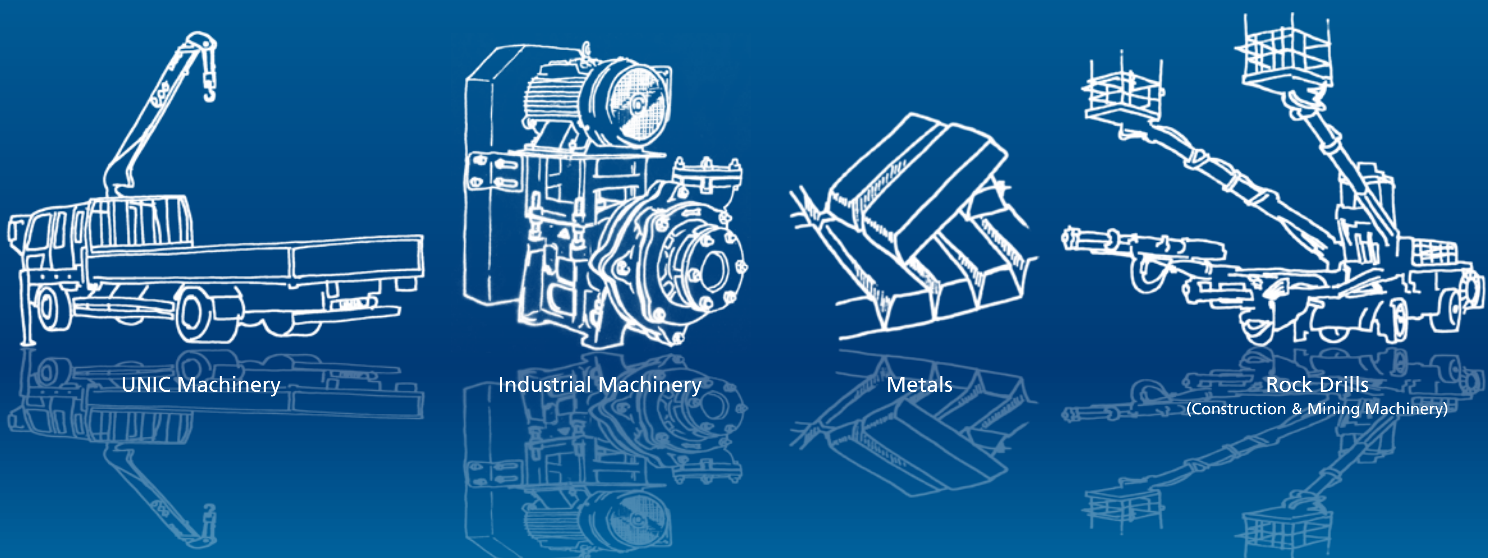
FURUKAWA

Growing through Challenge



ANNUAL REPORT 2009

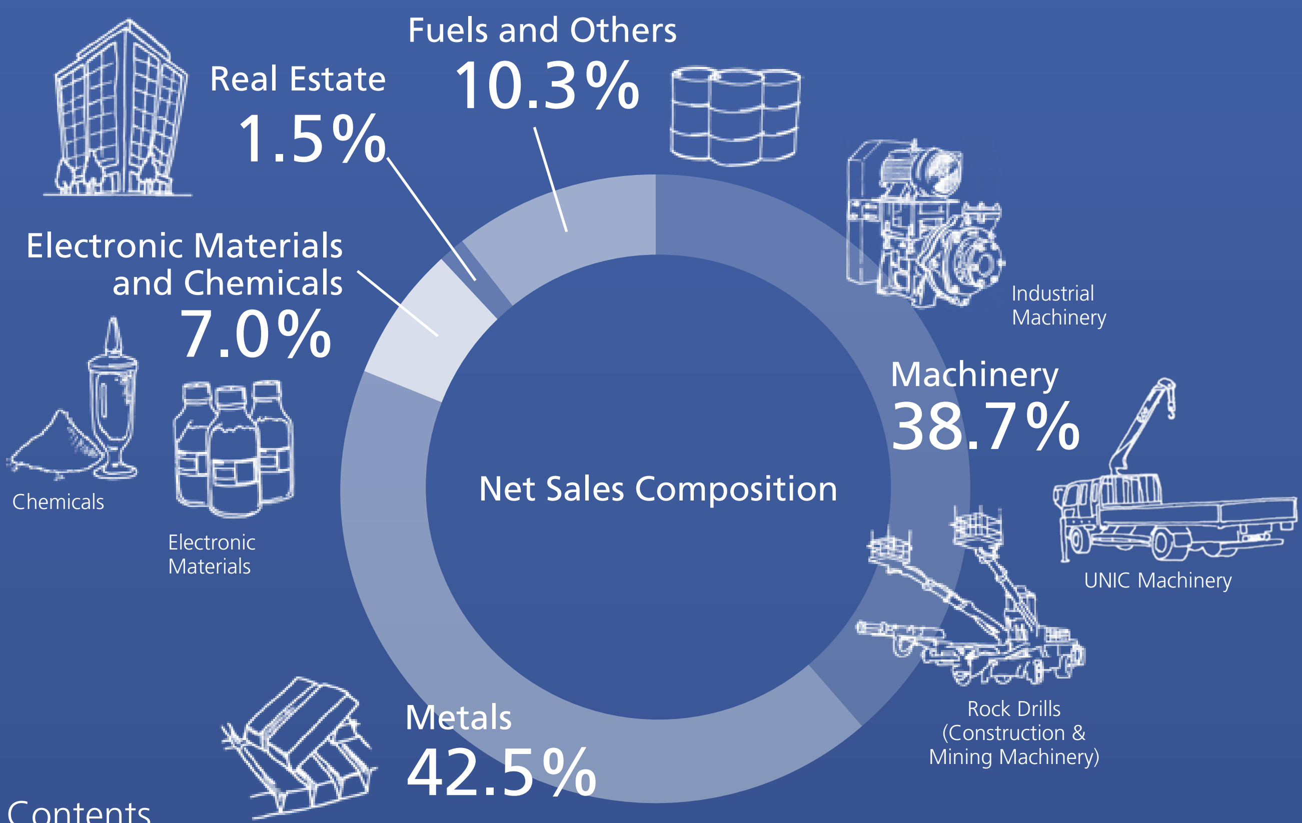
Year ended March 31, 2009

Profile

Since its establishment in 1875, Furukawa has emerged from its origins in mine development to build a wide-ranging business portfolio while constantly addressing the needs of the times. From metals, it has diversified into machinery, electronic materials, chemicals, and various other fields, motivated by the corporate philosophy and technological tradition it has embraced throughout its history.

Adhering to its corporate philosophy—Innovation, Creativity, and Harmony—Furukawa is returning to its roots as a manufacturer by drawing on its technological tradition. Here, our aim is to further improve competitiveness and maintain growth that will permit the next substantial leap forward.

The Furukawa Company Group consists of five business divisions: Machinery, Metals, Electronic Materials and Chemicals, Real Estate, and Fuels and Others. These divisions complement each other and together enable the Group to demonstrate its powerful strengths.



Contents

Forward-Looking Statements

This annual report contains forward-looking statements that include 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. These changing factors may cause actual results to differ materially from those projected.

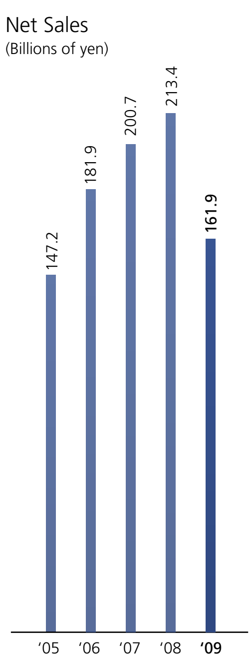
Consolidated Financial Highlights

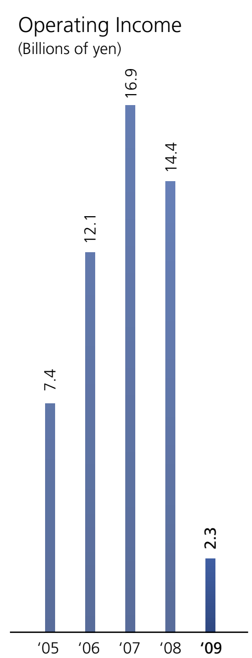
Furukawa Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2009, 2008 and 2007

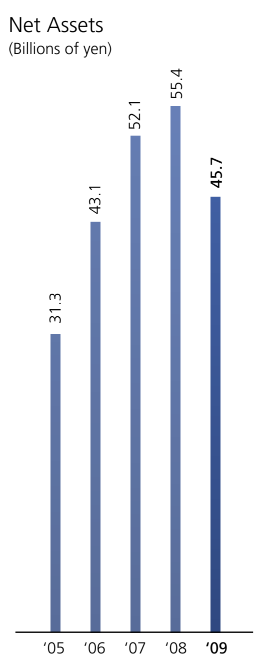
	Millions of yen			Thousands of U.S. dollars	Percent change
	2009	2008	2007	2009	2009/2008
For the year:					
Net sales	**¥ 161,858**	¥ 213,426	¥ 200,749	**$ 1,651,612**	(24.2)%
Operating income	**2,303**	14,407	16,899	**23,500**	(84.0)
Income (loss) before income taxes and minority interests	**(2,618)**	12,484	11,127	**(26,715)**	—
Net income (loss)	**(5,917)**	8,595	17,554	**(60,378)**	—
At year-end:					
Total assets	**188,361**	199,383	217,027	**1,922,051**	(5.5)
Net assets	**45,742**	55,431	52,136	**466,755**	(17.5)
Per share amounts:	Yen			U.S. dollars	
Net income:					
Basic	**(14.64)**	21.26	43.42	**(0.15)**	—
Cash dividends	**4.00**	6.00	5.00	**0.04**	(33.3)

Notes: 1. U.S. dollar amounts are translated from yen for convenience only at the rate of ¥98=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's) "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.







To Our Stakeholders

Business Conditions and Performance

In fiscal 2009, ended March 31, 2009, the Japanese and world economies plunged into recession, sparked by the U.S. subprime loan problem. Since the autumn of 2008, the financial crisis, with its epicenter in the United States, has spread throughout the world, impacting real economies and sparking a global contraction in demand and turmoil in the capital markets. In conjunction with these events, corporate activities sharply declined, leading to suspensions and reductions of production output.

This rapidly changing business environment had a considerable influence on the performance of the Furukawa Company Group. Consolidated net sales for the year amounted to ¥161,858 million, down 24.2% from the previous fiscal year. The decline stemmed from various factors. In the Metals Division, for example, plummeting copper prices and the yen's appreciation caused demand and sales to decrease. In the Machinery Division, the rock drill and UNIC machinery businesses were significantly impacted by falling worldwide demand, while the electronics business felt the effects of production declines in the semiconductor device sector.

Operating income fell 84.0%, to ¥2,303 million. In the Metals Division, earnings were affected by deteriorating purchasing conditions and the yen's appreciation. In the Machinery Division, the fall in revenue led to a reduction in production, which combined with soaring materials prices adversely impacted profits. With the exception of the Fuels Division, all segments reported year-on-year earnings declines.

Turning to other income, the Group posted a gain on disposal and sales of property, plant and equipment of ¥1,793 million, and liquidating distribution from silent partnership of ¥3,962 million. In other expenses, the Group incurred a write-down of investments in securities of ¥7,418 million. Based on the aforementioned, loss before income taxes and minority interests was ¥2,618 million. As a result, the Group posted a net loss of ¥5,917 million.

Decisive Actions

During the year, the Group responded with urgency to sharply falling demand stemming from worldwide recession. In the rock drill, UNIC machinery, and electronic materials businesses, for example, we adjusted production to match declining demand and lowered our inventory levels. To this end, we temporarily suspended operations and reduced the number of production lines at some plants in the first half of fiscal 2010, with the aim of optimizing inventories. We also stepped up efforts to reduce cost of sales by reassessing purchasing prices of materials and supplies. With respect to capital expenditures, we drastically reduced outlays to the absolute minimum required for equipment renewal. In addition, we made a comprehensive reassessment of expenses, which included reducing executive compensation by up to 20% and middle management salaries by 7.5%. In these ways, the Group united in an effort to minimize costs.

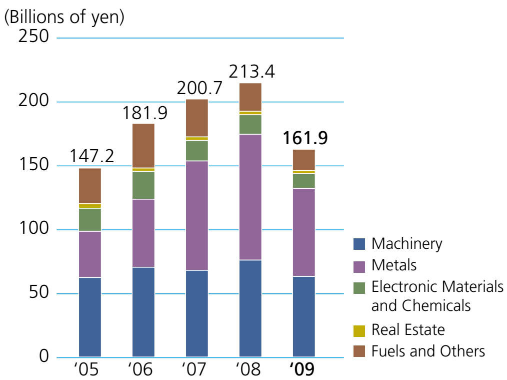
Medium-Term Management Plan

The Furukawa Company Group's new Medium-Term Management Plan covers the three-year period from April 2008 to March 2011. Amid dramatically changing conditions in Japan and overseas, we have positioned the three-year period as a time to secure further growth ahead of our next leap forward, and we have are restructuring our businesses accordingly.

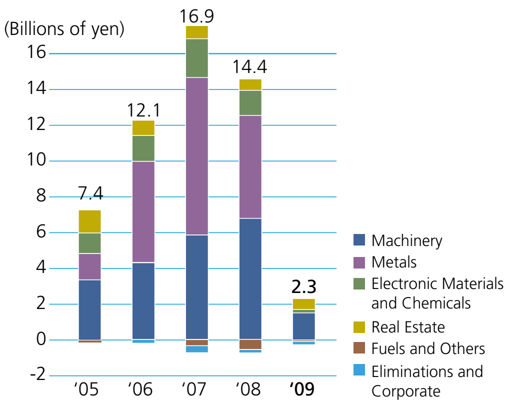
Guided by our corporate philosophy—Innovation, Creativity, and Harmony—we will continue reforming our corporate structure while actively investing in core businesses and optimizing our personnel and organization to create an efficient management system. Deploying our creative strengths, we will provide appealing manufactured products and services in order to earn the trust of customers. Returning to our roots as a manufacturer, we will pursue full-fledged *monozukuri* (manufacturing) activities as we strive to develop a high-level production, sales, and service structure.

