SETTING OUR FOCUS ON PROFITABILITY

FURUKAWA ANNUAL REPORT 2004

Profile

>> In 1875 Furukawa Co., Ltd. was established. Over the ensuing 129 years, the Company has developed a diverse portfolio of businesses in the fields of machinery, metals, electronic materials, chemicals, and fuels. Grounded in its management philosophy—**Innovation, Creativity, and Harmony**—the Company has moved forward with innovation in its corporate structure and technological development. Furukawa strives to offer appealing products and services to its customers, and to contribute to the creation of a prosperous society that is in harmony with the environment.

>> Fiscal 2004, ended 31st March, 2004, was marked by Furukawa Co., Ltd. deciding to withdraw from recent and prior unprofitable businesses, guided by its medium-term management plan and rationalization plan. The Company has cut personnel expenses and other costs; sold its hydroelectric business and an office building in Tokyo, the Furukawa Building, using the liquidation method; conducted a capital increase through third-party allocation of shares; and took other measures to effect a sweeping restructuring of its business base. The Company's profitability and financial position are improving steadily.

>> Fiscal 2005 is the last year of our medium-term management plan, and is important in that it has been designated as the year we leap from the restructuring stage to the income generation stage. Furukawa will be taking various measures to maximize the Group's corporate value, including the spin-off of businesses into independent companies and a shift to a Group management structure.

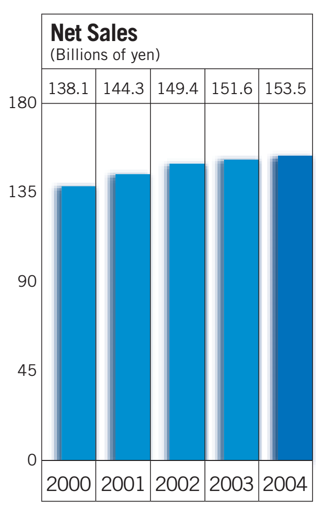
Contents

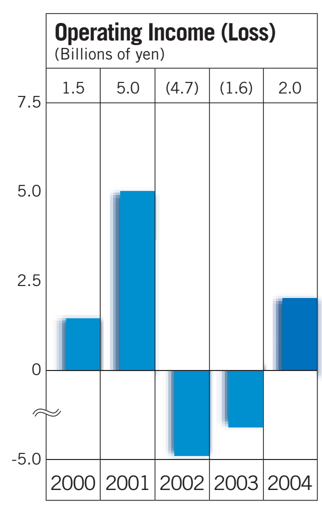
CONSOLIDATED FINANCIAL HIGHLIGHTS

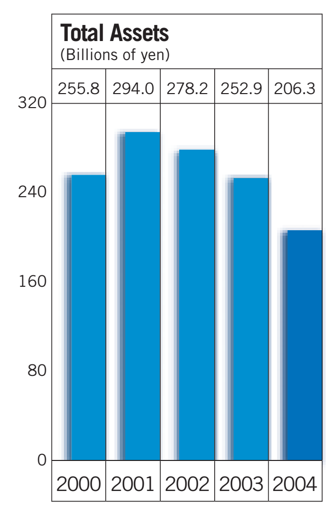
For the years ended 31st March, 2004, 2003, and 2002

	Millions of yen			Thousands of U.S. dollars	Percent change
	2004	2003	2002	**2004**	**'04 / '03**
Net sales	**¥ 153,513**	¥ 151,630	¥ 149,436	**$1,448,236**	**1.2%**
Operating income (loss)	**2,024**	(1,591)	(4,678)	**19,095**	**—**
Loss before income taxes and minority interests	**(35,238)**	(22,032)	(27,962)	**(332,433)**	**—**
Net loss	**(27,634)**	(17,000)	(18,696)	**(260,698)**	**—**
Per share amounts (yen and U.S. dollars):					
Net loss:					
Basic	**¥ (84.61)**	¥ (67.88)	¥ (74.56)	**$ (0.80)**	**—**
Diluted	**—**	—	—	**—**	**—**
Cash dividends	**—**	—	—	**—**	**—**
Total assets	**¥ 206,250**	¥ 252,856	¥ 278,174	**$1,945,755**	**(18.4)%**
Shareholders' equity	**28,660**	33,665	49,791	**270,377**	**(14.9)**

Note: U.S. dollar amounts are translated from yen for convenience only at the rate of ¥106=$1.







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.

TO OUR SHAREHOLDERS

We are confident that these efforts will reverse the deterioration of the Company's performance.

We are forced to report that in fiscal 2004, ended March 31, 2004, Furukawa suffered a record net loss of ¥27,634 million. We offer our profoundest apologies to our shareholders for this performance.

However, most of the expense of halting operations at PKC (as called for by our rationalization plan) was written off to the reserve against losses, and we are taking various measures to erect a new business structure, including spinning off business divisions to become separate companies. We are confident that these efforts will reverse the deterioration of the Company's performance.

Fiscal 2004 Consolidated Performance—First Operating Income Recorded in Two Years

Net sales rose 1.2% to ¥153,513 million this fiscal year. In our core Machinery Division, stiffer exhaust-gas regulations spurred replacement demand for trucks, and revenues from sales of UNIC cranes grew substantially. Higher sales to major electric power utilities brought revenue growth in the Fuels Division. This was sufficient to cover the loss in revenue from the halt in operations at PKC and allow growth in total sales revenues. Profit growth in the UNIC and construction and mining machinery operations, together with a reduced operating loss at PKC, allowed the Company to post operating income of ¥2,024 million, its first in two years. However, the write-off of significant losses suffered by PKC resulted in an overall net loss.

I deeply regret to announce that Furukawa is unable to declare a dividend for this fiscal year.

Furukawa took steps to increase its profitability and shore up its financial position, guided by its medium-term management plan.

Accomplishments in Fiscal 2004—Progress in Restructuring

Under these difficult operating conditions, Furukawa took steps to increase its profitability and shore up its financial position, guided by its medium-term management plan (which designates the period through fiscal 2005 as one of restructuring the Company's business foundation) and the rationalization plan announced in April 2003. The main steps taken this fiscal year are discussed below.

The most important decision taken this fiscal year was to halt operations at PKC, which was suffering the largest losses in its history, and place the company in a repair and maintenance phase. We are now in negotiations with new investors, who are needed to quickly minimize the Company's loss burden. As a result of the shutdown, PKC's fixed assets have been written down, and ¥53,137 million posted against the reserve against losses. This resulted in an increase in accumulated losses and a decline in shareholders' equity. The Company took several measures to correct this dangerous situation and maintain the health of its financial position.

Furukawa reduced costs through an early retirement program that reduced the labor force, and through continued and expanded cuts in salaries. Next, the Company merged with Furukawa Real Estate Co., Ltd. and absorbed that company's retained earnings. Furukawa's hydroelectric operations were sold, as were some marketable securities, land, and other assets, the revenues from which, offset the net loss. To restore the Company's heavily dented shareholders' equity, capital was increased by ¥9.2 billion through a third-party allocation of new shares.

The foundry products operations was spun off, and at the Osaka Plant the money-losing titanium dioxide manufacturing business was terminated and those facilities turned to the production of sapphire substrates and other electronic materials. In the construction and mining machinery operations, service and support business were bolstered and rationalized, and domestic marketing and service subsidiaries were integrated.

Business Strategy—Moving into the Income Generation Stage

Although there were macroeconomic indications of a domestic recovery, price competition in our industry is expected to intensify. Prices of ferrous and non-ferrous metals have soared, along with those of petroleum and other materials, which have created an extremely adverse operating environment for the Furukawa Group. To achieve further growth and generate profits in the face of these headwinds, we are continually working to increase our cost competitiveness, and to deal with the issues outlined below.

To maximize the corporate value of the entire Group, Furukawa will work to offer services and products precisely tailored to customer needs.

Building a new business structure

The first of our important themes is the building of a new business structure that will allow us to strengthen our business base and achieve further growth. Accordingly, in March 2005 the Company plans to spin off its Machinery Division (industrial machinery, construction and mining machinery, and UNIC, truck-mounted cranes), Metals Division, Electronics Division, and Chemicals Division into six independent companies, and switch to a group management structure. This will clarify responsibilities for asset management and performance, while infusing a nimble and dynamic management style adapted to the scope and characteristics of our various businesses. Spinning off businesses, including associated manufacturing plants will unify operations from manufacturing to sales.

To maximize the corporate value of the entire Group, Furukawa will work to offer services and products precisely tailored to customer needs. Factory sites transferred to the new companies will be treated as investments in kind, and by using gains on revaluation of land and additional paid-in capital, we hope to resume dividends at the earliest possible time.

The expansion of exports and the fostering of overseas manufacturing and sales organizations, as the platform for new growth have assumed greater importance.

Engagement in growth markets and industries

The second theme of our business strategy is engagement in new growth markets and growth industries. Public spending is forecast to contract, and the hollowing-out of the manufacturing industries continues, which precludes expectations of domestic sales on a large scale. Therefore. We are working to expand sales of UNIC machinery in overseas markets, as in our September 2003 establishment of manufacturing and sales subsidiary, Taian Furukawa Machinery Co., Ltd., to serve China's rapidly growing market. We have also established an office in Shanghai to promote overseas sales of rock drills.

