¥ 87,081	¥109,335	¥143,329	¥133,561
Current liabilities	94,056	100,298	98,155	74,613	75,137
Total assets	252,856	278,174	294,020	255,779	241,154
Shareholders' equity	33,665	49,791	61,491	57,354	57,536
Return on equity (%)	(40.7)	(33.6)	(7.1)	4.9	(6.8)

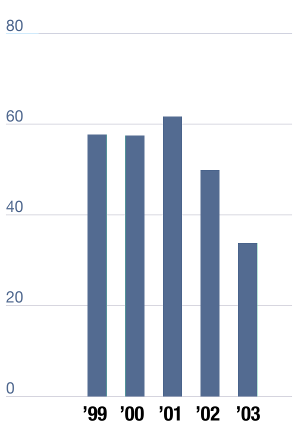
Net Sales
Billions of yen



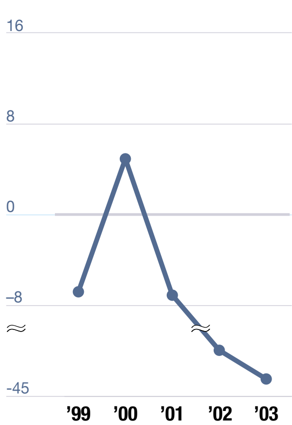
Net Income (Loss)
Billions of yen



Shareholders' Equity
Billions of yen



Return on Equity
%



Consolidated Financial Review

Net Sales

In fiscal 2003, ended 31st March, 2003, consolidated net sales amounted to ¥151,630 million, an increase of ¥2,194 million compared with the previous fiscal year.

By segment, sales in the Machinery Division declined ¥4,136 million to ¥59,699 million, owing to slack demand for UNIC cranes in the first half of the term and the impact of dissolving a construction machinery subsidiary. However, sales in the environment-related business grew as a result of efforts in new businesses, and favorable exports of rock drills. Replacement demand for UNIC cranes began to emerge in the second half of the term due to stricter exhaust gas regulations for trucks. In the Electronic Materials and Chemicals Division, sales expanded ¥2,308 million to ¥14,515 million, reflecting robust demand for gallium phosphorous polycrystals. In the Metal Division, sales rose ¥1,742 million to ¥49,932 million, owing to higher shipments of electrolytic copper at an Australian copper-smelting subsidiary. In Fuels, efforts to develop new customers and higher prices resulted in a sales increase of ¥2,572 million to ¥22,245 million.

Income

In fiscal 2003, Furukawa recorded an operating loss of ¥1,591 million, a contraction of ¥3,087 million from the previous fiscal year. The Company focused efforts on withdrawing from unprofitable businesses and cutting personnel expenses, resulting in a sharp rebound in non-consolidated operating income to ¥2,749 million, an increase of ¥2,733 million from the previous fiscal year. However, consolidated operating losses continued for the second consecutive fiscal year on account of maintenance costs at Port Kembla Copper, which has yet to reach full capacity, and burgeoning personnel expenses compounded by the effect of more adverse circumstances charges for the treatment and refining of copper concentrates.

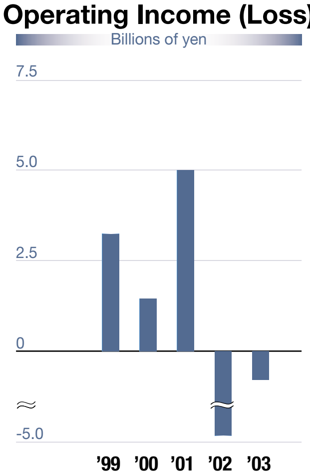
In other income and expenses, interest expense declined ¥931 million to ¥3,298 million. In other expenses, the Company recorded a gain on foreign exchange of ¥3,022 million, mainly related to loans to Port Kembla Copper, but posted a write-down of investments in securities of ¥16,838 million due to a drop in share prices. As a result, net loss was ¥17,000 million.

Financial Position

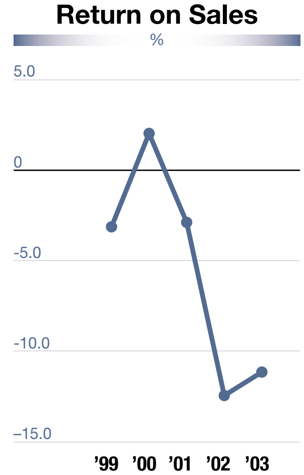
As of 31st March, 2003, total assets stood at ¥252,856 million, a decline of ¥25,318 million from a year earlier. The decline was due mainly to a reduction in inventories and a drop in the current value of investments in securities.

Total current assets decreased ¥7,529 million to ¥79,552 million. Cash was allocated for the redemption of bonds, and as a result cash and cash equivalents fell ¥5,663 million to ¥11,817 million. Notes and accounts receivable increased ¥2,031 million to ¥32,822 million in line with growth in net sales. Inventories decreased ¥4,736 million to ¥24,873 million due to measures to reduce inventories of copper ore and machinery.

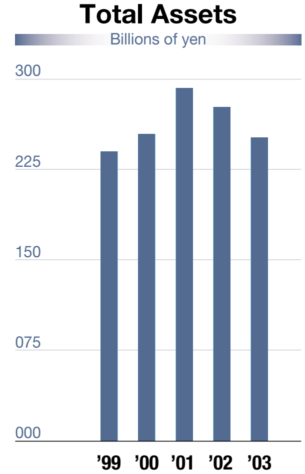
Operating Income (Loss)



Return on Sales



Total Assets



Total investments dropped ¥14,543 million to ¥42,906 million, owing mainly to a decrease of ¥16,486 million in investments in securities on the write-down and loss on the sale of investments in securities stemming from substantial declines in stock prices.

Property, plant and equipment amounted to ¥130,398 million, a decline of ¥3,246 million from a year earlier. Land decreased ¥1,762 million to ¥60,614 million due to the sale of certain land.

Total liabilities stood at ¥209,219 million, down ¥8,443 million from the end of the previous fiscal year. Total current liabilities decreased ¥6,242 million to ¥94,056 million, and the current ratio was 84.6%, a decline of 2.2 percentage points compared with the previous term. Total long-term liabilities decreased ¥2,201 million to ¥115,163 million.

Total shareholders' equity contracted ¥16,126 million to ¥33,665 million. This was mainly due to a deficit of ¥18,651 million resulting from the net loss of ¥17,000 million. As a result, the shareholders' equity ratio declined 4.6 percentage points to 13.3%. Shareholders' equity per share was ¥134.23, a decline of ¥64.35 compared with the previous fiscal year.

Capital Expenditures

During fiscal 2003, capital expenditures totaled ¥5,814 million. In the Machinery Division, the Company invested ¥705 million to increase production efficiency. In the Metal Division, Furukawa allocated most of the ¥3,346 million in capital expenditures for stabilizing operations at Port Kembla Copper in Australia. In the Electronic Materials and Chemicals Division, the Company earmarked ¥701 million for improving productivity. In the Real Estate Division, maintenance of office buildings for lease required ¥838 million. Depreciation totaled ¥6,261 million.

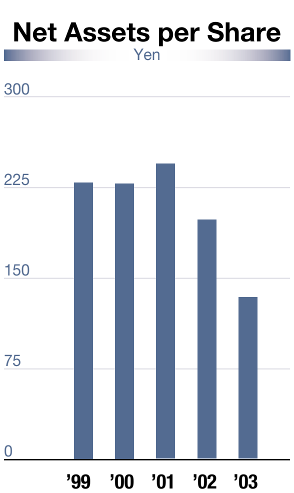
Cash Flows

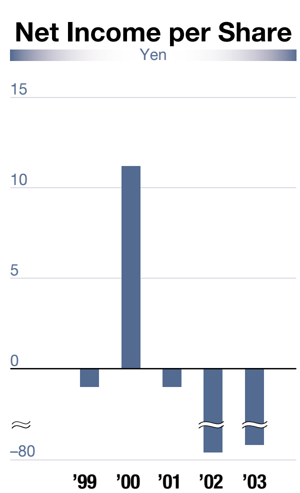
During fiscal 2003, net cash used in operating activities was ¥2,153 million, compared with net cash provided by operating activities of ¥4,269 million in the previous fiscal year. The primary factors were an increase in receivables, trade and a decrease in payables, trade.