Nobuyoshi Soma
President and Representative Director

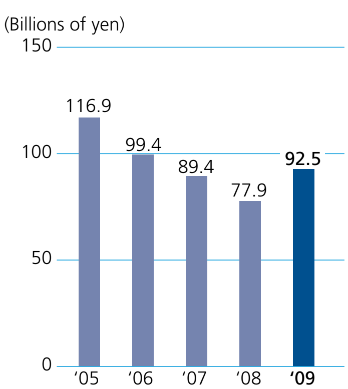
Net Sales (consolidated)



Operating Income (consolidated)



Interest-Bearing Liabilities



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

Business conditions remain extremely challenging, with the export environment languishing amid delays in economic recovery in Europe and North America. As domestic demand is also unstable, the outlook for the industry will continue to be unpredictable. With the future so difficult to envisage, we will adhere closely to the basic policies of our Medium-Term Management Plan and work to solidify our internal corporate structure. We will place increased emphasis on two core initiatives announced in the previous fiscal year: strengthening the technical capabilities of the Machinery Division and promoting development activities aimed at new product commercialization.

Shareholder Return

Furukawa places great importance on improving returns of profits to all shareholders. Our basic policy is to appropriate profits after comprehensive consideration of various factors, including retained earnings required to finance capital expenditures and R&D expenses necessary to bolster earnings, as well as future business development and other factors. In the year under review, the Company paid an interim dividend of ¥2.50 per share and a year-end dividend of ¥1.50, for total annual dividends of ¥4.00 per share. In fiscal 2010, we do not plan to pay an interim dividend and are yet to decide on the year-end dividend.

Outlook

Although the business climate is expected to remain difficult in fiscal 2010, we anticipate an increase in demand going forward. In line with economic stimulus measures taken by various countries, the Japanese government plans to make substantial investments in infrastructure. We also look forward to increased resource development activities in Southeast Asia and South America, which may help boost orders for rock drills and related items. Seeking to accurately address demand growth and secure orders, we will drastically reassess our sales expansion strategies for each region and product in order to highlight our competitive edge. In addition, we will improve our earnings structure by further enhancing operating efficiency and rigorously cutting costs.

Business conditions in the first year of the Medium-Term Management Plan were extremely difficult. Nevertheless, the Furukawa Company Group will adhere relentlessly to the plan's basic policies. We are confident that this approach will enable us to overcome the current challenges and set the Group on its next growth trajectory.

We look to the ongoing understanding and support for all stakeholders as we embrace the challenges ahead.

August 2009

Nobuyoshi Soma

Nobuyoshi Soma
President and Representative Director

Overcoming the Turbulence of the Global Economic Downturn

Nobuyoshi Soma, President and Representative Director

Q.1

What is your view on the current worldwide economic recession?

"The current economic recession is bringing structural changes to the world economy. Rather than viewing this in a negative light, I believe that the current situation presents excellent business opportunities for the Furukawa Company Group."

The current economic crisis enveloping the world is unprecedented in scale, as well as in terms of severity. For the Furukawa Company Group, which is a member of the manufacturing sector, the sudden contraction in markets since the collapse of Lehman Brothers in September 2008 has caused us to struggle. Although I feel that demand bottomed out during the first three months of this year, we are a long way off a rapid recovery, and it may well take two to three years before we see a full-scale resurgence in demand. The current situation is different from previous cyclical downturns in that it is bringing structural changes to the global economy. In other words, it appears to be precipitating huge changes, such as accelerating an energy shift against the backdrop of environmental problems, as well as the emergence of new economies, such as the BRIC countries. In Japan, we are seeing a decline in population and changes in consumption. These global structural changes are not necessarily a bad thing for the Group. Rather, by preempting these major changes we can turn them into excellent business opportunities.

Q.2

The Furukawa Company Group has encountered hard times on numerous occasions since it was founded. What can we learn from its history of more than 130 years?

"The attitude and spirit cultivated by our founder and our predecessors in the face of difficulties are alive and well in the management philosophy of today's Furukawa Company Group."

The current economic recession is just one of many challenges we have experienced throughout our long history. There was the difficult period of Japan's transition to a modern state at the time when the Company was established. Then there was the Great Depression, the dismantling of the *zaibatsu* (business conglomerates) following the Second World War, and the two oil shocks. A tenacious spirit and strenuous efforts have enabled Furukawa to overcome all of these challenges. Our withdrawal from a copper refining project in Australia in 2003 is a more recent example of the extraordinary efforts we have had to make in order to overcome various crises. From 1875, when Ichibei Furukawa founded the Company, to the present day, our history has been one of survival as we have found ways to address the structural changes to industry that have taken place along the way. The attitude and spirit cultivated by our founder and predecessors while combating difficult times are embodied in Furukawa's management philosophy. By making the most of the unbroken spirit, wisdom, and experiences passed down through Furukawa's long history, I believe we can definitely overcome today's problems and be reborn as a Group that has adapted successfully to these huge changes.

Q.3

What measures is the Group taking to outride the recession?

“I believe that reestablishing the fundamentals of monozukuri *(manufacturing) is imperative for dealing with the structural changes that are taking place as a result of the present economic recession.”*

We have focused on lowering inventory volumes to address the sudden decline in demand. This has necessitated emergency measures, such as reducing factory utilization rates. We will continue striving to achieve appropriate inventory levels through the first half of the current fiscal year. We have also taken various measures to cut costs. These include lowering salaries and reviewing the expenses of executives and managers, as well as restricting capital investments to the absolute minimum required for upgrades. We are also undertaking a fundamental review of sales policies for each product and region in order to reinforce our sales structure. Of course, these short-term measures are necessary, but it is more important to look at the Company's key structures and build the most appropriate framework for *monozukuri* (manufacturing) over the long term. The current economic recession has generated structural changes, and it is vital that we reestablish the fundamentals of *monozukuri* in order to address these changes. In May 2008, we launched "*Monozukuri* Innovation Project, centering on the Machinery Division. Through these meetings, we are reviewing processes from the ground up, and asking questions such as "What should we be making and how?" and "What constitutes an optimal production line?" In these ways, we are striving to build systems for the efficient manufacture of products that markets desire. The entire Group is working as one to achieve Group-wide targets of making substantial increases in productivity and reducing production costs. We are also establishing a full-scale structural development system for managing our manufacturing operations. In addition, we are striving to raise productivity by taking maximum advantage of the synergies that can be achieved among the Group's companies. This entails reviewing the vertical production system for each product with the aim of manufacturing and procuring parts and related products within the Group, as well as making effective use of overseas subsidiaries and affiliates.

Q.4

How are Furukawa's three core divisions doing and what are their strategies?

“Providing profitability, stability, and growth potential, the Group's three main divisions—Machinery, Metals, and Electronic Materials and Chemicals—play a key role while complementing each other's activities. Our aim is to achieve growth and progress and maintain a balance within the Furukawa Company Group.”

The Machinery Division makes an important contribution to earnings and is a future growth driver. The division goes back a long way, having started in mining operations, and has progressed by adopting a user-focused perspective. It now accounts for a significant share of the Group's business owing to its consistent ability to preempt the needs of customers and deliver innovative products to the market. At this time of weak domestic demand, we look to overseas markets to represent future growth sources for the division. By creating product strategies and sales systems for countries that produce resources, such as China and other BRIC and Middle Eastern countries, we expect to generate a steady increase in demand for infrastructure construction and resource development.

As the original business of the Furukawa Company Group, the Metals Division is its linchpin. In general, the metals business is highly susceptible to changes in metal prices, particularly copper. Since we focus on refining, however, our business has become stable and comparatively immune to market trends. A vital task for the division is to secure more stable supplies of cuprous ore and other raw materials, and we are striving hard to make progress in these areas.

The Electronic Materials and Chemicals Division is slated for huge growth in the future. In our electronics business, we focus on developing next-generation compound semiconductor materials

while exercising our competitive advantage as the world's top manufacturer of high-purity metallic arsenic. The division has already provided customers with samples of gallium nitride (GaN) substrates for use in blue-violet laser diodes (LDs), a key component in the manufacture of next-generation DVD players, as well as for white light-emitting diodes (LEDs), which have exciting potential for lighting applications. Our GaN substrates boast unsurpassed quality, and we are gearing up so that we can respond promptly when the markets for LDs, LEDs, and power devices and other products earmarked for mass consumption begin to expand.

While complementing each other, these three profitable, stable, and growing divisions play a pivotal role in the operations of the Furukawa Company Group. Our aim is to achieve growth and progress while realizing a balance across the entire Group, which also includes the Real Estate Division and the Fuels and Others Division. At the same time, we will further reinforce the strengths and unique features of our three core divisions.

Q.5

How is the medium-term management plan proceeding?

“The Furukawa Company Group will retain the basic policies of “promoting further overseas development and strengthening the technical capabilities of the Machinery Division” and “promoting development activities targeting the commercialization of new products” in line with the Medium-Term Management Plan's theme of “Growing through Challenge.””

A

The aim of the medium-term plan, launched in April 2008, is to establish a robust earnings base that is largely impervious to the external environment. We began by designating the three-year period of the plan as a time for building a robust springboard for making a significant leap forward. Unfortunately, in fiscal 2009, the first year of the plan, the world was hit by the economic recession, and the outlook for fiscal 2010 is also challenging. Nevertheless, we will adhere to the basic policies of the plan under theme of “Growing through Challenge.” Those policies are to “promote further overseas development and strengthen the technical capabilities of the Machinery Division,” as well as to “promote development activities aimed at new product commercialization.” As for the performance targets set out under the plan, we are adopting a flexible approach to when and how we will achieve them while keeping a close watch on the business environment. We believe that the plan's priority theme of “pursuing fully-fledged *monozukuri* activities and full-scale structural development” is essential if we are to overcome today's challenges, and for this reason we will expedite its implementation.

Q.6

Finally, what is your message to shareholders and other stakeholders?

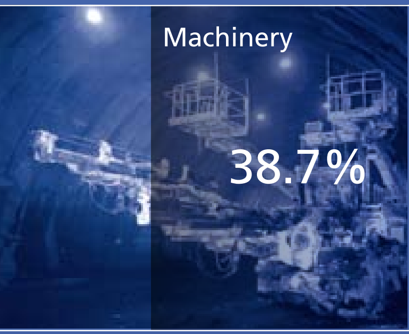
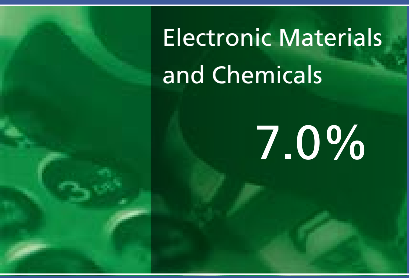
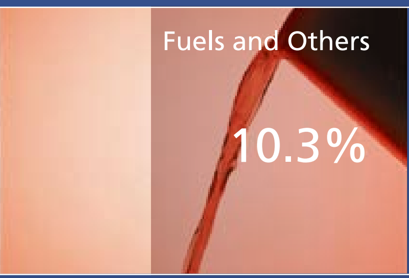
“I will strive to lead the Company while accommodating the interests of all stakeholders wherever possible so that they may be proud of their association with the Furukawa Company Group.”

A

First of all, I would like to say to our shareholders that, as someone who is charged with managing their valuable resources, I will do everything possible to fulfill my responsibilities. I will strive to ensure stable returns to shareholders and increase those returns in the future. The Furukawa Company Group has many shareholders and various other stakeholders. I will continue to lead the Company by accommodating the interests of all stakeholders wherever possible, so that they may be proud of their affiliation with the Furukawa Company Group.

I look forward to the ongoing understanding and support of shareholders and all other stakeholders.

Review of Operations

% of Net Sales	Businesses	Core Business Company	Main Products
 Machinery 38.7%	Industrial Machinery	Furukawa Industrial Machinery Systems Co., Ltd.	Pumps, environmental machinery, stone crushers, plants, steel structures, castings
	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, mini crawler cranes
 Metals 42.5%	Metals	Furukawa Metals & Resources Co., Ltd.	Copper, gold, silver, sulfuric acid
 Electronic Materials and Chemicals 7.0%	Electronic Materials	Furukawa Denshi Co., Ltd.	High-purity metallic arsenic, gallium phosphorous polycrystals, materials used in X-ray scintillators, aluminum nitride ceramics, core coil for line filters and laser-use lenses, optical parts
	Chemicals	Furukawa Chemicals Co., Ltd.	Cuprous oxide, sulfuric acid, aluminum sulfate, titanium dioxide
 Real Estate 1.5%	Real Estate	Furukawa Co., Ltd.	Construction/sales, mediation/brokerage, other related services for office buildings and apartments
 Fuels and Others 10.3%	Fuels	Furukawa Commerce* Co., Ltd.	Heavy oil, gasoline, diesel, kerosene, lubricating oil, LPG, coke
	Others	Furukawa Co., Ltd.	Transportation service by trucks and domestic shipping

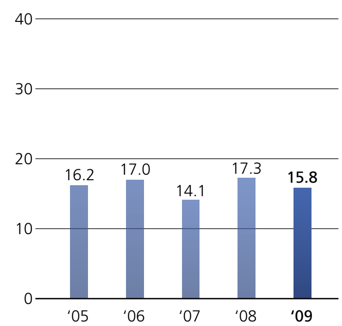
* In July 2008, Furukawa spun off its fuels business to its wholly owned subsidiary, Furukawa Commerce Co., Ltd.

Machinery

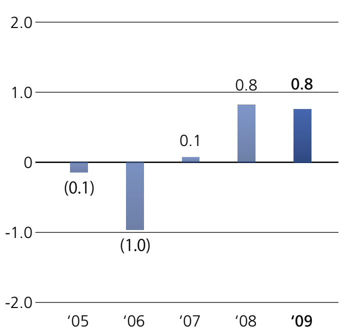
In fiscal 2009, ended March 31, 2009, the Machinery Division reported sales of ¥62,640 million, a 17.4% decline compared with the previous year. Operating income fell 74.6%, to ¥1,734 million, and the operating margin slipped 6.2 percentage points, to 2.8%.

