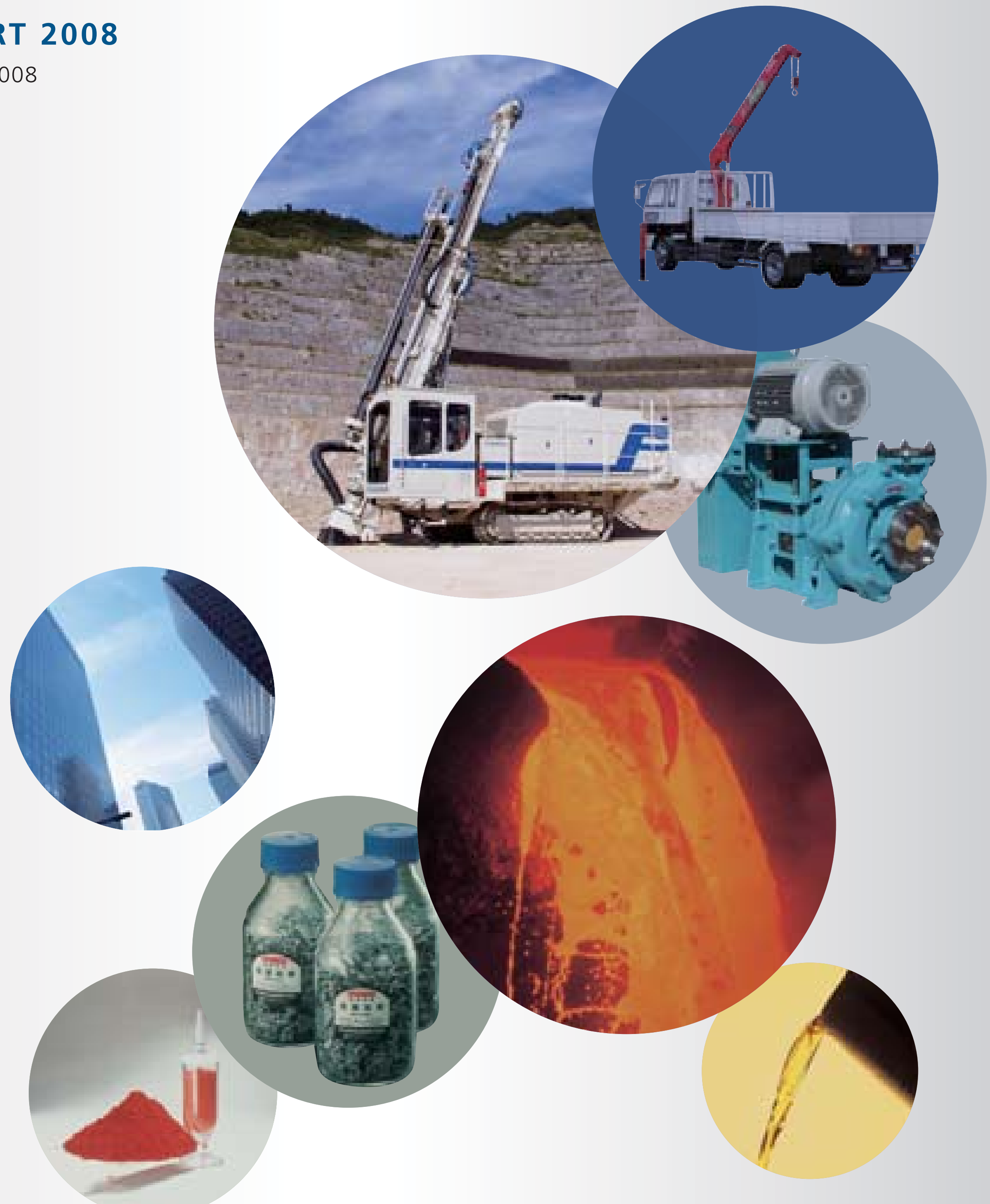
Growing through Challenge

ANNUAL REPORT 2008

Year ended March 31, 2008



FURUKAWA

The Furukawa Company Group has adopted a holding company structure headed by the principal operating arm, Furukawa Co., Ltd. Founded in 1875, the Company has, over its 133-year history, developed a diverse portfolio of business in the fields of machinery, nonferrous metals, electronic materials, chemicals and fuels. Grounded in its corporate philosophy—**Innovation, Creativity, and Harmony**—Furukawa endeavors 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 2008, ended March 31, 2008, we achieved an historic high in revenues. The Furukawa Company Group was also successful in significantly improving its financial position, a key objective of its previous April 2005–March 2008 Medium-Term Management Plan.

Fiscal 2009 marks the start of the new April 2008–March 2011 Medium-Term Management Plan. Guided by the catch phrase "Growing through Challenge," we will continue to solidify our foundation as the springboard for the next substantial leap forward.

Contents

Forward-Looking Statements:

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

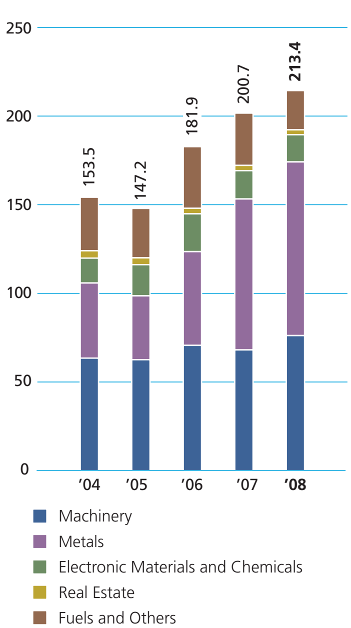
CONSOLIDATED FINANCIAL HIGHLIGHTS

Furukawa Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2008, 2007 and 2006

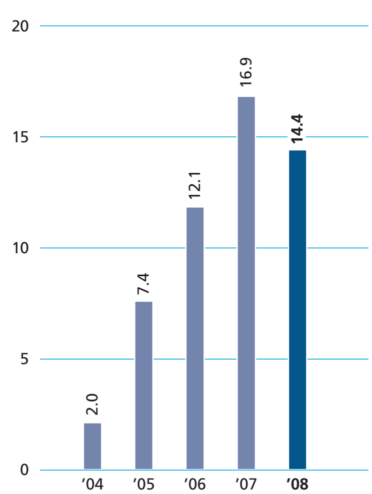
	Millions of yen			Thousands of U.S. dollars	Percent change
	2008	2007	2006	**2008**	**2008/2007**
For the year:					
Net sales	**¥ 213,426**	¥ 200,749	¥ 181,938	**$2,134,260**	**6.3%**
Operating income	**14,407**	16,899	12,130	**144,070**	**(14.7)**
Income before income taxes and minority interests	**12,484**	11,127	9,810	**124,840**	**12.2**
Net income	**8,595**	17,554	5,309	**85,950**	**(51.0)**
At year-end:					
Total assets	**¥ 199,383**	¥ 217,027	¥ 213,046	**$1,993,830**	**(8.1)**
Net assets	**55,431**	52,136	43,072	**554,310**	**6.3**
	Yen			U.S. dollars	
Per share amounts:					
Net income:					
Basic	**¥ 21.26**	¥ 43.42	¥ 13.12	**$ 0.21**	**(51.0)**
Diluted	**—**	—	12.37	**—**	**—**
Cash dividends	**6.00**	5.00	3.00	**0.06**	**20.0**

Notes 1. U.S. dollar amounts are translated from yen for convenience only at the rate of ¥100=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 2006 represent total shareholders' equity.

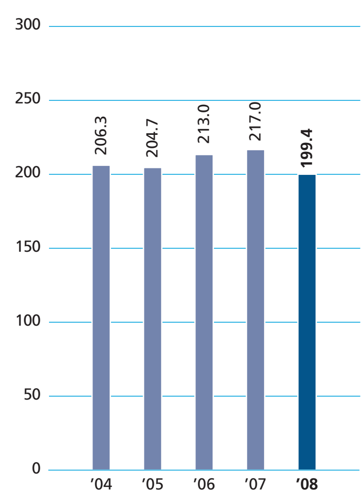
Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Total Assets
(Billions of yen)



The Furukawa Company Group (Furukawa Co., Ltd. and its consolidated subsidiaries) has positioned the next three years as a critical period in its ongoing development. Over this term, we will initiate and pursue full-fledged *monozukuri* (manufacturing) activities to secure further growth over the next generation.

Left:
President and Representative Director,
Nobuyoshi Soma

Right:
Chairman and Representative Director,
Tetsuo Yoshino

Performance in Fiscal 2008

In fiscal 2008, ended March 31, 2008, consolidated net sales increased 6.3% year on year to ¥213,426 million, an historic high for the Group. This was mainly attributable to the price of copper, which continued to hover at a high level, and an increase in shipments in the Metals Division, as well as healthy overseas sales of rock drills in the Machinery Division. On the earnings front, however, operating income declined 14.7% to ¥14,407 million. Despite an upswing in earnings in the Machinery Division due to robust shipments in the rock drill business and improved profitability in the industrial machinery business, this downturn was mainly attributable to a significant deterioration in profits in the Metals Division, reflecting weak copper treatment and refining charge (TC/RC) conditions.

Turning to other income and expenses, the Group undertook a review of its provisions relating to the copper smelting business in Australia. This resulted in other income of ¥1,475 million in the fiscal year under review. In other expenses, the Group incurred a write-down of investments in securities of ¥637 million and a loss on disposal and devaluation of inventories of ¥656 million. Based on the aforementioned, income before income taxes and minority interests was ¥12,484 million, an increase of 12.2% compared with the previous fiscal year. Taking into account the absence of deferred income taxes totaling ¥6,793 million in fiscal 2007, net income declined 51.0% year on year to ¥8,595 million.

Returns to Shareholders

Furukawa positions the return of profits to shareholders as a key management priority. In working to enhance shareholder returns, the Company also takes into consideration a variety of factors including the retained earnings required as capital investment funds as well as R&D expenditures, which are the basis for future business development and growth.

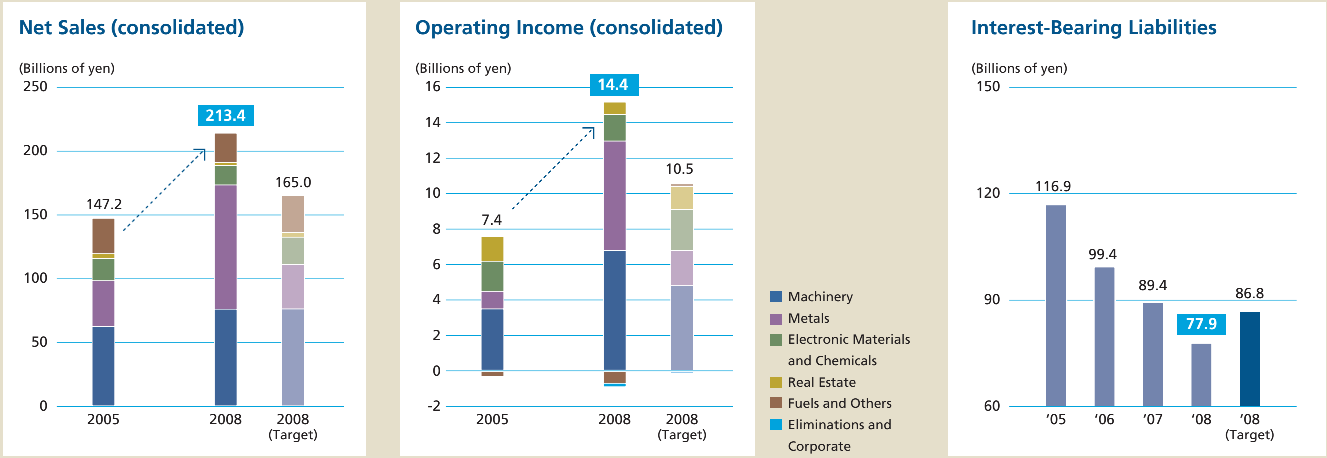
Based on this core policy, Furukawa has decided to pay an annual dividend of ¥6 per share, up ¥1 per share compared with the previous fiscal year. In fiscal 2009, the Company plans to pay an annual dividend of ¥6 per share comprising an interim dividend of ¥2.5 per share and a period-end dividend of ¥3.5 per share.

Overview of the Previous Medium-Term Management Plan

Under the Furukawa Company Group's Medium-Term Management Plan that ran through the three-year period from April 2005 to March 2008, we spun off several business divisions and adopted a Group management system. As a key priority of the Plan, we worked diligently to establish a robust business foundation, maximize the value of individual businesses and strengthen our financial position through efforts to further enhance overall Group earnings. Buoyed by these endeavors, robust growth in the Metals Division, which continued to benefit from a sharp rise in copper prices and contributions from the Machinery Division on the back of aggressive overseas business development, we surpassed the Plan's targets for consolidated net sales and operating income by considerable margins. In the area of interest-bearing liabilities (corporate bonds, long- and short-term debt), Furukawa reduced its debt balance by approximately ¥39.0 billion. This was well above the Plan's ¥30.0 billion target and contributed significantly to strengthening the Group's overall financial position. Taking all of aforementioned into consideration, the April 2005–March 2008 Medium-Term Management Plan has had its desired effect.

The New Medium-Term Management Plan—"Growing through Challenge"

The Furukawa Company Group's new Medium-Term Management Plan covers the three-year period from April 2008 to March 2011. Amid expectations of significant domestic and overseas change as well as a harsh economic environment, Furukawa has positioned the next three-year period as critical to its endeavors to secure further growth. Looking ahead, as we reorganize individual business



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

segments, we will build on our corporate philosophy—Innovation, Creativity, and Harmony—and rally under a banner of "Growing through Challenge." Returning to our roots as a manufacturer, we will initiate and pursue full-fledged *monozukuri* activities as we strive to develop a high-level production, sales and service structure. To this end, we will adhere to the policies of promoting further overseas development, strengthening the technical capabilities of the Machinery Division and promoting development activities aimed at new product commercialization. Consolidated performance targets and priority measures under the new Medium-Term Management Plan are as follows.

