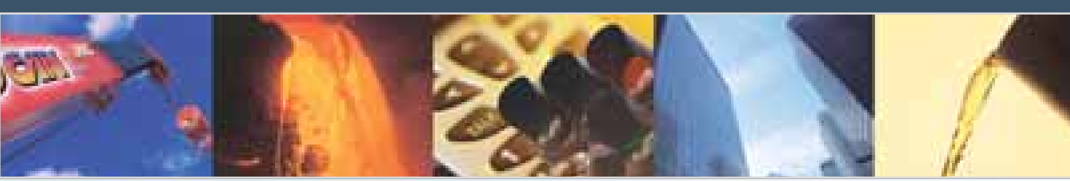
Well-Grounded for the Future

Annual Report 2007

Year ended March 31, 2007



FURUKAWA

Furukawa Co., Ltd. was established in 1875, and over its 132-year history it 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.

In fiscal 2007, ended March 31, 2007, we achieved historic highs in both revenues and profit owing primarily to an expansion in revenues in the Metals Division, which has been operating in an environment of high copper and metal prices, as well as to improved earning capacity in major divisions, thanks to the implementation of our "selection and concentration" strategy.

Fiscal 2008 marks the final year of the April 2005–March 2008 Medium-Term Management Plan. To complement our determination to implement the Plan successfully, we will also undertake greater efforts to build a solid path toward future growth.

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.

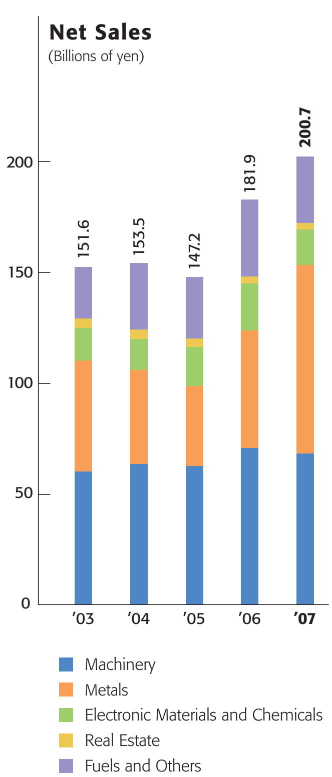
CONSOLIDATED FINANCIAL HIGHLIGHTS

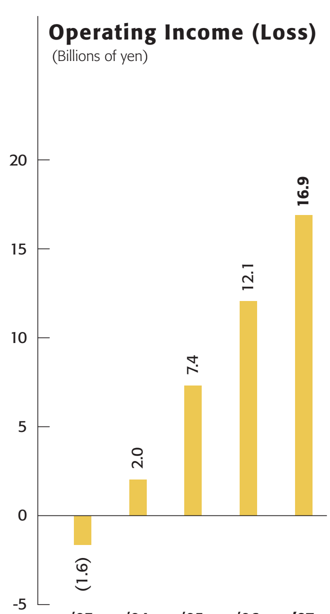
Furukawa Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2007, 2006 and 2005

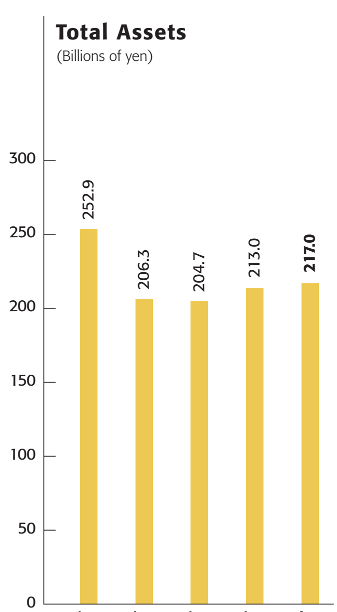
	Millions of yen			Thousands of U.S. dollars	Percent change
	2007	2006	2005	2007	2007 / 2006
For the year:					
Net sales	¥ 200,749	¥ 181,938	¥ 147,237	$1,701,263	10.3%
Operating income	16,899	12,130	7,383	143,212	39.3
Income before income taxes and minority interests	11,127	9,810	4,199	94,297	13.4
Net income	17,554	5,309	2,257	148,763	230.6
At year-end:					
Total assets	¥ 217,027	¥ 213,046	¥ 204,651	$1,839,212	1.9
Net assets	52,136	43,072	31,335	441,831	21.0
	Yen			U.S. dollars	
Per share amounts:					
Net income:					
Basic	¥ 43.42	¥ 13.12	¥ 5.57	$ 0.37	230.9
Diluted	—	12.37	5.03	—	—
Cash dividends	5.00	3.00	—	0.04	66.7

Notes 1. U.S. dollar amounts are translated from yen for convenience only at the rate of ¥118=US$1.00.

2. From the fiscal year ended March 31, 2007, what was formerly recorded as "shareholders' equity" is now recorded as "net assets," in line with revisions to Japanese accounting standards as detailed in the Accounting Standards Board of Japan's (ASBJ) "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5, December 9, 2005) and its implementation guidance, "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8, December 9, 2005).
Figures for fiscal 2005 to fiscal 2006 represent total shareholders' equity.







Furukawa Co., Ltd. and its consolidated subsidiaries recorded historic highs in both revenue and profit in the fiscal year ended March 31, 2007. Making the most of this new growth spurt, Furukawa plans to accelerate its efforts toward establishing a foundation for greater growth and expansion, as it aims to broaden its business and enhance corporate value.

Left:
Chairman and Representative Director,
Tetsuo Yoshino

Right:
President and Representative Director,
Nobuyoshi Soma

Performance in Fiscal 2007

In the Machinery Division, despite a decline in net sales owing to a fall off in the industrial machinery business sales, healthy overseas shipments exhibited by the rock drill business and improved profitability in the industrial machinery business supported an increase in income. Sales and income in the Metals Division grew significantly in the fiscal year under review owing to high-priced copper, gold, silver, and correspondingly, improvements in Treatment and Refining Charge (T/C, R/C). Electronic Materials and Chemicals Division profit increased due to steady sales of high-purity metallic arsenic and cuprous oxide.

As a result, consolidated net sales rose 10.3% year on year to ¥200,749 million, while operating income grew 39.3% to ¥16,899 million. Furukawa recorded ¥3,032 million in losses related to its copper smelting business in Australia. After accounting for deferred income taxes of ¥6,793 million, net income amounted to ¥17,554 million, a threefold increase—precisely 3.3 times—compared to the previous fiscal year.

Reflecting an overall robust performance, annual dividends increased ¥2.00 per share, for dividend payments of ¥5.00 per share.

Medium-Term Management Plan Progress Update

Fiscal 2007 was the intermediate year of our April 2005–March 2008 Medium-Term Management Plan, which designates the pursuit of maximum corporate value for the entire Group through a shift to an operating holding company system and additional strengthening of Furukawa's financial position through increased profitability as priority issues. Performance goals for fiscal 2008 set under the Plan include consolidated net sales of ¥165,000 million, operating income of ¥10,500 million and a ¥30,000 million reduction in interest-bearing liabilities.

In the fiscal year under review, consolidated net sales and operating income already surpassed these targets, owing to greater-than-expected expansion of earnings in the Metals Division on the back of high metal prices carried over from the previous fiscal year. At the fiscal year-end, interest-bearing liabilities (corporate bonds and long-term debt) stood at ¥89,389 million, a reduction of ¥27,462 million from March 31, 2005, exhibiting a steady decline in interest-bearing liabilities.

In fiscal 2008, the final year of the Plan, while working to build a revenue base resilient to fluctuations in the metals market by enhancing the profitability of the Machinery Division, the Electronic Materials and Chemicals Division and other divisions, we are also working to develop our next medium-term management plan with the aim of further Group expansion and growth.

Building a Foundation to Facilitate Our Next Stage of Growth

Current efforts in the Machinery Division include bolstering overseas development of hydraulic rock breakers, crawler drills and drill jumbos for mine development. In order to meet a surge in demand, we are implementing capital investment for the installation of new equipment and machinery upgrades at the Takasaki and Yoshii Plants. The goal of these efforts is to increase our global share of the market for hydraulic rock breakers and crawler drills, lifting it from approximately 30% in fiscal 2006 to 40% within the next few years. In fiscal 2007, we acquired new orders from Russia for drill jumbos, a product for which we command an overwhelming share of the Japanese market. In an operating environment where mine development has intensified on the back of worldwide expansion in demand for resources and energy, we are striving to establish an overseas sales and service structure to facilitate growth in sales.

Progress of Medium-Term Management Plan (April 2005 to March 2008)

Net Sales by Business Division

Millions of yen

	2006	2007	2008 (Target)
Machinery	70,329	**67,796**	75,500
Metals	52,662	**84,754**	35,000
Electronic Materials and Chemicals	21,228	**15,902**	22,000
Real Estate	3,107	**2,936**	3,800
Fuels and Others	34,612	**29,361**	28,700
Total	181,938	**200,749**	165,000

Operating Income by Business Division

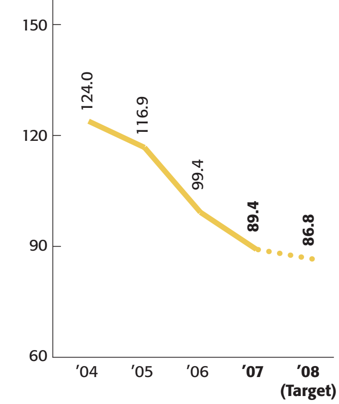
Millions of yen

	2006	2007	2008 (Target)
Machinery	4,244	**5,902**	4,800
Metals	5,779	**8,837**	2,000
Electronic Materials and Chemicals	1,498	**2,088**	2,300
Real Estate	905	**839**	1,300
Fuels and Others	(69)	**(415)**	200
Eliminations and corporate	(227)	**(352)**	(100)
Total	12,130	**16,899**	10,500

Note: Interest-bearing liabilities = Long- and short-term debt + Corporate bonds

Interest-Bearing Liabilities

(Billions of yen)



In the UNIC machinery business, we built a facility for knock-down production at our factory in Thailand as well as newly established a sales subsidiary there to meet increased demand in Southeast Asia. We are confident that this, along with our efforts to reduce costs by selectively allocating production to our factories in China and Thailand, will lead to increased sales in overseas markets.

In the Electronic Materials and Chemicals Division, we are looking to develop and release high-value-added crystal products to the market. Specifically, by the middle of fiscal 2008, we plan to achieve mass production of gallium nitride substrates, which are expected to become a key material for the generation of blue-violet laser diodes (LDs), the core of next-generation DVD players, and high-intensity white light-emitting diodes (LEDs).

In addition, as we aim to bring about sustainable growth over the medium to long term, we are promoting Group R&D activities geared to fortifying Furukawa's core technologies. At the same time, while our efforts will continue to be focused on expanding existing businesses, we will also concentrate on the generation of new business.

A New Management Structure

At the General Shareholders' Meeting and the Board of Directors' Meeting held on June 28, 2007, Tetsuo Yoshino, who had held the position of President and Representative Director, was appointed Chairman of the Board of Directors and Representative Director, while Managing Director Nobuyoshi Soma was newly appointed as President and Representative Director. During Tetsuo Yoshino's term as President and Representative Director, Furukawa overcame harsh business conditions and implemented business-restructuring efforts based on a selection and concentration strategy, which was the impetus behind halting operations at a copper smelting business in Australia that had incurred large-sum losses. In March 2005, Furukawa spun off its businesses and shifted to an operating holding company system and has since continued to work to maximize management efficiency and corporate value. As a result, in the fiscal year ended March 31, 2006, Furukawa realized its most pressing goal of resuming cash dividend payments, and additionally, declared an increase in dividends in the fiscal year under review. Furthermore, concerning the withdrawal from the copper smelting business in Australia, settlement seems to be in sight.

Newly appointed President Nobuyoshi Soma is known for being able to demonstrate sound judgment and decisiveness and possesses a wealth of experience from his appointment as an executive director in our machinery and materials-related businesses. Under its new leadership, the Furukawa Company Group will remain steadfast in its commitment to growth and expansion, ongoing development of strong overseas businesses, and raising corporate value.

We ask for the continued support and understanding of our shareholders.