Industrial Machinery

Net Sales
(Billions of yen)



Operating Income (Loss)
(Billions of yen)



Environment and Performance

In the first half of fiscal 2009, we fielded numerous inquiries for pumps, environmental equipment, and industrial machinery in association with active capital investments in the steel and nonferrous metal industries. However, the impact of the global economic downturn in the second half resulted in a decline in inquiries for new and replacement machinery and many frozen or postponed projects. Costs increased due to soaring raw material prices and difficulty obtaining some steels. Against this backdrop, sales decreased in the second half of the year due to declining private sector demand. This was despite firm orders owing to public sector demand for sludge pumps for sewage projects and the overhaul of electrostatic precipitators. We worked hard to stimulate demand for repair parts and demand for replacements for aging products by making on-site inspections for existing customers. The Company's factories sought to reduce lead times and costs by reviewing and rebuilding production lines and introducing NC equipment. Despite these efforts, sales of industrial machinery in fiscal 2009 declined 8.6%, to ¥15,837 million, and operating income fell 8.4%, to ¥768 million. As a measure to improve business efficiency, we merged two consolidated subsidiaries—Furukawa Industrial Machinery Systems Co., Ltd. and Furukawa Otsuka Co., Ltd.—on April 1, 2008.

Strengths and Strategies

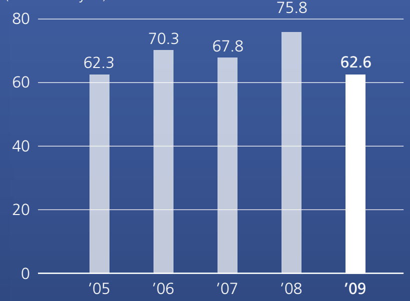
The industrial machinery segment commenced operations with the repair of machinery used in mines. Since then, the business has supplied numerous public sector and private sector customers backed by Furukawa's solid reputation for durable and long-lasting machinery developed using outstanding technological capabilities. We expect an increase in demand for public sector projects accompanying government measures to stimulate domestic demand amid signs that postponements of large-scale projects and replacement demand will be lifted. Furukawa will respond by cultivating new markets for its recently developed high-performance electrostatic precipitators and upgraded pumps, creating demand for replacements, and further expanding demand for maintenance services and parts.

Our pumps have a proud track record in wastewater treatment plants and underground tunnel projects nationwide.

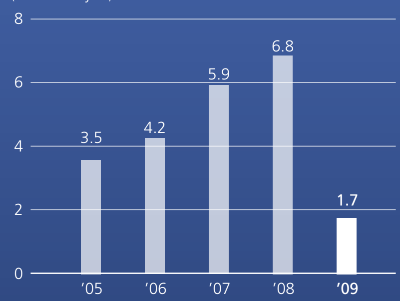
Crushers used in the steel, chemical, and non-ferrous metal mining industries.

Electrostatic precipitators used for removing particulates from gas emissions and dust from the environment.

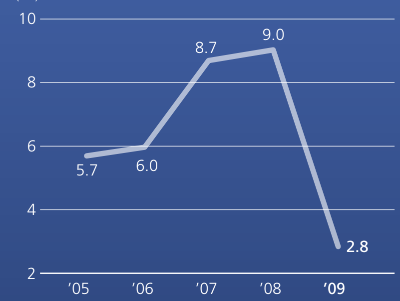
Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



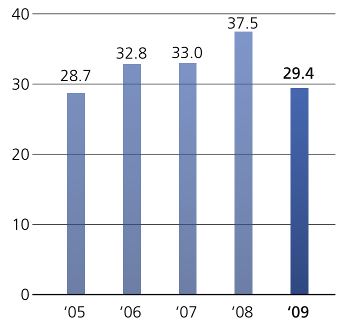
Operating Margin
(%)



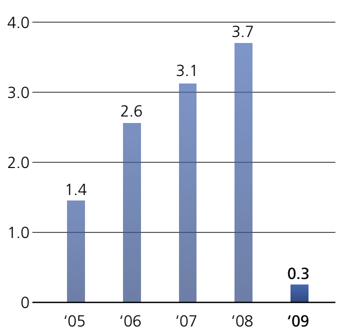
Rock Drills

(Construction and Mining Machinery)

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Environment and Performance

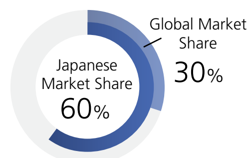
The rock drill business has been adversely affected by the contraction in markets worldwide since the collapse of Lehman Brothers in September 2008. Amid far greater deterioration than originally anticipated, demand in the key European market plummeted across the board, sales fell in the U.S. market, and sales in Asia, which had been strong in the first half of the year, declined sharply in the second half of the period. In the domestic market too, sales of breakers and crawler drills declined due to plunging private-sector demand and a virtual halt in inquiries from large equipment hire businesses. Despite lowering operating rates at factories to reduce inventories, the scale and pace of the global economic downturn far exceeded adjustments made to production levels. As a result, sales in the rock drill business declined 21.5%, to ¥29,427 million, while operating income plummeted 93.1%, to ¥255 million.

Strengths and Strategies

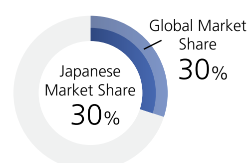
The strength of the rock drill business lies in its growth based on a user perspective maintained since the founding of Furukawa as a mine development company. Owing to this customer-focused approach and the establishment of a world-class sales and service network, Furukawa has acquired a dominant share of the domestic rock drill market. Overseas too, we are the leading manufacturer of hydraulic breakers and hydraulic crawler drills.

We believe the market for Furukawa's rock drills has considerable room for future expansion given the forecasts of strong demand for mine development in resource-rich countries and for the construction of infrastructure in emerging economies. We will continue to develop new markets primarily by building sales networks for undeveloped European markets, expanding our distributor network in China, and carving out new markets in Central and South America. At the same time, we will undertake a review of existing distributor networks.

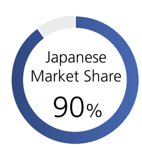
Hydraulic crawler drills



Hydraulic breakers



Tunnel drill jumbos



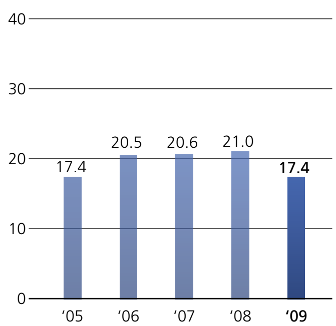
Used at mines, quarries, civil engineering, and construction sites in Japan and overseas, Furukawa's hydraulic crawler drills boasts the top market share in the world.

Hydraulic breakers, which are attached to hydraulic shovels, are used for excavating rock and breaking concrete.

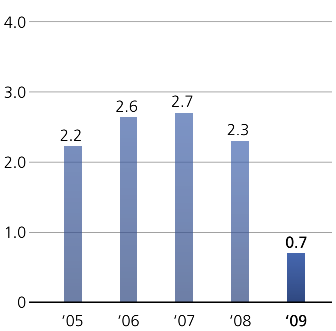
Used for tunneling through mountains in road and railway construction projects in Japan, tunnel drill jumbos dominate the domestic market.

UNIC Machinery

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Environment and Performance

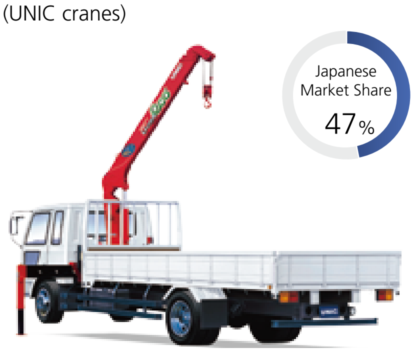
In the UNIC machinery business, domestic sales declined considerably despite healthy sales of the U-can ECO series of low noise, fuel efficient, and environmentally friendly truck-mounted cranes. A major factor in this result was a decrease in truck registrations in Japan. In the first half of the year, registrations fell to 85% of those for the previous corresponding period, and in the second half declined to 62%. Overseas, efforts to develop markets in the first half of the year contributed to increased sales in Russia, India, and Saudi Arabia, although sales dropped off sharply in the second half of the year. In response, we reduced inventories by cutting back production, and worked hard to lower the break-even point by targeting efficiencies and reviewing material costs. Despite these efforts, sales in the UNIC machinery business amounted to ¥17,376 million, down 17.3% from the previous year. Operating income fell 69.1%, to ¥711 million.

Strengths and Strategies

The strengths of the UNIC machinery business are UNIC's ability to always be the first to introduce value-added products to the market, together with its market-leading product development capabilities, technological strength, and innovativeness. A further advantage is the ability to provide products tailor-made to customers' needs owing to UNIC's in-house manufacture of core parts. Accordingly, this business has established an unassailable position in the domestic market, with market shares of around 50% for truck-mounted cranes and carriers.

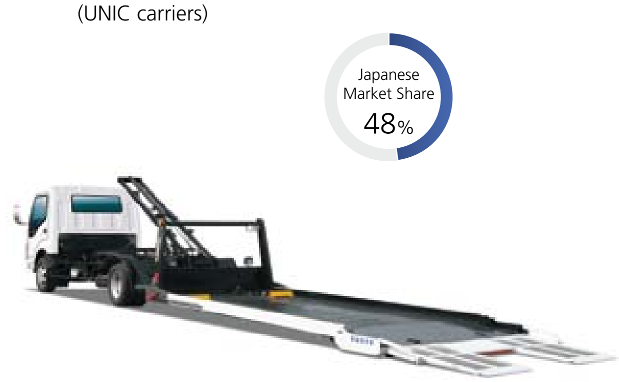
In fiscal 2010, the operating environment is expected to be extremely challenging based on estimates of a further 10% fall in demand for trucks. We will continue striving to boost sales of high-value-added products, including environmentally friendly ECO cranes, a new operator-friendly joystick remote crane controller, the industry's first boom crane with seven boom lengths, and UNIC carriers with capacity for two vehicles. Overseas, meanwhile, we will continue developing markets for our operator-friendly straight boom cranes. At the same time, we will utilize production subsidiaries in China and Thailand to optimize global production while implementing cost-reduction measures.

Truck-mounted cranes
(UNIC cranes)



The U-can ECO series of low-noise, fuel-efficient truck-mounted cranes is slowly penetrating the market.

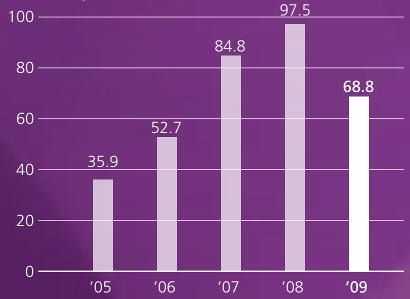
Vehicle carriers
(UNIC carriers)



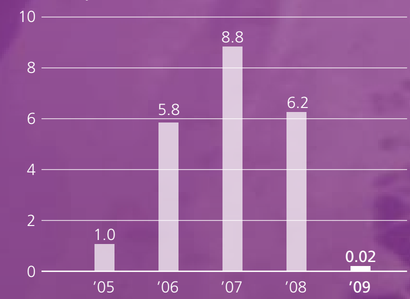
The UNIC carriers lineup of high-value-added products includes truck-mounted cranes that can operate on a platform with a zero-degree angle and two-vehicle carriers.

Metals

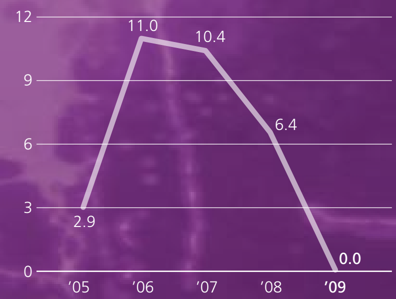
Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Operating Margin
(%)



In fiscal 2009, sales in the Metals Division amounted to ¥68,786 million, down 29.5% from the previous year. Operating income declined 99.6%, to ¥23 million, and the operating margin dropped 6.4 percentage points, to 0.0%.


Copper cathodes

Environment and Performance

In July 2008, the price of electrolytic copper reached a record-high US$8,985/ton on the back of supply interruption fears stemming from strikes at mines. From August 2008, however, concerns about weakening demand in the face of financial uncertainties and an increase in LME inventories prompted a downturn in prices. By December 24, the price had dropped to US$2,770/ton, breaking below the US$3,000 mark for the first time since December 2004. In January and February 2009, prices seesawed between US$3,100 and US$3,500 while the industry kept a close watch on economic stimulation measures, economic indicators, and demand in China. Copper prices eventually started climbing in March 2009 amid expectations of higher demand in China, and ended the fiscal year at US$4,035. In Japan too, copper prices fell after reaching ¥1.0 million/ton in July, and at fiscal year-end stood at ¥430,000. The average price for the year was ¥660,000, down ¥260,000 from the previous year. Weak domestic demand led to a drop in total sales volume of 6,818 tons, to 88,989 tons. A rise in raw material costs due to increasing treatment and refining charges (TC/RCs) also adversely affected the profitability of the Metals Division. In response to such uncertainties surrounding future demand, the Division has cut back production since January 2009 by reducing refinery operating rates. Nonetheless, both revenue and earnings for the Metals Division declined considerably in fiscal 2009.

Strengths and Strategies

The Metals Division operates two refineries in Japan: the Onahama Refinery in Okayama Prefecture in western Japan, and the Hibi Kyodo Refinery in Fukushima Prefecture in eastern Japan. The two refineries form a complementary production structure that enables the efficient delivery of products to customers throughout the country. The Division has long-term contracts with leading domestic customers. This minimal reliance on exports and spot sales largely protects the metals business from vicissitudes in the market. We will continue to focus on maintaining and expanding sales channels for domestic customers in line with our policy emphasizing domestic sales. We will step up initiatives aimed at reducing costs while developing new sources of ore procurement.


Hibi Kyodo Smelting Co., Ltd.


Onahama Smelting and Refining Co., Ltd.

Copper prices and foreign exchange rates	2005	2006	2007	2008	2009
LME Copper price (average; U.S. dollars/ton)	3,000	4,096	6,970	7,584	5,864
JPY rate per U.S. dollar (average for fiscal year)	¥108.55	¥114.32	¥118.03	¥114.28	¥100.54

Copper production and sales volume*	2005	2006	2007	2008	2009
Copper production volume (tons)	83,335	84,498	88,686	95,355	90,023
Copper sales volume (tons)	83,883	84,464	88,521	95,808	88,989

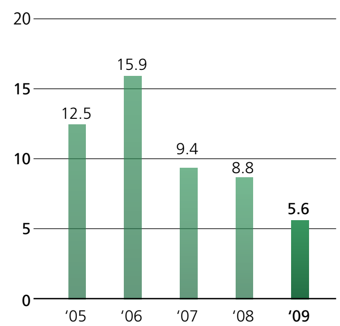
* Furukawa Metals & Resources Co., Ltd.