Fiscal 2011 Consolidated Performance Targets:

Net sales: ¥230.0 billion
Operating income: ¥15.0 billion
Net income: ¥8.0 billion

Priority Measures:

1. Initiate full-fledged *monozukuri* activities
2. Promote Machinery Division overseas development
3. Develop and launch new products such as next-generation semiconductor materials
4. Implement full-scale structural development efforts for future growth

Compared to profit results for fiscal 2008, performance targets for the fiscal year ending March 31, 2011 are weak. This is attributable to a variety of factors including deterioration in copper TC/RC conditions. Nevertheless, buoyed by increased profits owing to reforms in production systems resulting in enhanced production efficiency, cost reductions and overseas business development expansion in the Machinery Division, as well as the market release of new gallium nitride substrate products in the electronic materials business, we are forecasting earnings growth. Over the next three years, Furukawa is committed to creating an earnings platform in the Machinery Division capable of generating annual operating income in excess of ¥10.0 billion. In this context, we will build a robust corporate structure that remains unaffected by trends in the external environment, including conditions in the metals and related markets.

In Summary

As we move forward, the Furukawa Company Group will continue to reform its corporate structure, and guided by its Medium-Term Management Plan, will strive to improve performance and maximize corporate value. At the same time, we will endeavor to fulfill our responsibilities from both the social and ethical perspectives, ensuring strict compliance. In this context, the Furukawa Company Group will strengthen its internal control structure and systems, focusing on efforts to enhance its corporate governance function.

As we work toward achieving our goals and securing a significant leap forward, we ask for the continued support and understanding of our shareholders.

August 2008

Tetsuo Yoshino

Tetsuo Yoshino,
Chairman and Representative Director

Nobuyoshi Soma

Nobuyoshi Soma,
President and Representative Director

FEATURE

Growing through Challenge

—Medium-Term Management Plan (April 1, 2008 to March 31, 2011)—

As the platform for the Group's next stage of development, we asked Nobuyoshi Soma, President and Representative Director, to outline the objectives and priority measures of the Furukawa Company Group's Medium-Term Management Plan that commenced on April 1, 2008.

Q1. *Please tell us about the general purport of the Group's new Medium-Term Management Plan.*

Under its recently completed Medium-Term Management Plan, the Furukawa Company Group spun off several of its business units in March 2005 and shifted to a group management structure. The most important issue in this plan was to further strengthen the Group's financial position by promoting profit growth across the Group as a whole. As a result, we were able to expand Group-wide earnings, exceed our reduction target for interest-bearing liabilities and significantly improve our financial position. In hindsight, however, this strong performance was mainly attributable to sales and profit growth in the Metals Division amid a sharp surge in copper prices and substantially improved copper TC/RC conditions, in addition to aggressive overseas business development by the Machinery Division. Looking ahead, we therefore recognize the pressing need to build a robust structure that is unaffected by fluctuations in the external environment. Accordingly, the next three years represent a critical period for the Furukawa Company Group. Under our new Medium-Term Management Plan, we will return to our manufacturing roots and build a robust springboard to make a significant leap forward. In this context, we will focus on initiating full-fledged *monozukuri* (manufacturing) activities and implementing full-scale structural development efforts for future growth.

Medium-Term Management Plan
(Fiscal 2009–2011)

— Growing through Challenge —

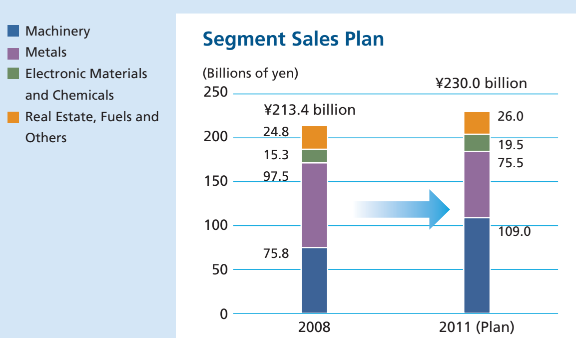
Basic Policies

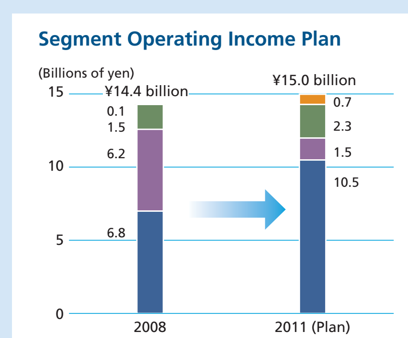
1. Promote further overseas development and strengthen technical capabilities of Machinery Division
2. Promote development activities aiming for new product commercialization

Fiscal 2011 Consolidated Performance Targets

Net sales	¥230.0 billion
Operating income	¥15.0 billion
Net income	¥8.0 billion

Based on the following assumptions for fiscal 2011:
•Copper prices: $6,500/t
•Exchange rate: ¥105/$, ¥155/€





Establish a revenue base capable of reliably achieving at least ¥10.0 billion in annual operating income in the Machinery Division

President and Representative Director,
Nobuyoshi Soma

Q2. *Please elaborate on the Group's "full-fledged* monozukuri *activities."*

In order to succeed amid intense global competition, we will work to reform our production systems with the aims of improving productivity, reducing costs and pursuing enhanced quality. At the same time, we will increase production through effective investment in equipment and facilities.

In specific terms, we will shift from a decentralized production system to a product-based, comprehensive system. The manufacture of hydraulic breakers, which had been split between our Takasaki and Yoshii plants, for example, will be centralized at the Takasaki Plant. Crawler drills and tunnel drill jumbos will be manufactured at our Yoshii Plant.

Overseas, we will better leverage the production facilities of our subsidiaries in China and Thailand. In building an optimal production and procurement structure, we will achieve further reductions in operating and production costs.

In the industrial machinery business, the principal operating company, Furukawa Industrial Machinery Systems Co., Ltd., and a Group subsidiary, Furukawa Otsuka Co., Ltd., merged on April 1, 2008. In the future, we will combine the technologies and capabilities of each company and endeavor to enhance efficiencies in production and sales.

Furthermore, we will make full use of the Group's technological and product development capabilities to expand our lineup of environmentally conscious and high-value-added products and bring new products to market.

Q3. *What specific measures will the Group undertake to implement full-scale structural development efforts for future growth?*

We will reestablish our R&D structure and strengthen our development capabilities in an effort to accelerate the market release of next-generation products. As a part of these endeavors, we created the Nitride Business Office on April 1, 2008 to promote activities in gallium nitride (GaN) substrate businesses. In the GaN epi-wafer field, we entered into a capital and business alliance with POWDEC K.K., a pioneer in epi-wafer technology, in December 2007 and are engaging in joint-development activities.

In addition to establishing an optimal Group-wide manufacturing structure by leveraging each plant's field of expertise, we are also promoting effective training and optimal allocation of human resources. Furthermore, we are strengthening overall corporate risk management along with efforts to upgrade internal control systems and operations.

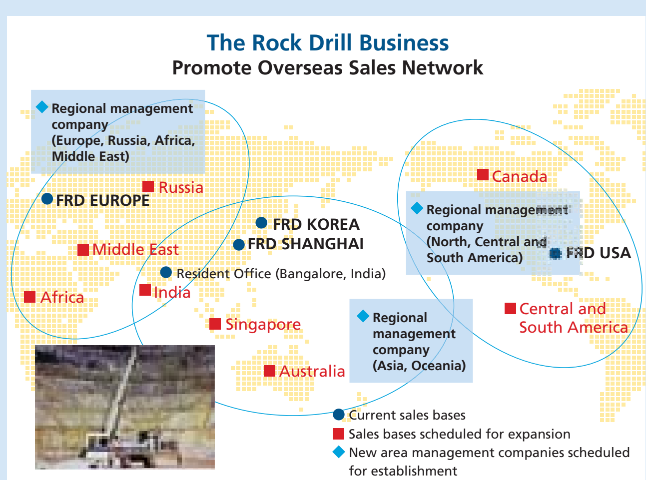
Looking ahead, we will continue to promote business structural reform. In July 2008 we spun off our fuels business, and in positioning our wholly owned subsidiary Furukawa Commerce Co., Ltd. as the surviving company, are working to improve our earnings platform through increased efficiency.

Q4. *What initiatives do you plan to implement in each machinery business to promote further development of the Group's overseas activities?*

Rock Drills

In the rock drill business we will continue to expand sales in stable markets including the United States and Europe and such fast-growing markets as the Middle East and China, while targeting new markets including India and Russia. To this end, we will strengthen our overseas sales network including North America, Europe, Korea and China by expanding into Russia, the Middle East, Asia, Africa, Oceania, Canada, Central and South America and other countries and regions. At the same time, we will establish regional management companies in North America, Asia and Europe. In addition, we plan to increase the number of sales distributors. From a product lineup overseas sales perspective, we will continue to focus on traditional civil engineering- and infrastructure-related fields while bolstering our sales capabilities in tunnel drill jumbos for mining and other large-scale rock drill products.

Furthermore, we intend to lift our global share of the hydraulic rock breaker and crawler drill markets from its current level of 30% (Fiscal year ended March 31, 2008) to 40% by the fiscal year ending March 31, 2013.



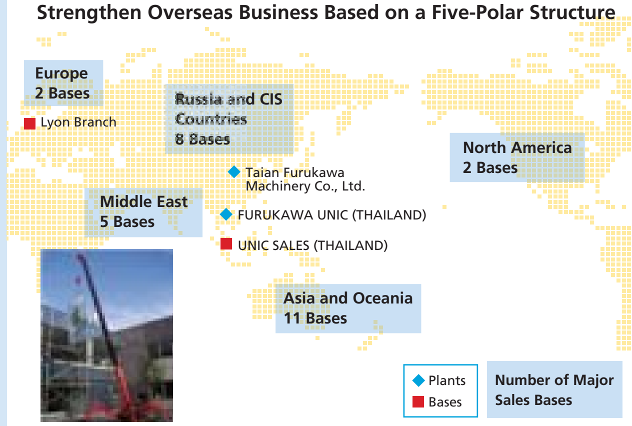
UNIC Machinery

The Furukawa Company Group's global UNIC sales network currently comprises bases in Thailand and China. The Group will accelerate overseas business development by expanding to a five-polar network that encompasses bases in North America, Europe, Russia and CIS countries, Asia and Oceania and the Middle East. We will strengthen our sales and promotional activities in each of these regions and raise recognition of lightweight UNIC cranes that offer superior operability in areas where swing-boom cranes are the mainstream.

While the ratio of UNIC overseas sales to total sales was 20% in the fiscal year ended March 31, 2008, we intend to lift this to 40% by the fiscal year ending March 31, 2011.

Industrial Machinery

In the industrial machinery business, we will utilize the Group's overseas development capabilities while developing business in major Asian markets focusing on slurry pumps, crushers and briquetting machines (granulators).

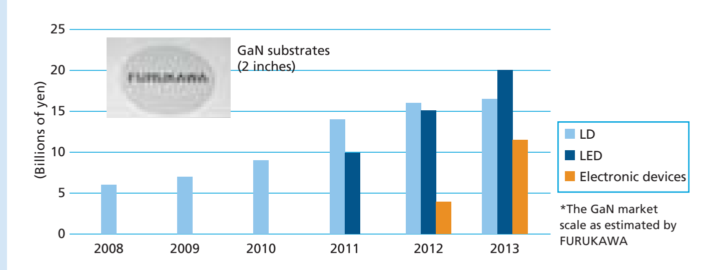


The UNIC Machinery Business
Strengthen Overseas Business Based on a Five-Polar Structure

Q5. *How do you regard collaborative research with other companies and organizations and what kind of projects are you currently involved in?*

The GaN substrate market is expected to reach approximately ¥25.0 billion in the fiscal year ending March 31, 2011, growing to around ¥50.0 billion by the fiscal year ending March 31, 2013. Against this backdrop, the Furukawa Company Group plans to commence volume production, introducing to the market GaN substrates that used for blue-violet laser diodes, a key component in the manufacture of next-generation DVD players, as well as white light-emitting diodes used for lighting and other applications. In addition, we will work to develop higher-value-added products including GaN epi-wafers for electronic devices that are expected to be used in automotive power devices.

In an exciting new move, we are developing lutetium aluminum garnet (LuAG) scintillator[1] crystals to help realize next-generation PET[2] cancer screening equipment and PEM[3] breast cancer detection equipment as well as resource (oil) exploration equipment.



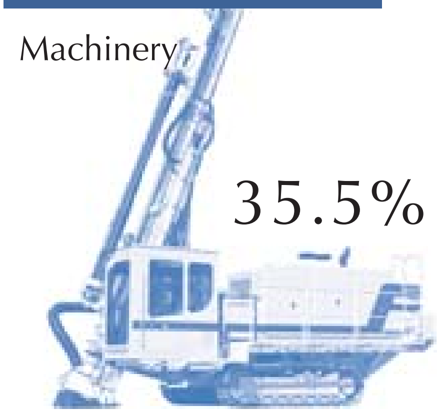
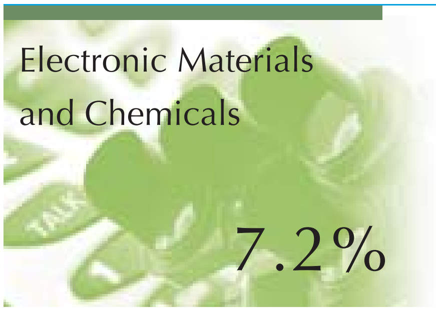
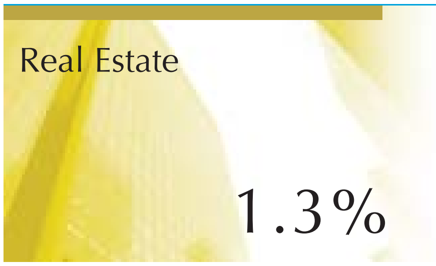
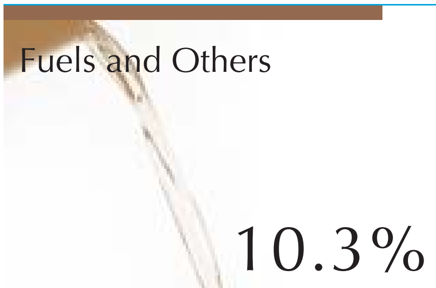
GaN Substrate Market Scale*

Notes: 1. A light-emitting material that uses incoming radiation energy
2. Positron Emission Tomography
3. Positron Emission Mammography

Q6. *Please tell us about the Group's capital investment plan.*

The Furukawa Company Group plans to invest ¥18.0 billion over the next three years in equipment and facilities as it strives to implement each of the aforementioned initiatives. In specific terms, we intend to allocate ¥5.0 billion to increase production and install heat treatment equipment in the rock drill business, ¥3.0 billion to boost production and establish a paint factory and a new technical training center in the UNIC machinery business and ¥2.4 billion in the electronic materials business to install GaN substrate mass-production equipment and establish a facility for GaN epi-wafer development.