In another growth field, Furukawa is concentrating management resources in the private-sector industrial technology engineering business. In the electronic materials business, the Company is expanding sales of crystalline products, chiefly, high-purity metallic arsenic and sapphire substrates for blue and white LEDs, for which market expansion is predicted.

Furukawa is working to restore performance at the earliest possible date, and to build a strong earnings structure that will not be vulnerable to the vagaries of changes in the business environment.

A Closing Word to Our Shareholders

This business environment is definitely an adverse one, but through innovation the Company has retained its vigor. The downturn in performance has been a trial, but through the business strategy discussed above Furukawa is working to restore performance at the earliest possible date, and to build a strong earnings structure that will not be vulnerable to the vagaries of changes in the business environment. Furukawa requests the understanding and support of its shareholders in these endeavors.

September 2004

Tetsuo Yoshino

Tetsuo Yoshino,
President and Representative Director

Setting Our Focus on Profitability

Status of Progress in the Implementation of the Medium-Term Management Plan and the Rationalization Plan

During this fiscal year, Furukawa permanently withdrew from recent and prior unprofitable businesses, cut personnel expenses and other costs, sold its hydroelectric business, and sold a Tokyo office building, the Furukawa Building, using the liquidation method. This, together with a capital increase through third-party allocation of shares, steadily improved its profitability and its financial position.

1 Operations Suspended at PKC, Losses Written Off

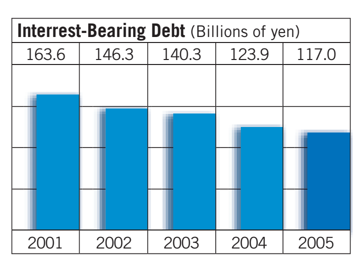
In August 2003, Furukawa halted operations at Australian subsidiary Port Kembla Copper Pty. Ltd. (PKC), and PKC has entered a care and maintenance phase. In operation since February 2000, PKC encountered some problems with older equipment, and the inexperience of the labor force prevented sufficient uptime and caused capacity utilization to decline. This, together with slumping copper prices and losses, has been the largest factor in the deterioration of Furukawa's consolidated performance and financial position.

We are now in negotiations with new investors, who are needed to quickly minimize the Company's loss burden. As a result of the shutdown, PKC's fixed assets have been written down, and ¥53,137 million posted against the reserve against losses. This resulted in a ¥1.8 billion positive effect on operating income.

2 Improving and Strengthening our Financial Position

PKC's substantial losses and the write off of losses accruing from the shutdown were the principal causes of a decline in Furukawa's financial soundness. To correct this critical situation, we implemented a number of measures to strengthen the Company's financial position.

The first of these is the reduction of personnel expenses and other costs. An early retirement program for employees 57 and older has been instituted to reduce the labor force, and cuts in the compensation of all executives and employees (salaries and bonuses) continue and intensify. Personnel expenses have been reduced by approximately ¥1.0 billion in comparison with fiscal 2003 figures. The second measure involves the strengthening of the Group's capabilities and the rationalization of the Real Estate Division. The Company merged with subsidiary Furukawa Real Estate Co., Ltd., and consolidated profit from the merger of ¥8.6 billion was posted to additional paid-in capital. Third, the Company sold its hydroelectric business (Furukawa Nikko Power Generation Co., Ltd.) to Furukawa Electric Co., Ltd. for ¥10.0 billion, and posted ¥6.9 billion in income from the sale. Fourth, the Company strengthened shareholders' equity through a ¥9.2 billion third-party allocation of shares. Lastly, to increase asset efficiency, we realized income of ¥1.2 billion on the ¥9.0 billion liquidation of the Furukawa Building and associated land. By March 31, 2004, interest-bearing liabilities had declined by ¥16.4 billion to ¥123.9 billion.



3 Rationalization of Operations

The Company moved forward with its withdrawal from unprofitable businesses this fiscal year, and took decisive action to rationalize its operations.

In the Chemicals Division, we shut down the unprofitable titanium dioxide manufacturing operation at the Osaka Plant, and shifted marketing emphasis to OEM and other consignment operations. In an effort to regain profitability at the earliest possible date, the plant is moving quickly into the production of sapphire and other electronic materials, where growth is predicted.

In the construction and mining machinery operations, we merged a domestic service subsidiary with Furukawa Machinery Sales Co., Ltd. to strengthen service and support divisions and rationalize administrative divisions.

Furukawa's foundry products' operation was spun off to become an independent company. That company's product line was slimmed down for greater efficiency, and its labor force was rationalized. In addition, it achieved efficiencies of scale and strengthened its marketing capabilities through an alliance with subsidiary, Otsuka Iron Works, Ltd., a manufacturer of rock crushers.

Medium- and Long-term Business Strategies

During this fiscal year, Furukawa moved forward vigorously with restructuring, based on its medium-term management plan and rationalization plan, posting an operating income for the first time in two years. This recovery in performance has just begun, however, and sustained growth has yet to be accomplished. To achieve our goals, we are on a trajectory for a new business structure, and are taking a number of measures to build a foundation for renewed development.

1 Shifting to a Group Management Structure

Furukawa believes that quickly building a strong business structure is necessary to its reform. Accordingly, in March 2005 the Company plans to spin off its machinery Division (industrial machinery, construction and mining machinery, UNIC products), Metals Division, Electronics Division, and Chemicals Division into six independent companies, and switch to a group management structure. When each business division becomes an autonomous firm, the Group will retain its unity though the business-specific control of management resources and accountability for performance will be greatly clarified. And, to maximize the corporate value of the entire Group, Furukawa will work to offer services and products that satisfy the needs of the market.

The Business Structure After the Shift to Group Management

After the shift to group management, Furukawa Co., Ltd., as the parent company of the Group, will formulate management strategy for the entire Group, and will directly operate the fuel sales and real estate businesses, research and development divisions, environmental control divisions, and administrative divisions.

In the Machinery Division, the industrial machinery operations, construction and mining machinery operations, and UNIC truck-mounted crane operations will be taken over by Furukawa Industrial Machinery Systems Co., Ltd., Furukawa Machinery Sales Co., Ltd. (to be renamed Furukawa Rock Drill Co., Ltd. following the spin-off), and Furukawa UNIC Corporation. The Metals Division will be taken over by Furukawa Metal & Resources Co., Ltd. The Electronics Materials and Chemicals Division were spun off to become

Furukawa Denshi Co., Ltd. and Furukawa Chemicals Co., Ltd. Employees in the spun-off divisions will remain Furukawa employees, and will be regarded as seconded to the new companies.

2 Establishing an Overseas Business Base for Civil Engineering, Mining, and Construction Machinery

A loaded UNIC crane in Taian, China

Furukawa is bolstering its overseas manufacturing and marketing organizations, particularly in the areas of civil engineering, mining, and construction machinery, to serve as a foundation for growth.

UNIC products command a large share of the domestic market, and the Company is working to expand sales by increasing exports to the United States, Europe, and Southeast Asia. Demand for trucks is forecast to grow, particularly in China with its striking economic growth. Positioning itself to serve the rapidly growing Chinese market, Furukawa has established a local joint venture to engage in the production and sale of UNIC cranes. This joint venture, Taian Furukawa Machinery Co., Ltd., has a factory site of 90,000m^2. The plant is now under construction. Meanwhile, Taian Furukawa is building its own marketing and service network, concentrating on major cities, and is building up its ability to market to large firms in the electric power, railway, freight service, and construction industries, who have purchasing power but demand high quality. Output and sales should reach 3,000 units after four years of local manufacturing, and locally manufactured products should hold a 30% share of the market.

The market for rock drills is growing in Korea, and to allow us to correctly and quickly grasp movements in that market, we established Furukawa Rock Drill Korea Co., Ltd. in June 2003. Expanding public expenditures are anticipated as China prepares for the 2008 Beijing Olympics, and in preparation we have established an office in Shanghai to handle rock drills. This office opened in February 2004. In fiscal 2005 the Company is seeking a 10% growth in overseas sales of rock drills.

Hydraulic Rock Breaker

Furukawa is expanding its overseas business, but at the same time we have learned important lessons from our experiences with European machinery operations and the PKC business, and are taking every step to minimize business risks.

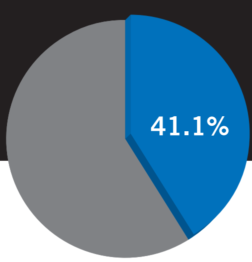
3 Electronic Materials—Strengthening the Earnings Base and Introducing New Materials

The Electronic Materials and Chemical Division is working to strengthen its earnings base by expanding sales in the liquid crystal field, where Furukawa possesses high-level technology, with an emphasis on high-purity metallic arsenic. In addition, the Company is advancing rapidly in its metal-organic chemical vapor deposition (MOCVD) business, sales of health-care products that were developed jointly with other companies, and other new businesses for new chemical products such as aluminum sulfate.

In addition, the Company has established a mass-production system for sapphire substrates and is working to expand the sales of this product for blue and white LEDs. Significant growth in demand for sapphire substrates is predicted as they are increasingly used in mobile telephones, automobile taillights, and as a substitute for fluorescent lighting. Blue-violet laser diodes (LDs) grown by metal-organic chemical vapor deposition on sapphire substrates are seen as the most promising technology for next-generation DVD pickup lasers based on the Blu-ray Disc standard and the AOD standard. Furukawa has commenced the development of gallium nitride substrates for blue LEDs and high-intensity white LEDs. At present, the Company is moving forward with the establishment of a low-cost, high-quality mass production system for these substrates.