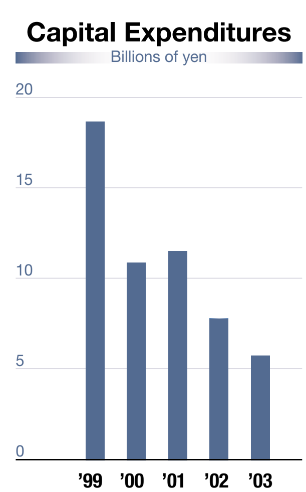
Net cash used in investing activities amounted to ¥4,538 million, compared with ¥7,967 million a year earlier. The primary uses of cash were for purchases of investments in securities and purchases of property, plant and equipment, mainly for expanding facilities in the Electronic Materials and Chemicals Division and acquiring research and development equipment.

Net cash provided by financing activities totaled ¥1,108 million, compared with net cash used in financing activities of ¥12,191 million in the previous term. A net increase in long-term loans offset the repayment of short-term bank loans.

As a result, cash and cash equivalents at end of year totaled ¥11,817 million, a decrease of ¥5,663 million from the end of the previous fiscal year.







Consolidated Balance Sheets

Furukawa Co., Ltd. and consolidated subsidiaries
31st March, 2003 and 2002

ASSETS	Millions of yen 2003	Millions of yen 2002	Thousands of U.S. dollars (Note 3) 2003
Current Assets:			
Cash and cash equivalents (Notes 6 and 14)	¥ 11,817	¥ 17,480	$ 98,475
Receivables, trade (Notes 6 and 16):			
Notes and accounts	32,822	30,791	273,517
Affiliates	1,855	1,775	15,458
Inventories (Notes 4 and 6)	24,873	29,609	207,275
Deferred income taxes (Note 11)	1,843	699	15,358
Other current assets (Note 6)	6,836	8,020	56,967
Allowance for doubtful accounts	(494)	(1,293)	(4,117)
Total current assets	79,552	87,081	662,933
Investments:			
Investments in securities (Notes 5 and 6)	25,549	42,035	212,908
Investments in affiliates	2,855	2,483	23,792
Deferred income taxes (Note 11)	6,915	4,057	57,625
Other investments (Note 7)	9,260	10,291	77,167
Allowance for doubtful accounts	(1,673)	(1,417)	(13,942)
Total investments	42,906	57,449	357,550
Property, Plant and Equipment—at Cost (Notes 6 and 7):			
Land	60,614	62,376	505,117
Buildings and structures	48,987	47,372	408,225
Machinery and equipment	81,630	78,756	680,250
Construction in progress	760	1,394	6,333
	191,991	189,898	1,599,925
Accumulated depreciation	(61,593)	(56,254)	(513,275)
Property, plant and equipment, net	130,398	133,644	1,086,650
	¥252,856	¥278,174	$2,107,133

The accompanying notes are an integral part of these statements.

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of yen 2003	2002	Thousands of U.S. dollars (Note 3) 2003
Current Liabilities:			
Short-term loans (Note 6)	¥ 25,374	¥ 31,486	$ 211,450
Current portion of long-term debt (Note 6)	23,887	21,795	199,058
Payables, trade (Note 16):			
Notes and accounts	20,878	24,573	173,983
Affiliates	349	393	2,908
Accrued expenses	9,221	11,517	76,842
Accrued income taxes (Note 11)	800	179	6,667
Deferred income taxes (Note 11)	19	33	158
Other current liabilities (Notes 5 and 6)	13,528	10,322	112,734
Total current liabilities	94,056	100,298	783,800
Long-term Liabilities:			
Long-term debt (Note 6)	91,128	93,052	759,400
Accrued employees' retirement benefits (Note 10)	1,588	1,286	13,233
Deferred income taxes (Note 11)	385	200	3,208
Deferred income taxes on surplus on the revaluation of land (Note11)	13,866	15,192	115,550
Other long-term liabilities (Note 6)	8,196	7,634	68,300
Total long-term liabilities	115,163	117,364	959,691
Minority Interests in Consolidated Subsidiaries	9,972	10,721	83,100
Contingent Liabilities (Note 12)			
Shareholders' Equity:			
Common stock:			
Authorized—800,000,000 shares			
Issued—250,751,680 shares	23,608	23,608	196,734
Capital surplus	11,435	15,517	95,292
Deficit	(18,651)	(6,921)	(155,425)
Surplus on the revaluation of land, net of income taxes	21,136	21,857	176,133
Net unrealized holding loss on securities, net of income taxes	(2,291)	(3,635)	(19,092)
Translation adjustments	(1,566)	(633)	(13,050)
	33,671	49,793	280,592
Treasury stock	(6)	(2)	(50)
Total shareholders' equity	33,665	49,791	280,542
	¥252,856	¥278,174	$2,107,133

The accompanying notes are an integral part of these statements.

Consolidated Statements of Operations

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended 31st March, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
Net Sales	¥ 151,630	¥ 149,436	$ 1,263,583
Cost of Sales (Note 7)	(136,509)	(135,405)	(1,137,575)
Gross profit	15,121	14,031	126,008
Selling, General and Administrative Expenses (Note 7)	(16,712)	(18,709)	(13,258)
Operating loss	(1,591)	(4,678)	(139,266)
Other Income (Expenses):			
Interest and dividend income	565	719	4,708
Equity in earnings (losses) of affiliates (Note 17)	179	(7,121)	1,492
Interest expense	(3,298)	(4,229)	(27,483)
Other, net (Note 13)	(17,887)	(12,653)	(149,059)
Loss before income taxes and minority interests	(22,032)	(27,962)	(183,600)
Income Taxes (Note 11):			
Current	(1,035)	(660)	(8,625)
Deferred	4,806	6,098	40,050
Total	3,771	5,438	31,425
Minority Interests	1,261	3,828	10,508
Net loss	¥ (17,000)	¥ (18,696)	$ (141,667)

	Yen		U.S. dollars (Note 3)
Net Loss per Share:			
Basic	¥ (67.88)	¥ (74.56)	$ (0.57)
Diluted	—	—	—
Cash Dividends per Share	—	—	—

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended 31st March, 2003 and 2002

	Number of shares of common stock (thousands)	Millions of yen					
		Common stock	Capital surplus	Retained earnings (deficit)	Surplus on the revaluation of land	Net unrealized holding gain (loss) on securities	Translation adjustments
Balance as of 31st March, 2001	250,752	¥23,608	¥15,517	¥12,452	¥ 634	¥ 11,747	¥(2,467)
Recognition of surplus on the revaluation of land	—	—	—	—	21,319	—	—
Reversal of surplus on the revaluation of land	—	—	—	96	(96)	—	—
Net loss for the year	—	—	—	(18,696)	—	—	—
Cash dividends paid	—	—	—	(752)	—	—	—
Bonuses to directors and statutory auditors	—	—	—	(21)	—	—	—
Net change during the year	—	—	—	—	—	(15,382)	1,834
Balance as of 31st March, 2002	250,752	23,608	15,517	(6,921)	21,857	(3,635)	(633)
Increase due to the change in the tax rate	—	—	—	—	487	—	—
Reversal of capital surplus	—	—	(4,082)	4,082	—	—	—
Reversal of surplus on the revaluation of land	—	—	—	1,208	(1,208)	—	—
Net loss for the year	—	—	—	(17,000)	—	—	—
Bonuses to directors and statutory auditors	—	—	—	(20)	—	—	—
Net change during the year	—	—	—	—	—	1,344	(933)
Balance as of 31st March, 2003	250,752	¥23,608	¥11,435	¥(18,651)	¥ 21,136	¥ (2,291)	¥(1,566)