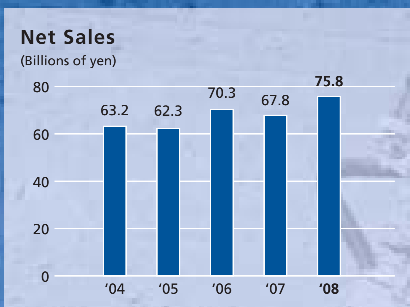
BUSINESS AT A GLANCE

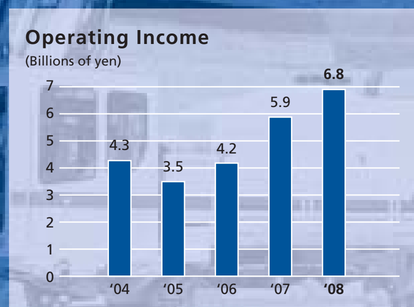
% of Net Sales	Businesses	Core Business Company	Main Products
 Machinery 35.5%	Industrial Machinery	Furukawa Industrial Machinery Systems Co., Ltd.	Pumps, environmental machinery, plants, steel structures, castings, stone crushers
	Rock Drills (Construction & Mining Machinery)	Furukawa Rock Drill Co., Ltd.	Rock drills (hydraulic breakers, hydraulic crawler drills, tunnel drill jumbos, etc.)
	UNIC Machinery	Furukawa UNIC Corporation	UNIC cranes, UNICPAL, UNIC carriers and mini crawler cranes
 Metals 45.7%	Metals	Furukawa Metals & Resources Co., Ltd.	Copper, gold, silver and sulfuric acid
 Electronic Materials and Chemicals 7.2%	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 and titanium dioxide
 Real Estate 1.3%	Real Estate	Furukawa Co., Ltd.	Construction/sales, mediation/brokerage and other related services for office buildings and apartments
 Fuels and Others 10.3%	Fuels	Furukawa Commerce* Co., Ltd.	Petroleum, petroleum-related products, LPG, coke, aggregate
	Others	Furukawa Co., Ltd.	Transportation service by trucks and domestic shipping

*In July 2008 Furukawa spun off its fuels business to its wholly owned subsidiary, Furukawa Commerce Co., Ltd.

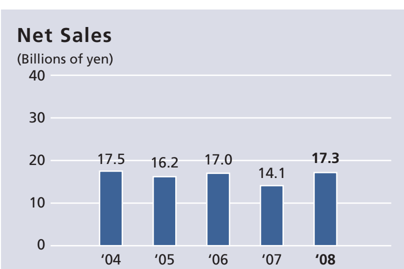
Machinery

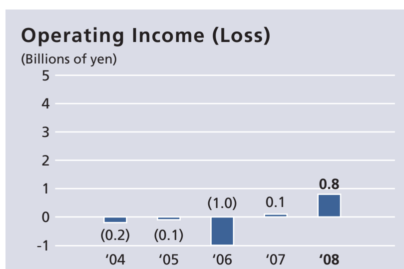
In fiscal 2008, the year ended March 31, 2008, the Machinery Division achieved an 11.9% increase in sales compared with the previous fiscal year, to ¥75,841 million. Operating income rose 15.9% year on year to ¥6,838 million, while the operating margin improved 0.3 of a percentage point to 9.0%.

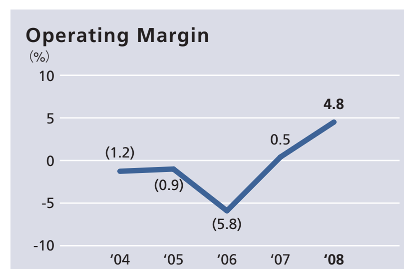




Industrial Machinery







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

General-purpose slurry pump

Business Environment

Demand is weak for industrial machinery in the civil engineering and rock drill industries, affected by a cutback in public-sector investment. On the other hand, demand is growing in the steel and nonferrous metal industries, which are accelerating capacity enhancement and facility renewal on the back of their robust performance. At the same time, these industries are seeing a greater number of capital investment plans announced by industry players, aimed at promoting energy saving and efficient use of natural resources. Meanwhile, with inquiries for stone crushers, pulverizers and briquetting machines increasing from the food, pharmaceutical, chemical and engineering industries, Furukawa has high expectations for expanding into new markets.

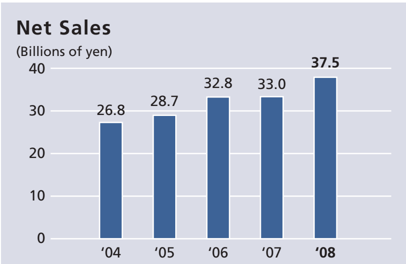
Fiscal 2008 Overview

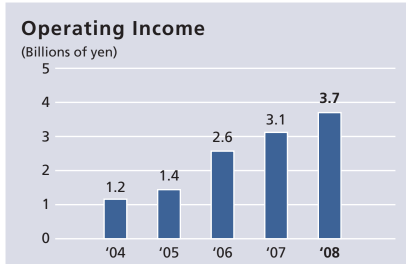
In the industrial machinery business, Furukawa continued profitability-focused sales and marketing and cost reduction efforts. Sales increased for pump products and steel structures, and profitability in this business improved, thanks to enhanced management efficiency achieved through the reorganization of unprofitable operations and other initiatives. As a result, net sales in the industrial machinery business rose 22.8% to ¥17,332 million, and operating income amounted to ¥838 million, 11.5 times the amount recorded in the previous fiscal year, while the operating margin improved 4.3 percentage points to 4.8%.

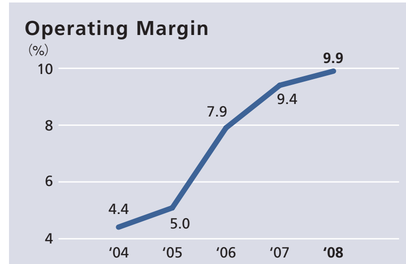
Strategies from Fiscal 2009

Aiming to bolster its earnings power, Furukawa will strengthen its sales and marketing capabilities and advance cost reductions through improved production efficiency, while accelerating the development and launch of new core products. In more specific terms, Furukawa will enhance the lineup of the Dream Mill pneumatic micro-powder-producing equipment series while progressing with the development of such next-generation strategic products as new pump products and electrostatic precipitators. Furthermore, the Furukawa Company Group will leverage its comprehensive capabilities to penetrate into overseas markets, introducing core products including slurry pumps, stone crushers and briquetting machines.

Rock Drills (Construction & Mining Machinery)







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

Business Environment

Despite concerns for potential demand decline in certain overseas markets attributable to the indirect impact of the U.S. subprime loan crisis, overall conditions are favorable overseas, with demand remaining strong for rock drills used in infrastructure and mine development. Demand remains robust, especially in emerging countries, which are rapidly advancing infrastructure development, and the BRIC countries, in particular, which are expected to show further increase in demand for natural resources. These situations are fueling the expansion of the rock drill market on a global scale.

Fiscal 2008 Overview

Domestic sales in the rock drill business decreased due to a sales decline for tunnel drill jumbos and crawler drills attributable to fewer public-sector construction projects, which more than offset the strong performance of breakers and crushers. On the other hand, overseas sales were brisk, except in the United States. Behind such success abroad were aggressive sales and marketing activities conducted in Middle Eastern and Southeast Asian markets, the release of tunnel drill jumbos for mine development in the Russian market and expanded shipments in China and South Korea. As a result, net sales in the rock drill business surged 13.5% year on year to ¥37,497 million, and operating income soared 18.6% to ¥3,702 million. The operating margin rose 0.5 of a percentage point to 9.9%.

Strategies from Fiscal 2009

Furukawa's rock drill business is ready to enjoy the positive outcome of its efforts to penetrate into the markets in Eastern Europe, Central and South America and Africa. Specific initiatives scheduled for implementation in the fiscal year ending March 31, 2009 include the establishment of a representative office in the Middle East, which is aimed at expanding sales and building an efficient service structure in the region. In addition, Furukawa plans to turn its representative office in India, which was opened in 2007, into a subsidiary and lay out a framework for sales expansion through promotion of local hires in the country.

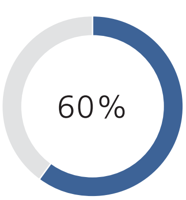
On the domestic front, Furukawa will continue to introduce new high-quality products boasting superior environmental performance, thereby maintaining a substantial market share of rock drills.

Hydraulic breakers

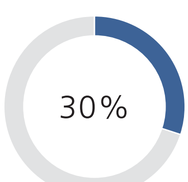
Hydraulic crawler drills

Market Share

Hydraulic crawler drills

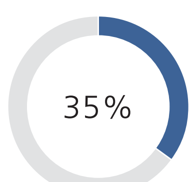


Japanese Market Share

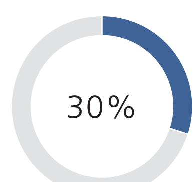


Global Market Share

Hydraulic breakers

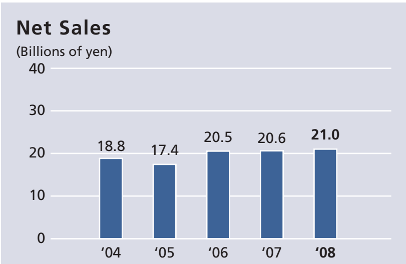


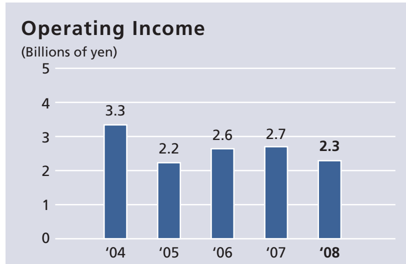
Japanese Market Share

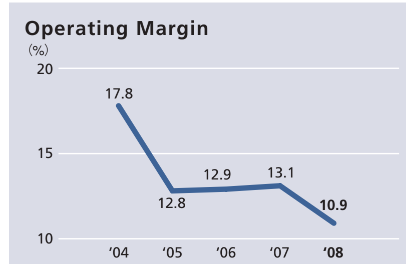


Global Market Share

UNIC Machinery







Susumu Nakamura
President and Representative Director
Furukawa UNIC Corporation

Business Environment

In the domestic market, truck replacement demand associated with enhanced gas emission regulations has subsided, which resulted in a severe operating environment for the UNIC machinery business. Meanwhile, overseas markets still have potential demand waiting to be cultivated, due to low recognition of truck-mounted cranes on a global scale. In particular, in resource-producing countries and other regions, where these cranes' operator-friendliness is gradually being recognized, signs have emerged of a growing demand. Thus, there are high expectations for market expansion of UNIC machinery businesses in the future.

Fiscal 2008 Overview

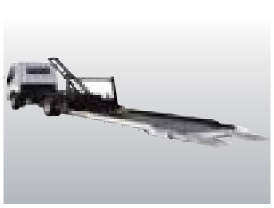
The export of UNIC products steadily increased thanks to Furukawa's strategic entry into the European mini crawler crane and Russian UNIC crane markets. Domestic shipments of UNIC products declined, following a lull in the first half of the previous fiscal year in special procurements attributable to enhanced gas emission regulations. Nevertheless, Furukawa steadily increased sales of the U-can ECO truck-mounted crane series, which won an "Energy Conservation Center Chairperson's Prize" at the 18th Energy Conservation Award event held in 2007, and have been received well by many users. As a result, net sales in the UNIC machinery business grew 1.9% to ¥21,012 million, while operating income decreased 15.1% to ¥2,298 million mainly due to an increase in initial costs associated with overseas business expansion. The operating margin dropped 2.2 percentage points to 10.9%.

Fuel-efficient U-can ECO crane

Strategies from Fiscal 2009

In Japan, Furukawa will work to expand sales of the U-can ECO crane series and a new operator-friendly joystick remote crane controller. At the same time, Furukawa aims to increase sales of such new strategic products as stand-alone mini crawler cranes, UNICPAL swing-boom type truck-mounted cranes and the ship-mounted Ocean Crane. Overseas, the Furukawa Company Group will bolster sales and marketing activities based on a penta-polar structure focusing on North America, Europe, Russia and CIS countries, Asia and Oceania and the Middle East.

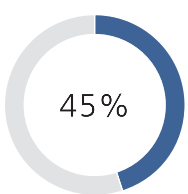
On the production front, Furukawa will pursue innovation in its manufacturing systems and achieve inventory and lead-time reductions by introducing the Toyota Production System at its flagship Sakura Factory in Chiba Prefecture, Japan. Furthermore, through the establishment of a tripolar, optimal manufacturing and procurement structure underpinned by the Sakura Factory, Taian Furukawa Machinery Co., Ltd. in China and Furukawa UNIC (Thailand) Co., Ltd., Furukawa strives to realize further cost reductions.