September 2007

Tetsuo Yoshino

Tetsuo Yoshino,
Chairman and Representative Director

Nobuyoshi Soma

Nobuyoshi Soma,
President and Representative Director

R&D: Groundwork for

As R&D plays such an indispensable role in boosting corporate competitiveness, we asked Akira Usui, executive officer and general manager of the Furukawa Company Group R&D Division, to outline the Group's R&D activities, strengths and strategies.

Q.1 *Please tell us about the Furukawa Company Group's R&D activities and structure.*

The R&D activities of the Furukawa Company Group are twofold. While each of our businesses engages in product development to support today's business, our R&D Division conducts research into the new products and technologies of tomorrow. The R&D Division is part of Furukawa Co., Ltd., and comprises the Techno-Research Laboratory, Materials Research Laboratory and Semiconductor Growth System Department, which actually execute R&D projects, as well as the R&D Planning and Intellectual Property Departments, both of which support the R&D activities of the other departments and laboratories.

The R&D Division is currently focused on the machinery and materials fields. In the area of machinery, we are developing mechatronics-related TV camera carrier robots, semiconductor deposition equipment, protein crystallization equipment, and 3-D Zone Positioning Systems (ZPSs). In the area of materials, we are working on the development of nitride semiconductor crystals, scintillator crystals and thermoelectric conversion materials in relation to the electronic chemicals business.

With technological innovation accelerating at such a rapid pace, it is even more vital that our R&D activities directly relate to business, markets and customers. It is from this perspective that we plan to further enhance our undertakings in R&D.

Akira Usui
Executive Officer and General Manager,
R&D Division

Q.2 *What do you consider to be Furukawa's essential technologies?*

Furukawa developed Japan's first rock drill in 1914. Since then, not only have we remained the top maker of mine machinery, we have also continued to unearth advanced know-how in machinery design, manufacturing and integrated mechatronics that is the technology behind machinery control and automation. We take pride in being able to draw on this expertise and these abilities. Grinding and excavation rock drill-related technologies, specifically, can be said to form a significant part of the Furukawa Company Group's origins.

Another of our core technologies is our combined capabilities in materials manufacturing and processing, which we have cultivated through experience acquired in copper smelting. Although Furukawa no longer operates a copper smelting business per se and exclusively outsources its copper smelting to other companies, we possess sub-

Research and Development Structure

R&D Division	Techno-Research Laboratory	Hino City, Tokyo	Engages in technological research and product development in mechatronics, robotics and other machinery-related fields, as well as in communications technology, e.g. ZPS
	Materials Research Laboratory	Tsukuba City, Ibaraki Prefecture	Handles all materials-related research, from basic to applied research. Develops semiconductor materials, oxide scintillator crystals and materials for energy conversion
	Semiconductor Growth System Department	Tsukuba City, Ibaraki Prefecture	Conducts semiconductor crystal-related product development and develops equipment for metal organic chemical vapor deposition (MOCVD), liquid crystal-related production and solar battery manufacture
	R&D Planning Department	Chiyoda-ku, Tokyo	Develops all R&D policies and strategies. Formulates plans for commercialization of R&D
	Intellectual Property Department	Chiyoda-ku, Tokyo	Manages patents and intellectual property

Growth

stance separation and crystallization know-how that has been handed down through our long history in the materials business. These capabilities have borne fruit in the form of a top share in the field of high-purity metallic arsenic and cuprous oxide manufacturing and advances in next-generation compound semiconductor substrates and scintillator crystals.

The Furukawa Company Group believes that applying these core technologies in the fields of machinery and materials will lead to the further development of new products and technology and plans to move forward with this in mind.

Q.3 *How do you regard collaborative research with other companies and organizations and what kind of projects are you currently involved in?*

Collaborations with other organizations are indispensable to expeditious development and make the most of limited resources and time. At present, Furukawa is participating in seven separately themed industry-academia joint research projects and four national level projects. For example, we are participating in research endeavors with Shimane University and the Japan Science and Technology Agency (JST) that are targeting the development of deposition equipment for zinc oxide thin films. Zinc oxide is marked for use as a low-cost blue LED material. In projects related to gallium nitride, Furukawa is taking part in a consortium, mainly centered around Tohoku University, as well as in the Next-Generation Gallium Nitride Substrate Development Project headed by the New Energy and Industrial Technology Development Organization (NEDO). Furukawa's research into the development of high-performance scintillator crystals is also contributing to its involvement in a JST regional R&D resource utilization program focused on the development of next-generation mammography equipment to aid in the detection of breast cancer.

Q.4 *Please tell us about your efforts in managing intellectual property.*

All intellectual property is managed by the Intellectual Property Department, which also discovers and manages patents for new products and materials. The Furukawa Company Group currently holds about 300 patents, which we aim to use effectively by publicizing them through our Web site and actively promoting activities such as licensing to other companies. Also, in order to increase engineers' motivation and prompt greater advances in R&D, Furukawa has set specific company guidelines for the payment of remunerative rewards to inventors.

Q.5 *Lastly, what would you like to say to shareholders and investors?*

Since being founded in 1875, the Furukawa Company Group has long supported an essential part of Japan's industrial sector. Today, Furukawa is making the most of its wealth of knowledge in machinery and materials, its core technological areas of expertise, and its access to a rich lode of trust-based relationships that span a variety of industries to boldly take on new challenges. As we continue to promote efficient development processes, we hope to germinate the seeds of development that will support our next stage of growth. Our stakeholders should expect to see some outstanding new developments in the years ahead.

1. Robot Dolly

Robot Dolly is an intelligent, robotic, mobile TV camera system that was jointly developed by Furukawa and the Science & Technical Research Laboratories of the Japan Broadcasting Corporation (NHK). Controls programmed into the system enable automatic Robot Dolly carrier and vertical camera movements as well as make possible faithful repetition of any pre-programmed movements. Already three of these camera systems have been delivered to NHK, where their use is being incorporated into the filming of TV programs.

We anticipate that this kind of intelligent robot camera system will play a role in any filming that involves repetitive motion, overcoming the inefficiencies of manual filming. By customizing the robots to precisely meet the needs of customers, we are working to increase sales domestically, while looking to expand into overseas markets.

Robot Dolly on the set at an NHK studio

2. High-performance scintillator crystals

A single, two-inch LuAG crystal

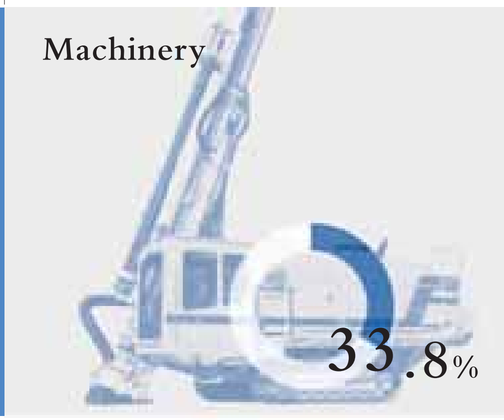
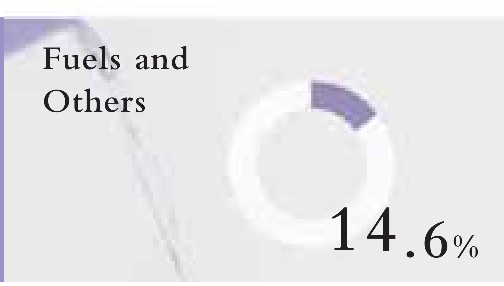
Furukawa is targeting the mass production of lutetium aluminum garnet ($Lu_3Al_5O_{12}$ [LuAG]) as a scintillator crystal for the detection of gamma rays in next-generation breast cancer equipment. Scintillator crystals play a vital role in positron emission tomography (PET) and are likewise anticipated to become essential to mammography equipment used to detect cancer. LuAG, which Furukawa is seeking to mass produce, is a high-performance scintillator crystal developed by a team of professors led by Tsuguo Fukuda at Tohoku University. Compared with conventional bismuth germanium oxide (BGO), the light yield of incident gamma rays is more than three times higher with LuAG crystals, resulting in shorter luminescence decay time, more precise diagnosis and facilitating the early detection of small cell carcinomas.

Furukawa, which will be continuing developments aimed at increasing the size of the scintillator crystals from the current two-inch diameter to four inches, is planning to commence mass production during fiscal 2009.

3. Gallium nitride substrates

Furukawa is working to develop and manufacture gallium nitride substrates for blue-violet laser diodes (LDs) used in next-generation DVD players and high-intensity, white light-emitting diodes (LEDs) that are expected to be used in illumination devices. When compared with existing sapphire substrates, gallium nitride substrates generate less crystal defects and are well suited to the production of high-output LDs and LEDs. Furukawa is making progress with the development of gallium nitride substrates using the hydride vapor phase epitaxy (HVPE) method for growing crystals that gasifies, transports and causes a reaction in the raw material used. Sample shipments of these gallium nitride substrates to electronics manufacturers are already under way. Furthermore, Furukawa is targeting mass production by the end of fiscal 2008, while improving production technology and establishing a production structure.

A two-inch diameter gallium nitride substrate

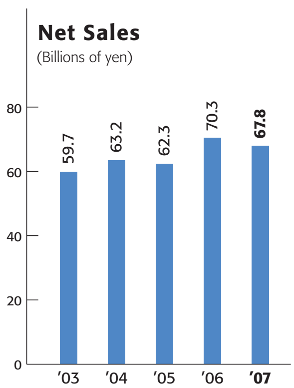
% of Net Sales	Businesses	Core Business Company	Main Products
Machinery  33.8%	**Industrial Machinery**	Furukawa Industrial Machinery Systems Co., Ltd.	Pumps, environmental treatment facilities, plants, multistory parking systems, steel structures, castings, stone crushers and semiconductor production equipment
	Rock Drills (Construction & Mining Machinery)	Furukawa Rock Drill Co., Ltd.	Rock drills (hydraulic rock breakers, hydraulic crawler drills, tunnel drill jumbos, etc.) and environmental machinery
	UNIC Machinery	Furukawa UNIC Corporation	Truck-mounted cranes (UNIC cranes, UNICPAL, UNIC carriers and mini crawler cranes, etc.)
Metals  42.2%	**Metals**	Furukawa Metals & Resources Co., Ltd.	Copper, gold, silver and sulfuric acid
Electronic Materials and Chemicals  7.9%	**Electronic Materials**	Furukawa Denshi Co., Ltd.	High-purity metallic arsenic, aluminum nitride ceramics, core coil for line filters and laser-use lenses, and optical parts
	Chemicals	Furukawa Chemicals Co., Ltd.	Cuprous oxide, sulfuric acid, aluminum sulfate, sapphire substrates and titanium dioxide
Real Estate  1.5%	**Real Estate**	Furukawa Co., Ltd.	Construction/sales, mediation/ brokerage and other related services for office buildings and apartments
Fuels and Others  14.6%	**Fuels**	Furukawa Co., Ltd.	Petroleum, petroleum-related products, LPG, coke, aggregate
	Others	Furukawa Co., Ltd.	Transportation service by trucks and domestic shipping

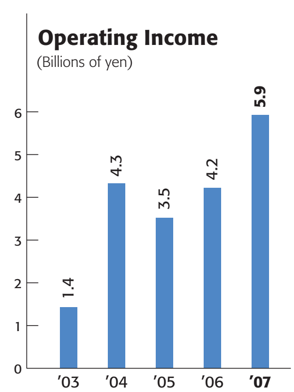
Machinery

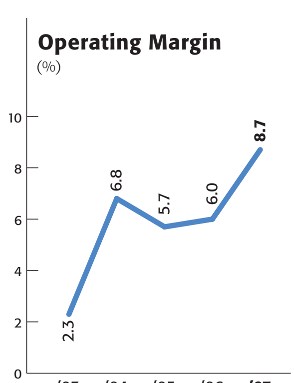
Yasuji Tomiyama
President and Representative Director
Furukawa Industrial Machinery Systems Co., Ltd.

Yoichiro Kato
President and Representative Director
Furukawa Rock Drill Co., Ltd.

Susumu Nakamura
President and Representative Director
Furukawa UNIC Corporation







In fiscal 2007, the year ended March 31, 2007, the Machinery Division posted a 3.6% decrease in sales compared with the previous fiscal year, to ¥67,796 million. Operating income increased, rising 39.1%, year on year, to ¥5,902 million, while the operating margin improved by 2.7 percentage points to 8.7%.