Electronic Materials and Chemicals

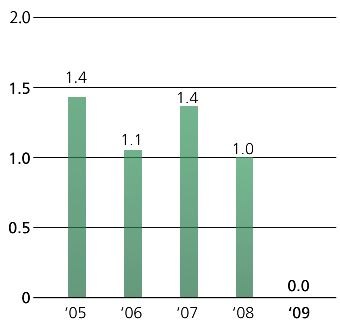
Sales in the Electronic Materials and Chemicals Division declined 25.5% year-on-year, to ¥11,389 million. Operating income fell 85.8%, to ¥206 million, while the operating margin slipped 7.7 percentage points, to 1.8%.

Electronic Materials

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Environment and Performance

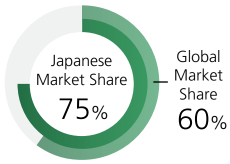
Demand for gallium arsenate semiconductors, the main application for high-purity metallic arsenic, declined due to an overall drop in electronic devices and optical devices destined for both the domestic and overseas markets. This stemmed mainly from the sharp decline in sales of such items as mobile phones and LED lamps. Furukawa's market share also dropped due to the yen's appreciation and changes in the purchasing policies of major customers. Other crystal products were adversely affected by the downturn in the semiconductor industry. To address the slump in sales throughout the year, we adjusted production to reduce inventories and implemented measures to lower expenses and thus improve productivity. Despite such efforts, sales in the electronic materials business declined 36.4% year-on-year, to ¥5,568 million, while operating income plunged 99.6%, to ¥4 million.

Strengths and Strategies

Furukawa enjoys dominant market shares in Japan and overseas for high-purity metallic arsenic and gallium phosphorus polycrystals. We plan to complement our existing product lineup by developing new materials. This strategy entails pursuing the early market launch of new products developed by the Nitride Business Office and the Materials Research Laboratory. Products under development include gallium nitride (GaN) substrates, high-performance lutetium aluminum garnet (LuAG) scintillator crystals, and thermal energy conversion elements. One area of particular focus is the commercialization of GaN substrates and GaN epi-wafer substrates. To this end, in March 2009 we completed construction of a new mass-production and product development facility at Oyama. Built with the aim of speeding up the development and mass production of GaN substrates, the new facility brings together equipment and personnel that had previously been spread among our factories in Oyama, Tsukuba, and Osaka.

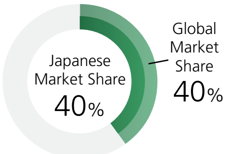
We anticipate that inventory adjustments in the semiconductor industry will see a gradual recovery in demand for electronic materials starting in the current fiscal year. We will maximize efforts to regain our market shares while adopting competitive pricing strategies.

High-purity metallic arsenic



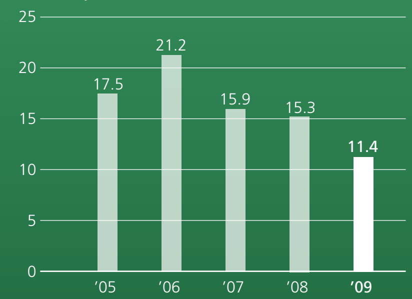
Gallium arsenate semiconductor materials used in cellular phones and other electronic devices, red laser diodes, and LEDs.

Gallium phosphorus polycrystals

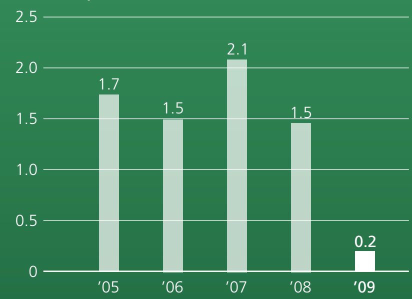


Semiconductor materials used in LED applications for displays and cellular phones.

Net Sales
(Billions of yen)



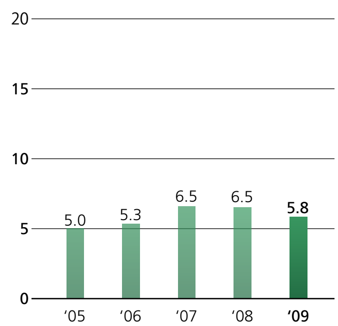
Operating Income
(Billions of yen)



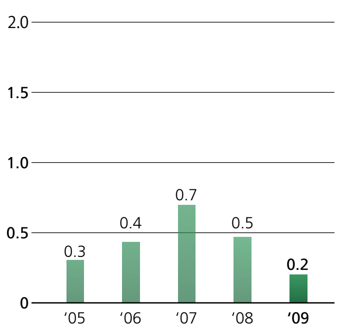
Operating Margin
(%)

Chemicals

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Environment and Performance

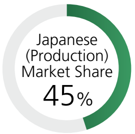
In the year under review, the volume of work in progress in the shipbuilding industry contributed to strong demand for cuprous oxide, which is used as an antifouling agent in paints applied to the bottom of ships. However, sales declined on the back of falling production volumes caused by problems with the supply of raw materials. In response, we took measures to shore up production volume, such as raising the ratio of copper scrap. We also reduced costs and pursued efficiencies by reassessing manufacturing processes and methods. Sales of sulfuric acid were adversely affected by a slump in demand due to the scaling down of operations by titanium oxide manufacturers, our main customers, as well as soaring raw material prices. As a result, sales in the chemicals business decreased 10.8%, to ¥5,821 million, and operating income fell 57.1%, to ¥202 million.

Strengths and Strategies

At present, Furukawa produces 45% of cuprous oxide made in Japan. Although orders for new ships are expected to decline, demand from the shipbuilding sector is forecast to remain firm owing to the promising outlook for cuprous oxide for maintenance-related repainting in the coming fiscal year and beyond. We will target optimal profits and sales volumes by attracting new customers and sharing information with affiliates. With respect to production, we will constantly review production, explore optimal methods of procurement, and reduce costs while securing supplies of raw materials. Furukawa's strategy for the market launch of new products is to swiftly address market demands for higher quality, and to time the introduction of new products so that market prices at least cover costs.

Sulfuric acid—an indispensable raw material used in the chemical, electronic materials, steel, and food processing industries—is manufactured at the Osaka Plant.

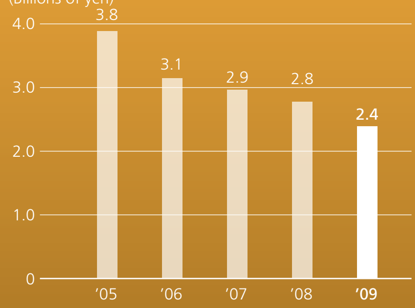
Cuprous oxide



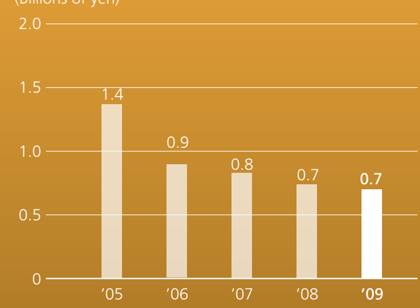
Furukawa holds the largest market share in Japan for cuprous oxide, which is used as an antifouling agent in paints applied to the bottoms of ships.

Real Estate

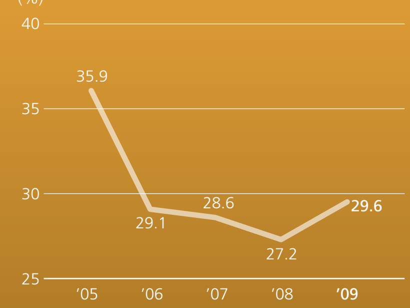
Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Operating Margin
(%)



In fiscal 2009, sales in the Real Estate Division amounted to ¥2,386 million, down 13.5% from the previous year. Operating income dipped 5.7%, to ¥706 million, while the operating margin increased 2.4 percentage points, to 29.6%.

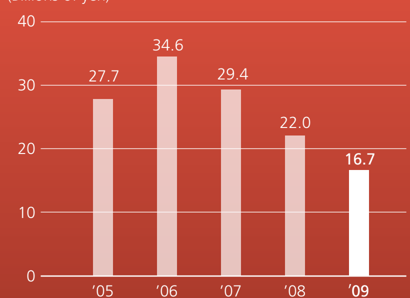

Furukawa Osaka Building

Overview

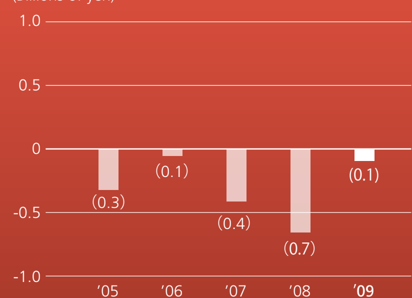
Revenue in this business declined due to the sale of the Dojima Grand Building in Kita-ku, Osaka. The Furukawa Osaka Building, one of the Division's core buildings, generated positive figures owing to acquisition of new tenants, which reduced the vacancy rate, as well as efforts to reduce expenses.

Fuels and Others

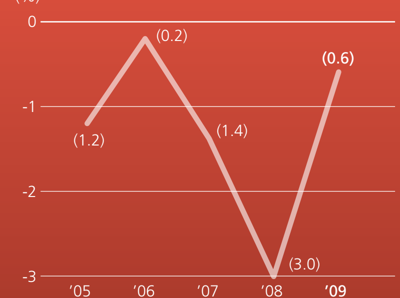
Net Sales
(Billions of yen)



Operating Income (Loss)
(Billions of yen)



Operating Margin
(%)



Sales in the Fuels and Others Division decreased 24.4%, to ¥16,657 million. The Division reported an operating loss of ¥102 million, down from a ¥660 million operating loss in the previous fiscal year.

Overview

Seeking to enhance business efficiency, on July 1, 2008, Furukawa's fuels business was split off from the Company and integrated into the operations of Furukawa Commerce Co., Ltd., a consolidated subsidiary. Stringent credit management and rigorous efforts to bolster earnings resulted in sales of ¥15,452 million, a 25.5% year-on-year decline, and operating income of ¥203 million. The latter result compares favorably with the operating loss of ¥431 million recorded in fiscal 2008 due to an increase in allowance for doubtful accounts.

In the Others category, consisting primarily of the transport business and new businesses, we reported sales of ¥1,205 million and an operating loss of ¥305 million.

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 senior managing directors and managing 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) convey and ensure the enforcement of decisions made by the Environmental Management Committees; (2) help improve the competency of environmental protection supervisors at each Group company; (3) prevent accidents and disasters through concerted efforts to share information and reflect it in its daily business management; and (4) verify revisions to environment-related regulations.

Environment and safety audits

The Furukawa Company Group conducts annual "environment and safety audits," the purpose of which is to "establish a safe and comfortable work environment and raise the level of related qualifications and competencies." In fiscal 2009, efforts taken to enhance environmental management included extending the scope of the audits at additional sites. The year under review marked the second time that the Group conducted "cross-audits," in which each plant is audited by the environment protection supervisor from another plant. The supervisors bring back the knowledge and experience acquired from performing cross-audits to their own plants, and the new perspectives gained in the process help with the implementation of improvements. In fiscal 2009, the success of this system was apparent in the decrease in the number of items requiring improvement or correction compared with the previous year.

Environmental Protection Activities

The Furukawa Company Group's energy-saving activities center on achieving medium-term targets for energy and resource consumption set every five years.

The results for the first set of targets (covering fiscal 2005–2009) and the targets for the next five years (fiscal 2010–fiscal 2014) are shown below.

First Medium-Term Reduction Targets

Base year: Fiscal 2004　Total scope: 10 sites

Category	Fiscal 2009 (target)	Result
Electricity	40% reduction of fiscal 2004 consumption	Achieved
Heavy oil	25% reduction of fiscal 2004 consumption	Achieved
Natural gas	10% reduction of fiscal 2004 consumption	Not achieved *1
Water	25% reduction of fiscal 2004 consumption	Achieved
Waste discharge	35% reduction of fiscal 2004 consumption	Achieved

*1: Switched from heavy oil to natural gas, which produces fewer CO_2 emissions

Second Medium-Term Reduction Targets

Base year: Fiscal 2006　Total scope: 15 sites

Category	Fiscal 2014 (target)
CO_2 emissions *2	5% reduction of fiscal 2006 consumption
Water	5% reduction of fiscal 2006 consumption
Waste discharge	10% reduction of fiscal 2006 consumption

*2: Figures for forms of energy (gasoline, kerosene, diesel oil, heavy oil, LPG, natural gas, and electricity) are calculated separately.

Environmentally Friendly Products

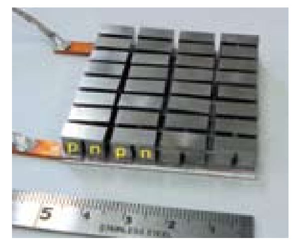
The Furukawa Company Group engages in the active development of environmentally friendly products as part of its contribution to the creation of a sustainable society.

New highly efficient electrostatic precipitator

An electrostatic precipitator is a pollution prevention device that removes particles from exhaust gas. Furukawa has developed a new model that is smaller than earlier models, thus saving both resource consumption and space. Electricity consumption has also been reduced by fitting a proprietary electrode, also developed by Furukawa. Furthermore, we have constructed a revolutionary mechanism based on the principle of a bag filter.

Development of thermoelectric conversion materials

Furukawa has succeeded in developing high performance thermoelectric conversion materials that convert heat energy to electricity. Experiments conducted using a prototype heat conversion unit achieved a heat conversion efficiency of 7% and a high output of 33 watts. In recognition of this achievement, the Group received a 2008 Japan Mining Industry Association Award.



Thermoelectric module

Development of Pr:LuAG scintillator high-resolution PET device

Tohoku University and Furukawa's Materials Research Laboratory have jointly developed a Pr:LuAG scintillator*1 high-resolution next-generation cancer-screening PET*2 device. The development was the recipient of the Minister of Economy Trade and Industry Prize in the enterprise-academia division of the 22nd Leadership in Cutting-Edge Technology Grand Prize sponsored by FujiSankei Business Eye.

A PET device is a powerful tool for not only cancer screening, but also in making diagnoses of intractable diseases, such as Alzheimer's and dementia.

*1 Scintillator: A material that emits light when exposed to y-rays, x-rays, or ultraviolet rays.
*2 PET: Positron emission tomography

Social Contribution Activities

The Furukawa Company Group seeks to maintain good relationships and 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, proposing original environment activities, and loaning our land for free to local environmental associations.

Corporate Governance

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 seven members, one of whom is appointed from outside the Group. The Board of Directors oversees the execution of the Furukawa Company Group's operations 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 seven core companies in the interest of promoting an agile management structure. As of June 26, 2009, the system comprised 16 executive officers, five of whom concurrently hold positions as directors.