UNIC carriers

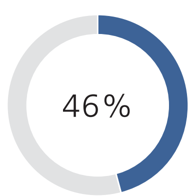
Market Share

Truck-mounted cranes (UNIC cranes)



Japanese Market Share

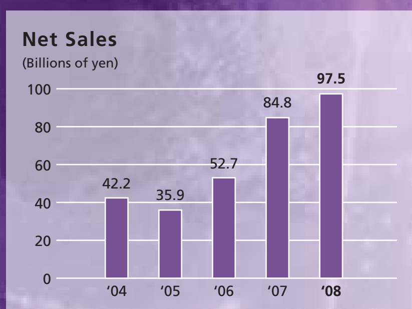
Vehicle carriers (UNIC carriers)

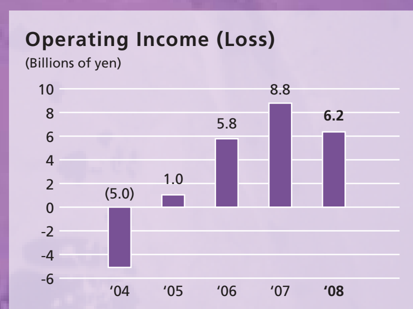


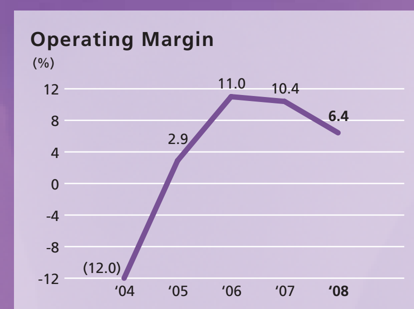
Japanese Market Share

Metals

The Metals Division increased sales by 15.1% year on year, to ¥97,520 million. Operating income declined 29.8% to ¥6,207 million, while the operating margin dropped 4.0 percentage points to 6.4%.







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

Copper cathode

Business Environment

Demand for electrolytic copper remains robust, particularly from the automobile and semiconductor industries in Japan, while demand from the construction industry remains on a downward trend due to the adverse effects of the revised Building Standards Law of Japan and surging copper prices. Domestic demand for sulfuric acid also remains strong, especially for fertilizer and industrial applications, while overseas demand for the product continues to show healthy growth.

Meanwhile, a tightening supply-demand condition for ore has led to a worsening in Treatment & Refining Charge (TC/RC), including the abolishment of a sliding-scale-based portion of copper prices, which has been previously recognized as smelters' take. These situations have collectively resulted in a harsh operating environment for custom smelters.

Fiscal 2008 Overview

Despite a slight decline in the second half of the fiscal year under review, the price of electrolytic copper in overseas markets stably floated in a high range of around just below US$8,000 per ton in the first half, maintaining high-level prices throughout the period. The domestic market price also trended favorably, with a quoted annual average of ¥910,000 per ton. The sales volume of electrolytic copper grew 7,286 tons year on year to 95,807 tons in line with increased production by contract smelters. Concerning ore trading, the Metals Division experienced severe operating conditions attributable to the abolishment of a sliding-scale-based portion of copper prices within the TC/RC framework and the yen's appreciation toward the end of the period.

Strategies from Fiscal 2009

Prioritizing profitability, the Metals Division will reinforce its focus on the domestic sales of electrolytic copper. Regarding sulfuric acid, for which Furukawa has secured reliable sales channels in Japan, the division will continue domestic sales while conducting profitability-focused overseas sales.

In ore procurement, the division is working to explore new supply sources, as a way to prepare Furukawa for such unforeseeable events as TC/RC revisions and interrupted production. Also, from the perspectives of securing new suppliers of copper ore and countering overseas nonferrous metals powerhouses' oligopolistic attempts, the Furukawa Company Group will advance operations in a meticulous manner to seize investment opportunities without fail.

Copper prices and foreign exchange rates

	2004	2005	2006	2007	**2008**
LME Copper price (average; ¢/lb)	92.8	136.1	185.8	316.2	**344.0**
JPY rate per US dollar (average of fiscal year)	¥114.07	¥108.55	¥114.32	¥118.03	**¥114.28**

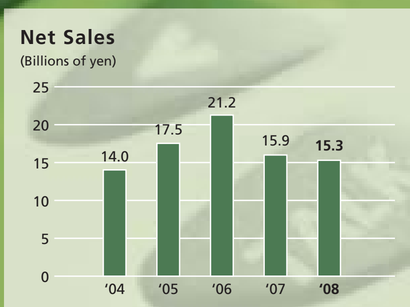
Copper production and sales volume*

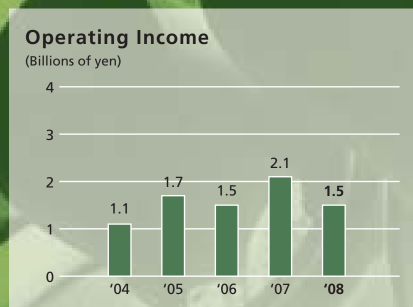
	2004	2005	2006	2007	**2008**
Copper production volume (tons)	81,386	83,335	84,498	88,686	**95,355**
Copper sales volume (tons)	91,368	83,883	84,464	88,521	**95,808**

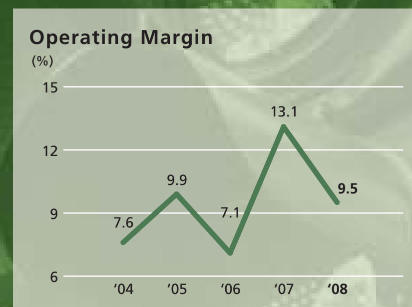
*Furukawa Metals & Resources Co., Ltd.

Electronic Materials and Chemicals

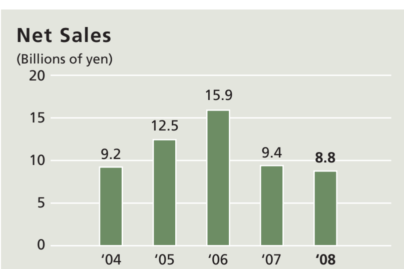
Sales in the Electronic Materials and Chemicals Division dipped 3.9% year on year to ¥15,277 million. Operating income edged down 30.3% to ¥1,455 million, while the operating margin slid 3.6 percentage points to 9.5%.

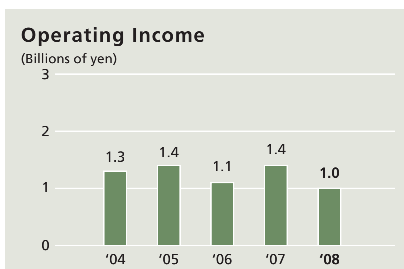


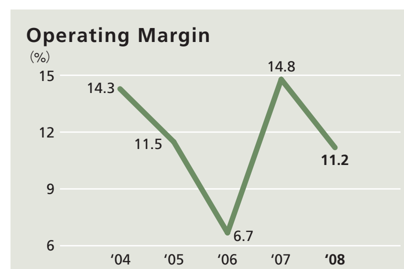




Electronic Materials







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

Business Environment

Demand for high-purity metallic arsenic is robust owing to strong demand for gallium arsenate semiconductors—the main use for the material—in Japan and overseas, amidst ever-intensifying competition in this material's business. Demand for other crystal products is maintaining its momentum, while demand for healing accessories is declining due to the fading boom of germanium accessories. Core coils for line filters are showing brisk demand, particularly for automotive applications.

Fiscal 2008 Overview

In the high-purity metallic arsenic business, sales decreased due to expanded sales of competitors, despite the demand for gallium arsenate semiconductors remaining almost unchanged compared with the previous fiscal year. Demand for other crystal products expanded, leading to an increase in sales. As a result, net sales in the electronic materials business dipped 6.5% year on year to ¥8,751 million. Operating income dropped 29.1% to ¥984 million owing to a decline in sales of healing accessories and high-purity metallic arsenic, coupled with a deteriorated yield in other crystal products. The operating margin consequently slipped 3.6 percentage points to 11.2%.

Strategies from Fiscal 2009

Concerning high-purity metallic arsenic, Furukawa will further its cost-reduction efforts while bolstering sales and marketing activities in Japan and overseas to maintain a high market share. In other crystal products, Furukawa will work to improve yield and productivity and thereby

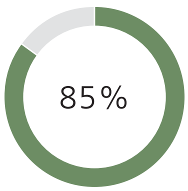
High-purity metallic arsenic

contribute to enhanced competitiveness of Furukawa's customers. Regarding aluminum nitride ceramics, Furukawa will strive to pioneer the product's application as a heat-sink in electronic parts.

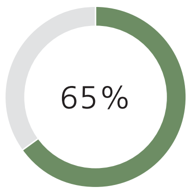
Furthermore, the Furukawa Company Group is bolstering operations for gallium nitride substrates to make the operations a pillar for its overall business.

Market Share

High-purity metallic arsenic

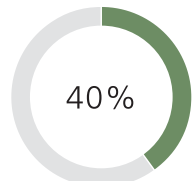


Japanese Market Share

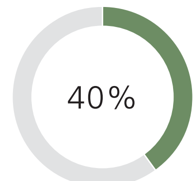


Global Market Share

Gallium phosphorus polycrystals

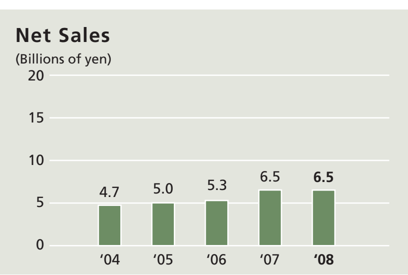


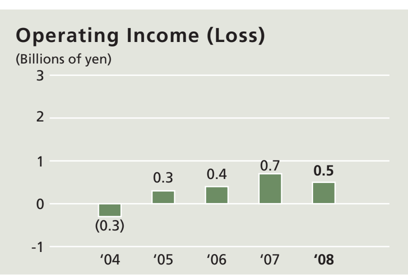
Japanese Market Share

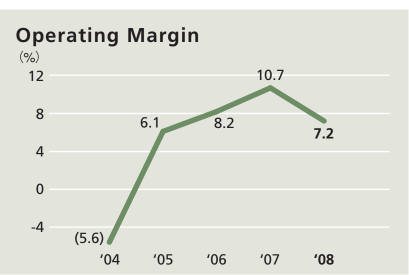


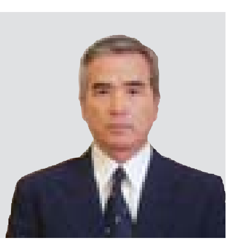
Global Market Share

Chemicals









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

Business Environment

Buoyed by a worldwide shipbuilding boom in recent years, demand remains strong for cuprous oxide, which is used in paints for ship bottoms. Shipments of polymeric ferric sulfate solution, an aggregating agent used to treat wastewater, are showing steady growth due to stable public- and private-sector demand. In addition, demand for sulfuric acid is trending favorably.

Fiscal 2008 Overview

Despite copper prices hovering in a high range and strong demand for cuprous oxide, cuprous oxide shipments and sales both declined, negatively affected by production adjustment, which resulted from tight supplies of raw materials. During the fiscal year under review, Furukawa discontinued the production of sapphire substrates due to an unsuccessful negotiation with its main customer on trading conditions. As a result, net sales in the chemicals business decreased 0.2% to ¥6,525 million. Operating income slumped 32.9% to ¥471 million, with the operating margin sinking 3.5 percentage points to 7.2%.

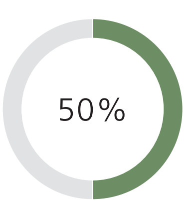
Strategies from Fiscal 2009

Furukawa aims to improve profitability in operations relating to its existing products, including cuprous oxide. To this end, it will focus on the three initiatives of securing stable raw material supplies, strategically transferring raw material cost increases to product prices and further reducing costs. In new products, Furukawa will enhance the market presence of its copper-coating cuprous oxide used in the manufacture of printed circuit boards (PCBs), of which the Furukawa Company Group began manufacturing and sales in June 2008. To achieve this goal, Furukawa will undertake necessary capital investments.

Cuprous oxide

Market Share

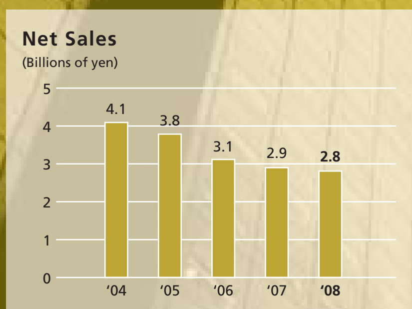
Cuprous oxide

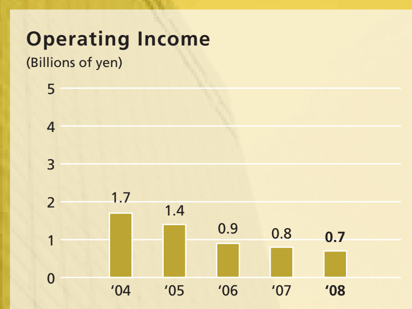


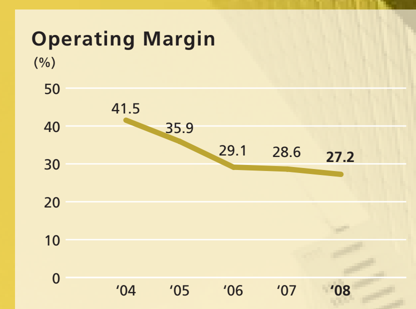
Japanese Market Share

Real Estate

Real Estate Division sales, operating income and operating margin decreased 6.1%, 10.7% and 1.4 percentage points year on year to ¥2,758 million, ¥749 million and 27.2%, respectively.

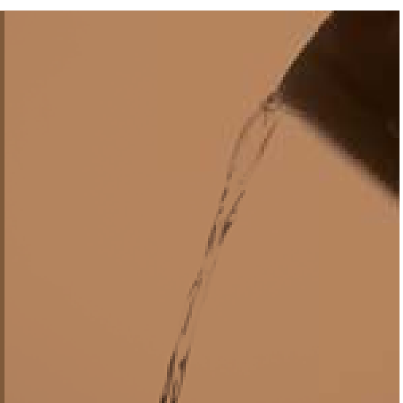






Overview

In the division's core office-building business, the supply-demand condition continues tightening, which is leading to the Tokyo metropolitan area's average vacancy rate staying at a very low level. In addition, corporate-sector demand for office space continues to be robust. In such an environment, the Real Estate Division worked to reduce vacancies by acquiring new tenants and simultaneously to reduce expenses to improve profitability.