In the industrial machinery business, Furukawa continued to promote cost reductions and Group business reorganization based on a selection and concentration strategy, while plagued by harsh operating conditions and intensified price competition. Revenues in our core business of pump products increased, owing to the sale of a pump plant to a water and sewage treatment facility. Conditions were further exacerbated by changes in bidding methods in the bridge construction business. As a result, sales in the industrial machinery business fell 17.0% to ¥14,119 million.

In the rock drill business, overseas sales of breakers and crawler drills significantly expanded, owing to continued efforts to strengthen Furukawa's sales network. Shipments were buoyant, particularly to Europe, the United States and the Middle East. Despite slowed demand for drill jumbos in Japan due to fewer public-sector construction projects, Furukawa acquired orders from Russia as a result of its concentration on developing business in overseas mining markets. Furthermore, Furukawa looks forward to future growth in this business owing to increased activity in mining developments attributable to a rise in demand for resources and energy sources around the world. Sales in the rock drill business rose a slight 0.8% to ¥33,046 million thanks to an increase in overseas sales, which offset a decline of ¥2,810 million as a result of the withdrawal from the domestic sales of wheel loaders.

In the first half of the fiscal year under review, the UNIC business experienced an increase in domestic shipments of UNIC cranes. This was attributable to a rise in the number of trucks sold as a result of pressure to meet gas emission regulations. In the end, however, domestic demand declined, after demand associated with gas emission regulations subsided in the second half of the fiscal year. Within this environment, Furukawa worked to expand sales of its new fuel-efficient U-can ECO crane series, released in October 2006. In overseas business, while promoting expansion into new markets, Furukawa aimed to reduce costs associated with international divisions of labor by launching factory upgrades to accommodate knockdown manufacturing in Thailand, following similar moves made in China. As a result, UNIC product sales rose 0.4%, year on year, to ¥20,629 million.

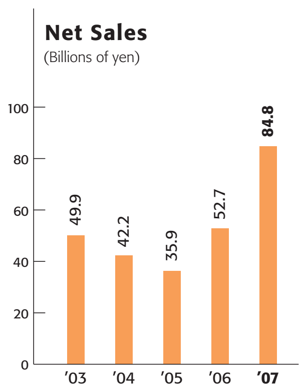
General-purpose slurry pump

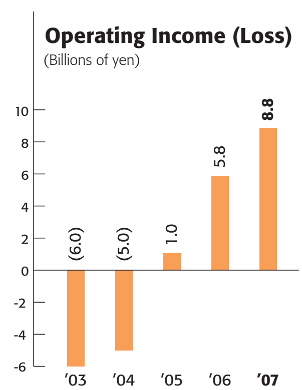
Drill jumbo for mine development

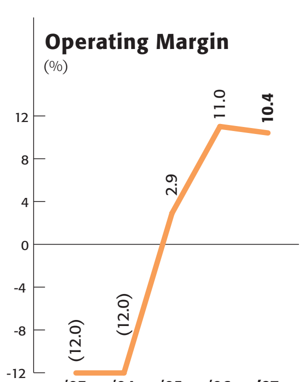
Fuel-efficient U-can ECO crane

Metals

Yoshihito Emoto
President and Representative Director
Furukawa Metals & Resources Co., Ltd.





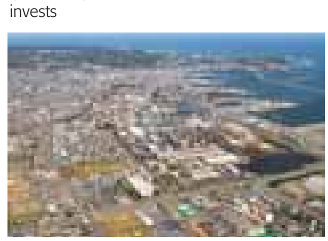


The Metals Division recorded a 60.9% surge in sales year on year to ¥84,754 million. Operating income grew 52.9% to ¥8,837 million, while the operating margin dipped 0.6 of a percentage point to 10.4%.

The price of electrolytic copper in overseas markets reached an historic high at US$8,800 per ton in May 2006, but later succumbed to a softening trend. Toward the end of the fiscal year, however, the price once again began to rise due to strong demand, coming primarily from China. Its domestic market price during the same period reached a record high of ¥1,000,000 per ton with a quoted average of ¥860,000 per ton, a substantial ¥350,000 per ton increase compared to the previous fiscal year. The sales volume of electrolytic copper increased 4,056 tons on a year-on-year basis to 88,521 tons in line with increased production that was attributable to contract smelters’ enhanced manufacturing capabilities. Under these circumstances, Treatment & Refining Charge (T/C, R/C) for smelters improved owing to negotiations that took place at the end of 2005, while greatly appreciated copper prices helped significantly improve copper prices on a sliding-scale system.

These factors, coupled with high gold and silver prices and a weak yen, contributed to large increases in both sales and operating income.

Copper and gold mine, Batu Hijau Mine (Indonesia) in which Furukawa Co., Ltd. invests

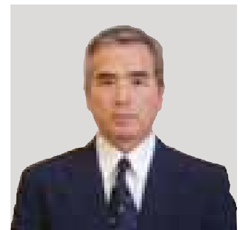


Onahama Smelting & Refining Co., Ltd. in which Furukawa Metals & Resources Co., Ltd. has capital participation

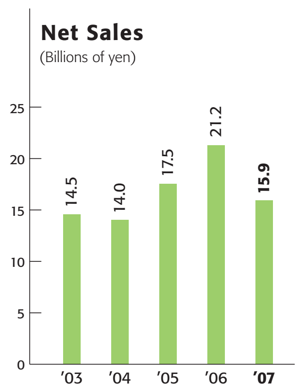
Hibi Kyodo Smelting Co., Ltd. in which Furukawa Metals & Resources Co., Ltd. has capital participation

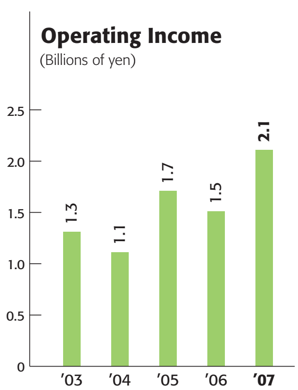
Electronic Materials and Chemicals

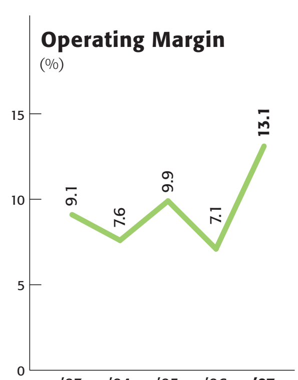
Yasuhei Konagaya
President and Representative Director
Furukawa Denshi Co., Ltd.



Fumio Kato
President and Representative Director
Furukawa Chemicals Co., Ltd.







Sales in the Electronic Materials and Chemicals Division declined due to the termination of electrolytic aluminum capacitor foil consignment sales at the end of previous fiscal year. They totaled ¥15,902 million, a 25.1% year-on-year decline. Operating income increased 39.4% to ¥2,088 million owing to steady shipments of high-purity metallic arsenic and cuprous oxide. The operating margin improved by 6.0 percentage points to 13.1%.

Shipments of high-purity metallic arsenic, which is mainly used in gallium arsenate semiconductors, were robust owing to strong demand for their use in electronic devices for mobile phones and LED lamps. Demand for other crystal products grew, leading to an increase in revenues. The unit price of cuprous oxide, which is used in paints for ship bottoms, expanded significantly owing to high copper prices and resulted in growth in earnings. Shipments of polymeric ferric sulfate solution, an aggregating agent used to treat wastewater, remained steady owing to stable public-sector demand. As a result of these combined factors, operating income expanded.

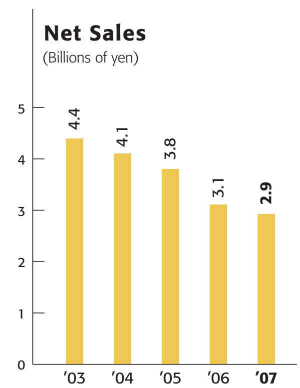
High-purity metallic arsenic

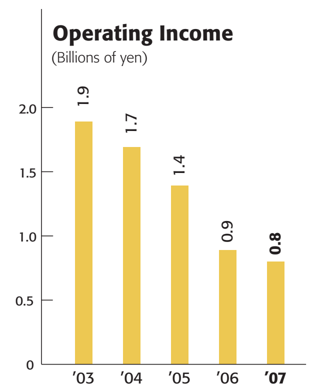
Cuprous oxide

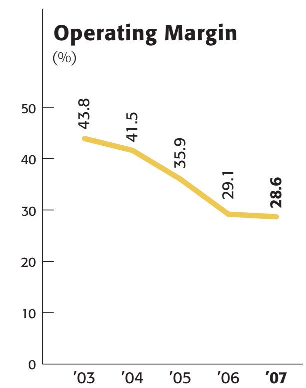
Real Estate

Real Estate Division sales in the fiscal year under review declined 5.5% to ¥2,936 million, while operating income waned by 7.3%, year on year, to ¥839 million. The operating margin fell by 0.5 of a percentage point to 28.6%.

In the division's core office-building business, brisk corporate sector demand for office space improved in the Tokyo metropolitan area, followed by the Osaka region, where Furukawa's mainstay buildings are located. Within this environment, Furukawa worked to reduce vacancies by acquiring new tenants and simultaneously to reduce expenses.





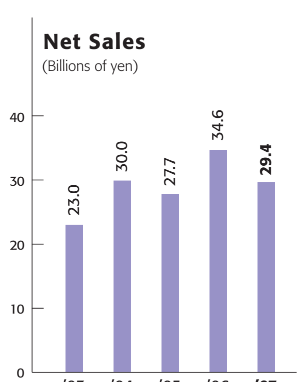


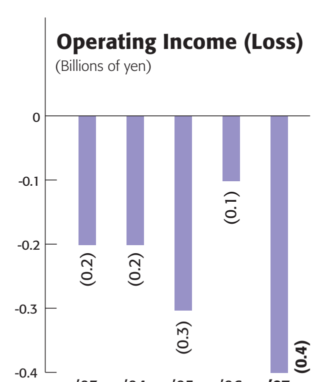
Fuels and Others

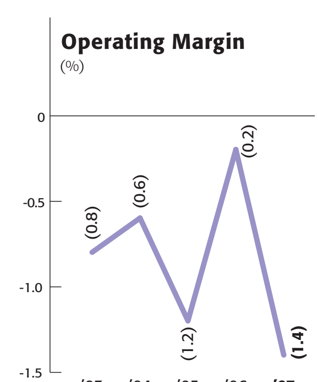
The Fuels and Others Division recorded a 15.2% decrease in sales year on year to ¥29,361 million. In addition, after recording allowance for doubtful accounts, operating loss worsened, dropping from ¥69 million in the previous fiscal year to ¥415 million.

In Fuels, crude oil prices in August 2006 reached an all-time high in Dubai, but thereafter entered a correction phase. In terms of supply and demand, Furukawa exerted efforts to maintain a steady supply amid the severe conditions caused by reduced consumption volumes attributable to fuel transitions, particularly away from Bunker A.

In Others, primarily transport and new business, sales increased, but income declined.







The protection of the environment is one of the most important management issues at the Furukawa Company Group. Our fundamental policy is that each employee should strive in all corporate activities to perform in harmony with the environment, consider the improvement of the environment, and contribute to the development of a sustainable society. We are aware of the important role we play in giving back to the community as a corporate citizen and strive to contribute in every way we can with the involvement of every Furukawa employee.

Environmental Management

●Environmental management system

The senior decision-making body for environmental-protection activities is the Central Committee for Environmental Management, in which everyone from the president on down participates. The Environmental Management Subcommittee studies, proposes, directs and monitors environmental protection activities.

The companies of the Furukawa Company Group have each established their own Environmental Management Committees, chaired by their own top management, to formulate environmental protection plans and direct environmental protection programs.

Furthermore, the Committee of Environmental Protection Supervisors meets every year, bringing together the people who directly guide and manage environmental and safety initiatives in each group company. At these meetings, the committee aims to fulfill three basic purposes: 1. to help improve the competency of environmental protection supervisors; 2. to prevent accidents resulting from Furukawa's business activities through concerted efforts to share information; and 3. to verify revisions to environment-related regulations.

●Environmental protection auditing

As of March 31, 2005, the Furukawa Company Group's principal business sites had obtained ISO14001 certification. Internal and external audits are now being conducted in order to effect continuous improvement in environmental protection activities. External audits are being conducted by an accredited ISO14001 certification body, while internal audits are implemented once a year by Furukawa's Environmental Control Department.