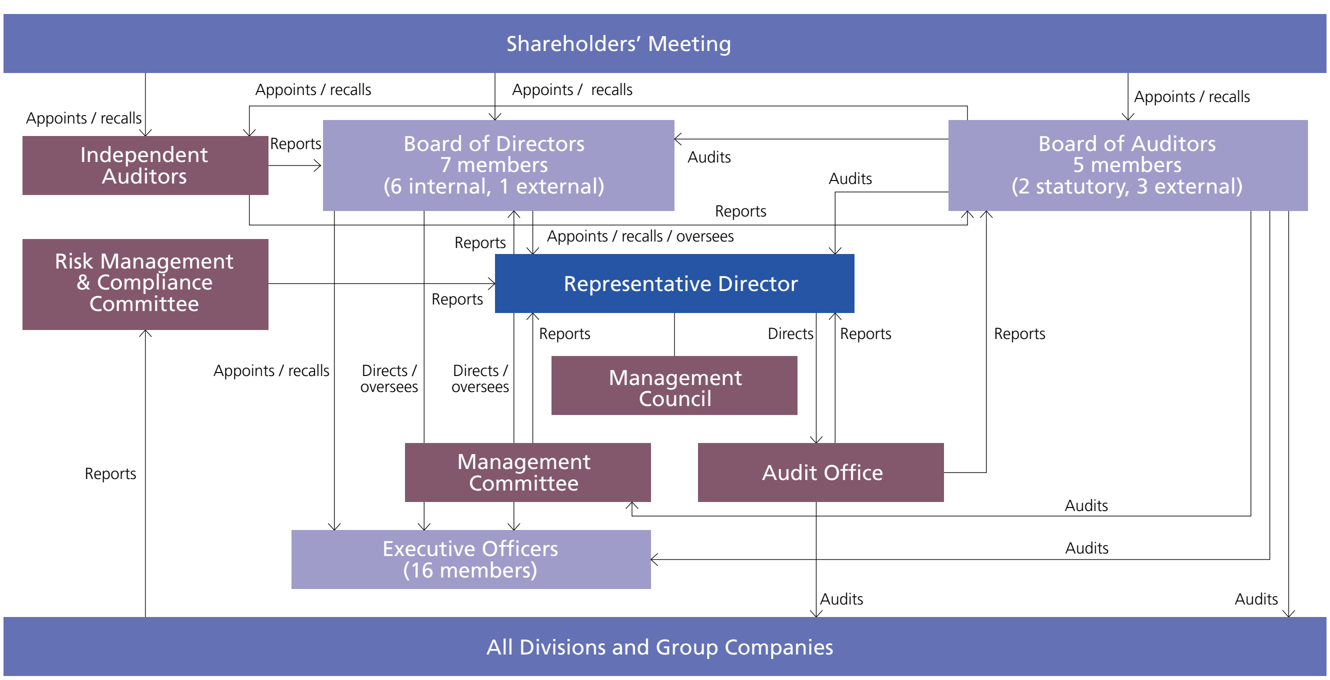
The Management Council sets the Furukawa Company Group's fundamental management policies and strategies and makes decisions on important matters. There is also a Management Committee, which meets monthly to discuss the operations of Furukawa and its core companies, and provides direction. Decisions made 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.



Consolidated Six-Year Financial Summary

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

	Millions of yen					
	2009	2008	2007	2006	2005	2004
For the year:						
Net sales	¥ 161,858	¥ 213,426	¥ 200,749	¥ 181,938	¥ 147,237	¥ 153,513
Cost of sales	143,651	181,522	167,507	153,281	124,586	135,872
Gross profit	18,207	31,904	33,242	28,657	22,651	17,641
Selling, general and administrative expenses	15,904	17,497	16,343	16,527	15,268	15,617
Operating income	2,303	14,407	16,899	12,130	7,383	2,024
Income (loss) before income taxes and minority interests	(2,618)	12,484	11,127	9,810	4,199	(35,238)
Net income (loss)	(5,917)	8,595	17,554	5,309	2,257	(27,634)
Cash flows from operating activities	5,112	12,823	12,648	8,254	7,698	(3,083)
Cash flows from investing activities	(11,539)	(855)	(4,367)	(336)	7,620	25,602
Cash flows from financing activities	12,116	(13,835)	(8,910)	(18,086)	(8,227)	(14,962)
Capital expenditures	16,507	4,374	3,905	1,777	2,994	2,995
Depreciation and amortization	3,145	2,993	2,626	2,595	3,026	6,533
At year-end:						
Total assets	¥ 188,361	¥ 199,383	¥ 217,027	¥ 213,046	¥ 204,651	¥ 206,250
Current assets	77,509	88,888	94,865	89,055	92,197	83,777
Current liabilities	64,276	80,487	89,293	88,220	104,439	81,213
Net assets (Note 1)	45,742	55,431	52,136	43,072	31,335	28,660
Interest-bearing liabilities	92,475	77,907	89,389	99,418	116,851	123,995
Per share amounts:	Yen					
Net income (loss):						
Basic	¥ (14.64)	¥ 21.26	¥ 43.42	¥ 13.12	¥ 5.57	¥ (84.61)
Diluted	—	—	—	12.37	5.03	—
Cash dividends	4.00	6.00	5.00	3.00	—	—
Net assets	110.31	134.33	139.13	106.52	77.49	70.86
Profitability:						
Cost of sales margin (%)	88.8	85.1	83.4	84.2	84.6	88.5
Gross margin (%)	11.2	14.9	16.6	15.8	15.4	11.5
SG&A expense margin (%)	9.8	8.2	8.1	9.1	10.4	10.2
Operating margin (%)	1.4	6.8	8.4	6.7	5.0	1.3
Return on sales (%)	(3.7)	4.0	8.7	2.9	1.5	(18.0)
Efficiency and soundness:						
Return on equity (%) (Note 2)	(12.0)	15.5	35.3	14.3	7.5	(88.7)
Return on assets (%) (Note 3)	(3.1)	4.1	8.2	2.5	1.1	(12.0)
Debt-to-equity ratio (times) (Note 4)	2.1	1.4	1.6	2.3	3.7	4.3
Equity ratio (%) (Note 5)	23.7	27.2	25.9	20.2	15.3	13.9
Investment Indicators:						
Dividend payout ratio (%) (Note 6)	—	28.2	11.5	22.9	—	—
Dividend on equity ratio (%) (Note7)	3.2	4.5	4.3	3.3	—	—
Price book value ratio (times) (Note 8)	0.7	1.4	2.1	2.9	1.8	2.0
Stock price at fiscal year-end	82	183	293	306	143	142

Notes: 1. Figures for fiscal 2004 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. Dividends on equity (DOE) = Total cash dividends / Average net assets × 100
8. Price book value ratio (PBR) = Stock price (fiscal year-end) / Net assets per share
9. Total equity = Net assets - Minority interests (as of March 31, 2009: ¥44,585 million; as of March 31, 2008: ¥54,301 million; as of March 31, 2007: ¥56,246 million)

Financial Review

Revenue and Expenses

In the fiscal year ended March 31, 2009, consolidated net sales totaled ¥161,858 million, a decline of 24.2% compared with the previous fiscal year.

Within this amount, sales of the Metals Division fell 29.5% year-on-year, due mainly to declining copper prices and decreasing sales prices in the wake of the yen's appreciation, as well as a drop in sales volume caused by languishing domestic demand for copper. Sales of the Machinery Division were down 17.4% amid retreating worldwide demand for rock drill products. In the Fuels Division, sales declined 25.5% as the Company implemented stringent credit controls.

Cost of sales decreased 20.9% to ¥143,651 million, with the cost of sales margin rising 3.7 percentage points, to 88.8%. The increase in the cost of sales margin was mainly due to weakened purchasing conditions in the Metals Division.

Selling, general and administrative expenses were down 9.1%, to ¥15,904 million, owing mainly to declines in salaries and allowances as well as shipping charges.

As a result, operating income dropped 84.0% from the previous fiscal year, to ¥2,303 million. This was primarily due to a ¥6,183 million year-on-year operating income decline in the Metals Division and a ¥5,103 million decrease in the Machinery Division. Accordingly, the operating margin fell 5.4 percentage points, to 1.4%.

Under other income (expenses), there was a ¥1,728 million interest expense, a ¥1,793 million gain on disposal and sales of property, plant and equipment, a ¥3,962 million liquidating distribution from silent partnership, and a ¥7,418 million loss on write-down of investments in securities. Based on the aforementioned, loss before income taxes and minority interests was ¥2,618 million. After accounting for current and deferred income taxes totaling ¥3,224 million, net loss amounted to ¥5,917 million.

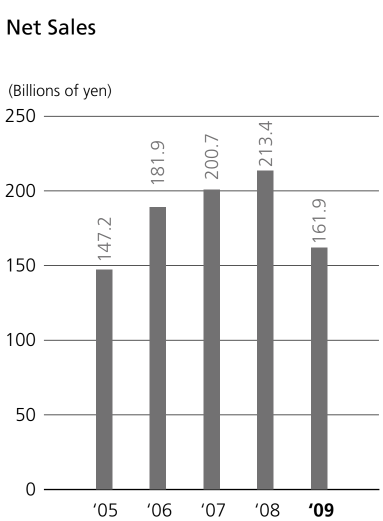
Return on equity dropped sharply, to minus 12.0%. The net loss per share was ¥14.64, compared with net income per share of ¥21.26 in the previous year.

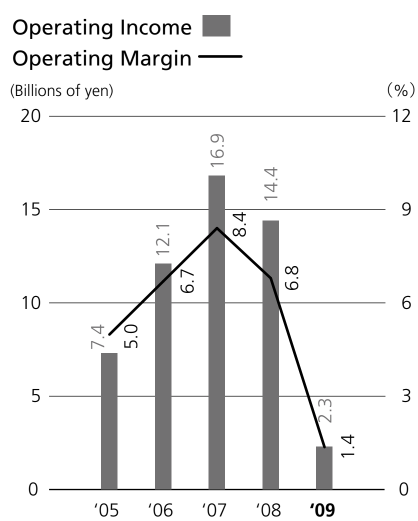
Financial Position

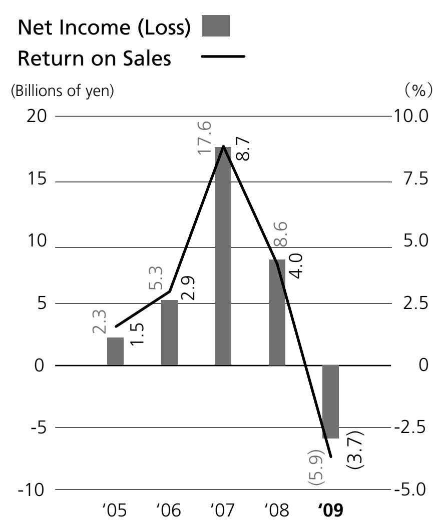
At March 31, 2009, total assets stood at ¥188,361 million, down 5.5% from a year earlier. Within this amount, current assets declined 12.8%, to ¥77,509 million, due mainly to a decrease in notes and accounts receivable.

Property, plant and equipment, net rose 13.3%, to ¥84,083 million, due mainly to the purchase of the Furukawa Building (Chuo-ku, Tokyo). By contrast, investments fell 26.3%, to ¥26,769 million, stemming mainly from decline in investments in securities caused by the plummeting prices of listed shares.

Total liabilities edged down 0.9%, to ¥142,619 million. This was mainly due to a 51.1% fall in notes and accounts payable in the current liabilities section. As a result, the fiscal year-end balance of interest-bearing liabilities (corporate bonds and debt) rose 18.7%, to ¥92,475 million.







Net assets at the fiscal year-end stood at ¥45,742 million, down 17.5% from a year earlier. This was mainly due to a decline in total valuation, translation adjustments and others. Consequently, the equity ratio slipped 3.5 percentage points, to 23.7%, and the debt-to-equity ratio edged up 0.7 point, to 2.1 times.

R&D and Capital Expenditures

The Furukawa Company Group is actively engaged in R&D on new materials and high-value-added products that meet diversified market needs and address dramatic changes in the socioeconomic environment. In the year under review, research and development expenses were ¥1,752 million, equivalent to 1.1% of consolidated net sales. Of this total, ¥938 million was allocated to the Machinery Division and ¥813 million to the Electronic Materials and Chemicals Division.

Capital expenditures (including investments in intangible fixed assets) amounted to ¥16.507 million. Of this total, ¥2,131 million was allocated to the Machinery Division, ¥314 million to the Metals Division, and ¥305 million to the Electronic Materials and Chemicals Division, primarily for improvements in manufacturing efficiency. In addition, ¥13,468 million was allocated to the Real Estate Division, primarily for the purchase of the Furukawa Building, and ¥118 million went to the Fuels and Others Division for the purchase of vehicles for use in the transportation business. Depreciation and amortization rose 5.0%, to ¥3,145 million.

In the year ending March 2010, the Group plans to invest a total of ¥2.3 billion, mainly for the purchase of new facilities and repair of existing ones. We expect to procure these funds via borrowings and/or internal funds.

Cash Flows

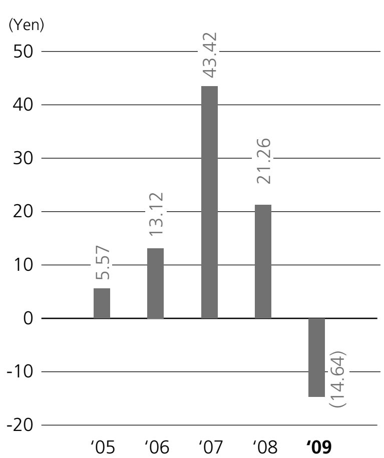
In the year under review, net cash provided by operating activities amounted to ¥5,112 million, down ¥7,711 million from the previous year. Main factors included a decline in trade payables.

Net cash used in investing activities totaled ¥11,539 million, up ¥10,684 million from the previous year. The primary reason was purchases of property, plant and equipment.

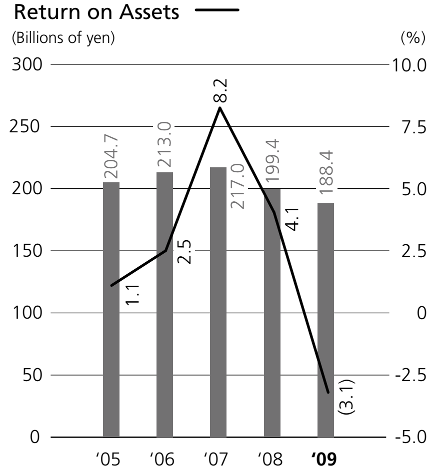
Net cash provided by financing activities was ¥12,116 million, compared with ¥13,835 million net cash used in such activities in the previous year. This was due mainly to repayment of long-term loans payable.