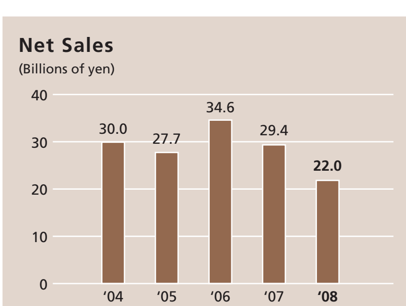
Fuels and Others

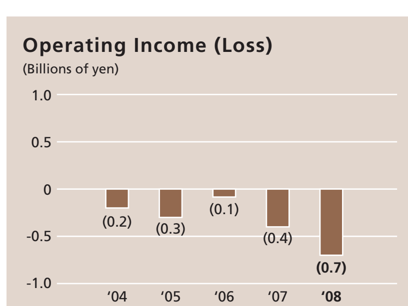
Sales in the Fuels and Others Division slumped 25.0% year on year to ¥22,030 million. Operating loss totaled ¥660 million, compared with an operating loss of ¥416 million recorded in fiscal 2007.

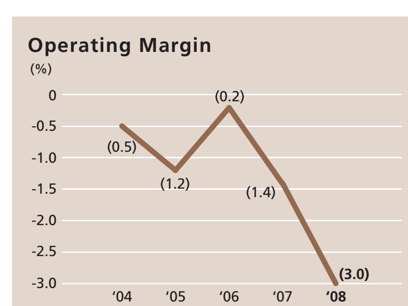
Overview

In Fuels, crude oil prices in March 2008 reached an all-time high in Dubai, and thereafter unit prices continued to rise. However, fuel demand kept declining. Under these circumstances, the Fuels and Other Division advanced sales and marketing activities based on stringent credit controls. As a result, net sales in the fuels business declined, and Furukawa recorded operating loss in this business mainly due to an increase in allowance for doubtful accounts.

In Others, primarily the transport and new businesses, net sales increased, but operating income declined.







ENVIRONMENTAL PROTECTION AND SOCIAL CONTRIBUTION ACTIVITIES

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 good corporate citizen and strive to contribute in every way we can through 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 the president and directors participate. 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 Committee, 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 at each Group company; 2. to prevent accidents and disasters through concerted efforts to share information and reflect it in its daily business management; and 3. to verify revisions to environment-related regulations.

■Environment and safety auditing

Setting up policies for environment and safety auditing, the Furukawa Company Group conducts audits on an annual basis for its legal compliance and working environment, as well as on the control and maintenance of its facilities. From fiscal 2008, ended March 31, 2008, we changed the designation "environmental protection auditing" to "environment and safety auditing," in pursuit of detailed auditing for occupational health and safety on top of the existing environmental protection auditing. Furthermore, we commenced cross-auditing to have environment protection supervisors at each plant audit each other's workplace. This helps us to gain a different viewpoint and develop capabilities to spot areas that need improvement. With the new system, we are going to implement auditing of higher effectiveness, while striving to raise the awareness of all employees.

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.

■Low-noise, low-vibration hydraulic breakers

Hydraulic breakers that realize low noise and vibration are helping to contribute to the improvement of environments in and around construction-site areas.

■Fuel-efficient cranes

Enabling up to 40% more energy efficiency compared with the existing product lineup to significantly contribute to the reduction of greenhouse gas emissions, the U-can ECO crane series received the 18th Energy Conservation Center Chairperson's Prize of the Energy Conservation Awards in 2007.

■Development of LuAG scintillator crystals

Scintillator crystals have the characteristic of transforming gamma rays into photons, and they are used for various applications, including the high-energy physics, medical, industrial and agricultural fields. Furukawa was granted the 2007 Japan Mining Industry Association Award.

LuAG scintillator crystal

■Dream Mill pneumatic micropowder-producing equipment

The Dream Mill series offers pneumatic micropowder-producing equipment that can turn objects into ultrafine powder of a few micrometers without changing the crushed objects' properties with heat. With this capability, the Dream Mill series received the Chairman's Award at the Prize for Promoting Machine Industry hosted by the Japan Society for the Promotion of Machine Industry in 2007.

Dream Mill pneumatic micropowder-producing 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-raising events, arranging blood-donor drives, and loaning its land for free to local environmental associations.

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 asset management and accountability for gain and loss. At the same time, Group businesses leverage collective strengths to maximize corporate value by providing products and services that achieve customer satisfaction.

System of Corporate Governance

Furukawa maintains a Board of Directors comprising nine members, one of whom is appointed from outside the Group. The Board of Directors oversees the execution of the Furukawa Company Group's operation and in principle meets once every month, with additional meetings held as required.

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 June 27, 2008, the system comprised 15 executive officers, six of whom concurrently hold positions as directors.

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 discussed and approved by a resolution of the Board of Directors. Furthermore, important matters that have been determined by individual Group companies are discussed and reviewed by the Board of Directors and other relevant bodies.

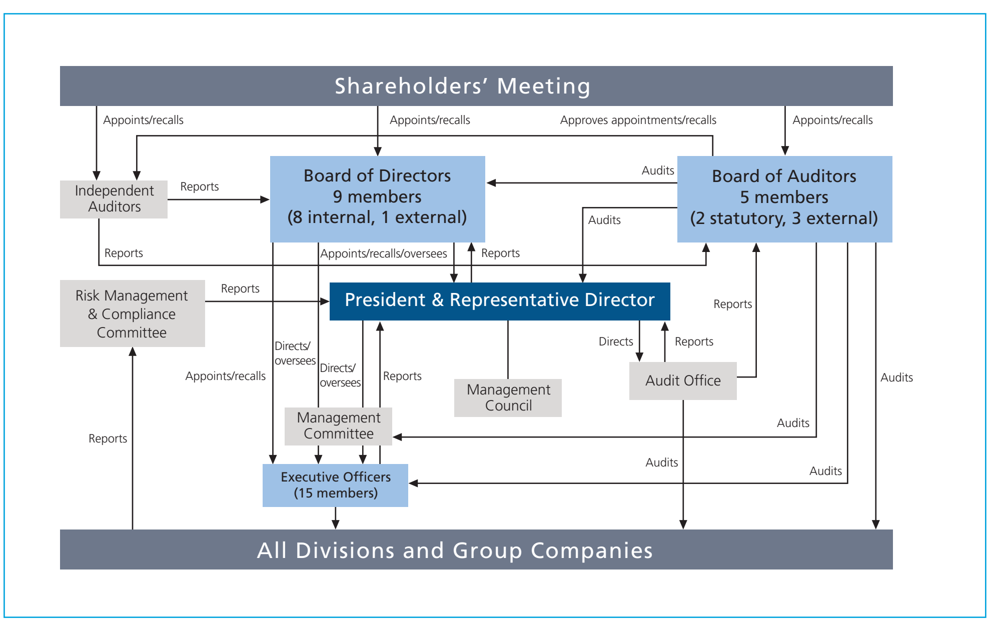
Furukawa uses an auditor system, with a Board of Auditors composed of two statutory auditors and three outside auditors. Pursuant to an audit policy formulated by the Board of Auditors, auditors attend meetings of the Board of Directors, the Management Council, the Management Committee and other important management meetings. In addition, they receive business reports from directors, 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 independent auditors, who together devise audit plans, review audit results and share other audit-related information.

Compliance and System of Risk Management

The Furukawa Company Group has formulated a Corporate Conduct Charter and an Employees' Code of Behavior. Every effort is made to ensure that all members of the Group are fully aware of and practice the principles contained in each.

Furukawa also recognizes effective risk management as an important aspect of its business activities. In addition to identifying and assessing potential risk and formulating preventive and response measures as well as remedial initiatives, the Group has established the Risk Management & Compliance Committee for the purpose of formulating the Group's basic policies toward risk management and compliance. Through these means, Furukawa is committed to developing a comprehensive structure capable of addressing all relevant issues.

■Corporate Governance Organization Chart



Contents

Consolidated Six-year Financial Summary

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

	Millions of yen					
	2008	2007	2006	2005	2004	2003
For the year:						
Net sales	**¥ 213,426**	¥ 200,749	¥ 181,938	¥ 147,237	¥ 153,513	¥ 151,630
Cost of sales	**181,522**	167,507	153,281	124,586	135,872	136,509
Gross profit	**31,904**	33,242	28,657	22,651	17,641	15,121
Selling, general and administrative expenses	**17,497**	16,343	16,527	15,268	15,617	16,712
Operating income (loss)	**14,407**	16,899	12,130	7,383	2,024	(1,591)
Income (loss) before income taxes and minority interests	**12,484**	11,127	9,810	4,199	(35,238)	(22,032)
Net income (loss)	**8,595**	17,554	5,309	2,257	(27,634)	(17,000)
Cash flows from operating activities	**12,823**	12,648	8,254	7,698	(3,083)	(2,153)
Cash flows from investing activities	**(855)**	(4,367)	(336)	7,620	25,602	(4,538)
Cash flows from financing activities	**(13,835)**	(8,910)	(18,086)	(8,227)	(14,962)	1,108
Capital expenditures	**4,374**	3,905	1,777	2,994	2,995	5,814
Depreciation and amortization	**2,993**	2,626	2,595	3,026	6,533	6,261
At year-end:						
Total assets	**¥ 199,383**	¥ 217,027	¥ 213,046	¥ 204,651	¥ 206,250	¥ 252,856
Current assets	**88,888**	94,865	89,055	92,197	83,777	79,552
Current liabilities	**80,487**	89,293	88,220	104,439	81,213	94,056
Net assets (Note 1)	**55,431**	52,136	43,072	31,335	28,660	33,665
Interest-bearing liabilities	**77,907**	89,389	99,418	116,851	123,995	140,389

	Yen					
Per share amounts:						
Net income (loss):						
Basic	**¥ 21.26**	¥ 43.42	¥ 13.12	¥ 5.57	¥ (84.61)	¥ (67.88)
Diluted	**—**	—	12.37	5.03	—	—
Cash dividends	**6.00**	5.00	3.00	—	—	—
Net assets	**134.33**	139.13	106.52	77.49	70.86	134.23

Profitability:						
Cost of sales margin (%)	**85.1**	83.4	84.2	84.6	88.5	90.0
Gross margin (%)	**14.9**	16.6	15.8	15.4	11.5	10.0
SG&A expense margin (%)	**8.2**	8.1	9.1	10.4	10.2	11.0
Operating margin (%)	**6.8**	8.4	6.7	5.0	1.3	(1.0)
Return on sales (%)	**4.0**	8.7	2.9	1.5	(18.0)	(11.2)
Efficiency and soundness:						
Return on equity (%) (Note 2)	**15.5**	35.3	14.3	7.5	(88.7)	(40.7)
Return on assets (%) (Note 3)	**4.1**	8.2	2.5	1.1	(12.0)	(6.4)
Debt-to-equity ratio (times) (Note 4)	**1.4**	1.6	2.3	3.7	4.3	4.2
Equity ratio (%) (Note 5)	**27.2**	25.9	20.2	15.3	13.9	13.3
Stock market value ratios						
Dividend payout ratio (Note 6)	**28.2**	11.5	22.9	—	—	—
Price book value ratio (times) (Note 7)	**1.4**	2.1	2.9	1.8	2.0	0.5
Stock price at fiscal year-end	**183**	293	306	143	142	64

Notes: 1. Figures for fiscal 2003 to fiscal 2006 represent total shareholders' equity.
2. Return on equity = Net income/Average total equity × 100
3. Return on assets = Net income/Average total assets × 100
4. Debt-to-equity ratio = Interest-bearing liabilities (fiscal year-end)/Total equity [Shareholders' equity] (fiscal year-end)
5. Equity ratio = Total equity [Shareholders' equity] (fiscal year-end)/Total assets (fiscal year-end) × 100
6. Dividend payout ratio = Total cash dividends/Consolidated net income × 100
7. Price book value ratio = Stock price at fiscal year-end/Net assets per share
8. Total equity = Net assets-Minority interests (As of March 31, 2008: ¥54,301 million; As of March 31, 2007: ¥56,246 million)

Financial Review

Revenue and Expenses

Consolidated net sales in the fiscal year ended March 31, 2008 totaled ¥213,426 million, an increase of 6.3% compared with the previous fiscal year. This total was the result of a 15.1% year-on-year improvement in net sales of the Metals Division on the continued strength of high copper prices and shipment growth, as well as an 11.9% upswing in Machinery Division net sales on the back of robust overseas rock drill shipments. These positive factors more than offset the drop in Fuels Division net sales, which declined 26.5% year on year. Throughout the fiscal year under review, crude oil prices continued to surge, marking all-time highs in Dubai. While unit prices rose thereafter, demand for fuel maintained its downward spiral and the Company implemented stringent credit controls.

Cost of sales increased 8.4% to ¥181,522 million, with the cost of sales margin rising 1.7 percentage points to 85.1%. This upswing was mainly attributable to weak copper treatment and refining charge (TC/RC) conditions in the Metals Division. Selling, general and administrative expenses climbed 7.1% year on year to ¥17,497 million owing mainly to increases in salaries and allowances as well as shipping charges. Accounting for the aforementioned factors, operating income declined 14.7% compared with the previous fiscal year to ¥14,407 million. Despite higher operating income in the Machinery Division, which grew 15.9% year on year on the back of increased shipments in the rock drill business and improved profitability in the industrial machinery business, this was due in large part to the 29.8% drop in operating income in the Metals Division, reflecting weak TC/RC conditions.

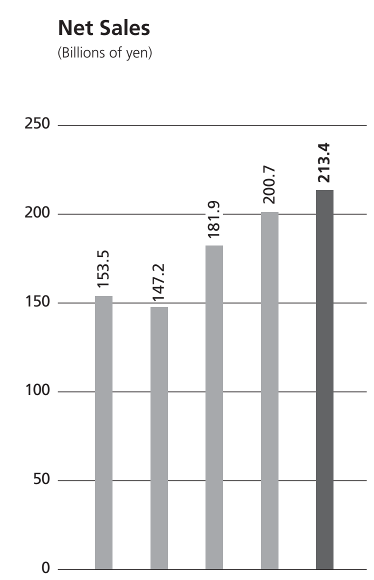
Under other expenses, ¥2,381 million in interest expense was recorded. Principal components in other, net, under other income and expenses included a ¥656 million loss on disposal and devaluation of inventories, a ¥637 million write-down of investments in securities and ¥1,475 million in gains related to a copper smelting business in Australia. This latter gain is attributable to certain factors including a review of provisions in connection with a copper smelting subsidiary in Australia, taking into consideration progress to date of voluntary environmental cleanup plans.