	Thousands of U.S. dollars (Note 3)					
	Common stock	Capital surplus	Retained earnings (deficit)	Surplus on the revaluation of land	Net unrealized holding gain (loss) on securities	Translation adjustments
Balance as of 31st March, 2002	$196,734	$129,309	$ (57,675)	$ 182,142	$(30,292)	$ (5,275)
Increase due to the change in the tax rate	—	—	—	4,058	—	—
Reversal of capital surplus	—	(34,017)	34,017	—	—	—
Reversal of surplus on the revaluation of land	—	—	10,067	(10,067)	—	—
Net loss for the year	—	—	(141,667)	—	—	—
Bonuses to directors and statutory auditors	—	—	(167)	—	—	—
Net change during the year	—	—	—	—	11,200	(7,775)
Balance as of 31st March, 2003	$196,734	$ 95,292	$(155,425)	$176,133	$(19,092)	$(13,050)

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Furukawa Co., Ltd.and consolidated subsidiaries
For the years ended 31st March, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
Cash Flows from Operating Activities:			
Loss before income taxes and minority interests	¥(22,032)	¥(27,962)	$(183,600)
Adjustments to reconcile loss before income taxes and minority interests to net cash (used in) provided by operating activities:			
Unrealized exchange (gain) loss on foreign currency items	(2,837)	2,361	(23,642)
Depreciation and amortization	6,261	5,782	52,175
Write-down of investments in securities	16,838	1,267	140,317
(Decrease) increase in allowance for doubtful accounts, net	(555)	26	(4,625)
Increase in accrued employees' retirement benefits	72	655	600
Gain from establishment of trust for retirement benefits plans	—	(1,393)	—
Gain on sales of property, plant and equipment	(254)	(2,592)	(2,117)
Gain on repurchase of convertible notes	(224)	(343)	(1,867)
Loss on sales of investments in securities	1,345	9,332	11,208
Equity in (earnings) losses of affiliates	(179)	7,121	(1,492)
Interest and dividend income	(565)	(719)	(4,708)
Interest expense	3,298	4,229	27,483
Changes in operating assets and liabilities:			
(Increase) decrease in receivables, trade	(1,453)	3,177	(12,108)
Decrease in inventories	5,221	5,442	43,508
(Decrease) increase in payables, trade	(3,220)	1,598	(26,833)
Other	499	3,215	4,159
Subtotal	2,215	11,196	18,458
Interest and dividends received	505	719	4,208
Interest paid	(3,302)	(4,359)	(27,517)
Payments for closing mines	(1,062)	(2,262)	(8,850)
Income taxes paid	(419)	(595)	(3,492)
Other	(90)	(430)	(749)
Net cash (used in) provided by operating activities	¥ (2,153)	¥ 4,269	$ (17,942)

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
Cash Flows from Investing Activities:			
Increase in time deposits	¥ (136)	¥ (1,286)	$ (1,133)
Decrease in time deposits	740	615	6,167
Purchases of property, plant and equipment	(6,113)	(7,419)	(50,942)
Proceeds from sales of property, plant and equipment	2,338	3,644	19,483
Purchases of intangible assets	(436)	(127)	(3,633)
Proceeds from sales of marketable securities	—	176	—
Purchases of investments in securities	(1,544)	(10,539)	(12,867)
Proceeds from sales of investments in securities	1,166	6,573	9,717
Proceeds from purchases of subsidiaries' stock resulting in changes in the scope of consolidation	183	—	1,525
Decrease from sales of subsidiaries' stock resulting in changes in the scope of consolidation	(345)	(23)	(2,875)
Increase in loan receivables	(842)	(16)	(7,017)
Other	451	435	3,758
Net cash used in investing activities	(4,538)	(7,967)	(37,817)
Cash Flows from Financing Activities:			
Proceeds from long-term loans payable	25,167	6,692	209,725
Repayment of long-term loans payable	(11,473)	(6,598)	(95,608)
Proceeds from short-term loans	8,632	17,176	71,933
Repayment of short-term loans	(14,556)	(25,559)	(121,300)
Repayment of notes	(11,742)	(11,319)	(97,850)
Proceeds from sale-lease back transactions	305	689	2,542
Repayment of financial lease obligations	(180)	(162)	(1,500)
Cash dividends	—	(752)	—
Proceeds from issuance of common stock of a consolidated subsidiary to a minority shareholder	—	2,613	—
Deposits received for securities lending transactions	4,990	5,000	41,583
Other	(35)	29	(292)
Net cash provided by (used in) financing activities	1,108	(12,191)	9,233
Effect of exchange rate changes on cash and cash equivalents	(80)	166	(666)
Net decrease in cash and cash equivalents	(5,663)	(15,723)	(47,192)
Cash and Cash Equivalents at Beginning of Year	17,480	33,203	145,667
Cash and Cash Equivalents at End of Year	¥ 11,817	¥ 17,480	$ 98,475

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Furukawa Co., Ltd. and consolidated subsidiaries
31st March, 2003

1. Basis of Presentation

The accompanying consolidated financial statements of Furukawa Co., Ltd. (the "Company") and consolidated subsidiaries (together the "Furukawa Group") have been prepared in accordance with accounting principles and practices generally accepted in Japan and have been compiled from those prepared by the Company as required under the Securities and Exchange Law of Japan (the "Law"). The accompanying consolidated financial statements have been prepared from the accounts maintained by the Company in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted and applied in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

In preparing these statements, the Company has made certain reclassifications and rearrangements to the consolidated financial statements prepared in Japan in order to present these statements in a form which is more familiar to readers outside Japan.

Due to the amendment of Regulations Concerning the Terminology, Forms and Preparation Methods of Consolidated Financial Statements, the company discloses the shareholders' equity section in the consolidated balance sheet as of 31st March, 2003 and 2002, the consolidated statement of capital surplus and retained earnings for the years ended 31st March, 2003 and 2002 in accordance with the revised regulations.

In addition, certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The Company had 40 subsidiaries as of 31st March, 2003 (43 as of 31st March, 2002). The consolidated financial statements included the accounts of the Company and 40 subsidiaries as of 31st March, 2003 (43 as of 31st March, 2002).

Compared with the previous year, the number of subsidiaries increased by 1 due to acquisition of shares and decreased by 4 due to sale of shares, liquidation and so on. During the year ended 31st March, 2003, a consolidated subsidiary became an affiliate due to the decrease in the Company's ownership percentage resulting from issuance of its shares to a third party.

For the purpose of preparing the consolidated financial statements, all significant inter-company transactions, account balances and unrealized profits among the Furukawa Group have been eliminated.

Certain foreign subsidiaries have a 31st December year-end. Necessary adjustments have been made for significant transaction with such subsidiaries during the period from 1st January to 31st March.

Although the Company had 13 affiliates as of 31st March, 2003 (13 affiliates as of 31st March, 2002), the equity method was applied to 6 affiliates as of 31st March, 2003 (6 as of 31st March, 2002) in preparing the consolidated financial statements. Compared with the previous year, the number of affiliates to which the equity method is applied decreased by 1 due to sale of shares and increased by 1 due to decrease in the Company's controlling financial interest. The investments in the remaining affiliates are not material in the aggregate and, therefore, are carried at cost.

(2) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with a maturity of three months or less when purchased.