Environmental Protection Activities

The Furukawa Company Group is striving to lessen environmental burden by working to meet the targets it has set for fiscal 2009, the year ending March 31, 2009. Targets are based on a comparison of fiscal 2004 consumption levels and aim to reduce natural resources and energy consumption.

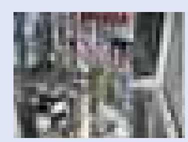
Category	Fiscal 2009 (target)
Electricity	40% reduction of fiscal 2004 consumption
Heavy oil	25% reduction of fiscal 2004 consumption
Natural gas	10% reduction of fiscal 2004 consumption
Water	25% reduction of fiscal 2004 consumption
Total discharge of industrial waste, etc.	35% reduction of fiscal 2004 consumption

Environment-Friendly Products

The Furukawa Company Group vigorously develops products related to the environment that contribute to the realization of an environmentally conscious society. Among these is the Group's low-noise, low-vibration hydraulic rock breaker that improves environments in and around construction-site areas. Furthermore, in October 2006, Furukawa newly added the fuel-efficient U-can ECO series to its lineup of cranes that realizes reduced fuel consumption during crane operation for medium- and large-sized trucks.

Other endeavors include collaborative efforts such as our participation with Shimane University, Japan Pionics Co., Ltd. and the Japan Science and Technology Agency (JST) targeting the development of deposition equipment for zinc oxide thin films. White lighting realized through high-intensity blue LEDs using gallium nitride, zinc oxide and other materials consumes comparatively less energy than conventional lighting without the use of mercury and arsenic, boosting its appeal as an energy-efficient and environmentally sound product.

Fuel-efficient U-can ECO crane

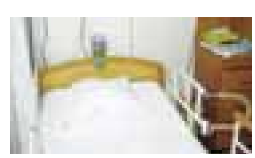


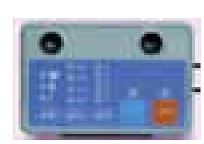
Zinc oxide thin film deposition equipment

Social Contribution Activities

The bedrock of Furukawa's social contribution activities as a good corporate citizen is the "spirit of harmony," which is one of its management philosophies. The Furukawa Company Group seeks to maintain good relationships and to live in harmony with local communities through stewardship and maintenance of forests owned by Furukawa, afforestation programs, beach cleanup operations, preservation of the "Nikko-Suginamiki" (Avenue of Cedars in Nikko), accepting internships, hosting factory visits, conducting fund-raisers, arranging blood-donor drives, and loaning its land for free to local environmental associations.

Furukawa's ZPS-BW is contributing to safety and peace of mind within nursing facilities and hospitals as a nurse-call transmittance system. The ZPS-BW uses a 3-D detection system that senses changes in ultrasonic wave reflections to "watch" over patient beds. Nurses are called upon when the system detects irregular movement by patients.





The basic policy of the Furukawa Company Group is to contribute to society, our shareholders and other stakeholders by building an efficient management structure that will yield stable profits and increased corporate value through greater management transparency and continuous innovation in our corporate structure. This policy binds the Group's businesses together to ensure Group integrity, while enabling them to manage their individual operations under a flexible management structure with a clear focus on accountability for gain and loss. At the same time, the Group businesses leverage collective strengths to maximize corporate value by providing products and services that achieve customer satisfaction.

System of Corporate Governance

To clearly separate management oversight functions from executive functions, accelerate decision-making and clarify responsibilities, Furukawa has adopted an executive officer system. Furukawa's executive officers have become representative directors at six core companies in the interest of promoting an agile management structure. As of July 28, 2007, the system comprised 16 executive officers, six of whom concurrently hold positions as directors.

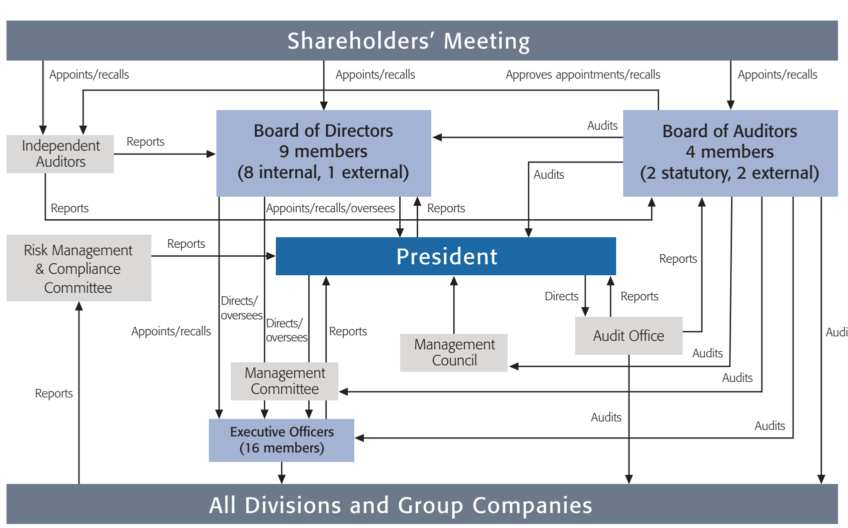
The Board of Directors has a membership of nine, of whom one is an outside director, with the Board overseeing the execution of the Furukawa Company Group's operations. The Management Council sets the Furukawa Company Group's fundamental management policies and strategies and makes decisions on important matters. There is also a Management Committee, which meets monthly to discuss the operations of Furukawa and its core companies, and provides direction. Decisions made by the Management Council that involve the allocation of funds or other important management issues must be approved by a resolution of the Board of Directors.

Furukawa uses an auditor system, with a Board of Auditors composed of two statutory auditors and two outside auditors. Pursuant to an audit policy formulated by the Board of Auditors, auditors attend meetings of the Board of Directors, the Management Council, the Management Committee, and other important management meetings. In addition, they audit business sites and subsidiaries and monitor the performance of duties carried out by directors. The audit function is further reinforced by the Audit Office, an organization in charge of internal auditing. The Audit Office is composed of six members who engage in auditing Group-wide operations management and the execution of business operations. In order to ensure the efficiency and effectiveness of the audit function, Furukawa continuously works to reinforce cooperation between the Audit Office, auditors and accounting auditors, who together devise audit plans, review audit results and share other audit-related information.

System of Risk Management

Furukawa recognizes effective risk management as an important aspect of its business activities and conducts stringent risk assessment and analysis of its business operations. Additionally, Furukawa established the Risk Management and Compliance Committee for the purpose of ensuring earnest and responsible business operations from a social and ethical perspective.

Corporate Governance Organization Chart

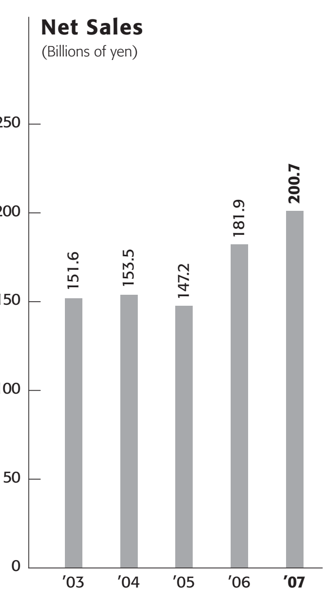


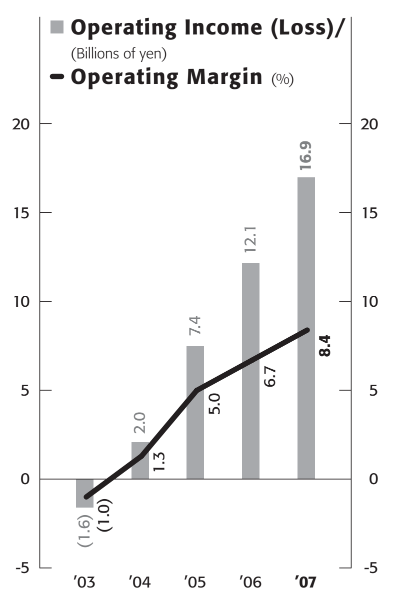
Consolidated Five-year Financial Summary

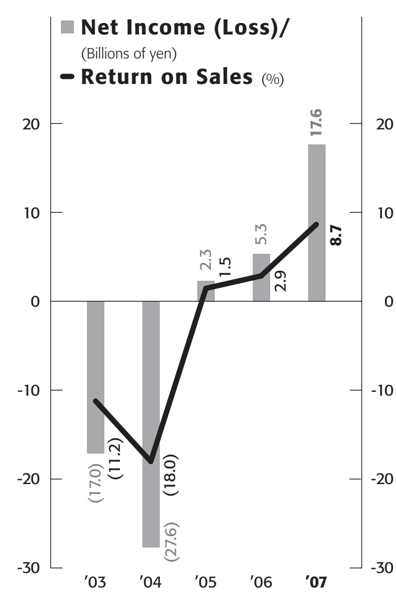
Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31

	Millions of yen				
	2007	2006	2005	2004	2003
For the year:					
Net sales	**¥200,749**	¥181,938	¥147,237	¥153,513	¥151,630
Cost of sales	**167,507**	153,281	124,586	135,872	136,509
Selling, general and administrative expenses	**16,343**	16,527	15,268	15,617	16,712
Operating income (loss)	**16,899**	12,130	7,383	2,024	(1,591)
Income (loss) before income taxes and minority interests	**11,127**	9,810	4,199	(35,238)	(22,032)
Net income (loss)	**17,554**	5,309	2,257	(27,634)	(17,000)
Cash flows from operating activities	**12,648**	8,254	7,698	(3,083)	(2,153)
Cash flows from investing activities	**(4,367)**	(336)	7,620	25,602	(4,538)
Cash flows from financing activities	**(8,910)**	(18,086)	(8,227)	(14,962)	1,108
Capital expenditures	**3,905**	1,777	2,994	2,995	5,814
Depreciation and amortization	**2,626**	2,595	3,026	6,533	6,261
At year-end:					
Total assets	**¥217,027**	¥213,046	¥204,651	¥206,250	¥252,856
Current assets	**94,865**	89,055	92,197	83,777	79,552
Current liabilities	**89,293**	88,220	104,439	81,213	94,056
Net assets*	**52,136**	43,072	31,335	28,660	33,665
	Yen				
Per share amounts:					
Net income (loss):					
Basic	**¥ 43.42**	¥ 13.12	¥ 5.57	¥ (84.61)	¥ (67.88)
Diluted	**—**	12.37	5.03	—	—
Cash dividends	**5.00**	3.00	—	—	—
Net assets	**139.13**	106.52	77.49	70.86	134.23
	Percent				
Financial indicators:					
Operating margin	**8.4%**	6.7%	5.0%	1.3%	(1.0)%
Return on sales	**8.7**	2.9	1.5	(18.0)	(11.2)
Equity ratio	**25.9**	20.2	15.3	13.9	13.3
Return on equity	**35.3**	14.3	7.5	(88.7)	(40.7)

* Figures for fiscal 2003 to fiscal 2006 represent total shareholders' equity.







Financial Review

Revenue and Expenses

Consolidated net sales in the fiscal year ended March 31, 2007 totaled ¥200,749 million, an increase of 10.3% compared with the previous fiscal year. This total was the result of a 60.9% jump in net sales of the Metals Division on the continued strength of high copper prices, although there were decreases in all other major divisions. Net sales in the Machinery Division decreased 3.6% because of a reduction in revenues from industrial machinery products, while net sales in the Electronic Materials and Chemicals Division dropped 25.1% due to the termination of electrolytic aluminum capacitor foil consignment sales at the end of the previous fiscal year. Net sales of the Fuels Division declined 16.0% year on year as a result of a drop in sales volume.

Cost of sales increased by 9.3% to ¥167,507 million, with the cost of sales margin dipping 0.8 of a percentage point to 83.4% year on year. This improvement was due mainly to an improvement in the profit margin for the industrial machinery business and the Electronic Materials and Chemicals Division. Selling, general and administrative expenses decreased 1.1% to ¥16,343 million, primarily owing to a decrease in the provision for employees' retirement benefits, as well as salaries and allowances. Operating income surged 39.3% compared to the previous fiscal year to ¥16,899 million. This is due in large part to higher operating income in the Metals Division and Machinery Division, which grew 52.9% and 39.1%, respectively.

Under other income and expenses, ¥798 million in interest and dividend income and ¥2,478 million in interest expense were recorded. Other principal items include a loss on the copper smelting business in Australia of ¥3,032 million and a loss on the disposal and devaluation of inventories of ¥699 million.