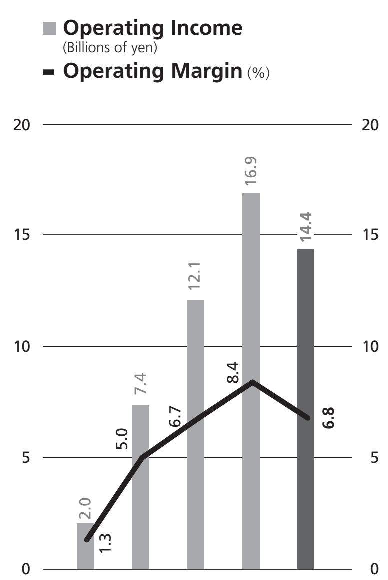
As a result, income before income taxes and minority interests increased 12.2% year on year to ¥12,484 million. After accounting for current and deferred income taxes totaling ¥3,948 million, net income amounted to ¥8,595 million, a drop of 51.0% compared with the previous fiscal year.

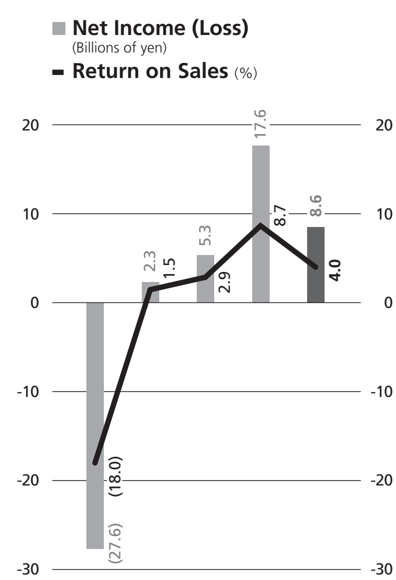
Turning to shareholder returns, Furukawa distributed full fiscal year dividend payments of ¥6.00 per share (including an interim dividend payment of ¥2.50 per share), a ¥1.00 per share increase year on year.

Financial Position

Total assets as of March 31, 2008 stood at ¥199,383 million, an 8.1% decrease compared with the end of the previous fiscal year. Current assets declined 6.3% year on year to ¥88,888 million due to such factors as the drop in cash and cash equivalents. Fixed assets also contracted 9.6% to ¥110,495 million. Of this total, investments declined 23.0% year on year to ¥36,315 million. This







was mainly attributable to a drop in investments in securities reflecting the decline in market values of stockholdings as of the fiscal year-end.

Total liabilities fell 12.7% to ¥143,952 million owing to decreases in corporate bonds and debt as well as finance lease obligations. As a result, the fiscal year-end balance of interest-bearing liabilities (corporate bonds and debt) contracted by ¥11,482 million to ¥77,907 million.

Net assets at the fiscal year-end stood at ¥55,431 million, up 6.3% compared with the end of the previous fiscal year. Despite the net unrealized holding loss on securities, net of income taxes, this was mainly attributable to the turnaround from minority interests in losses of consolidated subsidiaries to minority interests in income of consolidated subsidiaries and contributions from net income. Accounting for the aforementioned factors, the equity ratio improved 1.3 percentage points to 27.2%.

R&D and Capital Expenditures

Research and development expenses for the fiscal year under review were ¥1,941 million, representing 0.9% of consolidated net sales. Of this total, ¥1,010 million was allocated to the Machinery Division and ¥931 million to the Electronic Materials and Chemicals Division.

Capital expenditures (including investments in intangible fixed assets) amounted to ¥4,374 million. Of this total, ¥3,017 million was allocated to the Machinery Division, ¥120 million to the Metals Division and ¥484 million to the Electronic Materials and Chemicals Division, primarily for improvements in manufacturing efficiency. In addition, ¥338 million was allocated to the Real Estate Division for maintenance on leased buildings and ¥49 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 ¥12,823 million, an increase of ¥175 million compared with the previous fiscal year, owing mainly to income taxes refunded.

Net cash used in investing activities amounted to ¥855 million, a drop of ¥3,512 million year on year. This was chiefly due to proceeds from the redemption of investments.

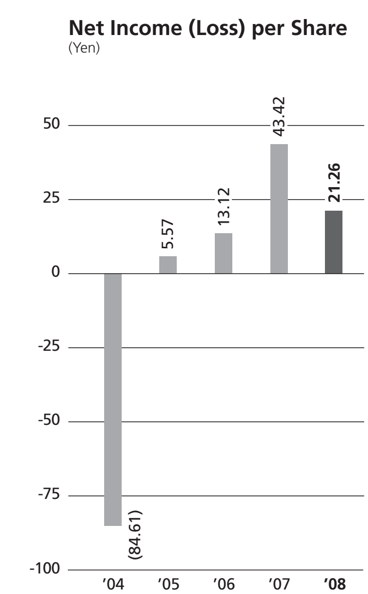
Net cash used in financing activities rose ¥4,925 million to ¥13,835 million, principally owing to repayment of finance lease obligations.

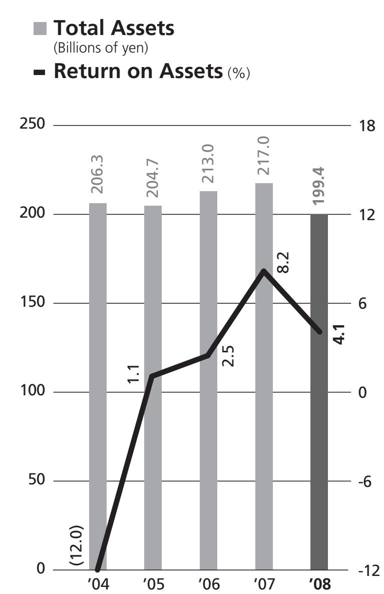
As a result, cash and cash equivalents at the end of the fiscal year were ¥14,547 million, a 10.9% decrease year on year.

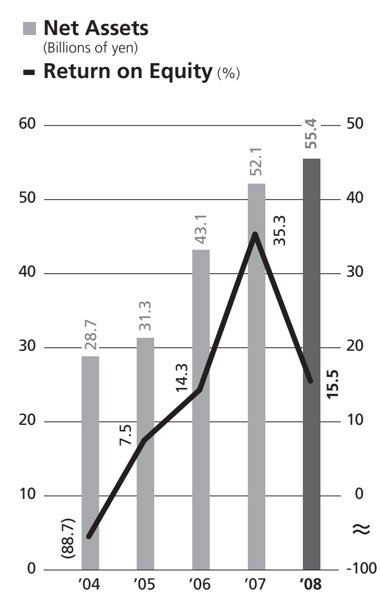
Business Risks

(1) Fluctuations in the Foreign Exchange and Nonferrous 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







Net assets of fiscal 2004 to fiscal 2006 represent total shareholders' equity.

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

(2) 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, 2008, the carrying value of investments in securities was ¥21,751 million, while land stood at ¥45,978 million. Accordingly, the Furukawa Company Group's operating results and financial position are at risk of impairment losses, losses from devaluation and losses on sales due to movements in stock and land prices.

(3) 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.

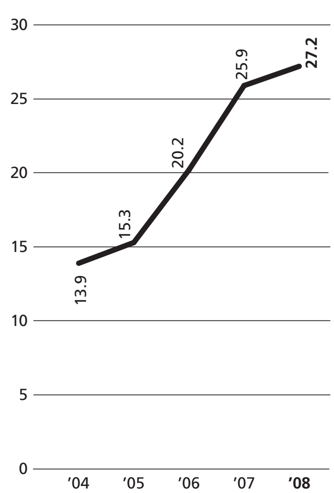
(4) Earthquake and Natural Disasters

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.

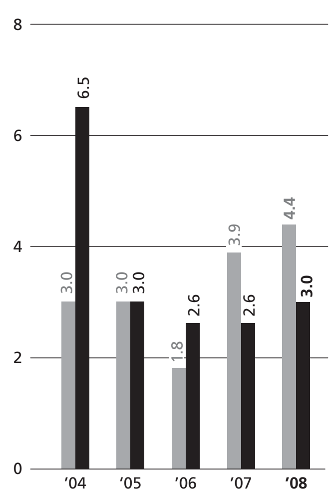
(5) Environmental Protection

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 buildup 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.

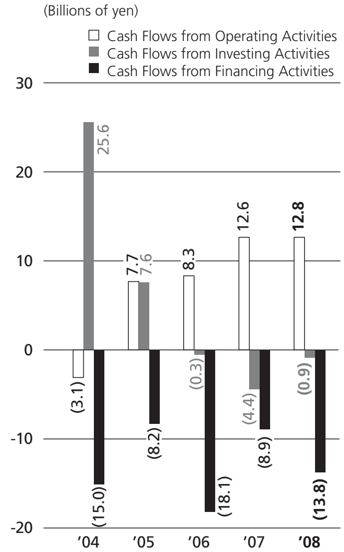
Equity Ratio
(%)



■ Capital Expenditures
■ Depreciation and Amortization
(Billions of yen)



Cash Flows
(Billions of yen)



Consolidated Balance Sheets

Furukawa Co., Ltd. and consolidated subsidiaries
March 31, 2008 and 2007

ASSETS	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars (Note 4) 2008
Current Assets:			
Cash and cash equivalents (Note 7)	**¥ 14,547**	¥ 16,333	**$ 145,470**
Receivables, trade (Note 7):			
Notes and accounts	**31,301**	31,342	**313,010**
Affiliates	**914**	932	**9,140**
Inventories (Note 5)	**35,304**	32,318	**353,040**
Deferred income taxes (Note 13)	**2,001**	1,982	**20,010**
Other current assets (Note 7)	**5,505**	12,480	**55,050**
Allowance for doubtful accounts	**(684)**	(522)	**(6,840)**
Total current assets	**88,888**	94,865	**888,880**
Investments:			
Investments in securities (Notes 6 and 7)	**24,752**	36,047	**247,520**
Investments in affiliates	**3,217**	2,065	**32,170**
Loans receivable	**906**	979	**9,060**
Deferred income taxes (Note 13)	**91**	41	**910**
Other investments (Note 8)	**8,681**	9,152	**86,810**
Allowance for doubtful accounts	**(1,332)**	(1,138)	**(13,320)**
Total investments	**36,315**	47,146	**363,150**
Property, Plant and Equipment—at Cost (Notes 7 and 8)**:**			
Land and timberlands	**47,835**	48,395	**478,350**
Buildings and structures	**41,375**	40,545	**413,750**
Machinery and equipment	**48,212**	47,754	**482,120**
Construction in progress	**1,348**	712	**13,480**
	138,770	137,406	**1,387,700**
Accumulated depreciation	**(64,590)**	(62,390)	**(645,900)**
Property, plant and equipment, net	**74,180**	75,016	**741,800**
Total assets	**¥199,383**	¥217,027	**$1,993,830**

LIABILITIES AND NET ASSETS	Millions of yen 2008	2007	Thousands of U.S. dollars (Note 4) 2008
Current Liabilities:			
Short-term loans (Note 7)	**¥ 15,318**	¥ 16,750	**$ 153,180**
Current portion of long-term debt (Note 7)	**18,270**	22,947	**182,700**
Payables, trade:			
Notes and accounts (Note 7)	**33,399**	33,266	**333,990**
Affiliates	**18**	17	**180**
Accrued expenses	**9,402**	10,441	**94,020**
Accrued income taxes (Note 13)	**618**	696	**6,180**
Deferred income taxes (Note 13)	**32**	11	**320**
Other current liabilities	**3,430**	5,165	**34,300**
Total current liabilities	**80,487**	89,293	**804,870**
Long-term Liabilities:			
Long-term debt (Note 7)	**44,320**	49,692	**443,200**
Accrued employees' retirement benefits (Note 12)	**1,136**	1,138	**11,360**
Accrued directors' and statutory auditors' retirement benefits	**14**	347	**140**
Deferred income taxes (Note 13)	**6,824**	7,669	**68,240**
Deferred income taxes on surplus on the revaluation of land (Note 13)	**3,113**	3,157	**31,130**
Other long-term liabilities (Note 7)	**8,058**	13,595	**80,580**
Total long-term liabilities	**63,465**	75,598	**634,650**
Net Assets:			
Shareholders' Equity:			
Common stock without par value:			
Authorized—800,000,000 shares			
Issued—404,455,680 shares	**28,208**	28,208	**282,080**
Retained earnings	**24,629**	18,194	**246,290**
Treasury stock, at cost:			
2008—225,261 shares	**(35)**	—	**(350)**
2007—179,522 shares	**—**	(24)	**—**
Total shareholders' equity	**52,802**	46,378	**528,020**
Valuation, Translation Adjustments and Others:			
Net unrealized holding gain (loss) on securities, net of income taxes	**(1,200)**	6,270	**(12,000)**
Deferred gains on hedges	**146**	371	**1,460**
Surplus on the revaluation of land, net of income taxes	**3,775**	3,838	**37,750**
Translation adjustments	**(1,222)**	(611)	**(12,220)**
Total valuation, translation adjustments and others	**1,499**	9,868	**14,990**
Minority Interests in Consolidated Subsidiaries	**1,130**	(4,110)	**11,300**
Total net assets	**55,431**	52,136	**554,310**
Total liabilities and net assets	**¥199,383**	¥217,027	**$1,993,830**