(3) Marketable Securities and Investments in Securities

The Furukawa Group has been adopted "Accounting Standards for Financial Instruments". Under this standard, securities are classified into three categories: trading, held-to-maturity or other securities. The Furukawa Group does not hold any trading or held-to-maturity securities as of 31st March, 2003 and 2002. Under this standard, marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Fair value is determined based on the average of the market value during the last month of the fiscal year. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(4) Inventories

Finished copper products and work in process relating to copper products held by the Company are stated at cost determined by the moving average method and those held by a foreign consolidated subsidiary are stated at cost determined by the first-in, first-out method. Other inventories are mainly stated at cost determined by the average method.

Until the year ended 31st March, 2001, the Company stated finished copper products and work in process related to copper products at cost determined by the last-in, first-out method in order to reflect the significant market fluctuation of copper prices in the statements of operations on a timely basis. Effective 1st April, 2001, the Company changed its method of accounting for them to the moving average method considering that its foreign consolidated subsidiary, which engages in copper smelting and refining, commenced commercial production during the year ended 31st March, 2002 and that the copper products manufactured by such subsidiary became available to the Company in addition to the products purchased from domestic smelters and that the copper price of has become more stable than in previous years. The effect of this change was to increase loss before income taxes and minority interests by ¥307 million for the year ended 31st March, 2002.

(5) Allowance for Doubtful Accounts

In order to cover probable losses on collection, the allowance for doubtful accounts is calculated based on the historical default rates for normal debts plus estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.

(6) Property, Plant and Equipment, and Depreciation

Property, plant and equipment is stated at cost. Depreciation is mainly calculated by the straight-line method based on the estimated useful lives of the assets. The useful lives of property, plant and equipment are summarized as follows:

Buildings and structures	5 to 57 years
Machinery and equipment	2 to 30 years

Depreciation is calculated by straight-line method for intangible assets.

(7) Leases

Non-cancelable lease transactions by the Company and domestic consolidated subsidiaries are accounted for as operating leases (whether such leases are classified as operating or finance leases), except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessees are accounted for as finance leases. However, leases of the foreign consolidated subsidiaries are generally classified and accounted for as either finance or operating leases.

(8) Retirement Benefit Plans

The employees of the Company and most of its domestic consolidated subsidiaries are covered by unfunded employee retirement benefit plans and non-contributory funded employee pension plans as defined benefit plans. The employee retirement benefit plans provide for lump-sum payments. The employee pension plans, which are funded, were instituted to replace a certain portion of the benefits under the retirement benefit plans with respect to employees who retire at the mandatory retirement age. Certain consolidated subsidiaries, (both domestic and foreign) have defined contribution plans.

Accrued employees' retirement benefits have been provided at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of 31st March, 2003 and 2002 as adjusted for unrecognized net retirement benefit obligation at transition, unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation has been attributed to each period by the straight-line method over the years of service of the eligible employees. The Company established a trust and the Company's net retirement benefit obligation at transition was fully charged to operations for the year ended 31st March, 2001. The net retirement benefit obligation at transition of the domestic consolidated subsidiaries of ¥560 million is being amortized by the straight-line method over a period of 5 years from 2001.

Prior service cost is being amortized by the straight-line method principally over a period of 15 years which are shorter than the average remaining years of service of the employees. Actuarial gain and loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over the period of mainly 15 years which are shorter than the average remaining years of service of the employees.

(9) Surplus on the Revaluation of Land

Pursuant to the "Law Concerning the Revaluation of Land", land used for the Company's business operations was revalued on 31st March, 2002. The income tax effect of the difference between the book value and the revalued amount has been presented under liabilities as "Deferred income taxes on surplus on the revaluation of land" and the remaining balance has been presented under shareholders' equity as "Surplus on the revaluation of land" in the accompanying consolidated balance sheets. Revaluation of land was determined based on the official notice prices published by the Commissioner of the National Tax Authorities in accordance with Paragraph 4, Article 2 of the "Enforcement Ordinance Concerning Land Revaluation," with certain necessary adjustments. The carrying value of the land after revaluation exceeded its fair value by ¥3,357 million ($27,975 thousand) as of 31st March 2003.

A domestic affiliate of the Company also revalued its land and the difference between the book value and the revalued amount, net of the applicable income taxes, multiplied by the Company's ownership percentage, was included in "Surplus on the revaluation of land." The carrying value of the land of this affiliate after revaluation exceeded its fair value by ¥775 million ($6,458 thousand) as of 31st March, 2003.

(10) Income Taxes

Current income taxes comprising corporation tax, enterprise tax and inhabitants' taxes are provided for based on amounts currently payable for each year. Deferred income taxes arising from temporary differences between financial reporting and tax bases of the assets and liabilities are reflected in the consolidated financial statements.

(11) Net Income (Loss) per Share

Until the year ended 31st March, 2002, basic net income (loss) per share was computed based on the net income (loss) reported in the consolidated statements of operations and the weighted average number of shares of common stock outstanding during each year, and diluted net income (loss) per share was computed based on the net income (loss) reported and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible notes. Amounts per share of net assets were computed based on the net assets reported in the consolidated balance sheets and the number of shares of common stock outstanding at each balance sheet date.

In accordance with a new accounting standard for earnings per share which became effective 1st April, 2002, basic net income (loss) per share was computed based on the net income (loss) attributable to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and diluted net income (loss) per share was computed based on the net income (loss) attributable to the shareholders and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible notes for the year ended 31st March, 2003.

Amounts per share of net assets at 31st March, 2003 was computed based on net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end. If the new method of computation had been followed for the year ended 31st March, 2002, basic net loss per share and amounts per share of net assets would have been ¥74.64 and ¥198.50, respectively. No diluted net loss per share is presented for the years ended 31st March, 2003 and 2002 because the Company recorded net loss for those years.

(12) Foreign Currency Translation

Foreign currency amounts are translated into Japanese yen on the basis of the rates of exchange in effect at the balance sheet date for monetary assets and liabilities. Gains or losses resulting from translation of foreign currency transactions are credited or charged to income as incurred.

Assets, liabilities, revenue and expense accounts of the foreign consolidated subsidiaries are translated at the rates of exchange in effect at the balance sheet date. Shareholders' equity is translated at the historical rate. Differences arising from translation are included in minority interests and translation adjustments.

(13) Appropriation of Retained Earnings

Cash dividends, and bonuses to directors and statutory auditors are recorded in the fiscal year in which the proposed appropriations of retained earnings are approved by the board of directors and/or shareholders' meeting.

(14) Hedging Activities

The Furukawa Group uses derivative financial instruments for the purpose of hedging the risks of adverse fluctuations in foreign exchange rates, commodity prices and interest rates on the receivables, payables and forecast transactions denominated in foreign currencies. All derivative financial instruments except below are stated at fair value. The Furukawa Group defers gain or loss on the changes in the fair values of derivative financial instruments on the balance sheet until the recognition of gain or loss on hedged items.

Trade receivables, trade payables and forecast transactions denominated in foreign currencies are translated at the contracted rates if the relating forward contracts qualify for hedge accounting.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not carried at fair value but any differences paid or received on the interest rate swaps are recognized as adjustments to interest expense or income over the life of each swap, thereby adjusting the effective interest rate on the hedged items.

(15) Shareholders' Equity

In accordance with the Commercial Code of Japan (the "Code"), the Company has provided a legal reserve, which was included in retained earnings (deficit). The Code provides that an amount equal to at least 10% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and the capital surplus account equals 25% of the common stock account. The legal reserve amounted to ¥11,435 million ($95,292 thousand) and ¥18,762 million as of 31st March, 2003 and 2002, respectively.