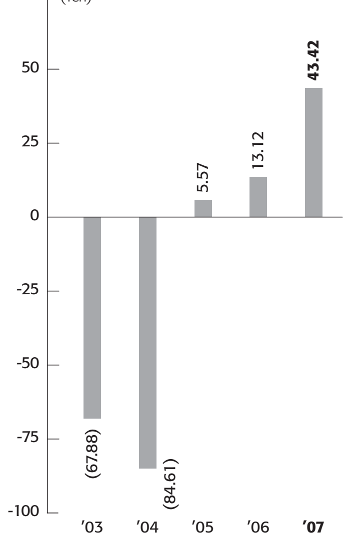
As a result of the above factors, income before income taxes and minority interests increased by 13.4% year on year to ¥11,127 million. After accounting for ¥6,793 million in deferred income taxes, Furukawa reported a surge in net income of 230.6%, to ¥17,554 million.

Accordingly, Furukawa distributed full-year dividend payments of ¥5.00 per share, (including an interim dividend payment of ¥2.00 per share), a ¥2.00 increase compared to the previous fiscal year.

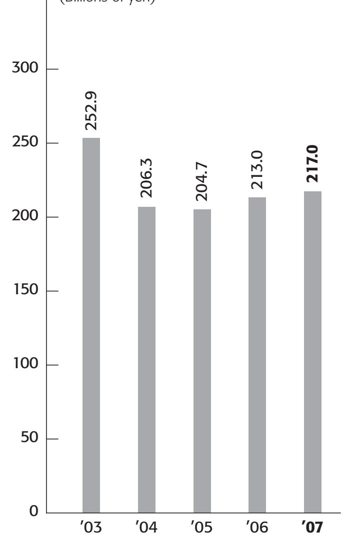
Financial Position

Total assets as of the end of the fiscal year ended March 31, 2007 stood at ¥217,027 million, a 1.9% increase compared to the end of the previous fiscal year. Current assets increased 6.5% to ¥94,865 million, mainly because of increases in inventories, particularly of metals, and deferred income taxes. Total investments declined 6.5% to ¥47,146 million owing to a decrease in investment securities attributable to a fall in the market value of shareholdings. Property, plant and equipment grew by 2.0% to ¥75,016 million due to the implementation of capital investment.

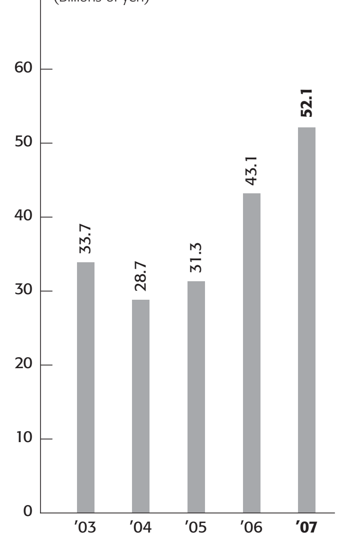
Net Income (Loss) per Share
(Yen)



Total Assets
(Billions of yen)



Net Assets
(Billions of yen)



Figures for fiscal 2003 to fiscal 2006 represent total shareholders' equity.

Total liabilities decreased by 7.4% to ¥164,891 million owing to decreases in corporate bonds and debt and deferred income taxes. As a result, the fiscal year-end balance of interest-bearing liabilities (corporate bonds and debt) was reduced by ¥10,029 million to ¥89,389 million.

Net assets at the fiscal year-end stood at ¥52,136 million. This was attributed to an increase in retained earnings from net income. In addition, Furukawa has presented minority interests and other items that comprise net assets in the balance sheet in accordance with the adoption of a new accounting standard, which was put into effect on April 1, 2006. The equity ratio grew 5.7 percentage points to 25.9%.

R&D and Capital Expenditures

Research and development expenses for the fiscal year under review were ¥1,888 million, representing 0.9% of consolidated net sales. Of this, ¥1,022 million was allocated to the Machinery Division and ¥866 million to the Electronic Materials and Chemicals Division.

Capital expenditures (including investments in intangible fixed assets) amounted to ¥3,905 million. Of this total, ¥2,333 million was allocated to the Machinery Division, ¥159 million to the Metals Division and ¥753 million to the Electronic Materials and Chemicals Division, primarily for improvements in manufacturing efficiency. In addition, ¥318 million was allocated to the Real Estate Division for maintenance on leased buildings and ¥31 million to the Fuels and Others Division for the purchase of vehicles for use in the transportation business.

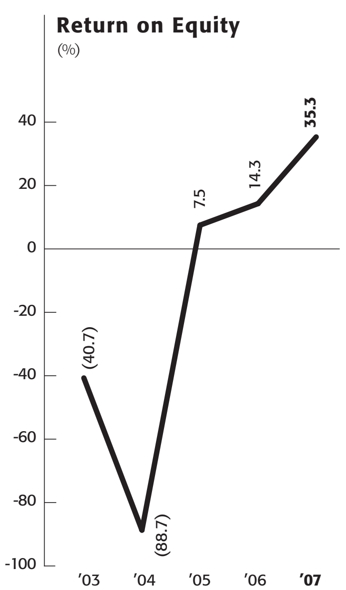
Cash Flows

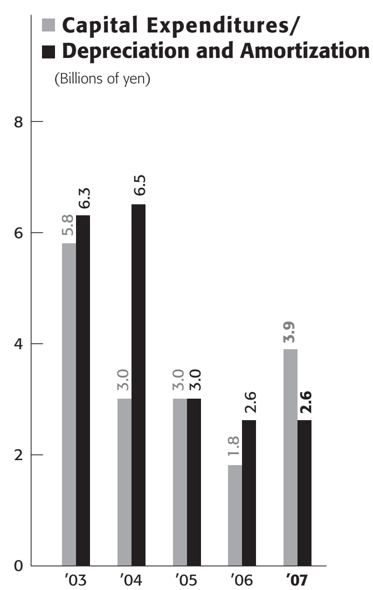
Net cash provided by operating activities during the fiscal year under review totaled ¥12,648 million, an increase of ¥4,394 million compared to the previous fiscal year, mainly owing to an increase in income before income taxes and minority interests and a decrease in trade receivables.

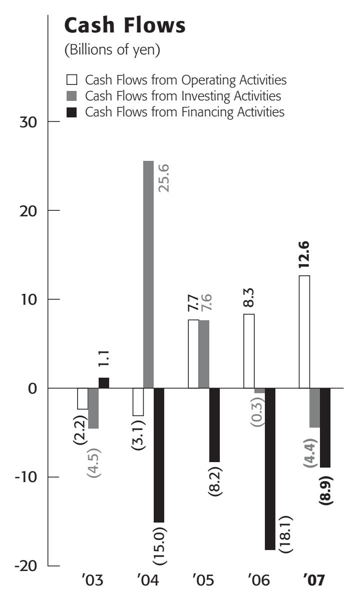
Net cash used in investing activities amounted to ¥4,367 million, a ¥4,031 million increase compared to the previous fiscal year, chiefly due to an increase in expenditures for purchases of property, plant and equipment.

Net cash used in financing activities dropped ¥9,176 million from the previous fiscal year to ¥8,910 million, principally owing to a decline in the repayment of notes.

As a result, cash and cash equivalents at end of year were ¥16,333 million, a 2.4% decrease year on year.







Business Risks

Port Kembla Copper Pty. Ltd. (Australia)

Operations at Port Kembla Copper Pty. Ltd. (PKC) were halted in August 2003. In the ensuing period, the company was placed in a care and maintenance status with efforts now directed at conducting an orderly withdrawal and resolving related environmental issues. While estimated losses relating to the suspension of operations have been brought to account, potential risks that may affect the Furukawa Company Group's operating results and financial position include costs in connection with cleanup activities at plants, sites and other areas, and the decided upon withdrawal method.

Fluctuations in the Foreign Exchange and Metals Markets

The Furukawa Company Group is at risk of foreign exchange fluctuations in connection with its export business, the import of raw materials, primarily copper ore, and smelting and processing income. In addition, the Furukawa Company Group's stock of nonferrous metal inventories, an internationally traded commodity, is subject to market movements. While the Furukawa Company Group utilizes foreign exchange contracts and forward delivery transactions as a hedge against the aforementioned risks, its operating results and financial position may be adversely affected by movements in exchange rates and nonferrous metal markets.

Investments in Securities and Land

Historically, the Furukawa Company Group has maintained relatively high balances of marketable securities and land. In recent years, however, the Group has worked to streamline assets and has sold a portion of its marketable securities and idle assets. As of March 31, 2007, the carrying value of investments in securities was ¥30,102 million, while land stood at ¥46,539 million. Accordingly, the Furukawa Company Group's operating results and financial position are at risk of impairment losses, losses from devaluation and losses on sale due to movements in stock and land prices.

Accrued Employees' Retirement Benefits

The employees of the Furukawa Company Group are covered by unfunded employee retirement benefit plans and non-contributory funded employee pension plans as defined-benefit plans. Accrued employees' retirement benefits are provided at an amount calculated based on the retirement benefit obligation and the fair value of pension plan assets at the balance sheet date. In calculating accrued employees' retirement benefits, the Furukawa Company Group adopts assumptions in connection with the discount rate and expected rate of return on plan assets, as well as other assumptions. Accordingly, the Furukawa Company Group's operating results and financial position are at risk in the event the actual discount rate and expected rate of return on plan assets differs materially from the assumptions, as well as in the event of a change in the assumptions on which accrued employees' retirement benefits are made.

Earthquake and Natural Disasters

The Furukawa Company Group's operating results and financial position are at risk in the event of a suspension in operations and delays in shipments due to damage to manufacturing bases and facilities from earthquakes and other natural disasters.

Environmental Protection

The Furukawa Company Group places the highest importance on environmental protection, environmental safety, and prevention of pollution, and it has implemented stringent measures at all business sites, both in Japan and overseas, respecting all laws and regulations. Furthermore, in Japan the Group is vigilant in preventing water run-off from idle mines from contaminating water supplies and in preventing the build up of slag or slurry. The Furukawa Company Group also maintains tight security at metals deposition sites. However, in the event of new legislation or similar directives, there is a possibility that the Group's performance results and its financial standing could be influenced.

Consolidated Balance Sheets

Furukawa Co., Ltd. and consolidated subsidiaries
March 31, 2007 and 2006

ASSETS	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars (Note 4) 2007
Current Assets:			
Cash and cash equivalents (Note 7)	**¥ 16,333**	¥ 16,743	**$ 138,415**
Receivables, trade (Note 7):			
Notes and accounts	**31,342**	33,078	**265,610**
Affiliates	**932**	1,348	**7,898**
Inventories (Notes 5 and 7)	**32,318**	28,349	**273,881**
Deferred income taxes (Note 13)	**1,982**	936	**16,797**
Other current assets (Note 7)	**12,480**	9,361	**105,763**
Allowance for doubtful accounts	**(522)**	(760)	**(4,423)**
Total current assets	**94,865**	89,055	**803,941**
Investments:			
Investments in securities (Notes 6 and 7)	**36,047**	38,460	**305,483**
Investments in affiliates	**2,065**	1,852	**17,500**
Loans receivable	**979**	1,411	**8,297**
Deferred income taxes (Note 13)	**41**	61	**347**
Other investments (Note 8)	**9,152**	9,651	**77,559**
Allowance for doubtful accounts	**(1,138)**	(991)	**(9,644)**
Total investments	**47,146**	50,444	**399,542**
Property, Plant and Equipment—at Cost (Notes 7 and 8):			
Land and timberlands	**48,395**	48,425	**410,127**
Buildings and structures	**40,545**	38,763	**343,602**
Machinery and equipment	**47,754**	45,826	**404,695**
Construction in progress	**712**	587	**6,034**
	137,406	133,601	**1,164,458**
Accumulated depreciation	**(62,390)**	(60,054)	**(528,729)**
Property, plant and equipment, net	**75,016**	73,547	**635,729**
Total assets	**¥217,027**	¥213,046	**$1,839,212**