As a result, cash and cash equivalents at the end of the fiscal year totaled ¥19,343 million, a ¥4,796 million, or 33.0%, increase from a year earlier.

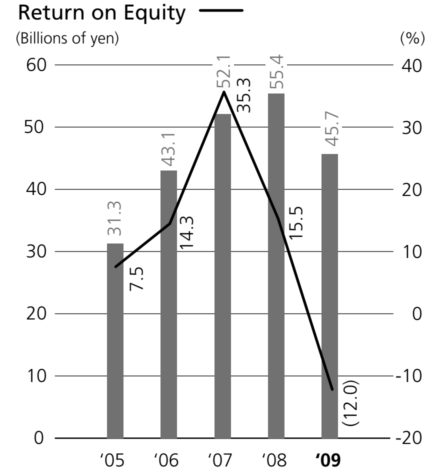
Net Income (Loss) per Share



Total Assets
Return on Assets



Net Assets
Return on Equity



Capital Strategies

Furukawa places great importance in improving returns of profits to all shareholders. Our basic policy is to appropriate profits after comprehensive consideration of various factors, including retained earnings required to finance capital expenditures and R&D expenses necessary to bolster earnings, as well as future business development and other factors. In principle, we appropriate retained earnings to shareholders twice a year in the form of interim and year-end cash dividends. The decision-making body for the year-end dividend is the Annual General Meeting of Shareholders, while that for the interim dividend is the Board of Directors. In the year under review, the Company paid an interim dividend of ¥2.50 per share and a year-end dividend of ¥1.50, for total annual dividends of ¥4.00 per share, down ¥2.00 from the previous fiscal year. Total dividend payments, therefore, declined 33.4% year-on-year, to ¥1,616 million. The dividends-on-equity (DOE) ratio was down 1.3 percentage points, to 3.2%.

Facing difficult business conditions, we will deploy retained earnings to further enhance operating efficiency and comprehensively cut costs, in order to improve our earnings structure and reinforce our financial position. We will also make prudent and effective investments to promote overseas advancement of our machinery business, develop next-generation semiconductor device materials, and enter various markets.

Business Risks

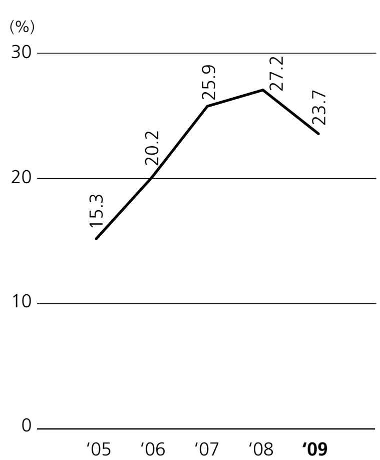
(1) Fluctuations in the Foreign Exchange and Nonferrous Metals Markets

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 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

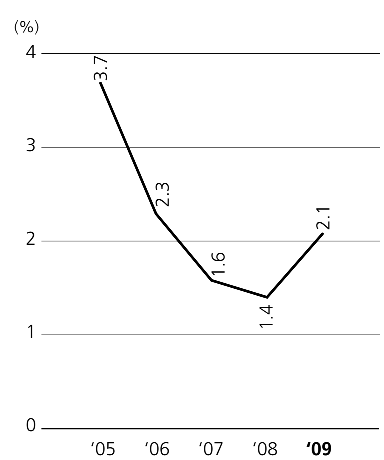
(2) Investments in Securities and Land

Historically, the Furukawa Company Group has maintained relatively high balances of marketable securities and land. As of March 31, 2009, the carrying value of investments in securities was ¥12,943 million, while land stood at ¥56,160 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.

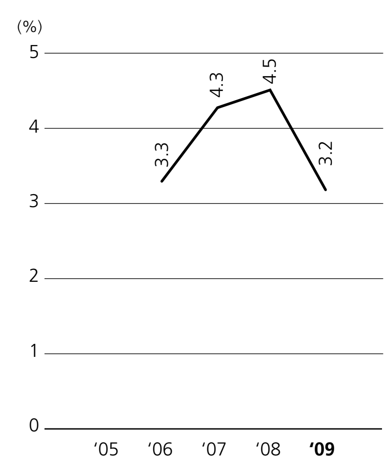
Equity Ratio



Debt-to-Equity (D/E) Ratio



Dividends on Equity (DOE)



(3) Accrued Employees' Retirement Benefits

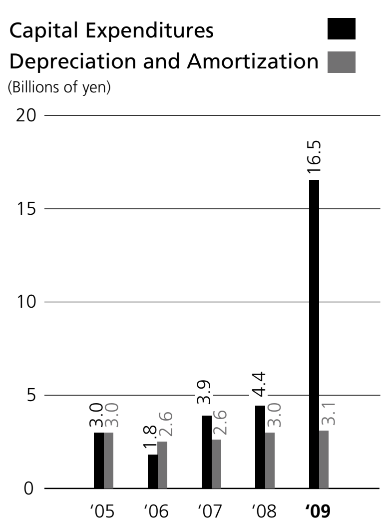
The employees of the Furukawa Company Group are covered by unfunded employee retirement benefit plans and non-contributory funded employee pension plans as defined-benefit plans. Accrued employees' retirement benefits are provided at an amount calculated based on the retirement benefit obligation and 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.

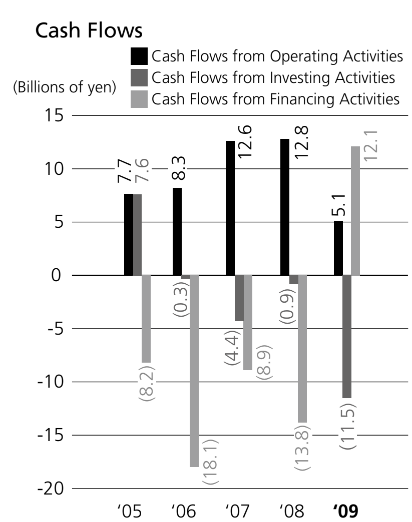
(4) Earthquakes and Natural Disasters

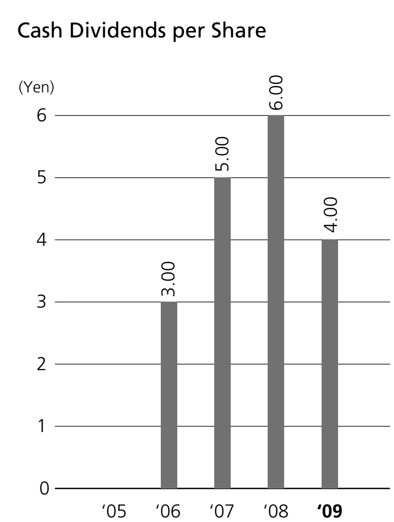
The Furukawa Company Group's operating results and financial position are at risk in the event of a suspension in operations and delays in shipments due to damage to manufacturing bases and facilities from earthquakes and other natural disasters.

(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.







Consolidated Balance Sheets

Furukawa Co., Ltd. and consolidated subsidiaries
March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 4)
ASSETS	**2009**	2008	**2009**
Current Assets:			
Cash and cash equivalents	**¥ 19,343**	¥ 14,547	**$ 197,378**
Receivables, trade:			
Notes and accounts	**18,942**	31,301	**193,286**
Affiliates	**601**	914	**6,133**
Finished products	**13,034**	13,207	**133,000**
Work in process	**6,370**	5,983	**65,000**
Raw materials and supplies	**9,671**	16,114	**98,684**
Deferred income taxes (Note 12)	**772**	2,001	**7,878**
Other current assets	**9,201**	5,505	**93,886**
Allowance for doubtful accounts	**(425)**	(684)	**(4,337)**
Total current assets	**77,509**	88,888	**790,908**
Investments:			
Investments in securities (Notes 5 and 6)	**15,931**	24,752	**162,561**
Investments in affiliates	**3,310**	3,217	**33,776**
Loans receivable	**1,396**	906	**14,245**
Deferred income taxes (Note 12)	**14**	91	**143**
Other investments (Note 7)	**7,771**	8,681	**79,295**
Allowance for doubtful accounts	**(1,653)**	(1,332)	**(16,867)**
Total investments	**26,769**	36,315	**273,153**
Property, Plant and Equipment—at Cost (Notes 6 and 7)**:**			
Land and timberlands	**58,020**	47,835	**592,041**
Buildings and structures	**40,931**	41,375	**417,663**
Machinery and equipment	**44,607**	48,212	**455,174**
Lease assets (Note 9)	**536**	—	**5,469**
Construction in progress	**309**	1,348	**3,153**
	144,403	138,770	**1,473,500**
Accumulated depreciation	**(60,320)**	(64,590)	**(615,500)**
Property, plant and equipment, net	**84,083**	74,180	**857,980**
Total assets	**¥ 188,361**	¥ 199,383	**$ 1,922,051**

LIABILITIES AND NET ASSETS	Millions of yen 2009	2008	Thousands of U.S. dollars (Note 4) 2009
Current Liabilities:			
Short-term loans (Note 6)	**¥ 13,172**	¥ 15,318	**$ 134,408**
Current portion of long-term debt (Note 6)	**18,141**	18,270	**185,112**
Lease obligations (Note 6)	**101**	—	**1,031**
Payables, trade:			
Notes and accounts (Note 6)	**16,342**	33,399	**166,755**
Affiliates	**219**	18	**2,235**
Accrued expenses	**11,462**	9,402	**116,959**
Accrued income taxes (Note 12)	**827**	618	**8,439**
Deferred income taxes (Note 12)	**30**	32	**306**
Other current liabilities	**3,982**	3,430	**40,633**
Total current liabilities	**64,276**	80,487	**655,878**
Long-term Liabilities:			
Long-term debt (Note 6)	**61,162**	44,320	**624,102**
Lease obligations (Note 6)	**418**	—	**4,265**
Accrued employees' retirement benefits (Note 11)	**1,381**	1,136	**14,092**
Deferred income taxes (Note 12)	**7,098**	6,824	**72,429**
Deferred income taxes on surplus on the revaluation of land (Note 12)	**3,030**	3,113	**30,918**
Other long-term liabilities	**5,254**	8,072	**53,612**
Total long-term liabilities	**78,343**	63,465	**799,418**
Net Assets:			
Shareholders' Equity:			
Common stock without par value:			
Authorized—800,000,000 shares			
Issued—404,455,680 shares	**28,208**	28,208	**287,837**
Retained earnings	**16,386**	24,629	**167,204**
Treasury stock, at cost:			
2009—283,139 shares	**(43)**	—	**(439)**
2008—225,261 shares	**—**	(35)	**—**
Total shareholders' equity	**44,551**	52,802	**454,602**
Valuation, Translation Adjustments and Others:			
Net unrealized holding loss on securities, net of income taxes	**(2,076)**	(1,200)	**(21,184)**
Deferred (losses) gains on hedges	**(138)**	146	**(1,408)**
Surplus on the revaluation of land, net of income taxes	**3,674**	3,775	**37,490**
Translation adjustments	**(1,426)**	(1,222)	**(14,551)**
Total valuation, translation adjustments and others	**34**	1,499	**347**
Minority Interests in Consolidated Subsidiaries	**1,157**	1,130	**11,806**
Total net assets	**45,742**	55,431	**466,755**
Total liabilities and net assets	**¥ 188,361**	¥ 199,383	**$ 1,922,051**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Operations

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2009	2008	**2009**
Net Sales	**¥ 161,858**	¥ 213,426	**$ 1,651,612**
Cost of Sales (Note 8 and 14)	**(143,651)**	(181,522)	**(1,465,826)**
Gross profit	**18,207**	31,904	**185,786**
Selling, General and Administrative Expenses (Note 8)	**(15,904)**	(17,497)	**(162,286)**
Operating income	**2,303**	14,407	**23,500**
Other Income (Expenses):			
Interest and dividend income	**623**	951	**6,357**
Equity in earnings of affiliates	**107**	114	**1,092**
Interest expense	**(1,728)**	(2,381)	**(17,633)**
Other, net (Note 14 and 15)	**(3,923)**	(607)	**(40,031)**
(Loss) income before income taxes and minority interests	**(2,618)**	12,484	**(26,715)**
Income Taxes (Note 12):			
Current	**(1,047)**	(1,082)	**(10,684)**
Deferred	**(2,177)**	(2,866)	**(22,214)**
Total	**(3,224)**	(3,948)	**(32,898)**
Minority Interests	**(75)**	59	**(765)**
Net (loss) income	**¥ (5,917)**	¥ 8,595	**$ (60,378)**

	yen		U.S. dollars (Note 4)
Net (loss) Income per Share:			
Basic	**¥ (14.64)**	¥ 21.26	**$ (0.15)**
Cash Dividends per Share :	**4.00**	6.00	**0.04**
Net Assets per Share:	**110.31**	134.33	**1.13**

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, 2009 and 2008

	Number of shares of common stock (thousands)	Millions of yen — Shareholders' equity: Common stock	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2008	404,456	¥ 28,208	¥ 24,629	¥ (35)	¥ 52,802
Cash dividends paid	**—**	**—**	**(2,427)**	**—**	**(2,427)**
Net loss for the year	**—**	**—**	**(5,917)**	**—**	**(5,917)**
Acquisition of the treasury stock	**—**	**—**	**—**	**(8)**	**(8)**
Reversal of surplus on the revaluation of land	**—**	**—**	**101**	**—**	**101**
Net change during the year	**—**	**—**	**—**	**—**	**—**
Balance as of March 31, 2009	**404,456**	**¥ 28,208**	**¥ 16,386**	**¥ (43)**	**¥ 44,551**

	Millions of yen — Valuation, translation adjustments and others: Net unrealized holding loss on securities, net of income taxes	Deferred (losses)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, 2008	¥ (1,200)	¥ 146	¥ 3,775	¥ (1,222)	¥ 1,499	¥ 1,130	¥ 55,431
Cash dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**(2,427)**
Net loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(5,917)**
Acquisition of the treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(8)**
Reversal of surplus on the revaluation of land	**—**	**—**	**(101)**	**—**	**(101)**	**—**	**—**
Net change during the year	**(876)**	**(284)**	**—**	**(204)**	**(1,364)**	**27**	**(1,337)**
Balance as of March 31, 2009	**¥ (2,076)**	**¥ (138)**	**¥ 3,674**	**¥ (1,426)**	**¥ 34**	**¥ 1,157**	**¥ 45,742**