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, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2008	2007	**2008**
Net Sales	**¥ 213,426**	¥ 200,749	**$ 2,134,260**
Cost of Sales (Note 9)	**(181,522)**	(167,507)	**(1,815,220)**
Gross profit	**31,904**	33,242	**319,040**
Selling, General and Administrative Expenses (Note 9)	**(17,497)**	(16,343)	**(174,970)**
Operating income	**14,407**	16,899	**144,070**
Other Income (Expenses):			
Interest and dividend income	**951**	798	**9,510**
Equity in earnings of affiliates	**114**	358	**1,140**
Interest expense	**(2,381)**	(2,478)	**(23,810)**
Other, net (Note 15)	**(607)**	(4,450)	**(6,070)**
Income before income taxes and minority interests	**12,484**	11,127	**124,840**
Income Taxes (Note 13)**:**			
Current	**(1,082)**	(1,026)	**(10,820)**
Deferred	**(2,866)**	6,793	**(28,660)**
Total	**(3,948)**	5,767	**(39,480)**
Minority Interests	**59**	660	**590**
Net income	**¥ 8,595**	¥ 17,554	**$ 85,950**

	Yen		U.S. dollars (Note 4)
Net Income per Share:			
Basic	**¥ 21.26**	¥ 43.42	**$ 0.21**
Cash Dividends per Share	**6.00**	5.00	**0.06**
Net Assets per Share	**134.33**	139.13	**1.34**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2008 and 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, 2007	404,456	¥ 28,208	¥ 18,194	¥ (24)	¥ 46,378
Cash dividends paid	**—**	**—**	**(2,223)**	**—**	**(2,223)**
Net income for the year	**—**	**—**	**8,595**	**—**	**8,595**
Acquisition of the treasury stock	**—**	**—**	**—**	**(11)**	**(11)**
Reversal of surplus on the revaluation of land	**—**	**—**	**63**	**—**	**63**
Net change during the year	**—**	**—**	**—**	**—**	**—**
Balance as of March 31, 2008	**404,456**	**¥ 28,208**	**¥ 24,629**	**¥ (35)**	**¥ 52,802**

	Millions of yen						
	Valuation, translation adjustments and others						
	Net unrealized holding gain (loss) on securities, net of income taxes	Deferred gains 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, 2007	¥ 6,270	¥ 371	¥ 3,838	¥ (611)	¥ 9,868	¥ (4,110)	¥ 52,136
Cash dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**(2,223)**
Net income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**8,595**
Acquisition of the treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(11)**
Reversal of surplus on the revaluation of land	**—**	**—**	**(63)**	**—**	**(63)**	**—**	**—**
Net change during the year	**(7,470)**	**(225)**	**—**	**(611)**	**(8,306)**	**5,240**	**(3,066)**
Balance as of March 31, 2008	**¥ (1,200)**	**¥ 146**	**¥ 3,775**	**¥ (1,222)**	**¥ 1,499**	**¥ 1,130**	**¥ 55,431**

		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 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, 2007	$282,080	$181,940	$ (240)	$463,780
Cash dividends paid	**—**	**(22,230)**	**—**	**(22,230)**
Net income for the year	**—**	**85,950**	**—**	**85,950**
Acquisition of the treasury stock	**—**	**—**	**(110)**	**(110)**
Reversal of surplus on the revaluation of land	**—**	**630**	**—**	**630**
Net change during the year	**—**	**—**	**—**	**—**
Balance as of March 31, 2008	**$282,080**	**$246,290**	**$ (350)**	**$528,020**

	Thousands of U.S. dollars (Note 4)						
	Valuation, translation adjustments and others						
	Net unrealized holding gain (loss) on securities, net of income taxes	Deferred gains 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, 2007	$ 62,700	$3,710	$38,380	$ (6,110)	$ 98,680	$ (41,100)	$521,360
Cash dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**(22,230)**
Net income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**85,950**
Acquisition of the treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(110)**
Reversal of surplus on the revaluation of land	**—**	**—**	**(630)**	**—**	**(630)**	**—**	**—**
Net change during the year	**(74,700)**	**(2,250)**	**—**	**(6,110)**	**(83,060)**	**52,400**	**(30,660)**
Balance as of March 31, 2008	**$ (12,000)**	**$1,460**	**$37,750**	**$(12,220)**	**$ 14,990**	**$ 11,300**	**$554,310**

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, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2008	2007	**2008**
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	**¥ 12,484**	¥ 11,127	**$ 124,840**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**2,993**	2,626	**29,930**
Increase (Decrease) in allowance for doubtful accounts, net	**357**	(94)	**3,570**
Increase in accrued employees' retirement benefits	**327**	174	**3,270**
Loss on disposal and sales of property, plant and equipment	**746**	264	**7,460**
Write-down of investments in securities	**637**	8	**6,370**
Gain on sales of property, plant and equipment	**(286)**	(20)	**(2,860)**
Equity in earnings of affiliates	**(114)**	(358)	**(1,140)**
Interest and dividend income	**(951)**	(798)	**(9,510)**
Interest expense	**2,381**	2,478	**23,810**
Changes in operating assets and liabilities:			
Receivables, trade	**62**	2,279	**620**
Inventories	**(2,986)**	(3,802)	**(29,860)**
Payables, trade	**(6)**	3,103	**(60)**
Other	**(2,287)**	5,384	**(22,870)**
Subtotal	**13,357**	22,371	**133,570**
Interest and dividends received	**966**	985	**9,660**
Interest paid	**(2,383)**	(2,505)	**(23,830)**
Payments related to copper smelting business in Australia	**—**	(407)	**—**
Income taxes paid	**(2,218)**	(7,432)	**(22,180)**
Income taxes refunded	**3,100**	10	**31,000**
Other	**—**	(374)	**—**
Net cash provided by operating activities	**12,823**	12,648	**128,230**
Cash Flows from Investing Activities:			
Purchases of property, plant and equipment	**(4,281)**	(3,862)	**(42,810)**
Proceeds from sales of property, plant and equipment	**449**	24	**4,490**
Decrease in restricted deposits	**4,425**	63	**44,250**
Purchases of investments in securities	**(3,476)**	(1,332)	**(34,760)**
Proceeds from sales of investments in securities	**0**	526	**0**
Proceeds from redemption of investments	**3,000**	—	**30,000**
Acquisition of an affiliate accounted for by the equity method	**(1,000)**	(50)	**(10,000)**
Proceeds from rental of real estate	**—**	108	**—**
Proceeds from the collection of the loan	**14**	425	**140**
Other	**14**	(269)	**140**
Net cash used in investing activities	**(855)**	(4,367)	**(8,550)**
Cash Flows from Financing Activities:			
Proceeds from long-term loans payable	**17,250**	15,000	**172,500**
Repayment of long-term loans payable	**(18,473)**	(20,676)	**(184,730)**
Proceeds from short-term loans	**6,304**	10,600	**63,040**
Repayment of short-term loans	**(7,645)**	(10,816)	**(76,450)**
Repayment of notes	**(4,600)**	(1,000)	**(46,000)**
Repayment of finance lease obligations	**(4,425)**	(45)	**(44,250)**
Cash dividends	**(2,223)**	(2,022)	**(22,230)**
Other	**(23)**	49	**(230)**
Net cash used in financing activities	**(13,835)**	(8,910)	**(138,350)**
Effect of exchange rate changes on cash and cash equivalents	**82**	219	**820**
Net decrease in cash and cash equivalents	**(1,786)**	(410)	**(17,860)**
Cash and Cash Equivalents at Beginning of Year	**16,333**	16,743	**163,330**
Cash and Cash Equivalents at End of Year	**¥ 14,547**	¥ 16,333	**$ 145,470**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Furukawa Co., Ltd. and consolidated subsidiaries
March 31, 2008

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 Financial Instruments 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 34 subsidiaries as of March 31, 2008 (37 as of March 31, 2007). The consolidated financial statements included the accounts of the Company and 34 subsidiaries as of March 31, 2008 (37 as of March 31, 2007).

Compared with the previous year, the number of subsidiaries decreased by 3 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, 2008 (12 affiliates as of March 31, 2007), the equity method was applied to 6 affiliates as of March 31, 2008 (5 as of March 31, 2007) 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, 2008 and 2007. 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. 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 as incurred 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.

As for the Company, a resolution was approved by the shareholders' meeting on June 28, 2007, that the retirement benefit plan for directors and statutory auditors be terminated, effective immediately. The allowance of ¥208 million ($2,080 thousand) prior to the approval date was included in "Other long-term liabilities" with respect to directors and statutory auditors who are in service at March 31, 2008.

(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 net assets 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 ¥1,658 million ($16,580 thousand) and ¥1,591 million as of March 31, 2008 and 2007, 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 file a consolidated corporation tax return.

(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 not presented for the years ended March 31, 2008 and 2007 since no dilutive instruments were issued and outstanding during those years.

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 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, 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 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 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 Company Law of Japan (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) Changes in Method of Depreciation of Tangible Fixed Assets

In accordance with the revision made to the Corporate Tax Law of Japan (the "Tax Law") which went into effect on April 1, 2007, effective the year ended March 31, 2008, the Company and domestic consolidated subsidiaries have adopted the new method prescribed in the revised Tax Law for depreciating tangible fixed assets acquired on or after April 1, 2007. The impact of this change was immaterial.

In addition to the above adoption, effective the year ended March 31, 2008, these companies depreciate the difference between 5% of acquisition cost and nominal value by the straight-line method over a period of five years from the year following the year in which the accumulated depreciation has reached 95% of acquisition cost with respect to the tangible fixed assets acquired on or before March 31, 2007. As a result, operating income and income before income taxes decreased by ¥248 million ($2,480 thousand) and ¥296 million ($2,960 thousand), respectively, from the corresponding amounts which would have been reported under the previous method.

(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 and ¥306 million, 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 ¥100=US$1.00, the exchange rate prevailing on March 31, 2008. 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, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Finished products	**¥13,207**	¥12,975	**$132,070**
Work in process	**5,983**	6,440	**59,830**
Raw materials and supplies	**16,114**	12,903	**161,140**
Total	**¥35,304**	¥32,318	**$353,040**

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, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2008			**2008**		
	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	**¥ 7,643**	**¥10,793**	**¥ 3,150**	**$ 76,430**	**$107,930**	**$31,500**
Government bonds	**—**	**—**	**—**	**—**	**—**	**—**
Corporate bonds	**—**	**—**	**—**	**—**	**—**	**—**
	7,643	**10,793**	**3,150**	**76,430**	**107,930**	**31,500**
Securities whose acquisition cost exceeds their carrying value:						
Listed corporate shares	**14,750**	**10,943**	**(3,807)**	**147,500**	**109,430**	**(38,070)**
Government bonds	**16**	**15**	**(1)**	**160**	**150**	**(10)**
Corporate bonds	**—**	**—**	**—**	**—**	**—**	**—**
	14,766	**10,958**	**(3,808)**	**147,660**	**109,580**	**(38,080)**
Total	**¥22,409**	**¥21,751**	**¥ (658)**	**$224,090**	**$217,510**	**$ (6,580)**

	Millions of yen		
	2007		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Listed corporate shares	¥15,960	¥26,587	¥10,627
Government bonds	—	—	—
Corporate bonds	—	—	—
	15,960	26,587	10,627
Securities whose acquisition cost exceeds their carrying value:			
Listed corporate shares	3,604	3,441	(163)
Government bonds	16	15	(1)
Corporate bonds	59	59	—
	3,679	3,515	(164)
Total	¥19,639	¥30,102	¥10,463

Proceeds from sales of securities classified as other securities with aggregate gain and loss for the years ended March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Sales proceeds	**¥ 0**	¥ 8	**$ 0**
Aggregate gain	**—**	7	**—**
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 2.0% and 1.3% as of March 31, 2008 and 2007, respectively.

Long-term debt as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
2.21% yen notes due 2007	**¥ —**	¥ 4,100	**$ —**
0.65% yen notes due 2008	**—**	500	**—**
Loans, principally from banks, insurance companies and government agencies, most of which are secured, due 2008 to 2023	**62,590**	68,039	**625,900**
	62,590	72,639	**625,900**
Current portion of long-term debt	**(18,270)**	(22,947)	**(182,700)**
	¥ 44,320	¥ 49,692	**$ 443,200**

The average interest rate applicable to the above loans amounting to ¥62,590 million ($625,900 thousand) was 2.0% and 1.9% as of March 31, 2008 and 2007, respectively.