LIABILITIES AND NET ASSETS	Millions of yen 2007	2006	Thousands of U.S. dollars (Note 4) 2007
Current Liabilities:			
Short-term loans (Note 7)	¥ 16,750	¥ 17,713	$ 141,949
Current portion of long-term debt (Note 7)	22,947	21,510	194,466
Payables, trade:			
Notes and accounts (Note 7)	33,266	29,938	281,915
Affiliates	17	4	144
Accrued expenses	10,441	11,069	88,483
Accrued income taxes (Note 13)	696	4,291	5,898
Deferred income taxes (Note 13)	11	2	93
Other current liabilities	5,165	3,693	43,772
Total current liabilities	89,293	88,220	756,720
Long-term Liabilities:			
Long-term debt (Note 7)	49,692	60,195	421,119
Accrued employees' retirement benefits (Note 12)	1,138	1,219	9,644
Accrued directors' and statutory auditors' retirement benefits	347	41	2,941
Deferred income taxes (Note 13)	7,669	14,729	64,992
Deferred income taxes on surplus on the revaluation of land (Note13)	3,157	3,184	26,754
Other long-term liabilities (Note 7)	13,595	10,528	115,211
Total long-term liabilities	75,598	89,896	640,661
Minority Interests in Consolidated Subsidiaries	–	(8,142)	–
Contingent Liabilities (Note 14)			
Shareholders' Equity:			
Common stock without par value:			
Authorized—800,000,000 shares			
Issued—404,455,680 shares	–	28,208	–
Retained earnings	–	2,634	–
Surplus on the revaluation of land, net of income taxes	–	3,871	–
Net unrealized holding gain on securities, net of income taxes	–	8,412	–
Translation adjustments	–	(37)	–
	–	43,088	–
Treasury stock, at cost			
2006—147,830 shares	–	(16)	–
Total shareholders' equity	–	43,072	–
Total liabilities, minority interests and shareholders' equity	–	¥213,046	–
Net Assets:			
Shareholders' Equity:			
Common stock without par value:			
Authorized—800,000,000 shares			
Issued—404,455,680 shares	28,208	–	239,051
Retained earnings	18,194	–	154,186
Treasury stock, at cost:			
2007—179,522 shares	(24)	–	(203)
Total shareholders' equity	46,378	–	393,034
Valuation, Translation Adjustments and Others:			
Net unrealized holding gain on securities, net of income taxes	6,270	–	53,136
Deferred gains (losses) on hedges	371	–	3,144
Surplus on the revaluation of land, net of income taxes	3,838	–	32,525
Translation adjustments	(611)	–	(5,178)
Total valuation, translation adjustments and others	9,868	–	83,627
Minority Interests in Consolidated Subsidiaries	(4,110)	–	(34,830)
Total net assets	52,136	–	441,831
Total liabilities and net assets	¥217,027	–	$1,839,212

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2007	2006	**2007**
Net Sales	**¥ 200,749**	¥ 181,938	**$ 1,701,263**
Cost of Sales (Note 9)	**(167,507)**	(153,281)	**(1,419,551)**
Gross profit	**33,242**	28,657	**281,712**
Selling, General and Administrative Expenses (Note 9)	**(16,343)**	(16,527)	**(138,500)**
Operating income	**16,899**	12,130	**143,212**
Other Income (Expenses):			
Interest and dividend income	**798**	490	**6,763**
Equity in earnings of affiliates	**358**	191	**3,034**
Interest expense	**(2,478)**	(2,267)	**(21,000)**
Other, net (Note 15)	**(4,450)**	(734)	**(37,712)**
Income before income taxes and minority interests	**11,127**	9,810	**94,297**
Income Taxes (Note 13):			
Current	**(1,026)**	(4,757)	**(8,695)**
Deferred	**6,793**	567	**57,568**
Total	**5,767**	(4,190)	**48,873**
Minority Interests	**660**	(311)	**5,593**
Net income	**¥ 17,554**	¥ 5,309	**$ 148,763**

	Yen		U.S. dollars (Note 4)
Net Income per Share:			
Basic	**¥ 43.42**	¥ 13.12	**$ 0.37**
Diluted	**—**	12.37	**—**
Cash Dividends per Share	**5.00**	3.00	**0.04**
Net Assets per Share	**139.13**	106.52	**1.18**

The accompanying notes are an integral part of these statements.

Consolidated Statement of Shareholders' Equity

Furukawa Co., Ltd. and consolidated subsidiaries
For the year ended March 31, 2006

		Millions of yen					
	Number of shares of common stock (thousands)	Common stock	Retained earnings	Surplus on the revaluation of land	Net unrealized holding gain on securities	Translation adjustments	Treasury stock, at cost
Balance as of March 31, 2005	404,456	¥28,208	¥(2,871)	¥4,387	¥2,026	¥(404)	¥(11)
Decrease due to the change in the Company's ownership interests in the affiliate	—	—	—	(313)	—	—	—
Reversal of surplus on the revaluation of land	—	—	203	(203)	—	—	—
Net income for the year	—	—	5,309	—	—	—	—
Bonuses to directors and statutory auditors	—	—	(7)	—	—	—	—
Net change during the year	—	—	—	—	6,386	367	(5)
Balance as of March 31, 2006	404,456	¥28,208	¥ 2,634	¥3,871	¥8,412	¥ (37)	¥(16)

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Assets

Furukawa Co., Ltd. and consolidated subsidiaries
For the year ended March 31, 2007

		Millions of yen			
		Shareholders' equity			
	Number of shares of common stock (thousands)	Common stock	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2006	404,456	¥ 28,208	¥ 2,634	¥ (16)	¥ 30,826
Cash dividends paid	–	–	(2,020)	–	(2,020)
Bonuses to directors and statutory auditors	–	–	(7)	–	(7)
Net income for the year	–	–	17,554	–	17,554
Acquisition of the treasury stock	–	–	–	(8)	(8)
Reversal of surplus on the revaluation of land	–	–	33	–	33
Net change during the year	–	–	–	–	–
Balance as of March 31, 2007	404,456	¥ 28,208	¥ 18,194	¥ (24)	¥ 46,378

	Millions of yen						
	Valuation, translation adjustments and others						
	Net unrealized holding gain on securities, net of income taxes	Deferred gains (losses) on hedges	Surplus on the revaluation of land, net of income taxes	Translation adjustments	Total valuation, translation adjustments and others	Minority interests in consolidated subsidiaries	Total net assets
Balance as of March 31, 2006	¥ 8,412	¥ –	¥ 3,871	¥ (37)	¥ 12,246	¥ (8,142)	¥ 34,930
Cash dividends paid	–	–	–	–	–	–	(2,020)
Bonuses to directors and statutory auditors	–	–	–	–	–	–	(7)
Net income for the year	–	–	–	–	–	–	17,554
Acquisition of the treasury stock	–	–	–	–	–	–	(8)
Reversal of surplus on the revaluation of land	–	–	(33)	–	(33)	–	–
Net change during the year	(2,142)	371	–	(574)	(2,345)	4,032	1,687
Balance as of March 31, 2007	¥ 6,270	¥ 371	¥ 3,838	¥ (611)	¥ 9,868	¥ (4,110)	¥ 52,136

	Thousands of U.S. dollars (Note 4)			
	Shareholders' equity			
	Common stock	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2006	$239,051	$ 22,322	$(136)	$261,237
Cash dividends paid	–	(17,119)	–	(17,119)
Bonuses to directors and statutory auditors	–	(60)	–	(60)
Net income for the year	–	148,763	–	148,763
Acquisition of the treasury stock	–	–	(67)	(67)
Reversal of surplus on the revaluation of land	–	280	–	280
Net change during the year	–	–	–	–
Balance as of March 31, 2007	$239,051	$154,186	$(203)	$393,034

	Thousands of U.S. dollars (Note 4)						
	Valuation, translation adjustments and others						
	Net unrealized holding gain on securities, net of income taxes	Deferred gains (losses) on hedges	Surplus on the revaluation of land, net of income taxes	Translation adjustments	Total valuation, translation adjustments and others	Minority interests in consolidated subsidiaries	Total net assets
Balance as of March 31, 2006	$ 71,289	$ –	$32,805	$ (314)	$103,780	$(69,000)	$296,017
Cash dividends paid	–	–	–	–	–	–	(17,119)
Bonuses to directors and statutory auditors	–	–	–	–	–	–	(60)
Net income for the year	–	–	–	–	–	–	148,763
Acquisition of the treasury stock	–	–	–	–	–	–	(67)
Reversal of surplus on the revaluation of land	–	–	(280)	–	(280)	–	–
Net change during the year	(18,153)	3,144	–	(4,864)	(19,873)	34,170	14,297
Balance as of March 31, 2007	$ 53,136	$3,144	$32,525	$(5,178)	$ 83,627	$(34,830)	$441,831

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 March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2007	2006	2007
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 11,127	¥ 9,810	$ 94,297
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	2,626	2,595	22,254
Increase (Decrease) in allowance for doubtful accounts, net	(94)	177	(797)
Increase in accrued employees' retirement benefits	174	701	1,475
Loss on disposal and sales of property, plant and equipment	—	138	—
Gain on sales of property, plant and equipment	(20)	(178)	(169)
Gain on sales of investments in securities	(7)	(1,009)	(59)
Equity in earnings of affiliates	(358)	(191)	(3,034)
Interest and dividend income	(798)	(490)	(6,763)
Interest expense	2,478	2,267	21,000
Loss on impairment of fixed assets	29	302	246
Changes in operating assets and liabilities:			
Receivables, trade	2,279	(902)	19,314
Inventories	(3,802)	(4,710)	(32,220)
Payables, trade	3,103	5,788	26,297
Other	5,634	(2,737)	47,744
Subtotal	22,371	11,561	189,585
Interest and dividends received	985	501	8,347
Interest paid	(2,505)	(2,636)	(21,229)
Payments related to copper smelting business in Australia	(407)	(406)	(3,449)
Income taxes paid	(7,432)	(827)	(62,983)
Income taxes refunded	10	253	85
Other	(374)	(192)	(3,170)
Net cash provided by operating activities	12,648	8,254	107,186
Cash Flows from Investing Activities:			
Increase in time deposits	—	(5)	—
Decrease in time deposits	—	22	—
Purchases of property, plant and equipment	(3,862)	(1,767)	(32,729)
Proceeds from sales of property, plant and equipment	24	639	203
Decrease in restricted deposits	—	15	—
Purchases of investments in securities	(1,332)	(1,896)	(11,288)
Proceeds from sales of investments in securities	526	2,513	4,458
Proceeds from rental of real estate	108	150	915
Proceeds from the collection of the loan	425	24	3,602
Other	(256)	(31)	(2,170)
Net cash used in investing activities	(4,367)	(336)	(37,009)
Cash Flows from Financing Activities:			
Proceeds from long-term loans payable	15,000	31,588	127,119
Repayment of long-term loans payable	(20,676)	(19,587)	(175,220)
Proceeds from short-term loans	10,600	6,797	89,831
Repayment of short-term loans	(10,816)	(11,745)	(91,661)
Repayment of notes	(1,000)	(25,196)	(8,475)
Repayment of finance lease obligations	—	(161)	—
Cash dividends	(2,022)	—	(17,136)
Proceeds from issuance of common stock of a consolidated subsidiary to a minority shareholder	68	232	576
Other	(64)	(14)	(542)
Net cash used in financing activities	(8,910)	(18,086)	(75,508)
Effect of exchange rate changes on cash and cash equivalents	219	303	1,856
Net decrease in cash and cash equivalents	(410)	(9,865)	(3,475)
Cash and Cash Equivalents at Beginning of Year	16,743	26,608	141,890
Cash and Cash Equivalents at End of Year	¥ 16,333	¥ 16,743	$ 138,415

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Furukawa Co., Ltd. and consolidated subsidiaries
March 31, 2007

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 37 subsidiaries as of March 31, 2007 (39 as of March 31, 2006). The consolidated financial statements included the accounts of the Company and 37 subsidiaries as of March 31, 2007 (39 as of March 31, 2006).

Compared with the previous year, the number of subsidiaries decreased by 2 due to liquidation.

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 December 31 year-end. Relevant adjustments have been made for significant transactions with such subsidiaries during the period from January 1 to March 31.

Although the Company had 12 affiliates as of March 31, 2007 (11 affiliates as of March 31, 2006), the equity method was applied to 5 affiliates as of March 31, 2007 (4 as of March 31, 2006) in preparing the consolidated financial statements, and investments in the rest of those affiliates are carried at cost or less.