	Number of shares of common stock (thousands)	Millions of yen — Shareholders' equity: 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 loss 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 loss 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

	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, 2008	$ 287,837	$ 251,316	$ (357)	$ 538,796
Cash dividends paid	**—**	**(24,764)**	**—**	**(24,764)**
Net loss for the year	**—**	**(60,378)**	**—**	**(60,378)**
Acquisition of the treasury stock	**—**	**—**	**(82)**	**(82)**
Reversal of surplus on the revaluation of land	**—**	**1,030**	**—**	**1,030**
Net change during the year	**—**	**—**	**—**	**—**
Balance as of March 31, 2009	**$ 287,837**	**$ 167,204**	**$ (439)**	**$ 454,602**

	Thousands of U.S. dollars (Note 4)						
	Valuation, translation adjustments and others						
	Net unrealized holding loss on securities, net of income taxes	Deferred (losses)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, 2008	$ (12,245)	$ 1,490	$ 38,520	$ (12,469)	$ 15,296	$ 11,531	$ 565,623
Cash dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**(24,764)**
Net loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(60,378)**
Acquisition of the treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(82)**
Reversal of surplus on the revaluation of land	**—**	**—**	**(1,030)**	**—**	**(1,030)**	**—**	**—**
Net change during the year	**(8,939)**	**(2,898)**	**—**	**(2,082)**	**(13,919)**	**275**	**(13,644)**
Balance as of March 31, 2009	**$ (21,184)**	**$ (1,408)**	**$ 37,490**	**$ (14,551)**	**$ 347**	**$ 11,806**	**$ 466,755**

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, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2009	2008	**2009**
Cash Flows from Operating Activities:			
(Loss) income before income taxes and minority interests	**¥ (2,618)**	¥ 12,484	**$ (26,715)**
Adjustments to reconcile (loss) income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**3,145**	2,993	**32,092**
Increase in allowance for doubtful accounts, net	**80**	357	**816**
Increase in accrued employees' retirement benefits	**565**	327	**5,765**
Loss on disposal and sales of property, plant and equipment	**806**	746	**8,224**
Write-down of investments in securities	**7,418**	637	**75,694**
Expenses on removal of office tenants	**1,305**	–	**13,316**
Gain on sales of property, plant and equipment	**(2,599)**	(286)	**(26,520)**
Interest and dividend income	**(623)**	(951)	**(6,357)**
Interest expense	**1,728**	2,381	**17,633**
Changes in operating assets and liabilities:			
Receivables, trade	**12,064**	62	**123,102**
Inventories	**5,355**	(2,986)	**54,643**
Payables, trade	**(16,194)**	(6)	**(165,245)**
Other	**(2,211)**	(2,401)	**(22,560)**
Subtotal	**8,221**	13,357	**83,888**
Interest and dividends received	**630**	966	**6,429**
Interest paid	**(1,709)**	(2,383)	**(17,439)**
Payments for removal of office tenants	**(1,023)**	–	**(10,439)**
Income taxes paid	**(1,859)**	(2,218)	**(18,969)**
Income taxes refunded	**985**	3,100	**10,051**
Other	**(133)**	–	**(1,358)**
Net cash provided by operating activities	**5,112**	12,823	**52,163**
Cash Flows from Investing Activities:			
Purchases of property, plant and equipment	**(16,437)**	(4,281)	**(167,724)**
Proceeds from sales of property, plant and equipment	**5,517**	449	**56,296**
Decrease in restricted deposits	**–**	4,425	**–**
Purchases of investments in securities	**(6)**	(3,476)	**(61)**
Proceeds from redemption of investments	**–**	3,000	**–**
Acquisition of an affiliate accounted for by the equity method	**–**	(1,000)	**–**
Other	**(613)**	28	**(6,256)**
Net cash used in investing activities	**(11,539)**	(855)	**(117,745)**
Cash Flows from Financing Activities:			
Proceeds from long-term loans payable	**35,000**	17,250	**357,143**
Repayment of long-term loans payable	**(18,286)**	(18,473)	**(186,592)**
Proceeds from short-term loans	**4,615**	6,304	**47,092**
Repayment of short-term loans	**(6,827)**	(7,645)	**(69,663)**
Repayment of notes	**–**	(4,600)	**–**
Repayment of finance lease obligations	**(76)**	(4,425)	**(776)**
Cash dividends	**(2,427)**	(2,223)	**(24,764)**
Other	**117**	(23)	**1,193**
Net cash provided by (used in) financing activities	**12,116**	(13,835)	**123,633**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(893)**	82	**(9,112)**
Net Increase (Decrease) in Cash and Cash Equivalents	**4,796**	(1,786)	**48,939**
Cash and Cash Equivalents at Beginning of Year	**14,547**	16,333	**148,439**
Cash and Cash Equivalents at End of Year	**¥ 19,343**	¥ 14,547	**$ 197,378**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Furukawa Co., Ltd. and consolidated subsidiaries
March 31, 2009

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, 2009 (34 as of March 31, 2008). The consolidated financial statements included the accounts of the Company and 34 subsidiaries as of March 31, 2009 (34 as of March 31, 2008).

Compared with the previous year, the number of subsidiaries increased by 1 due to establishment and decreased by 1 due to amalgamation.

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, 2009 (12 affiliates as of March 31, 2008), the equity method was applied to 6 affiliates as of March 31, 2009 (6 as of March 31, 2008) 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, 2009 and 2008. 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 (the balance sheets amounts of the inventories are stated at the lowered book values reflecting potential decline in profitability). Other inventories are mainly stated at cost determined by the average method (the balance sheets amounts of the inventories are stated at the lowered book values reflecting potential decline in profitability).

(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 22 years
(Additional information)

In accordance with the revision made to the Corporate Tax Law of Japan (the "Tax Law") in 2008, the Company and domestic consolidated subsidiaries reviewed the useful lives of depreciable assets and have changed the applicable useful lives of machinery and equipment. The impact on income of this change was immaterial.

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

Depreciation of lease assets arising from finance lease transactions that do not involve transfer of ownership is calculated by the straight-line method over the lease term with no residual value. Finance lease transactions that do not involve transfer of ownership, entered into on and before March 31, 2008, by the Company and domestic consolidated subsidiaries are accounted for as operating leases.

(7) 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.

(8) 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 ¥1,609 million ($16,418 thousand) and ¥1,658 million as of March 31, 2009 and 2008, respectively.

(9) 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.

(10) 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, 2009 and 2008 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.

(11) 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.

(12) 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.

(13) 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) Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

From the fiscal year ended March 31, 2009, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18, May 17, 2006). The Company unified accounting standards for the consolidated overseas subsidiaries and makes necessary adjustments upon consolidation. This change had no impact on income.

(2) Accounting Standard for Measurement of Inventories

From the fiscal year ended March 31, 2009, the Company and the consolidated subsidiaries adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006). As a result, operating income decreased by ¥579 million ($5,908 thousand) and loss before income taxes increased by ¥611 million ($6,235 thousand) compared with the corresponding amounts which would have been reported under the previous method.

(3) Accounting Standard for Lease Transactions

Previously, finance lease transactions that do not involve transfer of ownership were accounted for as operating leases. However, starting from the fiscal year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, June 17, 1993, Revised March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No.16, January 18, 1994, Revised March 30, 2007).

Under the new accounting standard, finance lease transactions that do not involve transfer of ownership were capitalized. Finance lease transactions that do not involve transfer of ownership, entered into on and before March 31, 2008, are accounted for as operating leases.

The adoption of the new standard had immaterial impact on total assets and no impact on income.

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 ¥98=US$1.00, the exchange rate prevailing on March 31, 2009. 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. Investments in Securities

The aggregate acquisition cost, carrying value and unrealized gain or loss pertaining to the marketable other securities as of March 31, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2009			**2009**		
	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	**¥ 1,841**	**¥ 2,603**	**¥ 762**	**$ 18,786**	**$ 26,561**	**$ 7,776**
Government bonds	**–**	**–**	**–**	**–**	**–**	**–**
	1,841	**2,603**	**762**	**18,786**	**26,561**	**7,776**
Securities whose acquisition cost exceeds their carrying value:						
Listed corporate shares	**13,141**	**10,325**	**(2,816)**	**134,092**	**105,357**	**(28,735)**
Government bonds	**16**	**15**	**(1)**	**163**	**153**	**(10)**
	13,157	**10,340**	**(2,817)**	**134,255**	**105,510**	**(28,745)**
Total	**¥ 14,998**	**¥ 12,943**	**¥ (2,055)**	**$ 153,041**	**$ 132,071**	**$ (20,969)**

	Millions of yen		
	2008		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Listed corporate shares	¥ 7,643	¥ 10,793	¥ 3,150
Government bonds	–	–	–
	7,643	10,793	3,150
Securities whose acquisition cost exceeds their carrying value:			
Listed corporate shares	14,750	10,943	(3,807)
Government bonds	16	15	(1)
	14,766	10,958	(3,808)
Total	¥ 22,409	¥ 21,751	¥ (658)

Proceeds from sales of securities classified as other securities with aggregate gain and loss for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Sales proceeds	**¥ 3**	¥ 0	**$ 31**
Aggregate gain	**3**	–	**31**
Aggregate loss	**0**	–	**0**

6. Short-Term Loans, Long-Term Debt and Lease Obligations

Short-term loans, most of which are unsecured, represented notes payable to banks, with the average interest rates of 1.3% and 2.0% as of March 31, 2009 and 2008, respectively.

Long-term debt as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Loans, principally from banks, insurance companies and government agencies, most of which are secured, due 2009 to 2024	**¥ 79,303**	¥ 62,590	**$ 809,214**
	79,303	62,590	**809,214**
Current portion of long-term debt	**(18,141)**	(18,270)	**(185,112)**
	¥ 61,162	¥ 44,320	**$ 624,102**

The average interest rate applicable to the above loans amounting to ¥79,303 million ($809,214 thousand) was 1.8% and 2.0% as of March 31, 2009 and 2008, respectively.

The aggregate annual maturities of long-term debt subsequent to March 31, 2009 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	**¥ 18,141**	**$185,112**
2011	**17,346**	**177,000**
2012	**11,486**	**117,204**
2013	**8,987**	**91,704**
2014 and thereafter	**23,343**	**238,194**
	¥79,303	**$809,214**

Lease obligations as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Lease obligations due 2009 to 2016	**¥ 519**	¥ –	**$ 5,296**
	519	–	**5,296**
Current portion of lease obligations	**(101)**	–	**(1,031)**
	¥ 418	¥ –	**$ 4,265**

The aggregate annual maturities of lease obligations subsequent to March 31, 2009 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	**¥ 101**	**$ 1,031**
2011	**100**	**1,020**
2012	**100**	**1,020**
2013	**88**	**898**
2014 and thereafter	**130**	**1,327**
	¥ 519	**$ 5,296**

The Company and certain consolidated subsidiaries have entered into overdraft and loan commitment agreements amounting to ¥44,789 million ($457,031 thousand) with 27 banks and ¥30,702 million with 25 banks as of March 31, 2009 and 2008, respectively. The borrowings outstanding and the unused balances under these credit facilities amounted to ¥25,356 million ($258,735 thousand) and ¥19,433 million ($198,296 thousand), respectively, as of March 31, 2009 and amounted to ¥12,693 million and ¥18,009 million, respectively, as of March 31, 2008.

Assets pledged as collateral and liabilities with collateral pledged as of March 31, 2009 and 2008 were as follows:

(a) Assets pledged as collateral

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Investments in securities	**¥ 645**	¥ 950	**$ 6,582**
	19,587	19,798	**199,867**
Property, plant and equipment, net	**¥ 20,232**	¥ 20,748	**$ 206,449**

(b) Liabilities with collateral pledged

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Notes and accounts payable-trade	**¥ –**	¥ 338	**$ –**
Short-term debt	**30**	–	**306**
Long-term debt (including current portion)	**2,177**	3,630	**22,214**
	¥ 2,207	¥ 3,968	**$ 22,520**

7. Depreciation and Amortization

Depreciation and amortization for the years ended March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Property, plant and equipment	**¥ 3,095**	¥ 2,964	**$ 31,582**
Other investments	**50**	29	**510**
	¥ 3,145	¥ 2,993	**$ 32,092**

8. 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, 2009 and 2008 amounted to ¥1,752 million ($17,878 thousand) and ¥1,941 million, respectively.

9. Leases

Finance leases (lessee)

(1) Finance lease transactions that do not involve transfer of ownership

1. Leased asset quality

   (a) Tangible fixed assets

   Mainly production installations in the machinery segment (Machinery and equipment) and distribution vehicles in the others segment (Machinery and equipment)

   (b) Intangible assets

   Mainly software

2. Depreciation method of leased assets

Refer to "(6) Property, Plant and Equipment, and Depreciation" in "2. Summary of Significant Accounting Policies." Finance lease transactions that do not involve transfer of ownership, entered into on and before March 31, 2008, by the Company and domestic consolidated subsidiaries are accounted for as operating leases.

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, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Acquisition costs	**¥ 3,593**	¥ 3,477	**$ 36,663**
Less accumulated depreciation	**1,522**	1,182	**15,530**
Net carrying value	**¥ 2,071**	¥ 2,295	**$ 21,133**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥599 million ($6,112 thousand) and ¥472 million for the years ended March 31, 2009 and 2008, 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, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Within one year	**¥ 535**	¥ 561	**$ 5,459**
Over one year	**1,536**	1,734	**15,674**
	¥ 2,071	¥ 2,295	**$ 21,133**

(2) Operating leases

The future minimum lease payments under lease agreements other than finance leases as of March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Within one year	**¥ 19**	¥ 805	**$ 194**
Over one year	**22**	50	**224**
	¥ 41	¥ 855	**$ 418**

10. 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, 2009 and 2008, there is no derivative transaction for which hedge accounting is not applied.