REVIEW OF OPERATIONS

Machinery



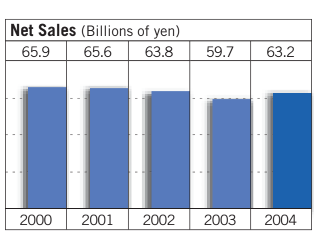
Net sales in the Machinery Division increased 5.8% to ¥63,174 million. Operating income shot up 318.0% to ¥4,303 million, primarily as a result of the higher sales of UNIC products and cost reductions. The operating margin increased 4.5 percentage points to 6.8%.

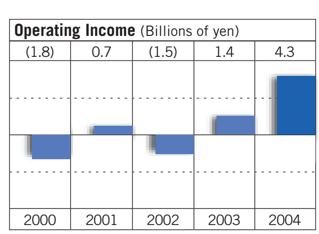
The Machinery Division is engaged in three businesses: industrial machinery, construction and mining machinery, and UNIC machinery. With the shift to a group management system in March 2005, these will be spun off to independent companies.

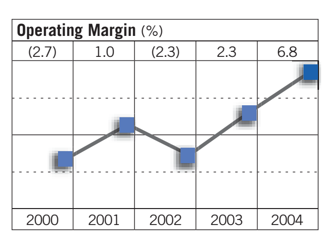
Sales of industrial machinery were boosted by a major contract for conveyor-belt facilities for mineral coal, and by making Otsuka Iron Works, Ltd. a consolidated subsidiary. However, reduced public spending produced a substantial decline in sales of sewage treatment facilities for rural communities and other environmental businesses, and of steel bridges.

Export sales of construction and mining machinery, principally to North America and China, rose steadily, owing to the reform of agency policies and other measures to expand sales. However, domestic shipments declined as a result of cutbacks in public projects. As a result, sales of construction and mining machinery declined. However, the reduction of lead time and the rationalization of labor forces at factories allowed an increase in operating income.

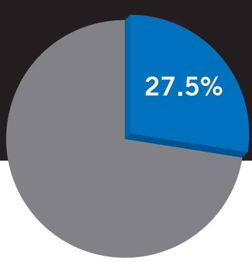
In UNIC product operations, the Tokyo metropolitan area's stricter regulation of exhaust gasses boosted sales of trucks to 115,000 units, a 50 to 60% gain over the previous fiscal year. Shipments of UNIC cranes were 70% higher, and the effects of the increased output, together with reductions in costs, lowered the break-even point and allowed substantial gains in both revenues and profits.







Metals

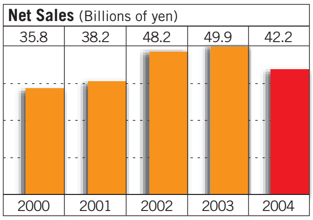


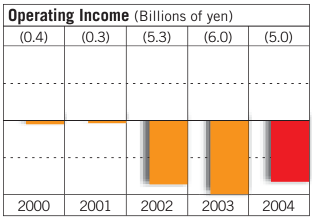
In the Metals Division, net sales declined 15.5% to ¥42,188 million, and an operating loss of ¥5,046 million was posted. The operating margin was a negative 12.0%, unchanged from the last fiscal year.

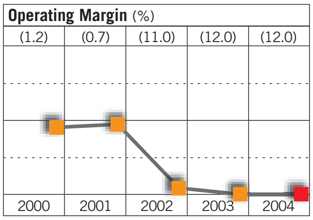
This represents improvement of ¥966 million in comparison to the previous fiscal year. Factors included a ¥6,714 million decline in net sales and a ¥1,806 million contribution to operating income resulting from the operations halt at PKC.

Demand for electrolytic copper is strong in China, but with the mine incident in Indonesia, supplies are growing tight. LME inventories are rapidly shrinking, and prices in overseas markets grew continuously throughout the fiscal year. At the end of the term, domestic prices were at ¥370,000 per ton, an increase of ¥40,000 from a year earlier. At the same time, though, copper ore is supplied not only by Thailand, but also by China and India, forcing us to sell ore at the lowest prices ever.

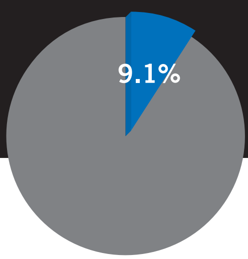
In response to these conditions, in March 2004 we established a wholly owned subsidiary, Furukawa Metal & Resources Co., Ltd., to engage in the smelting and refining of metals. We also plan to heighten competitiveness by improving management efficiency, and expanding the scope of our recycling operations and other environment-related businesses.







Electronic Materials and Chemicals

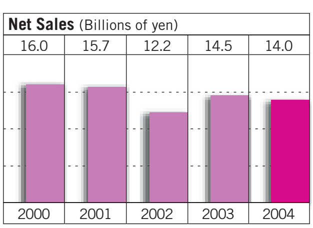


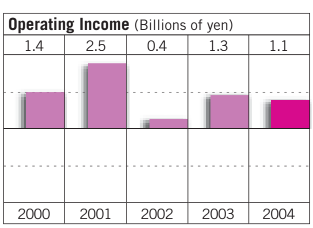
Net sales in the Electronic Materials and Chemicals Division fell 3.8% to ¥13,966 million. Operating income dropped 20.1% to ¥1,056 million, and the operating margin shrunk 1.5 percentage points to 7.6%.

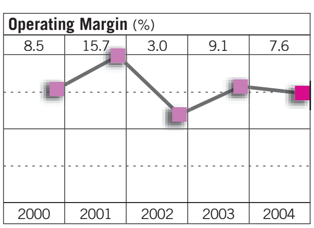
With the shift to a group management structure, scheduled for March 2005, the electronic materials business and the chemicals business will be spun off to become independent companies.

The recovery in demand for high-purity metallic arsenic is weak. This, together with higher yield ratios at customers' plants, held shipments to last fiscal year's level. However, while second-generation mobile telephones were silicone based, it is expected that silicone will be replaced with gallium arsenate in third-generation mobile telephones. Accordingly, growth in demand for this product is forecast, including demand in the European and U.S. markets as well. Gallium phosphorous polycrystals and other crystalline products were not able to maintain shipments at last fiscal year's high levels.

Furukawa was unable to restore the profitability of its titanium dioxide manufacturing operations. Therefore, those operations were terminated in September 2003. Those facilities will be shifted to OEM and other consignment manufacturing. With material prices rising, the Company is eliminating low-priced exports. As a result, shipments of cuprous oxide declined. There is fierce price competition in the market for polymeric ferric sulfate, but net sales were maintained at the previous fiscal year's level.



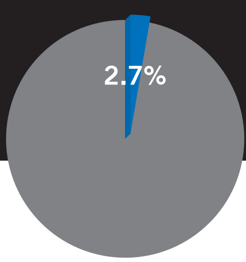




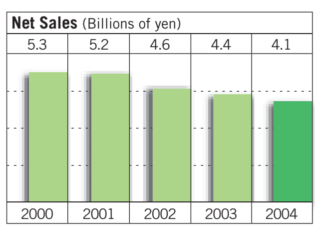
Real Estate

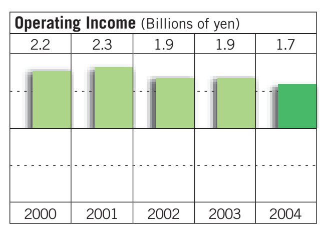
In the office building market, Tokyo had an excess supply of large, new buildings, which resulted in rapidly rising vacancy rates. At the same time, the decline in rental fees further accelerated. This made for difficult circumstances, but the division strove to reduce commissions paid, and to reduce costs through the rationalization of administrative divisions.

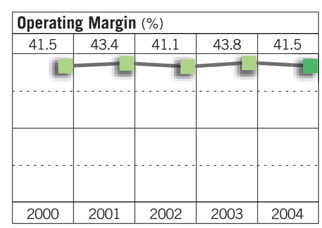
To increase asset efficiency and strengthen its financial position, in March 2004 the division sold an office building in Tokyo, the Furukawa Building, using the liquidation method.



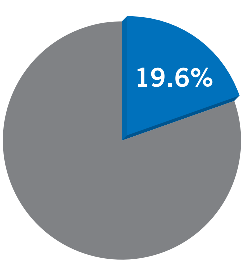
In the Real Estate Division, net sales contracted by 6.7% to ¥4,139 million, and operating income sank 11.5% to ¥1,719 million. The operating margin declined 2.3 percentage points to 41.5%.





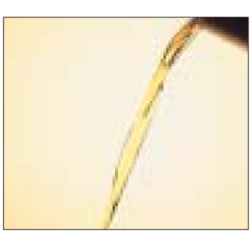


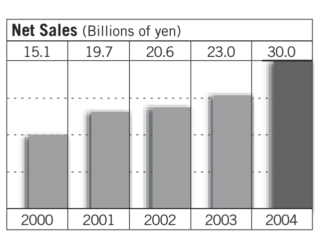
Fuels and Other

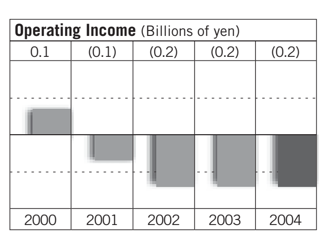


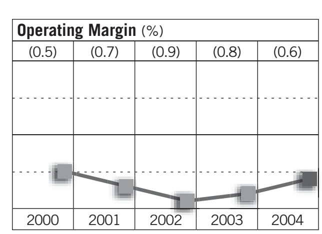
Net sales soared 130.4% to ¥30,046 million, but an operating loss of ¥164 million was posted. This represents an improvement of ¥23 million from a year earlier. The operating margin improved by 0.2 percentage points to a negative 0.6%.