The Code provides that neither capital surplus nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. On 1st October, 2001, an amendment (the "Amendment") to the Code became effective. The Amendment provides that if the total amount of capital surplus and the legal reserve exceeds 25% of the amount of the common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders. In addition, the Amendment eliminates the stated par value of the Company's outstanding shares, which resulted in all outstanding shares having no par value as of 1st October, 2001. The Amendment also provides that all shares issuances after 30th September, 2001 will be of share with no par value. Prior to the date on which the Amendment came into effect, the Company's shares had a par value of ¥50.

(16) Accounting for Treasury Stock and Reversal of Legal Reserves

Effective 1st April, 2002, the Company adopted Financial Accounting Standard No.1, "Accounting Standard on Treasury Stock and Reversal of Legal Reserves". The adoption of the new standard had no effect on the operating results for the year ended 31st March, 2003.

3. U.S. Dollar Amounts

The Company and its domestic consolidated subsidiaries maintain their accounting records in yen. The U.S. dollar amounts included in the accompanying financial statements and notes thereto represent the arithmetic results of translating yen into dollars at the rate of ¥120=US$1, the approximate rate of exchange on 31st March, 2003. The inclusion of such U.S. dollar amounts is solely for the convenience of certain readers and is not intended to imply that the assets and liabilities which originated in yen have been or could readily be converted, realized or settled in U.S. dollars at that or any other rate.

4. Inventories

Inventories at 31st March, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Finished products	¥13,302	¥15,244	$110,850
Work in process	6,704	5,744	55,867
Raw materials and supplies	4,867	8,621	40,558
	¥24,873	¥29,609	$207,275

5. Investments in Securities

The aggregate acquisition cost, carrying value and unrealized gain or loss pertaining to the marketable other securities as of 31st March, 2003 and 2002 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2003			2003		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Listed corporate stocks	¥ 3,642	¥ 5,138	¥ 1,496	$ 30,350	$ 42,817	$ 12,467
Government bonds	43	46	3	358	383	25
Corporate bonds	—	—	—	—	—	—
	3,685	5,184	1,499	30,708	43,200	12,492
Securities whose acquisition cost exceeds their carrying value:						
Listed corporate stocks	18,501	14,729	(3,772)	154,175	122,742	(31,433)
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
	18,501	14,729	(3,772)	154,175	122,742	(31,433)
Total	¥22,186	¥19,913	¥(2,273)	$184,883	$165,942	$(18,941)

	Millions of yen		
	2002		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Listed corporate stocks	¥10,363	¥15,324	¥ 4,961
Government bonds	43	48	5
Corporate bonds	—	—	—
	10,406	15,372	4,966
Securities whose acquisition cost exceeds their carrying value:			
Listed corporate stocks	29,572	20,963	(8,609)
Government bonds	—	—	—
Corporate bonds	5	5	(0)
	29,577	20,968	(8,609)
Total	¥39,983	¥36,340	¥(3,643)

Sales of securities classified as other securities amounted to ¥1,161 million ($9,675 thousand) and ¥6,573 million with an aggregate gain of ¥6 million ($50 thousand) and ¥27 million and loss of ¥1,345 million ($11,208 thousand) and ¥9,319 million for the years ended 31st March, 2003 and 2002, respectively.

"Investments in securities" in the accompanying consolidated balance sheets includes securities lent amounting to ¥13,182 million ($109,850 thousand) and ¥7,720 million at 31st March, 2003 and 2002, respectively. "Other current liabilities" in the accompanying consolidated balance sheets includes deposits received of ¥9,990 million ($83,250 thousand) and ¥5,000 million for such securities lending transactions at 31st March, 2003 and 2002, respectively.

6. Short-Term Loans and Long-Term Debt

Short-term loans, most of which are unsecured, represented notes payable to banks, with the average interest rates of 1.0 per cent. and 1.3 per cent. as of 31st March, 2003 and 2002, respectively.

Long-term debt at 31st March, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
0.90 per cent. yen convertible notes due 2006	¥ 20,196	¥ 22,077	$ 168,300
2.10 per cent. yen notes due 2002	—	5,000	—
2.23 per cent. yen notes due 2002	—	5,000	—
1.47 per cent. yen notes due 2003	5,000	5,000	41,667
1.45 per cent. yen notes due 2004	5,000	5,000	41,667
1.91 per cent. yen notes due 2005	5,000	5,000	41,667
2.21 per cent. yen notes due 2007	4,900	5,000	40,833
Loans, principally from banks, insurance companies and government agencies, most of which are secured, due 2003 to 2018	74,919	62,770	624,324
	115,015	114,847	958,458
Current portion of long-term debt	(23,887)	(21,795)	(199,058)
	¥ 91,128	¥ 93,052	$ 759,400

The 0.9 per cent. yen convertible notes are convertible into shares of common stock at the option of the holder on any date up to 30th March, 2006 at the conversion price of ¥419 ($3.49) per share. The above conversion price is subject to adjustment in certain circumstances, including stock splits. If all convertible notes had been converted at the then current conversion price at 31st March, 2003, 48,200 thousand new shares of common stock would have been issuable.

The average interest rate of the above loans amounting to ¥74,919 million ($624,324 thousand), was 2.2 per cent. as of 31st March, 2003.

The aggregate annual maturities of long-term debt subsequent to 31st March, 2003 were as follows:

Year ending 31st March,	Millions of yen	Thousands of U.S. dollars
2004	¥ 23,887	$199,058
2005	20,606	171,717
2006	40,256	335,467
2007	16,027	133,558
2008 and thereafter	14,239	118,658
	¥115,015	$958,458

The Company and certain consolidated subsidiaries have entered into overdraft and loan commitment agreements amounting to ¥33,582 million ($279,850 thousand) with 27 banks and ¥40,923 million with 30 banks at 31st March, 2003 and 2002, respectively. The borrowings outstanding and the unused balances under these credit facilities amounted to ¥19,371 million ($161,425 thousand) and ¥14,211 million ($118,425 thousand), respectively, at 31st March, 2003 and amounted to ¥24,188 million and ¥16,735 million, respectively, at 31st March, 2002. In addition, the following lease obligations are included in "Other current liabilities" and "Other long-term liabilities" in the accompanying consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Current portion	¥ 91	¥ 162	$ 758
Non current portion	4,644	4,405	38,700

Assets pledged as collateral for payables, trade of ¥172 million ($1,433 thousand) and ¥863 million, short-term debt of ¥1,339 million ($11,158 thousand) and ¥5,646 million, long-term debt (including current portion of long-term debt) of ¥23,755 million ($197,958 thousand) and ¥24,868 million and lease obligations of ¥4,294 million ($35,783 thousand) and ¥4,360 million at 31st March, 2003 and 2002, respectively, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Cash and cash equivalents	¥ 1,450	¥ 2,018	$ 12,083
Receivables, trade	1,706	2,086	14,217
Inventories	4,850	5,639	40,417
Other current assets	241	51	2,008
Investments in securities	518	747	4,317
Property, plant and equipment, net	87,327	80,297	727,725
	¥96,092	¥90,838	$800,767

Above assets include one consolidated foreign subsidiary's assets which are pledged as collateral for lease obligations and which are at such company's disposal except for property, plant and equipment leased under the lease contracts.

7. Depreciation and Amortization

Depreciation and amortization for the years ended 31st March, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Property, plant and equipment	¥6,171	¥5,727	$51,425
Other investments	90	55	750
	¥6,261	¥5,782	$52,175

8. Leases

The Furukawa Group leases certain machinery and equipment under non-cancellable finance lease agreements, of which ownership is all non-transferable.

The pro forma amounts representing acquisition costs, accumulated depreciation and net carrying value for the machinery and equipment held under the finance leases, which are currently accounted for as operating leases as of 31st March, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Acquisition costs	¥1,596	¥1,690	$13,300
Less accumulated depreciation	891	734	7,425
Net carrying value	¥ 705	¥ 956	$ 5,875

Lease payments relating to finance leases accounted for as operating leases amounted to ¥294 million ($2,450 thousand) and ¥317 million for the years ended 31st March, 2003 and 2002, respectively, which were equal to the depreciation expense of leased assets computed by the straight-line method over the lease terms.