(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

Securities other than equity securities issued by subsidiaries and affiliates 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 March 31, 2007 and 2006. 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 net assets (shareholders' equity in 2006). 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 are stated at cost determined by the moving average 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 who 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 range of useful lives of property, plant and equipment are summarized as follows:

Buildings and structures 5 to 60 years
Machinery and equipment 2 to 25 years

Amortization is calculated by the straight-line method for intangible assets.

(7) Leases

Non-cancelable lease transactions entered into 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 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 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.

Prior service cost is being amortized by the straight-line method over a period of principally 15 years, which is 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 is shorter than the average remaining years of service of the employees.

(9) Accrued Directors' and Statutory Auditors' Retirement Benefits

Directors and statutory auditors of the Company and certain domestic consolidated subsidiaries are customarily entitled to lump-sum payments under their respective unfunded retirement benefits plans. The accrual for retirement benefits for these directors and statutory auditors is recorded at the amount which would have been paid in accordance with the internal rules if they had resigned their offices as of the balance sheet date.

(10) 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 March 31, 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 relevant adjustments. The carrying value of the land after revaluation exceeded its fair value by ¥1,591 million ($13,483 thousand) and ¥1,401 million as of March 31, 2007 and 2006, respectively.

(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, which were measured using the enacted tax rates and laws which will be in effect when the temporary differences are expected to reverse, are reflected in the consolidated financial statements.

The Company and its domestic wholly-owned subsidiaries files a consolidated corporation tax returns.

(12) Amounts per Share

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share is computed based on the net income available for distribution 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 bonds. In the year ended March 31, 2007, diluted net income per share is not disclosed because it is anti-dilutive.

Cash dividends per share represent the cash dividends declared as applicable to the respective years together with the interim cash dividends paid.

Net assets per share are computed based on the net assets excluding stock minority interests and the number of common stock outstanding at the year end.

(13) Foreign Currency Translation

Foreign currency denominated monetary assets and liabilities are translated into Japanese yen using the rates of exchange in effect at the balance sheet date. Resulting gains or losses are credited or charged to income as incurred.

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding minority interests (shareholders' equity in 2006) which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year. Differences arising from the translation are presented as translation adjustments and minority interests in its consolidated financial statements.

(14) Hedging Activities

The Furukawa Group uses derivative financial instruments for the purpose of hedging the risks of adverse fluctuations in foreign exchange rates, commodity prices and interest rates on the receivables, payables and forecast transactions denominated in foreign currencies. All derivative financial instruments except below are stated at fair value and related gain or loss on the changes in the fair values of derivative financial instruments is deferred as a component of net assets (an asset or liability in 2006) in the balance sheet until the recognition of gain or loss on hedged items when those derivative financial instruments qualify for hedge accounting.

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

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

(15) Shareholders' Equity

The new Company Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, came into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

3. Accounting Changes

(1) Accounting for the Presentation of Net Assets in the Balance Sheets

Effective April 1, 2006, the Company adopted a new accounting standard for presentation of net assets in the balance sheet and related implementation guidance. Shareholders' equity under the previous presentation method amounted to ¥55,875 million ($473,517 thousand) as of March 31, 2007. In addition, effective the year ended March 31, 2007, the Company is required to prepare consolidated statement of changes in net assets instead of consolidated statements of shareholders' equity.

(2) Accounting for Accrued Directors' and Statutory Auditors' Retirement Benefits

Until the year ended March 31, 2006, retirement benefits for directors and statutory auditors were charged to income when the payments were approved by the shareholders' meeting and made. Effective April 1, 2007, the Company and certain consolidated subsidiaries started to provide for the retirement benefits at the amount which would have been required to be paid if those directors and statutory auditors had resigned their offices as of the balance sheet date. The effect of this change was to decrease operating income and income before income taxes and minority interests by ¥56 million ($475 thousand) and ¥306 million ($2,593 thousand), respectively, for the year ended March 31, 2007 as compared to the corresponding amounts which would have been recorded if the previous method were followed. The effect of this change on the segment information is immaterial.

4. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥118=US$1.00, the exchange rate prevailing on March 31, 2007. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

5. Inventories

Inventories as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Finished products	**¥12,975**	¥12,961	**$109,958**
Work in process	**6,440**	5,483	**54,576**
Raw materials and supplies	**12,903**	9,905	**109,347**
Total	**¥32,318**	¥28,349	**$273,881**

6. Investments in Securities

The aggregate acquisition cost, carrying value and unrealized gain or loss pertaining to the marketable other securities as of March 31, 2007 and 2006 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2007			**2007**		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Listed corporate shares	**¥15,960**	**¥26,587**	**¥10,627**	**$135,254**	**$225,314**	**$90,060**
Government bonds	**—**	**—**	**—**	**—**	**—**	**—**
Corporate bonds	**—**	**—**	**—**	**—**	**—**	**—**
	15,960	**26,587**	**10,627**	**135,254**	**225,314**	**90,060**
Securities whose acquisition cost exceeds their carrying value:						
Listed corporate shares	**3,604**	**3,441**	**(163)**	**30,542**	**29,161**	**(1,381)**
Government bonds	**16**	**15**	**(1)**	**136**	**127**	**(9)**
Corporate bonds	**59**	**59**	**—**	**500**	**500**	**—**
	3,679	**3,515**	**(164)**	**31,178**	**29,788**	**(1,390)**
Total	**¥19,639**	**¥30,102**	**¥10,463**	**$166,432**	**$255,102**	**$88,670**

	Millions of yen		
	2006		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Listed corporate shares	¥18,062	¥32,328	¥14,266
Government bonds	—	—	—
Corporate bonds	—	—	—
	18,062	32,328	14,266
Securities whose acquisition cost exceeds their carrying value:			
Listed corporate shares	498	432	(66)
Government bonds	16	15	(1)
Corporate bonds	—	—	—
	514	447	(67)
Total	¥18,576	¥32,775	¥14,199

Proceeds from sales of securities classified as other securities with aggregate gain and loss for the years ended March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Sales proceeds	**¥8**	¥ 2,456	**$68**
Aggregate gain	**7**	1,009	**59**
Aggregate loss	**—**	—	**—**

7. 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 1.3% and 1.6% as of March 31, 2007 and 2006, respectively.

Long-term debt as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
0.37% yen notes due 2006	**¥ —**	¥ 1,000	**$ —**
2.21% yen notes due 2007	**4,100**	4,100	**34,746**
0.65% yen notes due 2008	**500**	500	**4,237**
Loans, principally from banks, insurance companies and government agencies, most of which are secured, due 2007 to 2022	**68,039**	76,105	**576,602**
	72,639	81,705	**615,585**
Current portion of long-term debt	**(22,947)**	(21,510)	**(194,466)**
	¥ 49,692	¥ 60,195	**$ 421,119**

The average interest rate applicable to the above loans amounting to ¥68,039 million ($576,602 thousand) was 1.9% as of March 31, 2007.

The aggregate annual maturities of long-term debt subsequent to March 31, 2007 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2008	**¥22,947**	**$194,466**
2009	**16,896**	**143,187**
2010	**13,398**	**113,542**
2011	**8,979**	**76,093**
2012 and thereafter	**10,419**	**88,297**
	¥72,639	**$615,585**

The Company and certain consolidated subsidiaries have entered into overdraft and loan commitment agreements amounting to ¥29,939 million ($253,720 thousand) with 25 banks and ¥29,245 million with 25 banks as of March 31, 2007 and 2006, respectively. The borrowings outstanding and the unused balances under these credit facilities amounted to ¥13,752 million ($116,542 thousand) and ¥16,187 million ($137,178 thousand), respectively, as of March 31, 2007 and amounted to ¥12,819 million and ¥16,426 million, respectively, as of March 31, 2006. In addition, the following lease obligations are included in "Other long-term liabilities" in the accompanying consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Non current portion	¥6,424	¥5,602	$54,441

Assets pledged as collateral for payables, trade of ¥1,425 million ($12,076 thousand) and ¥1,296 million, short-term debt of ¥740 million ($6,271 thousand) and ¥1,070 million, long-term debt (including current portion) of ¥5,203 million ($44,093 thousand) and ¥7,494 million and lease obligations (included in other long-term liabilities) of ¥6,424 million ($54,441 thousand) and ¥5,602 million as of March 31, 2007 and 2006, respectively, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Cash and cash equivalents	¥ 4,864	¥ 1,048	$ 41,220
Receivables, trade	85	92	720
Inventories	—	28	—
Other current assets	254	3,699	2,153
Investments in securities	2,445	3,411	20,720
Property, plant and equipment, net	20,696	20,165	175,390
	¥28,344	¥28,443	$240,203

The above assets include those of a foreign consolidated subsidiary which are pledged as collateral for lease obligations. The foreign consolidated subsidiary has discretionary powers to dispose of these assets other than machinery and equipment leased under the lease contracts and restricted deposits (partly time deposit and included in other current assets) with the aggregated carrying value of ¥3,930 million ($33,305 thousand) and ¥3,463 million as of March 31, 2007 and 2006, respectively.

8. Depreciation and Amortization

Depreciation and amortization for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Property, plant and equipment	¥2,601	¥2,569	$22,042
Other investments	25	26	212
	¥2,626	¥2,595	$22,254

9. Research and Development Expenses

Research and development expenses, included in selling, general and administrative expenses and cost of sales for the years ended March 31, 2007 and 2006 amounted to ¥1,888 million ($16,000 thousand) and ¥1,859 million, respectively.

10. Leases

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

The pro forma amounts representing acquisition costs, accumulated depreciation and net carrying value for the machinery and equipment and others held under the finance leases currently accounted for as operating leases as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Acquisition costs	**¥2,302**	¥1,552	**$19,508**
Less accumulated depreciation	**926**	638	**7,847**
Net carrying value	**¥1,376**	¥ 914	**$11,661**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥294 million ($2,492 thousand) and ¥264 million for the years ended March 31, 2007 and 2006, respectively, which were equal to the depreciation expense of leased assets computed by the straight-line method over the lease terms.

Future minimum lease payments including an interest element under the finance leases outstanding as of March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Within one year	**¥ 357**	¥253	**$ 3,025**
Over one year	**1,019**	661	**8,636**
	¥1,376	¥914	**$11,661**

The future minimum lease payments under lease agreements other than finance leases as of March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Within one year	**¥781**	¥ 785	**$6,619**
Over one year	**7**	787	**59**
	¥788	¥1,572	**$6,678**

11. Derivative Financial Instruments

The Furukawa Group entered into swap agreements to manage interest rate risks. Interest rate swaps convert floating rate of 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 risks in these derivatives. As the counterparties to the derivative transactions are major financial institutions and trading companies, the Furukawa Group believes that their derivative financial instruments entail minimal credit risks. Furthermore, the Furukawa Group does not use derivative financial instruments that would increase market risks.

As of March 31, 2007 and 2006, there is no derivative transaction for which hedge accounting is not applied.

12. Retirement Benefits

The balances of the retirement benefit obligation and plan assets, funded status and the amounts recognized in the consolidated balance sheets as of March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Retirement benefit obligation	¥(14,356)	¥(14,353)	$(121,661)
Plan assets at fair value	16,011	19,477	135,686
Unfunded status	1,655	5,124	14,025
Unrecognized actuarial loss	4,183	910	35,449
Unrecognized prior service cost	107	81	907
Prepaid pension expenses	(7,083)	(7,334)	(60,025)
Accrued employees' retirement benefits	¥ (1,138)	¥ (1,219)	$ (9,644)

The components of retirement benefit expenses for the years ended March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Service cost	¥ 636	¥ 668	$ 5,390
Interest cost	396	372	3,356
Expected return on plan assets	(224)	(182)	(1,898)
Amortization of prior service cost	9	8	76
Amortization of actuarial loss	290	749	2,457
Retirement benefit expenses	1,107	1,615	9,381
Employees' contributions to the defined benefit pension plans	10	9	85
Total	¥1,117	¥1,624	$ 9,466

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

	2007	2006
Discount rates	mainly 2.4%	mainly 2.4%
Expected return on plan assets	mainly 2.0%	mainly 2.0%

13. Income Taxes

The reconciliation between the statutory tax rate and the effective tax rate of the Furukawa Group for the year ended March 31, 2007 was summarized as follows:

Statutory tax rate	40.7%
Non-deductible expenses for tax purposes	0.7
Non-taxable dividends and other income	(0.2)
Inhabitants per capita tax	0.7
Equity in earnings of affiliates	(1.3)
Amortization of goodwill	(0.9)
Gain from forgiveness of debt by minority interests	17.3
A devaluation loss of investment in subsidiaries and allowance for doubtful accounts	(65.5)
Changes in valuation allowance	(43.6)
Other	0.3
Effective tax rate	(51.8)%

The above information for 2006 has not been presented because the difference between the statutory tax rate and the effective tax rate was less than 5% of the statutory tax rate.