The price of crude oil rose as a result of highly charged conditions in the Middle East, and the division's sales prices have accordingly gone up. In addition, shipments have increased because the volume of fuel oil sales to electric power plants has grown, and the division has developed new customers. With the increase in sales volume, the division reevaluated its procurement prices.









CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

Based on the Furukawa Group's management philosophy, "Innovation, Creativity, and Harmony," the Company is emplacing systems and organizations to promote and pursue environmental management and corporate citizenship activities, as well as corporate governance.

Corporate Governance

For the sake of putting its corporate philosophy into practice and in pursuit of highly ethical and transparent management, the Furukawa Group has strengthened its corporate governance systems and made compliance an important theme in all its business activities. At the time of the scheduled implementation of a Group management system in March 2005, we will clarify the responsibilities and authority of each operation, in an endeavor to emplace a fast-moving management system that can deal with changes in the business environment.

Also, in fiscal 2001 we established a Risk Management Committee to study the risks associated with our business activities. Then, in April 2004, we reorganized this into the Risk Management and Compliance Committee, whose role is to ensure that our corporate activities are socially responsible and sincerely ethical, and to strengthen corporate governance.

ISO 14001

Pursuing its basic environmental management policy, Furukawa obtained ISO 14001 certification of its Sakura UNIC products plant in 2001. Since that time, certification has been received by the industrial and environmental machinery operations of the Oyama Plant, the Materials Research Laboratory of the R&D Divisions, and the rock drill manufacturing operations of the Takasaki Plant and the Yoshii Plant. The Company plans to complete the certification of all plants and research facilities during fiscal 2005, and will be intensifying its environmental protection programs. Furukawa is energetically working to bring all its manufacturing activities into harmony with environmental management objectives.

Environmental Protection

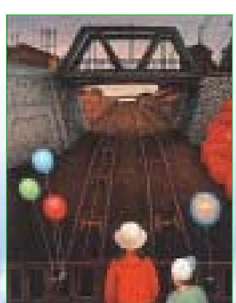
As a corporate citizen, Furukawa holds environmental problems to be one of the gravest management issues it faces, and strives to display social responsibility as it strives for sustainable operations. For full particulars, see the Company's Environmental Report.

Community Support

It the spirit of one element of our management philosophy—harmony—Furukawa pursues an active community support program. The Company strives to maintain good relations with communities through afforestation programs, helping to preserve the famous Nikko Suginamiki, seaside cleanups, planting greenery, and other activities. With each employee steeped in Furukawa's management philosophy, the Company will continue to devote its efforts to maintaining harmony with the regions in which it operates through community support programs.

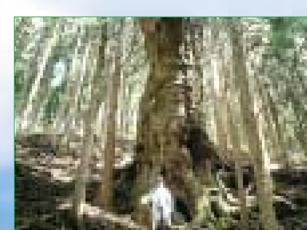
Onuma Forest

Ashio Lions Club Afforestation Activity



Shonan Bridge
(Painting at sponsored art gallery about miners)

Usuiso Seaside Cleanup



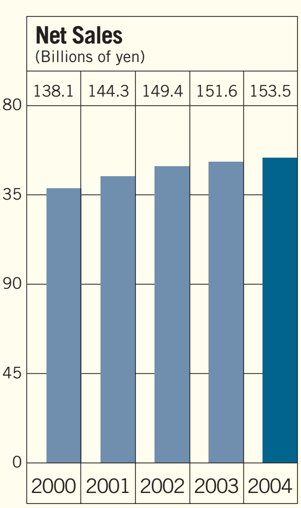
Tochi no Kyoboku
(Furukawa takes care of this giant Japanese horse chestnut tree and is thinking about applying for its recognition as a natural monument.)

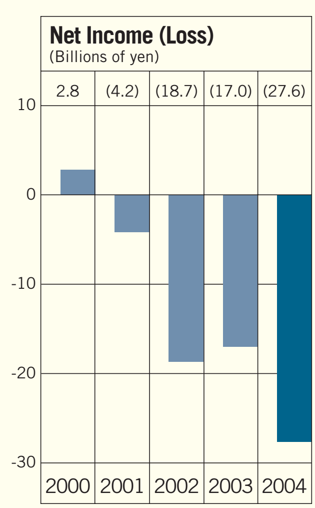
FINANCIAL SECTION

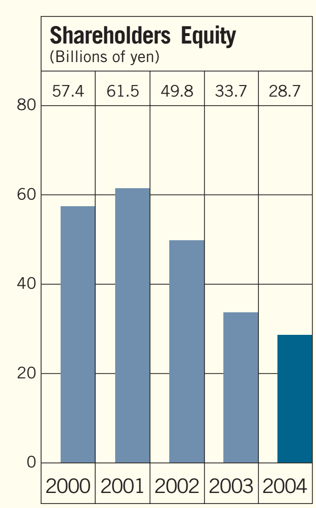
Consolidated Five-Year Financial Summary

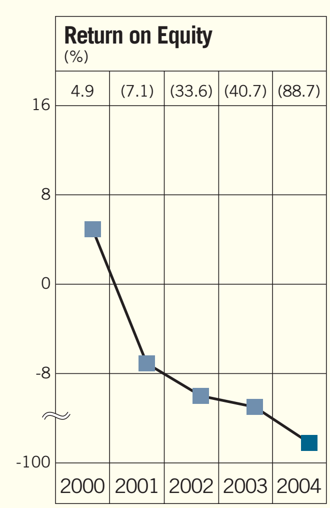
Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended 31st March

	Millions of yen, except for per share amounts and return on equity				
	2004	2003	2002	2001	2000
Net sales	¥153,513	¥151,630	¥149,436	¥144,333	¥138,146
Net income (loss)	(27,634)	(17,000)	(18,696)	(4,191)	2,811
Per share amounts (yen):					
Net income (loss):					
Basic	¥ (84.61)	¥ (67.88)	¥ (74.56)	¥ (16.71)	¥ 11.21
Diluted	—	—	—	—	10.26
Cash dividends	—	—	—	3.00	3.00
Net assets	71	134	199	245	229
Current assets	¥ 83,777	¥ 79,552	¥ 87,081	¥109,335	¥143,329
Current liabilities	81,213	94,056	100,298	98,155	74,613
Total assets	206,250	252,856	278,174	294,020	255,779
Shareholders' equity	28,660	33,665	49,791	61,491	57,354
Return on equity (%)	(88.7)	(40.7)	(33.6)	(7.1)	4.9









Financial Review

Revenue and Expenses

During fiscal 2004, ended March 31, 2004, net sales increased 1.2% to ¥153,513 million. However, cost of sales was reduced by 0.5% to ¥135,872 million, and the cost of sales margin declined 1.5% to 88.5%. This was the result of an improved cost rate, the halt in operations at PKC, increased production (primarily in the Machinery Division), and reductions in personnel expenses and other costs. Selling, general and administrative expenses were curtailed by 6.6%, falling to ¥15,617 million, while the SGA ratio improved by 0.8% to 10.2%. As a result of the foregoing, operating income of ¥2,024 million was posted. This is the first time in two years that the Company has posted an operating profit.

Under Other Income and Expenses, a loss of ¥35,040 million was posted under Other, Net. This was the result of expenses of ¥53,137 million incurred in connection with the halt in operations at our Australian copper refining subsidiary, only partially offset by gains on sales of investment securities of ¥9,097 million, and ¥6,911 million in proceeds from the sale of our hydroelectric business.

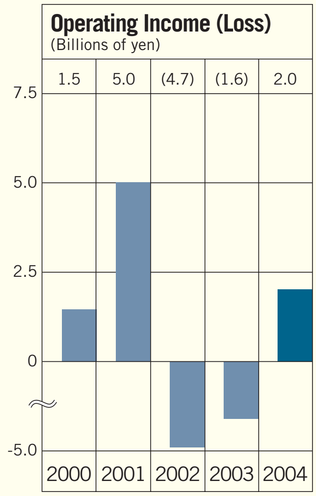
These factors resulted in a loss before income taxes and minority interests of ¥35,238 million. After income taxes and equity in earnings of affiliates, a net loss of ¥27,634 million was posted.