11. Retirement Benefits

The balances of the retirement benefit obligation and plan assets, funded status and the amounts recognized in the consolidated balance sheets as of March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Retirement benefit obligation	**¥ (13,743)**	¥ (14,142)	**$ (140,235)**
Plan assets at fair value	**7,936**	10,584	**80,980**
Unfunded status	**(5,807)**	(3,558)	**(59,225)**
Unrecognized actuarial loss	**10,526**	9,064	**107,408**
Unrecognized prior service cost	**248**	97	**2,531**
Prepaid pension expenses	**(6,348)**	(6,739)	**(64,776)**
Accrued employees' retirement benefits	**¥ (1,381)**	¥ (1,136)	**$ (14,092)**

The components of retirement benefit expenses for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Service cost	**¥ 686**	¥ 664	**$ 7,000**
Interest cost	**349**	367	**3,561**
Expected return on plan assets	**(149)**	(198)	**(1,520)**
Amortization of prior service cost	**22**	11	**224**
Amortization of actuarial loss	**855**	511	**8,725**
Retirement benefit expenses	**1,763**	1,355	**17,990**
Employees' contributions to the defined benefit pension plans	**12**	14	**122**
Total	**¥ 1,775**	¥ 1,369	**$ 18,112**

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

	2009	2008
Discount rates	**mainly 2.4%**	mainly 2.4%
Expected return on plan assets	**mainly 2.0%**	mainly 2.0%

12. Income Taxes

The reconciliation between the statutory tax rate and the effective tax rate of the Furukawa Group for 2009 has not been presented because the Furukawa Group recorded a loss before income taxes and minority interests.

The above information for the year ended March 31, 2008 was summarized as follows:

Statutory tax rate	**40.7 %**
Non-deductible expenses for tax purposes	**0.8**
Non-taxable dividends and other income	**(0.5)**
Inhabitants per capita tax	**0.6**
Equity in earnings of affiliates	**(0.4)**
Gain from forgiveness of debt by minority shareholders	**13.2**
Changes in valuation allowance	**(19.7)**
Other	**(3.1)**
Effective tax rate	**31.6 %**

Deferred tax assets and liabilities as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred tax assets:			
Allowance for doubtful accounts	**¥ 322**	¥ 445	**$ 3,286**
Accrued employees' retirement benefits	**5,257**	4,895	**53,643**
Loss on impairment of fixed assets	**2,791**	5,089	**28,480**
Investments in securities	**3,820**	369	**38,980**
Accrued expenses	**351**	318	**3,582**
Net unrealized holding loss on securities	**998**	815	**10,184**
Unrealized gains on sales of property, plant and equipment eliminated in consolidation	**–**	465	**–**
Net operating loss carryforwards	**14,227**	26,288	**145,173**
Land	**2,627**	1,779	**26,806**
Other	**875**	675	**8,927**
Total gross deferred tax assets	**31,268**	41,138	**319,061**
Valuation allowance	**(21,693)**	(27,425)	**(221,357)**
Total deferred tax assets	**9,575**	13,713	**97,704**
Deferred tax liabilities:			
Net unrealized holding gain on securities	**(20)**	(532)	**(204)**
Statutory reserves provided for tax purposes	**(1,478)**	(348)	**(15,082)**
Gain from establishment of trust for retirement benefit plans	**(4,327)**	(4,327)	**(44,153)**
Land	**(9,225)**	(9,225)	**(94,133)**
Capitalized interest of a foreign subsidiary	**(738)**	(3,777)	**(7,530)**
Other	**(129)**	(268)	**(1,316)**
Total deferred tax liabilities	**(15,917)**	(18,477)	**(162,418)**
Net deferred tax liabilities	**(6,342)**	(4,764)	**(64,714)**
Deferred income taxes on surplus on the revaluation of land	**¥ (3,030)**	¥ (3,113)	**$ (30,918)**

13. Contingent Liabilities

Contingent liabilities as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Notes receivable discounted and endorsed	**¥ 444**	¥ 2,631	**$ 4,531**
Loans guaranteed	**3,725**	1,241	**38,010**

14. Write-Down of Inventories

The amounts of write-down of inventories, included in cost of sales and other income (expenses) for the year ended March 31, 2009 amounted to ¥579 million ($ 5,908 thousand) and ¥32 million ($327 thousand), respectively.

15. Other Income (Expenses)—Other, Net

Other income (expenses)—other, net for the years ended March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Gain or loss on disposal and sales of property, plant and equipment	**¥ 1,793**	¥ (460)	**$ 18,296**
Gain on sales of disused articles	**131**	203	**1,337**
Gains related to copper smelting business in Australia	**–**	1,475	**–**
Liquidating distribution from silent partnership	**3,962**	–	**40,429**
Payments for idle mines	**(532)**	(402)	**(5,429)**
Loss on disposal and devaluation of inventories	**–**	(656)	**–**
Write-down of investments in securities	**(7,418)**	(637)	**(75,694)**
Expenses on removal of office tenants	**(1,305)**	–	**(13,316)**
Other, net	**(554)**	(130)	**(5,654)**
	¥ (3,923)	¥ (607)	**$ (40,031)**

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, 2009 and 2008 was as follows:

Year ended March 31, 2009	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	**¥ 62,640**	**¥ 68,786**	**¥ 11,389**	**¥ 2,386**	**¥ 15,452**	**¥ 1,205**	**–**	**¥ 161,858**
Intersegment	**372**	**526**	**204**	**159**	**329**	**1,400**	**¥ (2,990)**	**–**
Total	**63,012**	**69,312**	**11,593**	**2,545**	**15,781**	**2,605**	**(2,990)**	**161,858**
Costs and expenses	**(61,278)**	**(69,289)**	**(11,387)**	**(1,839)**	**(15,578)**	**(2,910)**	**2,726**	**(159,555)**
Operating income (loss)	**¥ 1,734**	**¥ 23**	**¥ 206**	**¥ 706**	**¥ 203**	**¥ (305)**	**¥ (264)**	**¥ 2,303**
II. Assets, depreciation and capital expenditures								
Total assets	**¥ 65,405**	**¥ 20,748**	**¥ 24,179**	**¥ 28,534**	**¥ 2,638**	**¥ 4,823**	**¥ 42,034**	**¥ 188,361**
Depreciation	**1,488**	**273**	**780**	**291**	**14**	**98**	**201**	**3,145**
Capital expenditures	**2,131**	**314**	**305**	**13,468**	**10**	**108**	**171**	**16,507**

Year ended March 31, 2009	Thousands of U.S. dollars							
	Machinery	Metals	Electronic Materials and Chemicals	Real Estate	Fuels	Others	Eliminations and Corporate	Consolidated
I. Sales and operating income (loss)								
Outside customers	**$ 639,184**	**$ 701,898**	**$ 116,214**	**$ 24,347**	**$ 157,673**	**$ 12,296**	**–**	**$ 1,651,612**
Intersegment	**3,796**	**5,367**	**2,082**	**1,622**	**3,357**	**14,286**	**$ (30,510)**	**–**
Total	**642,980**	**707,265**	**118,296**	**25,969**	**161,030**	**26,582**	**(30,510)**	**1,651,612**
Costs and expenses	**(625,286)**	**(707,030)**	**(116,194)**	**(18,765)**	**158,959**	**(29,694)**	**27,816**	**(1,628,112)**
Operating income (loss)	**$ 17,694**	**$ 235**	**$ 2,102**	**$ 7,204**	**$ 2,071**	**$ (3,112)**	**$ (2,694)**	**$ 23,500**
II. Assets, depreciation and capital expenditures								
Total assets	**$ 667,398**	**$ 211,714**	**$ 246,725**	**$ 291,163**	**$ 26,919**	**$ 49,214**	**$ 428,918**	**$ 1,922,051**
Depreciation	**15,184**	**2,786**	**7,959**	**2,969**	**143**	**1,000**	**2,051**	**32,092**
Capital expenditures	**21,745**	**3,204**	**3,112**	**137,429**	**102**	**1,102**	**1,745**	**168,439**

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

The geographic segment information for the years ended March 31, 2009 and 2008 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 ¥31,913 million ($325,643 thousand) and ¥39,783 million or 19.7% and 18.6% of the consolidated net sales for the years ended March 31, 2009 and 2008, 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 26, 2009:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Year-end cash dividends (¥1.50 = $0.015 per share)	**¥ 606**	¥ 1,415	**$ 6,184**
Transfer to legal reserve	**61**	141	**622**
	¥ 667	¥ 1,556	**$ 6,806**

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, 2009 and 2008, and the related consolidated statements of operations, 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, 2009 and 2008, 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, 2009 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 26, 2009

Ernst & Young ShinNihon

Corporate Data

(As of March 31, 2009)

Directors and Auditors

(As of June 26, 2009)

President and Representative Director	Nobuyoshi Soma
Senior Managing Director	Hiroyuki Shiaku
Managing Director	Manabu Zama
Director	Junnosuke Furukawa
Director	Yoshihito Emoto
Director	Susumu Nakamura
Director	Toshio Matsumoto
Statutory Auditor	Ryoji Ohnuma
Statutory Auditor	Masafumi Miyata
Auditor	Tamiki Ishihara
Auditor	Nobuyuki Tomotsune
Auditor	Yoshiki Sato

Executive Officers

(As of June 26, 2009)

Senior Managing Executive Officer	Hiroyuki Shiaku
Managing Executive Officer	Manabu Zama
Senior Executive Officer	Yoshihito Emoto
Senior Executive Officer	Susumu Nakamura
Senior Executive Officer	Toshio Matsumoto
Senior Executive Officer	Toshikazu Nakagawa
Senior Executive Officer	Yasuji Tomiyama
Senior Executive Officer	Akira Usui
Executive Officer	Naohisa Miyakawa
Executive Officer	Masaya Kouzaki
Executive Officer	Osamu Watanabe
Executive Officer	Saburou Saruhashi
Executive Officer	Kouichiro Umezaki
Executive Officer	Toshiyuki Kobashi
Executive Officer	Masaji Kobayashi
Executive Officer	Norihiro Yanagisawa

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

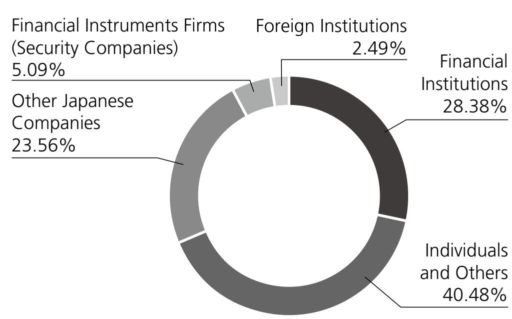
Employees: Consolidated 2,290; Non-consolidated 196

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 4G)	15,305	3.78
Seiwa Sogo Tatemono Co., Ltd.	15,034	3.71
Japan Trustee Services Bank, Ltd. (trust account)	14,549	3.59
Sompo Japan Insurance Inc.	13,810	3.41
The Master Trust Bank of Japan, Ltd. (trust account)	12,500	3.09
Chuo Real Estate Co., Ltd.	11.827	2.92
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

Corporate History

1875 Began the operation of the Kusakura Copper Mine in Niigata (Company foundation).

1877 Began the operation of the Ashio Copper Mine in Tochigi.

1900 Set up a machinery works at the Ashio Copper Mine and entered into the machinery business.

1914 Manufactured the first rock drill in Japan.

1918 Spun off mining business from Furukawa General Partnership and established Furukawa Mining Co., Ltd.

1944 Bought Osaka Smelter of Toa Chemical Smelting Co., Ltd. and established it as Osaka Cementation and Refining. Entered into the chemical business.

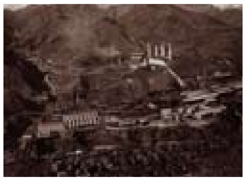
Built the Oyama Works of the Machinery Division of the Ashio Copper Mine in Tochigi.

1950 Built the Takasaki Works of the Rock Drill Division in Gunma.

1951 Began manufacturing of titanium dioxide and cuprous oxide at Osaka Cementation and Refining.

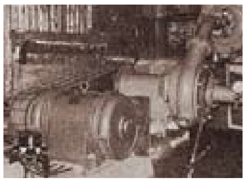
1962 Completed the Furukawa/Outokumpu flash smelting plant at Ashio Smelting and Refining.

Completed research and development of high-purity (99.999%) metallic arsenic and commenced with the sale of it.



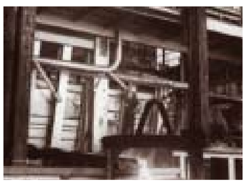
The Ashio Copper Mine is where the Furukawa Company Group began.

The first domestic rock drill was developed at Ashio.



At the Oyama Works, pumps and mining machinery for copper mines were manufactured, not only for internal use but also to sell externally.

At the Takasaki Works, rock drills were mass-produced and we established the position of a leading rock drill manufacturer.



The Furukawa/Outokumpu flash smelting plant

Arsenic is one of the by-products generated during the smelting stage of copper concentrates.

1987 Bought UNIC Corporation (manufacturer of truck-mounted cranes).

1989 The Japanese name changed from Furukawa Kogyo Kabushiki Kaisha to Furukawa Kikai Kinzoku Kabushiki Kaisha.

1990 Bought an America breaker manufacturer.

1997 Established a manufacturer of UNIC products/components, Furukawa UNIC (Thailand) Co.,Ltd. in Thailand.

1998 Established a sales company of rock drill products, Furukawa Rock Drill Europe B.V., in Holland.

1999 Moved the Materials Research Laboratory to Tsukuba City in Ibaraki.

2003 Established Thian Furukawa Machinery Co., Ltd.- a joint company for the manufacturing and distribution of UNIC cranes in China.

2005 Spun off the Machinery business, Metals business and Electronic Materials and Chemicals business and shifted to a group management structure as the Furukawa Company Group to enhance management.

2006 Established a rock drills sales company, Furukawa Rock Drill (Shanghai) Co., Ltd. in China.

2007 Formed a capital and business alliance for the GaN semiconductor epi-wafer business with POWDEC K.K.

2008 Newly setup the Nitride Semiconductors Department as a gallium nitride and related nitride semiconductor-related research organization.

2009 Built the new laboratory of the Nitride Business Office in Oyama.

"UNIC" has become a synonym for truck-mounted cranes in Japan.

This is an affiliate company for the UNIC business established in Rayong, Thailand, which manufactures truck-mounted cranes and other products.

This is an affiliate company for the construction and mining machinery business established in Utrecht, Holland, which distributes rock drills and other products.

This is an affiliate company for the UNIC business established in Taian, Shandong, China, which manufactures and distributes truck-mounted cranes and other products.

This is an affiliate company which deals with the construction and mining machinery business established in Shanghai, China and distributes rock drills and other products.

In 2009, the new laboratory of the Nitride Business Office was built in Oyama.

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