Deferred tax assets and liabilities as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets:			
Allowance for doubtful accounts	¥ 312	¥ 662	$ 2,644
Accrued employees' retirement benefits	4,767	4,528	40,398
Investments in securities	—	8,430	—
Loss on impairment of fixed assets	11,159	10,605	94,568
Unrealized gains on sales of property, plant and equipment	434	612	3,678
Net operating loss carryforwards	25,078	15,249	212,526
Land	1,753	1,754	14,856
Accrued enterprise tax	150	416	1,271
Other	980	567	8,305
Total gross deferred tax assets	44,633	42,823	378,246
Valuation allowance	(28,985)	(33,836)	(245,636)
Total deferred tax assets	15,648	8,987	132,610
Deferred tax liabilities:			
Net unrealized holding gain on securities	(4,199)	(5,772)	(35,585)
Statutory reserves provided for tax purposes	(321)	(188)	(2,720)
Gain from establishment of trust for retirement benefit plans	(4,327)	(4,327)	(36,669)
Land	(9,225)	(9,225)	(78,178)
Capitalized interest of a foreign subsidiary	(2,694)	(2,760)	(22,831)
Other	(539)	(449)	(4,568)
Total deferred tax liabilities	(21,305)	(22,721)	(180,551)
Net deferred tax liabilities	(5,657)	(13,734)	(47,941)
Deferred income taxes on surplus on the revaluation of land	¥ (3,157)	¥ (3,184)	$ (26,754)

14. Contingent Liabilities

Contingent liabilities as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Notes receivable discounted and endorsed	¥3,679	¥2,495	$31,178
Loans guaranteed	1,376	1,721	11,661

15. Other Income (Expenses)—Other, Net

Other Income (Expenses)—Other, net for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Rental income from real estate	¥ 108	¥ 150	$ 915
Gain on foreign exchange	205	448	1,737
Gain on sales of property, plant and equipment	20	178	169
Gain on sales of investments in securities	7	1,009	59
Gains on business transfer	50	—	424
Payments for closing mines	(373)	(192)	(3,161)
Loss on impairment of fixed assets	(29)	(302)	(246)
Loss on disposal and devaluation of inventories	(699)	(568)	(5,924)
Loss on copper smelting business in Australia	(3,032)	(464)	(25,695)
Loss on disposal and sales of property, plant and equipment	(264)	(138)	(2,237)
Loss on reorganization of local businesses	—	(536)	—
Payment related to antitrust laws	(4)	(280)	(34)
Other, net	(439)	(39)	(3,719)
	¥(4,450)	¥ (734)	$(37,712)

16. Segment Information

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

The business segment information of the Furukawa Group for the years ended March 31, 2007 and 2006 was as follows:

Year ended March 31, 2007

	Millions of yen							
	Machinery	Metals	Electronic Materials and Chemicals	Real Estate	Fuels	Others	Eliminations and Corporate	Consolidated
I. Sales and operating income (loss)								
Outside customers	¥ 67,796	¥ 84,754	¥ 15,902	¥ 2,936	¥ 28,206	¥ 1,155	—	¥ 200,749
Intersegment	786	527	164	114	363	1,388	¥ (3,342)	—
Total	68,582	85,281	16,066	3,050	28,569	2,543	(3,342)	200,749
Costs and expenses	(62,680)	(76,444)	(13,978)	(2,211)	(28,683)	(2,844)	2,990	(183,850)
Operating income (loss)	¥ 5,902	¥ 8,837	¥ 2,088	¥ 839	¥ (114)	¥ (301)	¥ (352)	¥ 16,899
II. Assets, depreciation and capital expenditures								
Total assets	¥ 72,206	¥ 33,782	¥ 28,049	¥14,138	¥ 7,084	¥ 2,231	¥59,537	¥ 217,027
Depreciation	1,135	218	783	292	25	59	114	2,626
Capital expenditures	2,333	159	753	318	8	23	311	3,905

	Thousands of U.S. dollars							
	Machinery	Metals	Electronic Materials and Chemicals	Real Estate	Fuels	Others	Eliminations and Corporate	Consolidated
I. Sales and operating income (loss)								
Outside customers	$ 574,542	$ 718,254	$ 134,763	$ 24,881	$ 239,034	$ 9,789	—	$ 1,701,263
Intersegment	6,661	4,466	1,390	966	3,076	11,763	$ (28,322)	—
Total	581,203	722,720	136,153	25,847	242,110	21,552	(28,322)	1,701,263
Costs and expenses	(531,186)	(647,830)	(118,458)	(18,737)	(243,076)	(24,103)	25,339	(1,558,051)
Operating income (loss)	$ 50,017	$ 74,890	$ 17,695	$ 7,110	$ (966)	$ (2,551)	$ (2,983)	$ 143,212
II. Assets, depreciation and capital expenditures								
Total assets	$ 611,915	$ 286,288	$ 237,703	$119,814	$ 60,034	$ 18,907	$504,551	$ 1,839,212
Depreciation	9,619	1,847	6,636	2,475	212	499	966	22,254
Capital expenditures	19,771	1,347	6,381	2,695	68	195	2,636	33,093

Year ended March 31, 2006	Millions of yen							
	Machinery	Metals	Electronic Materials and Chemicals	Real Estate	Fuels	Others	Eliminations and Corporate	Consolidated
I. Sales and operating income (loss)								
Outside customers	¥ 70,329	¥ 52,662	¥ 21,228	¥ 3,107	¥ 33,589	¥ 1,023	—	¥ 181,938
Intersegment	766	554	181	46	367	1,353	¥ (3,267)	—
Total	71,095	53,216	21,409	3,153	33,956	2,376	(3,267)	181,938
Costs and expenses	(66,851)	(47,437)	(19,911)	(2,248)	(33,806)	(2,595)	3,040	(169,808)
Operating income (loss)	¥ 4,244	¥ 5,779	¥ 1,498	¥ 905	¥ 150	¥ (219)	¥ (227)	¥ 12,130
II. Assets, depreciation, impairment loss on fixed assets and capital expenditures								
Total assets	¥ 70,982	¥ 26,913	¥ 28,671	¥14,277	¥ 7,744	¥ 2,367	¥62,092	¥ 213,046
Depreciation	1,041	237	787	317	25	66	122	2,595
Impairment loss on fixed assets	3	—	—	78	17	—	204	302
Capital expenditures	516	182	513	73	6	383	104	1,777

The geographic segment information for the years ended March 31, 2007 and 2006 has not been presented, because the amounts of operating revenues and total assets in Japan exceed 90% of consolidated totals.

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 ¥33,246 million ($281,746 thousand) and ¥24,530 million or 16.6% and 13.5% of the consolidated net sales for the years ended March 31, 2007 and 2006, respectively.

17. Subsequent Event

The following appropriations of retained earnings of the Company were approved at a shareholders' meeting held on June 28, 2007:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Year-end cash dividends (¥3.00 = $0.025 per share)	¥1,213	¥1,212	$10,280
Transfer to legal reserve	121	122	1,025
	¥1,334	¥1,334	$11,305

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 March 31, 2007 and 2006, and the related consolidated statements of income and cash flows for the years then ended, changes in the net assets for the year ended March 31, 2007 and shareholders' equity for the year ended March 31, 2006, 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 March 31, 2007 and 2006, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 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 4.

June 28, 2007

Ernst & Young ShinNihon

Company Name	Principal Business	Paid-in Capital
Subsidiaries		
Furukawa Industrial Machinery Systems Co., Ltd.	Sales and manufacture of machinery	JPY 300 million
Furukawa Rock Drill Co., Ltd.	Sales and manufacture of rock drills	JPY 400 million
Furukawa UNIC Corporation	Sales and manufacture of UNIC products	JPY 200 million
Furukawa Metals & Resources Co., Ltd.	Copper smelting	JPY 100 million
Furukawa Denshi Co., Ltd.	Sales and manufacture of electronic materials	JPY 300 million
Furukawa Chemicals Co., Ltd.	Sales and manufacture of chemical products	JPY 300 million
Furukawa Transportation Co., Ltd.	Transportation	JPY 150 million
Furukawa Otsuka Co., Ltd.	Sales and 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 Co., Ltd.	Sales and manufacture of castings and industrial machines	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
Gunma Kankyo Recycle Center Co., Ltd.	Industrial medical waste treatment	JPY 400 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
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 100 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
Furukawa Rock Drill Korea Co., Ltd.	Sales of rock drills machinery	KRW 300 million
Furukawa Rock Drill (Shanghai) Co., Ltd.	Sales and manufacture of hydraulic breakers	JPY 50 million
Port Kembla Copper Pty. Ltd. (Australia)	Copper smelting (Operations currently suspended)	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
Taian Furukawa Machinery Co., Ltd.	Sales of UNIC cranes	USD 4.9 million
Affiliates		
Tohpe Corporation	Production of paints	JPY 2,087 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

(As of March 31, 2007)

Directors and Auditors (As of June 28, 2007)

Chairman and Representative Director	Tetsuo Yoshino
President and Representative Director	Nobuyoshi Soma
Senior Managing Director	Nakao Yamashita
Managing Director	Yasuhei Konagaya
Managing Director	Hiroyuki Shiaku
Managing Director	Yoichiro Kato
Director	Junnosuke Furukawa
Director	Manabu Zama
Director	Yoshihito Emoto
Statutory Auditor	Ryoji Ohnuma
Statutory Auditor	Masafumi Miyata
Auditor	Fuminori Anai
Auditor	Tamiki Ishihara

Executive Officers (As of June 28, 2007)

Senior Managing Executive Officer	Nakao Yamashita
Managing Executive Officer	Yasuhei Konagaya
Managing Executive Officer	Hiroyuki Shiaku
Managing Executive Officer	Yoichiro Kato
Senior Executive Officer	Manabu Zama
Senior Executive Officer	Yoshihito Emoto
Senior Executive Officer	Susumu Nakamura
Executive Officer	Taketsugu Saitsu
Executive Officer	Toshikazu Nakagawa
Executive Officer	Toshio Matsumoto
Executive Officer	Yasuji Tomiyama
Executive Officer	Makoto Iwasaki
Executive Officer	Akira Usui
Executive Officer	Naohisa Miyakawa
Executive Officer	Fumio Kato
Executive Officer	Masaya Kouzaki

Company Name: Furukawa Co., Ltd.

Head Office: 2-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8370, Japan

TEL: +81-3-3212-6570 **FAX:** +81-3-3212-6578

Date of Foundation: August 1875

Date of Establishment: April 1918

Number of Shares Authorized: 800,000,000 shares
Number of Shares Outstanding: 404,455,680 shares

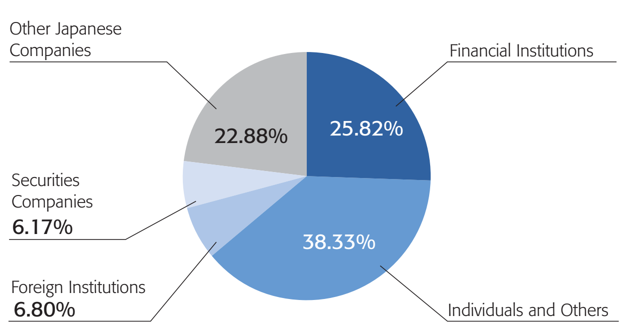
Stock Exchange Listing: Tokyo, Osaka

Securities Code Number: 5715

Employees: Consolidated 2,279; Non-consolidated 206

Stock Transfer Agent: The Chuo Mitsui Trust and Banking Company, Limited
33-1, Shiba 3-chome, Minato-ku, Tokyo
105-8574, Japan

Composition of Shareholders:



URL: http://www.furukawakk.co.jp/e_index.htm

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2-3, Marunouchi 2-chome, Chiyoda-ku,
Tokyo 100-8370, Japan

Printed in Japan on recycled paper.