Future rental payments including an interest element under the finance leases outstanding as of 31st March, 2003 and 2002 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Within one year	¥236	¥289	$1,967
Over one year	469	667	3,908
	¥705	¥956	$5,875

9. Financial Instruments

The Furukawa Group entered into swap agreements to manage interest rate risks. Interest rate swaps convert fixed rate long-term debt to a floating basis, and then reconvert floating rate to a fixed basis. The Furukawa Group also entered into forward foreign exchange contracts to hedge against transactions in foreign currencies. For copper products, the Furukawa Group also entered into futures contracts to reduce the risks of fluctuations of commodity price.

There are market risk in these derivatives. As the counterparties to the derivative transactions are major financial institutions and trading companies, the Group believes that their derivative financial instruments entails minimal credit risks. Furthermore, the Furukawa Group does not use derivative financial instruments that would increase market risks.

As of 31st March, 2003 and 2002, there is no balance of derivative transaction for which hedge accounting is not applied.

10. Retirement Benefits

The balances of the retirement benefit obligation and plan assets, funded status and the amounts recognized in the consolidated financial statements as of 31st March, 2003 and 2002 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Retirement benefit obligation	¥(15,467)	¥(15,701)	$(128,891)
Plan assets at fair value	5,797	10,081	48,308
Funded status	(9,670)	(5,620)	(80,583)
Unrecognized net retirement benefit obligation at transition	224	336	1,866
Unrecognized actuarial loss	12,359	8,490	102,992
Unrecognized prior service cost	134	143	1,117
Prepaid pension expenses	(4,635)	(4,635)	(38,625)
Accrued employees' retirement benefits	¥ (1,588)	¥ (1,286)	$ (13,233)

The components of retirement benefit expenses for the years ended 31st March, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Service cost	¥ 850	¥ 824	$ 7,083
Interest cost	412	465	3,433
Expected return on plan assets	(115)	(184)	(958)
Amortization of prior service cost	12	13	100
Amortization of actuarial loss	551	350	4,592
Amortization of net retirement benefit obligation at transition	112	112	933
Retirement benefit expenses	¥1,822	¥1,580	$15,183
Employees' contributions to the defined benefit pension plans	127	—	1,059
Total	¥1,949	¥1,580	$16,242

During the year ended 31st March, 2003, the Company made an amendment to its defined benefit plan which resulted in an increase in benefits to be paid. As a result, prior service cost was incurred.

The assumptions used in accounting for the above plans are as follows:

	2003	2002
Discount rates	mainly 2.4%	mainly 2.4%
Expected return on plan assets	mainly 2.0%	mainly 2.0%

11. Income Taxes

A reconciliation of the difference between the statutory tax rates and the effective tax rates of the Furukawa Group has been omitted because the Furukawa Group recorded a loss before income taxes and minority interests for the years ended 31st March, 2003 and 2002.

Deferred tax assets and liabilities as of 31st March, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Deferred tax assets:			
Allowance for doubtful accounts in excess of limitation under Japanese tax laws	¥ 400	¥ 358	$ 3,333
Accrued employees' retirement benefits in excess of limitation under Japanese tax laws	3,616	3,330	30,133
Write-down of investments in securities	7,240	393	60,333
Expenses for closing mines	—	654	—
Unrealized gains on sales of property, plant and equipment	1,019	316	8,492
Net operating loss carryforwards	16,471	16,859	137,258
Other	950	1,131	7,918
Total gross deferred tax assets	29,696	23,041	247,467
Valuation allowance	(15,086)	(11,838)	(125,717)
Total deferred tax assets	14,610	11,203	121,750
Deferred tax liabilities:			
Net unrealized holding gain on securities	(6)	(6)	(50)
Statutory reserves provided for tax purposes	(226)	(227)	(1,883)
Gain from establishment of trust for retirement benefit plans	(3,629)	(3,751)	(30,242)
Capitalization of interest expense and others of a foreign subsidiary	(1,528)	(2,356)	(12,733)
Other	(867)	(340)	(7,225)
Total deferred tax liabilities	(6,256)	(6,680)	(52,133)
Net deferred tax assets (liabilities)	¥ 8,354	¥ 4,523	$ 69,617
Deferred tax liabilities on surplus on the revaluation of land	¥(13,866)	¥(15,192)	$(115,550)

Japanese Local Tax Law was amended and will be effective 1st April, 2004. The statutory tax rate used for the calculation of current deferred tax assets and liabilities, which is based on temporary difference expected to be reversed by 31st March, 2004, was the rate before the amendment.

Long-term deferred tax assets and liabilities expected to be reversed after 1st April, 2004 was calculated based on the rate after the amendment.

Due to the change in tax rate, deferred tax assets and liabilities as of 31st March, 2003 decreased by ¥280 million ($2,333 thousand) and ¥6 million ($50 thousand), respectively, and income taxes deferred for the year ended 31st March, 2003 increased by ¥273 million ($2,275 thousand). In addition, deferred income taxes on surplus on the revaluation of land decreased by ¥468 million ($3,900 thousand), and surplus on the revaluation of land (net of income taxes) increased by the same amount as of 31st March, 2003.

12. Contingent Liabilities

Contingent liabilities at 31st March, 2003 and 2002 consisted of the following:

	Total amount			The Company's portion agreed by joint guarantors	
	Millions of yen		Thousands of U.S. dollars	Millions of yen	
	2003	2002	2003	2003	2002
Notes receivable discounted and endorsed	¥3,784	¥5,065	$31,533	¥3,784	¥5,065
Loans guaranteed	2,957	2,267	24,642	2,957	2,267
Commitments to provide guarantees for loans	—	272	—	—	44

13. Other Income (Expenses)—Other, Net

Other Income (Expenses)—Other, Net for the years ended 31st March, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Rental income from real estate	¥ 248	¥ 237	$ 2,067
Gain on repurchase of convertible notes	224	343	1,867
Gain on foreign exchange	3,022	—	25,183
Gain on sales of property, plant and equipment	254	2,592	2,117
Gains arising from issuance of shares of common stock by a subsidiary	43	—	358
Loss on sales of investments in securities	(1,345)	(9,332)	(11,208)
Loss on withdrawal from construction machinery business in Europe	(208)	(1,989)	(1,733)
Write-down of investments in securities	(16,838)	(1,267)	(140,317)
Other, net	(3,287)	(3,237)	(27,393)
	¥(17,887)	¥(12,653)	$(149,059)

14. Consolidated Statements of Cash Flows—Supplementary Information

For the purpose of the statements of cash flows, the company considers all highly liquid investments with insignificant risk of changes in value which have maturities of generally three months or less when purchased to be cash equivalents.

(a) Cash and cash equivalents at 31st March, 2003 and 2002 are reconciled to accounts reported in the consolidated balance sheets as followings:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Cash on hand and at bank	¥12,336	¥18,656	$102,800
Time deposits with a maturity in excess of three months	(656)	(1,222)	(5,467)
Short-term securities with maturity of three months or less	137	46	1,142
Cash and cash equivalents	¥11,817	¥17,480	$ 98,475

(b) Summary of assets and liabilities of a newly consolidated subsidiary as a result of acquisition of shares

	Millions of yen	Thousands of U.S. dollars
	2003	2003
Current assets	¥1,536	$12,800
Fixed assets	886	7,383
Total assets	2,422	20,183
Long-term liabilities	427	7,775
Total liabilities	¥ 785	$10,758

(c) Summary of assets and liabilities of a subsidiary excluded following the issuance of shares in a private placement.