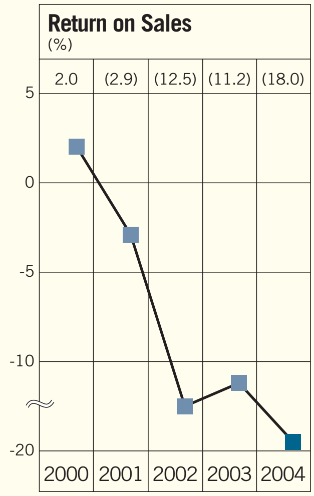
Financial Position

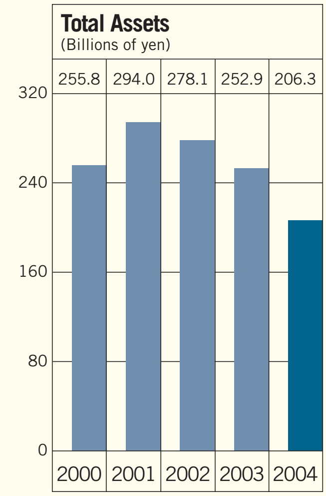
Furukawa pursues financial policies that are intended to accomplish the goals of maintaining liquidity at suitable levels, securing the funds needed for business activities, and preserving the soundness of its balance sheets. Most importantly, interest-bearing liabilities at the end of the year were reduced by 11.7% to ¥123,995 million, in accordance with the importance placed on the reduction of assets in our medium-term management plan.

Total assets at year's end were ¥206,250 million, down 18.4% from a year earlier. Increased management efficiency brought a reduction in notes and accounts receivable and inventories, but cash and cash equivalents increased, which resulted in a 5.3% rise to ¥83,777 million in current assets. Property, plant and equipment declined 34.6% to ¥85,216 million, primarily due to the write-off of fixed assets at our Australian copper refining subsidiary and the sale of the Furukawa Building using the liquidation method. Current liabilities contracted 13.7% to ¥81,213 million, as a result of reductions in notes and accounts payable, short-term loans, and other factors. Long-term liabilities were reduced 10.1% to ¥103,554 million, primarily as a result of the contraction of long-term debt.

Furukawa conducted a capital increase through a third-party allocation of shares, and merged with subsidiary, Furukawa Real Estate Co., Ltd., and absorbed that company's retained earnings. However, retained earnings declined as a result of the fiscal year's net loss. Shareholders' equity, therefore, fell 14.9% to ¥28,660 million, but the shareholders' equity ratio rose 0.6% to 13.9%.







R&D and Capital Expenditures

In response to rapid changes in the social and economic environment, the Furukawa Group is engaged in research and development of a wide range of new materials and high-value-added products to meet the needs of the market. Research and development expenses for the fiscal year were ¥1,794 million, 1.2% of consolidated net sales. Of this, ¥873 million was allocated to the Machinery Division, ¥56 million to the Metals Division, and to ¥864 million the Electronic Materials Division.

Capital investment (investments in intangible fixed assets included) totaled ¥2,995 million. Of this total, ¥701 million was allocated to the Machinery Division for improvements in manufacturing efficiency, ¥925 million to the Metals Division for maintenance on plant and equipment at PKC, ¥717 million to the Electronic Materials Division for improvements in manufacturing efficiency, ¥501 million to the Real Estate Division for maintenance on lease buildings, and ¥149 million to the Fuels and Others Division.

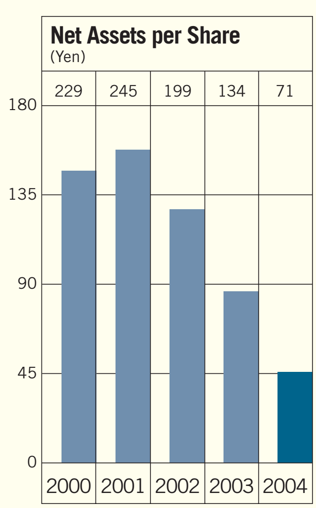
Cash Flows

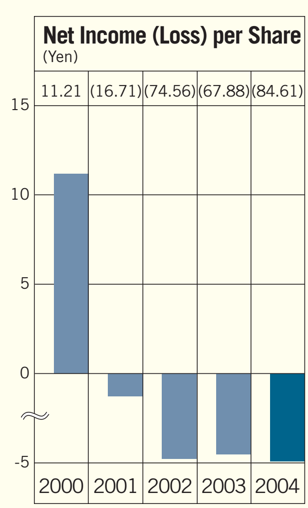
Net cash used in operating activities during the fiscal year rose to ¥3,083 million, chiefly as a result of the larger net loss before income taxes and minority interests, and a decrease in accrued employees' retirement benefits.

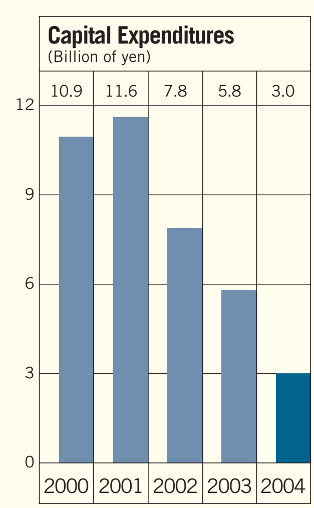
Net cash provided by investing activities was ¥25,602 million, mainly the proceeds from the sale of investment securities, the Company's hydroelectric business, and tangible fixed assets. A portion of these funds was used to pay down interest-bearing liabilities.

Net cash used in financing activities totaled ¥14,962 million. Income from the stock issue did not offset a decline in deposits received for securities lending transactions, repayments of long-term debt (net), and the cost of redemption of the Company's bonds.

As a result, cash and cash equivalents at the end of the fiscal year were up 64.6% from a year earlier, at ¥19,454 million.







Consolidated Balance Sheets

Furukawa Co., Ltd. and consolidated subsidiaries
31st March, 2004 and 2003

ASSETS	Millions of yen 2004	Millions of yen 2003	Thousands of U.S. dollars (Note 3) 2004
Current Assets:			
Cash and cash equivalents (Notes 6 and 15)	¥ 19,454	¥ 11,817	$ 183,528
Receivables, trade (Note 6):			
Notes and accounts	31,968	32,822	301,585
Affiliates	1,958	1,855	18,472
Inventories (Notes 4 and 6)	20,521	24,873	193,594
Deferred income taxes (Note 12)	1,985	1,843	18,726
Other current assets (Note 6)	8,631	6,836	81,425
Allowance for doubtful accounts	(740)	(494)	(6,981)
Total current assets	83,777	79,552	790,349
Investments:			
Investments in securities (Notes 5 and 6)	25,532	25,549	240,868
Investments in affiliates	3,050	2,855	28,774
Loans receivable	2,190	2,315	20,660
Deferred income taxes (Note 12)	955	6,915	9,009
Other investments (Note 7)	7,364	5,128	69,472
Allowance for doubtful accounts	(1,834)	(1,673)	(17,302)
Total investments	37,257	41,089	351,481
Property, Plant and Equipment—at Cost (Notes 6 and 7):			
Land and timberlands	57,329	62,431	540,840
Buildings and structures	40,681	48,987	383,783
Machinery and equipment	38,901	81,630	366,991
Construction in progress	116	760	1,094
	137,027	193,808	1,292,708
Accumulated depreciation	(51,811)	(61,593)	(488,783)
Property, plant and equipment, net	85,216	132,215	803,925
Total assets	¥206,250	¥252,856	$1,945,755

The accompanying notes are an integral part of these statements.

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of yen 2004	Millions of yen 2003	Thousands of U.S. dollars (Note 3) 2004
Current Liabilities:			
Short-term loans (Note 6)	¥ 24,269	¥ 25,374	$ 228,953
Current portion of long-term debt (Note 6)	23,258	23,887	219,415
Payables, trade:			
Notes and accounts (Note 6)	17,937	20,878	169,217
Affiliates	210	349	1,981
Accrued expenses	8,218	9,221	77,528
Accrued income taxes (Note 12)	281	800	2,651
Deferred income taxes (Note 12)	4	19	38
Other current liabilities (Notes 5 and 6)	7,036	13,528	66,377
Total current liabilities	81,213	94,056	766,160
Long-term Liabilities:			
Long-term debt (Note 6)	76,468	91,128	721,396
Accrued employees' retirement benefits (Note 11)	1,020	1,588	9,623
Deferred income taxes (Note 12)	379	385	3,575
Deferred income taxes on surplus on the revaluation of land (Note 12)	13,466	13,866	127,038
Other long-term liabilities (Note 6)	12,221	8,196	115,293
Total long-term liabilities	103,554	115,163	976,925
Minority Interests in Consolidated Subsidiaries	(7,177)	9,972	(67,707)
Contingent Liabilities (Note 13)			
Shareholders' Equity:			
Common stock:			
Authorized—800,000,000 shares			
Issued—404,455,680 shares in 2004 and 250,751,680 shares in 2003	28,208	23,608	266,113
Capital surplus	29,534	11,435	278,623
Deficit	(50,390)	(18,651)	(475,377)
Surplus on the revaluation of land, net of income taxes	20,172	21,136	190,302
Net unrealized holding gain (loss) on securities, net of income taxes	1,349	(2,291)	12,726
Translation adjustments	(206)	(1,566)	(1,944)
	28,667	33,671	270,443
Treasury stock, at cost	(7)	(6)	(66)
Total shareholders' equity	28,660	33,665	270,377
Total liabilities, minority interests and shareholders' equity	¥206,250	¥252,856	$1,945,755