The aggregate annual maturities of long-term debt subsequent to March 31, 2008 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2009	¥18,270	$ 182,700
2010	16,185	161,850
2011	12,097	120,970
2012	6,965	69,650
2013 and thereafter	9,073	90,730
	¥62,590	$ 625,900

The Company and certain consolidated subsidiaries have entered into overdraft and loan commitment agreements amounting to ¥30,702 million ($307,020 thousand) with 25 banks and ¥29,939 million with 25 banks as of March 31, 2008 and 2007, respectively. The borrowings outstanding and the unused balances under these credit facilities amounted to ¥12,693 million ($126,930 thousand) and ¥18,009 million ($180,090 thousand), respectively, as of March 31, 2008 and amounted to ¥13,752 million and ¥16,187 million, respectively, as of March 31, 2007. 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
	2008	2007	**2008**
Non current portion	**¥ —**	¥6,424	**$ —**

Assets pledged as collateral and liabilities with collateral pledged as of March 31, 2008 were as follows:

(a) Assets pledged as collateral

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Cash and cash equivalents	**¥ —**	¥ 4,864	**$ —**
Receivables, trade	**—**	85	**—**
Other current assets	**—**	254	**—**
Investments in securities	**950**	2,445	**9,500**
Property, plant and equipment, net	**19,798**	20,696	**197,980**
	¥20,748	¥28,344	**$207,480**

(b) Liabilities with collateral pledged

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Notes and accounts payable—trade	**¥ 338**	¥ 1,426	**$ 3,380**
Short-term debt	**—**	740	**—**
Long-term debt (including current portion)	**3,630**	5,203	**36,300**
Lease obligations (included in other long-term liabilities)	**—**	6,424	**—**
	¥ 3,968	¥13,793	**$ 39,680**

8. Depreciation and Amortization

Depreciation and amortization for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Property, plant and equipment	**¥2,964**	¥2,601	**$29,640**
Other investments	**29**	25	**290**
	¥2,993	¥2,626	**$29,930**

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, 2008 and 2007 amounted to ¥1,941 million ($19,410 thousand) and ¥1,888 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, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Acquisition costs	**¥3,477**	¥2,302	**$34,770**
Less accumulated depreciation	**1,182**	926	**11,820**
Net carrying value	**¥2,295**	¥1,376	**$22,950**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥472 million ($4,720 thousand) and ¥294 million for the years ended March 31, 2008 and 2007, 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, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Within one year	**¥ 561**	¥ 357	**$ 5,610**
Over one year	**1,734**	1,019	**17,340**
	¥2,295	¥1,376	**$22,950**

The future minimum lease payments under lease agreements other than finance leases as of March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Within one year	**¥805**	¥ 781	**$8,050**
Over one year	**50**	7	**500**
	¥855	¥ 788	**$8,550**

11. Derivative Financial Instruments

The Furukawa Group entered into swap agreements to manage interest rate risks. Interest rate swaps convert the 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, 2008 and 2007, 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, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Retirement benefit obligation	**¥(14,142)**	¥(14,356)	**$ (141,420)**
Plan assets at fair value	**10,584**	16,011	**105,840**
Unfunded status	**(3,558)**	1,655	**(35,580)**
Unrecognized actuarial loss	**9,064**	4,183	**90,640**
Unrecognized prior service cost	**97**	107	**970**
Prepaid pension expenses	**(6,739)**	(7,083)	**(67,390)**
Accrued employees' retirement benefits	**¥ (1,136)**	¥ (1,138)	**$ (11,360)**

The components of retirement benefit expenses for the years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Service cost	**¥ 664**	¥ 636	**$ 6,640**
Interest cost	**367**	396	**3,670**
Expected return on plan assets	**(198)**	(224)	**(1,980)**
Amortization of prior service cost	**11**	9	**110**
Amortization of actuarial loss	**511**	290	**5,110**
Retirement benefit expenses	**1,355**	1,107	**13,550**
Employees' contributions to the defined benefit pension plans	**14**	10	**140**
Total	**¥1,369**	¥1,117	**$13,690**

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

	2008	2007
Discount rates	**mainly 2.4%**	mainly 2.4%
Expected return on plan assets	**mainly 2.0%**	mainly 2.0%

13. Income Taxes

The reconciliations between the statutory tax rate and the effective tax rates of the Furukawa Group for the years ended March 31, 2008 and 2007 were summarized as follows:

	2008	2007
Statutory tax rate	**40.7%**	40.7%
Non-deductible expenses for tax purposes	**0.8**	0.7
Non-taxable dividends and other income	**(0.5)**	(0.2)
Inhabitants per capita tax	**0.6**	0.7
Equity in earnings of affiliates	**(0.4)**	(1.3)
Amortization of goodwill	**(0.5)**	(0.9)
Gain from forgiveness of debt by minority shareholders	**13.2**	17.3
A devaluation loss of investment in subsidiaries and allowance for doubtful accounts	**—**	(65.5)
Changes in valuation allowance	**(19.7)**	(43.6)
Other	**(2.6)**	0.3
Effective tax rates	**31.6%**	(51.8)%

Deferred tax assets and liabilities as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Allowance for doubtful accounts	¥ 445	¥ 312	$ 4,450
Accrued employees' retirement benefits	4,895	4,767	48,950
Loss on impairment of fixed assets	5,089	11,159	50,890
Accrued expenses	318	—	3,180
Net unrealized holding loss on securities	815	—	8,150
Unrealized gains on sales of property, plant and equipment eliminated in consolidation	465	434	4,650
Net operating loss carryforwards	26,288	25,078	262,880
Land	1,779	1,753	17,790
Other	1,044	1,130	10,440
Total gross deferred tax assets	41,138	44,633	411,380
Valuation allowance	(27,425)	(28,985)	(274,250)
Total deferred tax assets	13,713	15,648	137,130
Deferred tax liabilities:			
Net unrealized holding gain on securities	(532)	(4,199)	(5,320)
Statutory reserves provided for tax purposes	(348)	(321)	(3,480)
Gain from establishment of trust for retirement benefit plans	(4,327)	(4,327)	(43,270)
Land	(9,225)	(9,225)	(92,250)
Capitalized interest of a foreign subsidiary	(3,777)	(2,694)	(37,770)
Other	(268)	(539)	(2,680)
Total deferred tax liabilities	(18,477)	(21,305)	(184,770)
Net deferred tax liabilities	¥ (4,764)	¥ (5,657)	$ (47,640)
Deferred income taxes on surplus on the revaluation of land	¥ (3,113)	¥ (3,157)	$ (31,130)

14. Contingent Liabilities

Contingent liabilities as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Notes receivable discounted and endorsed	¥2,631	¥3,679	$26,310
Loans guaranteed	1,241	1,376	12,410

15. Other Income (Expenses)——Other, Net

Other Income (Expenses)——Other, net for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Rental income from real estate	**¥ 82**	¥ 108	**$ 820**
Gain or loss on foreign exchange	**(79)**	205	**(790)**
Loss on disposal and sales of property, plant and equipment	**(460)**	(243)	**(4,600)**
Gain on sales of disused articles	**203**	25	**2,030**
Gains on business transfer	**—**	50	**—**
Gains related to copper smelting business in Australia	**1,475**	—	**14,750**
Payments for closing mines	**(237)**	(373)	**(2,370)**
Payments for idle mines	**(402)**	(255)	**(4,020)**
Loss on disposal and devaluation of inventories	**(656)**	(699)	**(6,560)**
Loss on copper smelting business in Australia	**—**	(3,032)	**—**
Write-down of investments in securities	**(637)**	(8)	**(6,370)**
Other, net	**104**	(228)	**1,040**
	¥ (607)	¥(4,450)	**$ (6,070)**

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, 2008 and 2007 was as follows:

Year ended March 31, 2008	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	**¥ 75,841**	**¥ 97,520**	**¥ 15,277**	**¥ 2,758**	**¥ 20,735**	**¥ 1,295**	**—**	**¥ 213,426**
Intersegment	**470**	**544**	**202**	**158**	**401**	**1,643**	**¥ (3,418)**	**—**
Total	**76,311**	**98,064**	**15,479**	**2,916**	**21,136**	**2,938**	**(3,418)**	**213,426**
Costs and expenses	**(69,473)**	**(91,857)**	**(14,024)**	**(2,167)**	**(21,567)**	**(3,168)**	**3,237**	**(199,019)**
Operating income (loss)	**¥ 6,838**	**¥ 6,207**	**¥ 1,455**	**¥ 749**	**¥ (431)**	**¥ (230)**	**¥ (181)**	**¥ 14,407**
II. Assets, depreciation and capital expenditures								
Total assets	**¥ 70,415**	**¥ 32,975**	**¥ 26,657**	**¥14,582**	**¥ 5,221**	**¥ 3,155**	**¥46,378**	**¥ 199,383**
Depreciation	**1,364**	**222**	**860**	**334**	**26**	**57**	**130**	**2,993**
Capital expenditures	**3,017**	**120**	**484**	**338**	**3**	**46**	**366**	**4,374**

	Machinery	Metals	Electronic Materials and Chemicals	Real Estate	Fuels	Others	Eliminations and Corporate	Consolidated
	Thousands of U.S. dollars							
I. Sales and operating income (loss)								
Outside customers	**$ 758,410**	**$ 975,200**	**$ 152,770**	**$ 27,580**	**$ 207,350**	**$ 12,950**	**—**	**$ 2,134,260**
Intersegment	**4,700**	**5,440**	**2,020**	**1,580**	**4,010**	**16,430**	**$ (34,180)**	**—**
Total	**763,110**	**980,640**	**154,790**	**29,160**	**211,360**	**29,380**	**(34,180)**	**2,134,260**
Costs and expenses	**(694,730)**	**(918,570)**	**(140,240)**	**(21,670)**	**(215,670)**	**(31,680)**	**32,370**	**(1,990,190)**
Operating income (loss)	**$ 68,380**	**$ 62,070**	**$ 14,550**	**$ 7,490**	**$ (4,310)**	**$ (2,300)**	**$ (1,810)**	**$ 144,070**
II. Assets, depreciation and capital expenditures								
Total assets	**$ 704,150**	**$ 329,750**	**$ 266,570**	**$145,820**	**$ 52,210**	**$ 31,550**	**$463,780**	**$ 1,993,830**
Depreciation	**13,640**	**2,220**	**8,600**	**3,340**	**260**	**570**	**1,300**	**29,930**
Capital expenditures	**30,170**	**1,200**	**4,840**	**3,380**	**30**	**460**	**3,660**	**43,740**

Year ended March 31, 2007	Machinery	Metals	Electronic Materials and Chemicals	Real Estate	Fuels	Others	Eliminations and Corporate	Consolidated
	Millions of yen							
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

The geographic segment information for the years ended March 31, 2008 and 2007 has not been presented, because the 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 ¥39,783 million ($397,830 thousand) and ¥33,246 million or 18.6% and 16.6% of the consolidated net sales for the years ended March 31, 2008 and 2007, respectively.

17. Subsequent Event

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements, were approved at a shareholders' meeting held on June 27, 2008:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Year-end cash dividends (¥3.50 = $0.035 per share)	**¥1,415**	¥1,213	**$14,150**
Transfer to legal reserve	**141**	121	**1,410**
	¥1,556	¥1,334	**$15,560**

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, 2008 and 2007, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Furukawa Co., Ltd. and consolidated subsidiaries at March 31, 2008 and 2007, 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, 2008 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 27, 2008

Ernst & Young ShinNihon

PRINCIPAL SUBSIDIARIES AND AFFILIATES

(As of July 31, 2008)

Company Name	Principal Business	Paid-in Capital
Subsidiaries		
Furukawa Industrial Machinery Systems Co., Ltd.	Sales and manufacture of industrial 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 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 machinery	JPY 50 million
Gunma Kankyo Recycle Center Co., Ltd.	Industrial medical waste treatment	JPY 400 million
Ashio Rock Drill Co., Ltd.	Manufacture of rock drills and industrial machinery	JPY 100 million
Tsubame Industrial Community Limited	Manufacture of machine tools and industrial machinery	JPY 40 million
FRD Iwaki Co., Ltd.	Manufacture of rock drills	JPY 30 million
Gougler Industries, Inc. (U.S.A.)	Sales of rock drills	USD 59.5 million
Furukawa Rock Drill Europe B.V. (The Netherlands)	Sales of rock drills	EUR 0.9 million
Furukawa Rock Drill Korea Co., Ltd.	Sales of rock drills	KRW 300 million
Furukawa Rock Drill (Shanghai) Co., Ltd.	Sales of rock drills	JPY 50 million
UNIC Kanto Sales Co., Ltd.	Sales of UNIC cranes	JPY 30 million
UNIC Tohoku Sales Co., Ltd.	Sales of UNIC cranes	JPY 16 million
UNIC Kyushu Sales Co., Ltd.	Sales of UNIC cranes	JPY 30 million
Furukawa Unic (Thailand) Co., Ltd. (Thailand)	Manufacture of UNIC cranes	THB 200 million
Taian Furukawa Machinery Co., Ltd.	Sales and manufacture of UNIC cranes	USD 4.8 million
Ashio Smelting Co., Ltd.	Copper smelting and industrial waste treatment	JPY 100 million
Oita Mining Co., Ltd.	Mining and sales of limestone	JPY 125 million
Ashio Construction Co., Ltd.	Civil engineering and construction	JPY 30 million
Port Kembla Copper Pty. Ltd. (Australia)	Copper smelting (Operations currently suspended)	AUD 369.5 million
Wellness Co., Ltd.	Sales of health-care products	JPY 10 million
Dojima Jitsugyo Co., Ltd.	Maintenance of buildings	JPY 10 million
Furukawa Transportation Co., Ltd.	Transportation	JPY 150 million
Iwaki Kosan Co., Ltd.	Administration of real estate	JPY 10 million
Affiliates		
UNIC Kitatohoku Sales Co., Ltd.	Sales of UNIC cranes	JPY 20 million
UNIC Sales (Thailand) Co., Ltd.	Sales of UNIC cranes	THB 40 million
Hibi Kyodo Smelting Co., Ltd.	Copper smelting	JPY 4,700 million
Iwaki Semiconductors Co., Ltd.	Production of semiconductors, such as gallium arsenate semiconductors	JPY 60 million
POWDEC K.K.	Development and production of GaN transistor wafers	JPY 768 million
Tohpe Corporation	Production of paints	JPY 2,087 million

CORPORATE DATA

(As of March 31, 2008)

Directors and Auditors (As of June 27, 2008)

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	Tamiki Ishihara
Auditor	Nobuyuki Tomotsune
Auditor	Yoshiki Sato

Executive Officers (As of June 27, 2008)

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	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

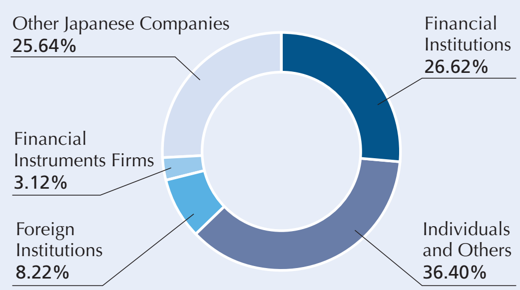
Employees: Consolidated 2,286; Non-consolidated 210

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

Principal Shareholders:

	Number of Shares (Thousands)	Percentage of Total Shares (%)
Asahi Mutual Life Insurance Co.	27,923	6.90
Japan Trustee Services Bank, Ltd. (trust account)	16,454	4.06
Seiwa Sogo Tatemono Co., Ltd.	15,034	3.71
Sompo Japan Insurance Inc.	13,810	3.41
Chuo Real Estate Co., Ltd.	11,827	2.92
The Master Trust Bank of Japan, Ltd. (trust account)	11,098	2.74
Shoei Co., Ltd.	10,142	2.50
Fujitsu Limited	9,617	2.37
The Furukawa Electric Co., Ltd.	8,777	2.17
Fuji Electric Holdings Co., Ltd.	8,620	2.13

Composition of Shareholders:



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

FURUKAWA CO.,LTD.
2-3, Marunouchi 2-chome, Chiyoda-ku,
Tokyo 100-8370, Japan

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