	Millions of yen	Thousands of U.S. dollars
	2003	2003
Current assets	¥1,153	$ 9,608
Fixed assets	347	2,892
Total assets	1,500	12,500
Current liabilities	865	7,208
Long-term liabilities	12	100
Total liabilities	¥ 877	$ 7,308

15. Segment Information

The business of the Furukawa Group is divided into the following six categories: machinery, metal, electronic materials and chemicals, real estate, fuels and others.

The business segment information of the Furukawa Group for the years ended 31st March, 2003 and 2002 was as follows:

Year ended 31st March, 2003	Millions of yen							
	Machinery	Metal	Electronic Materials and Chemicals	Real Estate	Fuels	Others	Eliminations and Corporate	Consolidated
I. Sales and operating income (loss)								
Outside customers	¥ 59,699	¥ 49,932	¥ 14,515	¥ 4,437	¥ 22,245	¥ 802	¥ —	¥ 151,630
Intersegment	308	660	179	149	338	1,294	(2,928)	—
Total	60,007	50,592	14,694	4,586	22,583	2,096	(2,928)	151,630
Costs and expenses	(58,654)	(56,604)	(13,372)	(2,643)	(22,792)	(2,075)	2,919	(153,221)
Operating income (loss)	¥ 1,353	¥ (6,012)	¥ 1,322	¥ 1,943	¥ (209)	¥ 21	¥ (9)	¥ (1,591)
II. Assets, depreciation and capital expenditure								
Total assets	¥ 73,076	¥ 73,878	¥ 29,902	¥24,595	¥ 8,391	¥ 1,928	¥41,086	¥ 252,856
Depreciation	1,407	3,163	867	735	47	74	(32)	6,261
Capital expenditure	705	3,346	701	838	92	132	—	5,814

	Thousands of U.S. dollars							
	Machinery	Metal	Electronic Materials and Chemicals	Real Estate	Fuels	Others	Eliminations and Corporate	Consolidated
I. Sales and operating income (loss)								
Outside customers	$ 497,492	$ 416,100	$ 120,958	$ 36,975	$ 185,375	$ 6,683	$ —	$ 1,263,583
Intersegment	2,566	5,500	1,492	1,242	2,817	10,783	(24,400)	—
Total	500,058	421,600	122,450	38,217	188,192	17,466	(24,400)	1,263,583
Costs and expenses	(488,783)	(471,700)	(111,433)	(22,025)	(189,934)	(17,291)	24,325	(1,276,841)
Operating income (loss)	$ 11,275	$ (50,100)	$ 11,017	$ 16,192	$ (1,742)	$ 175	$ (75)	$ (13,258)
II. Assets, depreciation and capital expenditure								
Total assets	$ 608,967	$ 615,650	$ 249,183	$204,958	$ 69,925	$ 16,067	$342,383	$ 2,107,133
Depreciation	11,725	26,358	7,225	6,125	392	617	(267)	52,175
Capital expenditure	5,875	27,883	5,842	6,983	767	1,100	—	48,450

Year ended 31st March, 2002	Millions of yen							
	Machinery	Metal	Electronic Materials and Chemicals	Real Estate	Fuels	Others	Eliminations and Corporate	Consolidated
I. Sales and operating income (loss)								
Outside customers	¥ 63,835	¥ 48,190	¥ 12,207	¥ 4,630	¥ 19,673	¥ 901	¥ —	¥ 149,436
Intersegment	500	671	184	148	327	1,316	(3,146)	—
Total	64,335	48,861	12,391	4,778	20,000	2,217	(3,146)	149,436
Costs and expenses	(65,804)	(54,173)	(12,025)	(2,877)	(20,200)	(2,205)	3,170	(154,114)
Operating income (loss)	¥ (1,469)	¥ (5,312)	¥ 366	¥ 1,901	¥ (200)	¥ 12	¥ 24	¥ (4,678)
II. Assets, depreciation and capital expenditure								
Total assets	¥ 75,847	¥ 78,837	¥ 29,662	¥24,787	¥ 7,704	¥ 1,494	¥59,843	¥ 278,174
Depreciation	1,545	2,680	725	725	39	68	—	5,782
Capital expenditure	1,390	3,148	2,408	826	43	55	—	7,870

As a result of a change in the method of accounting for inventories as explained in Note 2 (4), operating expenses for "Metal" increased by ¥307 million and operating loss increased by the same amount for the year ended 31st March, 2002 over the corresponding amount for the previous year.

Details of operations by geographic area for the years ended 31st March, 2003 and 2002 were as follows:

Year ended 31st March, 2003

	Millions of yen				
	Japan	Oceania	Other areas	Eliminations	Consolidated
I. Sales and operating income (loss)					
Outside customers	¥ 125,609	¥ 18,512	¥ 7,509	¥ —	¥ 151,630
Inter-area	2,747	398	132	(3,277)	—
Total	128,356	18,910	7,641	(3,277)	151,630
Costs and expenses	(123,145)	(25,243)	(8,033)	3,200	(153,221)
Operating income (loss)	¥ 5,211	¥ (6,333)	¥ (392)	¥ (77)	¥ (1,591)
II. Assets					
Total assets	¥ 204,547	¥ 48,267	¥ 8,771	¥(8,729)	¥ 252,856

	Thousands of U.S. dollars				
	Japan	Oceania	Other areas	Eliminations	Consolidated
I. Sales and operating income (loss)					
Outside customers	$ 1,046,741	$ 154,267	$ 62,575	$ —	$ 1,263,583
Inter-area	22,892	3,316	1,100	(27,308)	—
Total	1,069,633	157,583	63,675	(27,308)	1,263,583
Costs and expenses	(1,026,208)	(210,358)	(66,942)	26,667	(1,276,841)
Operating income (loss)	$ 43,425	$ (52,775)	$ (3,267)	$ (641)	$ (13,258)
II. Assets					
Total assets	$ 1,704,558	$ 402,225	$ 73,092	$(72,742)	$ 2,107,133

Year ended 31st March, 2002

	Millions of yen				
	Japan	Oceania	Other areas	Eliminations	Consolidated
I. Sales and operating income (loss)					
Outside customers	¥ 122,583	¥ 15,896	¥ 10,957	¥ —	¥ 149,436
Inter-area	2,967	398	136	(3,501)	—
Total	125,550	16,294	11,093	(3,501)	149,436
Costs and expenses	(123,221)	(21,660)	(12,762)	3,529	(154,114)
Operating income (loss)	¥ 2,329	¥ (5,366)	¥ (1,669)	¥ 28	¥ (4,678)
II. Assets					
Total assets	¥ 188,844	¥ 51,322	¥ 11,430	¥26,578	¥ 278,174

As a result of a change in the method of accounting for inventories as explained in Note 2 (4), operating expenses for "Japan" increased by ¥307 million and operating loss increased by the same amount for the year ended 31st March, 2002 over the corresponding amount for the previous year.

"Other areas" consists principally of Europe, Asia and North America.

Overseas sales, which include exports of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the foreign consolidated subsidiaries, totaled ¥40,254 million ($335,450 thousand) or 26.5% and ¥37,993 million or 25.4% of the consolidated net sales for the years ended 31st March, 2003 and 2002, respectively.

16. Effect of Bank Holiday on 31st March, 2002

As financial institutions in Japan were closed on 31st March, 2002, amounts that would be settled on 31st March, 2002 were collected or paid on the following business day 1st April, 2002.

The following amounts are included in the balance as of 31st March, 2002.

Notes receivable, trade	¥489 million
Notes payable, trade	¥47 million

17. Others

Taisei Fire and Marine Insurance Company, one of the Company's affiliates, filed for bankruptcy protection from its creditors on 22nd November, 2002 due to the impact of the 11th September terrorist incident in the USA on its underwriting position. A write-down in equity resulted in a loss of ¥6,944 million which has been included in "Equity in losses of non-consolidated subsidiaries and affiliates" in the accompanying consolidated statement of operations for the year ended 31st March, 2002.