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, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	2004
Net Sales	¥ 153,513	¥ 151,630	$ 1,448,236
Cost of Sales (Note 8)	(135,872)	(136,509)	(1,281,811)
Gross profit	17,641	15,121	166,425
Selling, General and Administrative Expenses (Note 8)	(15,617)	(16,712)	(147,330)
Operating income (loss)	2,024	(1,591)	19,095
Other Income (Expenses):			
Interest and dividend income	502	565	4,736
Equity in earnings of affiliates	103	179	972
Interest expense	(2,827)	(3,298)	(26,670)
Other, net (Note 14)	(35,040)	(17,887)	(330,566)
Loss before income taxes and minority interests	(35,238)	(22,032)	(332,433)
Income Taxes (Note 12):			
Current	(550)	(1,035)	(5,189)
Deferred	(4,138)	4,806	(39,038)
Total	(4,688)	3,771	(44,227)
Minority Interests	12,292	1,261	115,962
Net loss	¥ (27,634)	¥ (17,000)	$ (260,698)

	Yen		U.S. dollars (Note 3)
Net Loss per Share:			
Basic	¥ (84.61)	¥ (67.88)	$ (0.80)
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, 2004 and 2003

		Millions of yen						
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Deficit	Surplus on the revaluation of land	Net unrealized holding gain (loss) on securities	Translation adjustments	Treasury stock, at cost
Balance as of 31st March, 2002	250,752	¥23,608	¥15,517	¥ (6,921)	¥21,857	¥(3,635)	¥ (633)	¥(2)
Increase due to the change in the tax rate	—	—	—	—	487	—	—	—
Used to reduce a deficit	—	—	(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)	(4)
Balance as of 31st March, 2003	250,752	23,608	11,435	(18,651)	21,136	(2,291)	(1,566)	(6)
Increase due to third-party allotment	79,304	4,600	4,600	—	—	—	—	—
Increase due to merger	74,400	—	13,499	(4,896)	—	—	—	—
Decrease due to the change in the tax rate	—	—	—	—	(155)	—	—	—
Reversal of surplus on the revaluation of land	—	—	—	809	(809)	—	—	—
Net loss for the year	—	—	—	(27,634)	—	—	—	—
Bonuses to directors and statutory auditors	—	—	—	(18)	—	—	—	—
Net change during the year	—	—	—	—	—	3,640	1,360	(1)
Balance as of 31st March, 2004	404,456	¥28,208	¥29,534	¥(50,390)	¥20,172	¥ 1,349	¥ (206)	¥(7)

	Thousands of U.S. dollars (Note 3)						
	Common stock	Capital surplus	Deficit	Surplus on the revaluation of land	Net unrealized holding gain (loss) on securities	Translation adjustments	Treasury stock, at cost
Balance as of 31st March, 2003	$222,717	$107,877	$(175,953)	$199,396	$(21,613)	$(14,774)	$(57)
Increase due to third-party allotment	43,396	43,396	—	—	—	—	—
Increase due to merger	—	127,350	(46,188)	—	—	—	—
Decrease due to the change in the tax rate	—	—	—	(1,462)	—	—	—
Reversal of surplus on the revaluation of land	—	—	7,632	(7,632)	—	—	—
Net loss for the year	—	—	(260,698)	—	—	—	—
Bonuses to directors and statutory auditors	—	—	(170)	—	—	—	—
Net change during the year	—	—	—	—	34,339	12,830	(9)
Balance as of 31st March, 2004	$266,113	$278,623	$(475,377)	$190,302	$ 12,726	$ (1,944)	$(66)

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, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	2004
Cash Flows from Operating Activities:			
Loss before income taxes and minority interests	¥(35,238)	¥(22,032)	$(332,433)
Adjustments to reconcile loss before income taxes and minority interests to net cash used in operating activities:			
Unrealized exchange gain on foreign currency items	(5,471)	(2,837)	(51,613)
Depreciation and amortization	6,533	6,261	61,632
Write-down of investments in securities	239	16,838	2,255
Increase (decrease) in allowance for doubtful accounts, net	461	(555)	4,349
(Decrease) increase in accrued employees' retirement benefits	(1,859)	72	(17,538)
Gain on sales of property, plant and equipment	(1,194)	(254)	(11,264)
Gain on sales of investments in securities	(9,097)	(6)	(85,821)
Interest and dividend income	(502)	(565)	(4,736)
Interest expense	2,827	3,298	26,670
Gain on sales of hydroelectricity business	(6,911)	—	(65,198)
Reduction of plant value to recoverable amount	41,428	—	390,830
Changes in operating assets and liabilities:			
Decrease (increase) in receivables, trade	1,024	(1,453)	9,660
Decrease in inventories	5,200	5,221	49,057
Decrease in payables, trade	(4,194)	(3,220)	(39,566)
Other	9,372	1,447	88,414
Subtotal	2,618	2,215	24,698
Interest and dividends received	484	505	4,566
Interest paid	(4,267)	(3,302)	(40,255)
Payments for closing mines	—	(1,062)	—
Income taxes paid	(1,179)	(419)	(11,123)
Other	(739)	(90)	(6,971)
Net cash used in operating activities	¥ (3,083)	¥ (2,153)	$ (29,085)

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	2004
Cash Flows from Investing Activities:			
Increase in time deposits	¥ (3,563)	¥ (136)	$ (33,613)
Decrease in time deposits	319	740	3,009
Purchases of property, plant and equipment	(2,837)	(6,113)	(26,764)
Proceeds from sales of property, plant and equipment	9,760	2,338	92,075
Purchases of intangible assets	(56)	(436)	(528)
Purchases of investments in securities	(2,620)	(1,544)	(24,717)
Proceeds from sales of investments in securities	15,575	1,166	146,934
Proceeds from sales of hydroelectricity business	10,000	—	94,340
Proceeds from rental of real estate	196	248	1,849
Payments for investments	(200)	—	(1,887)
Payments for long-term deposits	(1,000)	—	(9,434)
Proceeds from purchases of subsidiaries' stock resulting in changes in the scope of consolidation	—	183	—
Decrease from sales of subsidiaries' stock resulting in changes in the scope of consolidation	—	(345)	—
Increase in loans receivable	(2)	(842)	(19)
Other	30	203	283
Net cash provided by (used in) investing activities	25,602	(4,538)	241,528
Cash Flows from Financing Activities:			
Proceeds from long-term loans payable	19,129	25,167	180,462
Repayment of long-term loans payable	(27,381)	(11,473)	(258,311)
Proceeds from short-term loans	23,817	8,632	224,689
Repayment of short-term loans	(24,833)	(14,556)	(234,274)
Proceeds from issuance of notes	1,000	—	9,434
Repayment of notes	(5,713)	(11,742)	(53,896)
Proceeds from issuance of common stock	9,132	—	86,151
Proceeds from sale-lease back transactions	—	305	—
Repayment of financial lease obligations	(178)	(180)	(1,679)
Net (decrease) increase deposits for securities lending transactions	(9,990)	4,990	(94,245)
Other	55	(35)	518
Net cash (used in) provided by financing activities	(14,962)	1,108	(141,151)
Effect of exchange rate changes on cash and cash equivalents	80	(80)	755
Net increase (decrease) in cash and cash equivalents	7,637	(5,663)	72,047
Cash and Cash Equivalents at Beginning of Year	11,817	17,480	111,481
Cash and Cash Equivalents at End of Year (Note 15)	¥ 19,454	¥ 11,817	$ 183,528

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Furukawa Co., Ltd. and consolidated subsidiaries
31st March, 2004

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 generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from those prepared by the Company as required under the Securities and Exchange Law of 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.

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 41 subsidiaries as of 31st March, 2004 (40 as of 31st March, 2003). The consolidated financial statements included the accounts of the Company and 41 subsidiaries as of 31st March, 2004 (40 as of 31st March, 2003).

Compared with the previous year, the number of subsidiaries increased by 3 due to establishment and decreased by 2 due to 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, 2004 (13 affiliates as of 31st March, 2003), the equity method was applied to 6 affiliates as of 31st March, 2004 (6 as of 31st March, 2003) in preparing the consolidated financial statements.

(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, 2004 and 2003. 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.

(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 receivables 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 at the balance sheet dates, 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 ¥6,878 million ($64,887 thousand) as of 31st March 2004.

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 ¥1,063 million ($10,028 thousand) as of 31st March, 2004.

(10) Stock Issue Costs

Stock issue costs are expensed when incurred.

(11) 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.

(12) Amounts per Share

Basic net income (loss) per share is 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 is 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.

Amounts per share of net assets are computed based on net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end. No diluted net loss per share is presented for the years ended 31st March, 2004 and 2003 because the Company recorded net loss for those years.

(13) 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.

(14) 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.

(15) 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.

(16) 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 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.

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 ¥106=US$1, the approximate rate of exchange on 31st March, 2004. 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 as of 31st March, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Finished products	¥12,204	¥13,302	$115,132
Work in process	3,653	6,704	34,462
Raw materials and supplies	4,664	4,867	44,000
	¥20,521	¥24,873	$193,594

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, 2004 and 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2004			2004		
	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	¥ 6,485	¥ 9,623	¥3,138	$ 61,179	$ 90,783	$29,604
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
	6,485	9,623	3,138	61,179	90,783	29,604
Securities whose acquisition cost exceeds their carrying value:						
Listed corporate stocks	11,484	10,498	(986)	108,340	99,038	(9,302)
Government bonds	16	16	(0)	151	151	(0)
Corporate bonds	—	—	—	—	—	—
	11,500	10,514	(986)	108,491	99,189	(9,302)
Total	¥17,985	¥20,137	¥2,152	$169,670	$189,972	$20,302

	Millions of yen		
	2003		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Listed corporate stocks	¥ 3,642	¥ 5,138	¥ 1,496
Government bonds	43	46	3
Corporate bonds	—	—	—
	3,685	5,184	1,499
Securities whose acquisition cost exceeds their carrying value:			
Listed corporate stocks	18,501	14,729	(3,772)
Government bonds	—	—	—
Corporate bonds	—	—	—
	18,501	14,729	(3,772)
Total	¥22,186	¥19,913	¥(2,273)

Sales of securities classified as other securities amounted to ¥15,575 million ($146,934 thousand) and ¥1,161 million with an aggregate gain of ¥9,097 million ($85,821 thousand) and ¥6 million and loss of ¥313 million ($2,953 thousand) and ¥1,345 million for the years ended 31st March, 2004 and 2003, respectively.