18. Subsequent Events

On 23rd May, 2003, the Company and Furukawa Real Estate Co., Ltd., a consolidated subsidiary of the Company engaging in real estate business, entered into a merger agreement (the "Agreement"). The Agreement was approved by the general shareholders' meeting of the Company and Furukawa Real Estate Co., Ltd. held in June 2003. The significant terms and conditions of the merger are summarized as follows:

1. Effective 1st August, 2003 Furukawa Real Estate Co., Ltd. will be merged into the Company and all assets, liabilities, rights and obligations of Furukawa Real Estate Co., Ltd. will be transferred to the Company. The Company will be a surviving company and Furukawa Real Estate Co., Ltd. will be liquidated upon the merger.
2. 74,400,000 shares of the Company's common stock will be issued in exchange for 240,000 shares of common stock of Furukawa Real Estate Co., Ltd. held by minority shareholders. However, no shares of the Company will be issued for Furukawa Real Estate Co., Ltd.'s shares held by the Company.

The following summarizes Furukawa Real Estate Co., Ltd.'s key financial information for the year ended 31st March, 2003:

	Millions of yen	Thousands of U.S. dollars
	2003	2003
Net sales	¥ 4,253	$ 35,442
Net income	965	8,042
Total assets	27,124	226,033
Total liabilities	11,099	92,492
Net assets	¥16,025	$133,541

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Furukawa Co., Ltd.

We have audited the accompanying consolidated balance sheets of Furukawa Co., Ltd. and consolidated subsidiaries as of 31st March, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Furukawa Co., Ltd. and consolidated subsidiaries at 31st March, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

Supplemental Information

As described in Note 18 to the consolidated financial statements, the Company and Furukawa Real Estate Co., Ltd., a consolidated subsidiary of the Company, entered into a merger agreement (the "Agreement") on 23rd May, 2003. The Agreement was approved by the general shareholders' meeting of the Company held on 27th June, 2003.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31st March, 2003 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Shin Nihon & Co.
27th June, 2003

Shin Nihon & Co.

See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of Furukawa Co., Ltd. and consolidated subsidiaries under Japanese accounting principles and practices.

Principal Subsidiaries and Affiliates

Company Name	Principal Business	Paid-in Capital
Subsidiaries		
Furukawa Machinery Sales Co., Ltd.	Sales of construction machinery and rock drills	JPY 400 million
Furukawa Real Estate Co., Ltd.	Sales and lease of real estate	JPY 300 million
Furukawa UNIC Corporation	Sales of UNIC cranes	JPY 200 million
Osaka Transportation Co., Ltd.	Transportation	JPY 150 million
Oita Mining Co., Ltd.	Mining and sales of limestone	JPY 125 million
Ashio Smelting Co., Ltd.	Copper smelting and industrial waste treatment	JPY 100 million
Furukawa Commerce Co., Ltd.	Sales of petroleum and management of gas stations, sales of industrial machinery and non–life insurance, and management of bowling alleys	JPY 95 million
Heiko Bridge Co., Ltd.	Construction of bridges	JPY 50 million
Furukawa Corporation	Tourist business	JPY 50 million
Tsubame Industrial Community Limited	Manufacture of machine tools and industrial machinery	JPY 40 million
Furukawa Plant Engineering and Construction Co., Ltd.	Construction and installation of various types of plants	JPY 30 million
Ashio Construction Co., Ltd.	Civil engineering and construction	JPY 30 million
UNIC Kanto Sales Co., Ltd.	Sales of UNIC cranes	JPY 30 million
UNIC Kyushu Sales Co., Ltd.	Sales of UNIC cranes	JPY 30 million
Furukawa Mansion Maintenance Co., Ltd.	Maintenance of apartments	JPY 20 million
UNIC Tohoku Sales Co., Ltd.	Sales of UNIC cranes	JPY 16 million
Ashio Rock Drill Co., Ltd.	Manufacture and repair of rock drills and industrial machinery	JPY 10 million
UNIC Hokuriku Sales Co., Ltd.	Sales of UNIC cranes	JPY 10 million
UNIC Shinshu Sales Co., Ltd.	Sales of UNIC cranes	JPY 10 million
Iwaki Kosan Co., Ltd.	Administration of real estate	JPY 10 million
Dojima Jitsugyo Co., Ltd.	Maintenance of buildings	JPY 10 million
Wellness Co., Ltd.	Sales of health-care products	JPY 10 million
Port Kembla Copper Pty. Ltd. (Australia)	Copper smelting	AUD 369.5 million
Furukawa Unic (Thailand) Co., Ltd. (Thailand)	Manufacture of UNIC cranes, parts, and accessories	THB 200 million
Furukawa Rock Drill Europe B.V. (The Netherlands)	Sales of breakers and crawler drills	EUR 0.9 million
Gougler Industries, Inc. (U.S.A.)	Sales of breakers and crawler drills, production and sales of molds	USD 59.5 million
Furukawa Services S.A.S. (France)	Service of construction machinery	EUR 5 million
Shenyang-Furukawa Rock Drill Co., Ltd. (China)	Manufacture of hydraulic breakers	USD 1 million
Affiliates		
Tohpe Corporation	Production of paints	JPY 2,087 million
Hitachi Furukawa Construction Machinery Ltd.	Manufacture of construction machinery	JPY 900 million
Iwaki Semiconductors Co., Ltd.	Production of semiconductors, such as gallium arsenate semiconductors	JPY 60 million
Hibi Kyodo Smelting Co., Ltd.	Copper smelting	JPY 4,700 million
Hitachi-Furukawa Loaders Europe S.A.S. (France)	Manufacture of construction machinery	EUR 6 million
Otsuka Iron Works, Ltd.	Production of crushers	JPY 140 million

Board of Directors and Auditors

As of 31st March, 2003

President and Representative Director	Tetsuo Yoshino
Senior Managing Director	Isao Asada
Managing Directors	Toshikatsu Uematsu
	Kouji Toda
Directors	Junnosuke Furukawa
	Yuichi Yokoo
	Yasuhei Konagaya
	Nakao Yamashita
	Hiroyuki Shiaku
Statutory Auditors	Shunji Fujii
	Tsuyoshi Ishii
Auditors	Yasuyuki Wakahara
	Toshiharu Nagao

Corporate Data

As of 31st March, 2003

Head Office
6-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8370, Japan
Phone: +81-3-3212-6570
Facsimile: +81-3-3212-6578

Date of Foundation
August 1875

Date of Establishment
April 1918

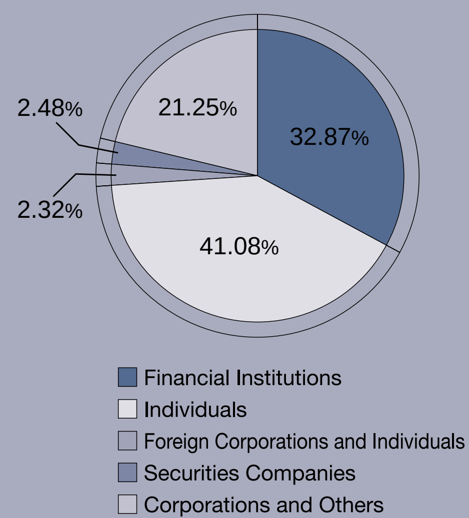
Common Stock
Authorized: 800,000,000 shares
Issued: 250,751,680 shares

Stock Exchange Listings
Tokyo, Osaka, Nagoya

Number of Employees
1,417

Transfer Agent
The Chuo Mitsui Trust and Banking Co., Ltd.
33-1, Shiba 3-chome, Minato-ku, Tokyo 105-0014, Japan

Composition of Shareholders



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