"Investments in securities" in the accompanying consolidated balance sheets includes securities lent amounting to ¥13,182 million as of 31st March, 2003. "Other current liabilities" in the accompanying consolidated balance sheets includes deposits received of ¥9,990 million for such securities lending transactions as of 31st March, 2003.

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 1.5 percent and 1.0 percent as of 31st March, 2004 and 2003, respectively.

Long-term debt as of 31st March, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
0.90 percent yen convertible notes due 2006	¥ 20,196	¥ 20,196	$ 190,528
1.47 percent yen notes due 2003	—	5,000	—
1.45 percent yen notes due 2004	5,000	5,000	47,170
1.91 percent yen notes due 2005	5,000	5,000	47,170
0.37 percent yen notes due 2006	1,000	—	9,434
2.21 percent yen notes due 2007	4,100	4,900	38,679
Loans, principally from banks, insurance companies and government agencies, most of which are secured, due 2004 to 2019	64,430	74,919	607,830
	99,726	115,015	940,811
Current portion of long-term debt	(23,258)	(23,887)	(219,415)
	¥ 76,468	¥ 91,128	$ 721,396

The 0.90 percent 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 ¥332 ($3.13) 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 as of 31st March, 2004, 60,831 thousand new shares of common stock would have been issuable.

The average interest rate of the above loans amounting to ¥64,431 million ($607,840 thousand), was 2.1 percent as of 31st March, 2004.

The aggregate annual maturities of long-term debt subsequent to 31st March, 2004 were as follows:

Year ending 31st March,	Millions of yen	Thousands of U.S. dollars
2005	¥23,258	$219,415
2006	42,534	401,264
2007	14,421	136,047
2008	11,031	104,066
2009 and thereafter	8,482	80,019
	¥99,726	$940,811

The Company and certain consolidated subsidiaries have entered into overdraft and loan commitment agreements amounting to ¥35,041 million ($330,575 thousand) with 27 banks and ¥33,582 million with 27 banks as of 31st March, 2004 and 2003, respectively. The borrowings outstanding and the unused balances under these credit facilities amounted to ¥17,657 million ($166,575 thousand) and ¥17,384 million ($164,000 thousand), respectively, as of 31st March, 2004 and amounted to ¥19,371 million and ¥14,211 million, respectively, as of 31st March, 2003. 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
	2004	2003	2004
Current portion	¥ 331	¥ 91	$ 3,123
Non current portion	5,258	4,644	49,604

Assets pledged as collateral for payables, trade of ¥178 million ($1,679 thousand) and ¥172 million, short-term debt of ¥1,189 million ($11,217 thousand) and ¥1,339 million, long-term debt (including current portion of long-term debt) of ¥13,057 million ($123,179 thousand) and ¥23,755 million and lease obligations of ¥4,998 million ($47,151 thousand) and ¥4,294 million as of 31st March, 2004 and 2003, respectively, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Cash and cash equivalents	¥ 4,350	¥ 1,450	$ 41,038
Receivables, trade	599	1,706	5,651
Inventories	617	4,850	5,821
Other current assets	3,807	241	35,915
Investments in securities	2,919	518	27,537
Property, plant and equipment, net	21,138	87,327	199,415
	¥33,430	¥96,092	$315,377

Above assets include one consolidated foreign subsidiary's assets which are pledged as collateral for lease obligations. The subsidiary has discretionary powers on these assets other than property, plant and equipment leased under the lease contracts and other current assets of ¥3,602 million ($33,981 thousand) as of 31st March, 2004.

7. Depreciation and Amortization

Depreciation and amortization for the years ended 31st March, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Property, plant and equipment	¥6,470	¥6,171	$61,038
Other investments	63	90	594
	¥6,533	¥6,261	$61,632

8. R&D Expenses

R&D expenses, included in selling, general and administrative expenses and cost of sales for the years ended 31st March, 2004 and 2003 amounted to ¥1,794 million ($16,925 thousand) and ¥2,003 million, respectively.

9. Leases

The Furukawa Group leases certain machinery and equipment under non-cancelable 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, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Acquisition costs	¥1,558	¥1,596	$14,698
Less accumulated depreciation	874	891	8,245
Net carrying value	¥ 684	¥ 705	$ 6,453

Lease payments relating to finance leases accounted for as operating leases amounted to ¥265 million ($2,500 thousand) and ¥294 million for the years ended 31st March, 2004 and 2003, 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, 2004 and 2003 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Within one year	¥ 215	¥236	$ 2,028
Over one year	469	469	4,425
	¥ 684	¥705	$ 6,453

The amounts of outstanding future lease payments under lease agreements other than finance leases, including the interest portion, as of 31st March, 2004 and 2003 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Within one year	¥ 747	¥3	$ 7,047
Over one year	2,319	0	21,878
	¥3,066	¥3	$28,925

10. Financial Instruments

The Furukawa Group entered into swap agreements to manage interest rate risks. Interest rate swaps convert floating rate long-term debt 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, 2004 and 2003, there is no balance of derivative transaction for which hedge accounting is not applied.

11. 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, 2004 and 2003 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Retirement benefit obligation	¥(13,811)	¥(15,467)	$(130,292)
Plan assets at fair value	8,317	5,797	78,462
Funded status	(5,494)	(9,670)	(51,830)
Unrecognized net retirement benefit obligation at transition	112	224	1,057
Unrecognized actuarial loss	9,958	12,359	93,943
Unrecognized prior service cost	98	134	924
Prepaid pension expenses	(5,694)	(4,635)	(53,717)
Accrued employees' retirement benefits	¥ (1,020)	¥ (1,588)	$ (9,623)

The components of retirement benefit expenses for the years ended 31st March, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Service cost	¥ 790	¥ 850	$ 7,453
Interest cost	419	412	3,953
Expected return on plan assets	(147)	(115)	(1,387)
Amortization of prior service cost	36	12	340
Amortization of actuarial loss	851	551	8,028
Amortization of net retirement benefit obligation at transition	112	112	1,056
Retirement benefit expenses	¥2,061	¥1,822	$19,443
Employees' contributions to the defined benefit pension plans	114	127	1,076
Total	¥2,175	¥1,949	$20,519

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:

	2004	2003
Discount rates	mainly 2.4%	mainly 2.4%
Expected return on plan assets	mainly 2.0%	mainly 2.0%
Amortization of past service cost	mainly 15 years (straight-line method)	mainly 15 years (straight-line method)
Amortization of actuarial gain or loss	mainly 15 years (straight-line method)	mainly 15 years (straight-line method)

12. 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, 2004 and 2003.

Deferred tax assets and liabilities as of 31st March, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Deferred tax assets:			
Allowance for doubtful accounts in excess of limitation under Japanese tax laws	¥ 165	¥ 400	$ 1,557
Accrued employees' retirement benefits in excess of limitation under Japanese tax laws	3,613	3,616	34,085
Write-down of investments in securities	1,368	7,240	12,906
Reduction of plant value to recoverable amount	11,776	—	111,094
Unrealized gains on sales of property, plant and equipment	798	1,019	7,528
Net operating loss carryforwards	27,398	16,471	258,472
Revaluation of land, as a result of the merger	2,143	—	20,217
Other	471	950	4,443
Total gross deferred tax assets	47,732	29,696	450,302
Valuation allowance	(38,186)	(15,086)	(360,246)
Total deferred tax assets	9,546	14,610	90,056
Deferred tax liabilities:			
Net unrealized holding gain on securities	(872)	(6)	(8,226)
Statutory reserves provided for tax purposes	(186)	(226)	(1,755)
Gain from establishment of trust for retirement benefit plans	(3,668)	(3,629)	(34,604)
Capitalization of interest expense and others of a foreign subsidiary	(1,567)	(1,528)	(14,783)
Other	(696)	(867)	(6,566)
Total deferred tax liabilities	(6,989)	(6,256)	(65,934)
Net deferred tax assets (liabilities)	¥ 2,557	¥ 8,354	$ 24,122
Deferred tax liabilities on surplus on the revaluation of land	¥(13,466)	¥(13,866)	$(127,038)

Japanese Local Tax Law was amended in March 2003 and became effective the fiscal year beginning 1st April, 2004. After the amendment, the statutory tax rate was changed.

Due to the change in tax rate, deferred tax assets and liabilities as of 31st March, 2003 decreased by ¥280 million and ¥6 million, respectively, and income taxes deferred for the year ended 31st March, 2003 increased by ¥273 million. In addition, deferred income taxes on surplus on the revaluation of land decreased by ¥468 million, and surplus on the revaluation of land (net of income taxes) increased by the same amount as of 31st March, 2003. However, the effect of this tax rate change on the consolidated financial statements for the year ended 31st March, 2004 was immaterial.

13. Contingent Liabilities

Contingent liabilities as of 31st March, 2004 and 2003 consisted of the following:

	Total amount		
	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Notes receivable discounted and endorsed	¥4,538	¥3,784	$42,811
Loans guaranteed	3,424	2,957	32,302

14. Other Income (Expenses)—Other, net

Other Income (Expenses)—Other, net for the years ended 31st March, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Gain on foreign exchange	¥ 4,259	¥ 3,022	$ 40,179
Gain on sales of property, plant and equipment	1,194	254	11,264
Gain on sales of investments in securities	9,097	6	85,821
Gain on sales of hydroelectricity business	6,911	—	65,198
Gains arising from issuance of shares of common stock by subsidiary	—	43	—
Payments for closing mines	(741)	—	(6,991)
Write-down of investments in securities	(239)	(16,838)	(2,255)
Loss on copper smelting business in Australia put into Care & Maintenance Status	(53,137)	—	(501,292)
Other, net	(2,384)	(4,374)	(22,490)
	¥(35,040)	¥(17,887)	$(330,566)

Loss on copper smelting business in Australia put into Care & Maintenance Status for the year ended 31st March, 2004 included impairment loss on fixed assets of ¥41,428 million ($390,830 thousand) and Care & Maintenance expense of ¥11,709 million ($110,462 thousand).

15. 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 as of 31st March, 2004 and 2003 are reconciled to accounts reported in the consolidated balance sheets as followings:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Cash on hand and at bank	¥23,439	¥12,336	$221,122
Time deposits with a maturity in excess of three months	(3,985)	(656)	(37,594)
Short-term securities with maturity of three months or less	—	137	—
Cash and cash equivalents	¥19,454	¥11,817	$183,528

(b) Summary of assets and liabilities decreased by sales of hydroelectricity business

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Current assets	¥ 98	$ 925
Fixed assets	3,007	28,368
Current liabilities	16	151

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

	Millions of yen
	2003
Current assets	¥1,536
Fixed assets	886
Total assets	2,422
Current liabilities	358
Long-term liabilities	427
Total liabilities	¥ 785

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

	Millions of yen
	2003
Current assets	¥1,153
Fixed assets	347
Total assets	1,500
Current liabilities	865
Long-term liabilities	12
Total liabilities	¥ 877

16. 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, 2004 and 2003 were as follows:

Year ended 31st March, 2004

	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	¥ 63,174	¥ 42,188	¥ 13,966	¥ 4,139	¥ 29,163	¥ 883	¥ —	¥ 153,513
Intersegment	319	611	98	102	226	1,326	(2,682)	—
Total	63,493	42,799	14,064	4,241	29,389	2,209	(2,682)	153,513
Costs and expenses	(59,189)	(47,845)	(13,008)	(2,522)	(29,606)	(2,157)	2,838	(151,489)
Operating income (loss)	¥ 4,304	¥ (5,046)	¥ 1,056	¥ 1,719	¥ (217)	¥ 52	¥ 156	¥ 2,024
II. Assets, depreciation and capital expenditures								
Total assets	¥ 71,815	¥ 31,068	¥ 29,219	¥19,757	¥ 9,085	¥ 4,980	¥40,326	¥ 206,250
Depreciation	1,271	3,660	892	608	43	67	(8)	6,533
Capital expenditures	701	926	717	502	68	82	—	2,996

	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	$ 595,981	$ 398,000	$ 131,755	$ 39,047	$ 275,123	$ 8,330	$ —	$ 1,448,236
Intersegment	3,010	5,764	924	962	2,132	12,510	(25,302)	—
Total	598,991	403,764	132,679	40,009	277,255	20,840	(25,302)	1,448,236
Costs and expenses	(558,387)	(451,368)	(122,717)	(23,792)	(279,302)	(20,349)	26,774	(1,429,141)
Operating income (loss)	$ 40,604	$ (47,604)	$ 9,962	$ 16,217	$ (2,047)	$ 491	$ 1,472	$ 19,095
II. Assets, depreciation and capital expenditures								
Total assets	$ 677,500	$ 293,094	$ 275,651	$186,387	$ 85,708	$ 46,981	$380,434	$ 1,945,755
Depreciation	11,991	34,528	8,415	5,736	406	631	(75)	61,632
Capital expenditures	6,613	8,736	6,764	4,736	642	773	—	28,264

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 expenditures								
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 expenditures	705	3,346	701	838	92	132	—	5,814

Details of operations by geographic area for the years ended 31st March, 2004 and 2003 were as follows:

Year ended 31st March, 2004

	Millions of yen				
	Japan	Oceania	Other areas	Eliminations and Corporate	Consolidated
I. Sales and operating income (loss)					
Outside customers	¥ 134,491	¥ 12,196	¥ 6,826	—	¥ 153,513
Inter-area	3,928	—	239	(4,167)	—
Total	138,419	12,196	7,065	(4,167)	153,513
Costs and expenses	(132,004)	(16,722)	(7,004)	4,241	(151,489)
Operating income (loss)	¥ 6,415	¥ (4,526)	¥ 61	¥ 74	¥ 2,024
II. Assets					
Total assets	¥ 225,024	¥ 11,832	¥ 7,917	¥(38,523)	¥ 206,250

	Thousands of U.S. dollars				
	Japan	Oceania	Other areas	Eliminations and Corporate	Consolidated
I. Sales and operating income (loss)					
Outside customers	$ 1,268,783	$ 115,057	$ 64,396	—	$ 1,448,236
Inter-area	37,057	—	2,254	(39,311)	—
Total	1,305,840	115,057	66,650	(39,311)	1,448,236
Costs and expenses	(1,245,321)	(157,755)	(66,074)	40,009	(1,429,141)
Operating income (loss)	$ 60,519	$ (42,698)	$ 576	$ 698	$ 19,095
II. Assets					
Total assets	$ 2,122,868	$ 111,623	$ 74,689	$(363,425)	$ 1,945,755

Year ended 31st March, 2003

	Millions of yen				
	Japan	Oceania	Other areas	Eliminations and Corporate	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

"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 ¥29,157 million ($275,066 thousand) or 19.0% and ¥40,254 million or 26.5% of the consolidated net sales for the years ended 31st March, 2004 and 2003, respectively.

17. Subsequent Events

(a)

On 28th April, 2004 and on 19th May, 2004, the Company resolved the plan of corporate separation. The plan was approved at the general shareholders' meeting of the Company held on 29th June, 2004.

The Company will separate six business categories (Industrial machinery, Development machinery, UNIC crane, Metal, Electronic Materials, Chemicals) and transfer them to six companies (Furukawa Industrial Machinery Systems Co., Ltd., FURUKAWA MACHINERY SALES CO., LTD., Furukawa UNIC Corporation, Furukawa Metals & Resources Co., Ltd., Furukawa Denshi Co., Ltd., Furukawa Chemicals Co., Ltd.), respectively. The scheduled date of the separation of Industrial Machinery business is 31st March, 2005 and of other 5 businesses is 1st March, 2005. When the plan of the separation is completed, FURUKAWA MACHINERY SALES CO., LTD. will change its name to Furukawa Rock Drill Co., Ltd.

(b)

On 29th June, 2004, the shareholders of the Company approved the use of the capital surplus amounting to ¥29,534 million ($278,623 thousand) to reduce a deficit.

Shin Nihon & Co.

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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, 2004 and 2003, 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 express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards 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 as of 31st March, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 17, the Company resolved the plan of corporate separation. In this spin-off, the Company will separate its six businesses, and transfer them to six subsidiaries. The plan was approved by the general shareholders' meeting of the Company held on 29th June, 2004.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31st March, 2004 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.

29th June, 2004

Shin Nihon & Co.

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 Metal & Resources Co., Ltd.	Copper smelting	JPY 300 million
Furukawa UNIC Corporation	Sales of UNIC cranes	JPY 200 million
Osaka Transportation Co., Ltd.	Transportation	JPY 150 million
Otsuka Iron Works, Ltd.	Manufacture of crushers	JPY 140 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
Furukawa Castec, Ltd.	Sales and manufacture of castings and industrial machines	JPY 50 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 30 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
Taian Furukawa Machinery Co., Ltd.	Sales of UNIC cranes	USD 2.5 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, 2004

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
Tsuyoshi Ishii
Makoto Tanabe

Auditors
Toshiharu Nagao
Tomoo Yamada

CORPORATE DATA

As of 31st March, 2004

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

Date of Foundation
August 1875

Date of Establishment
April 1918

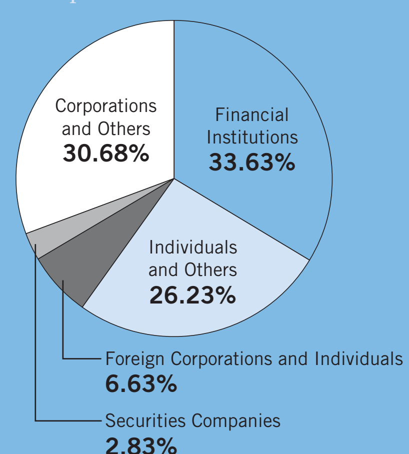
Common Stock
Authorized: 800,000,000 shares
Issued: 404,455,680 shares

Stock Exchange Listings
Tokyo, Osaka

Number of Employees
1,220

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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