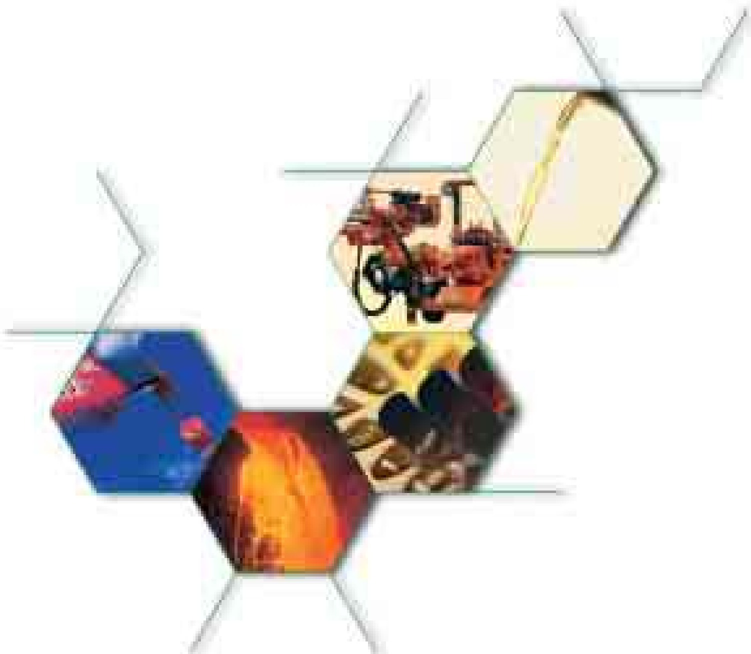
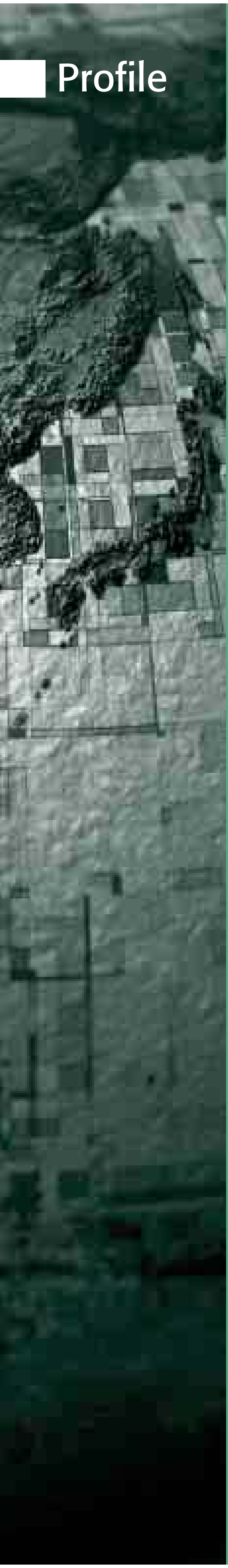


FURUKAWA ANNUAL REPORT 2005

New Vision, New Platform

Year ended March 31, 2005

Profile



>> **Furukawa Co., Ltd.** was established in 1875, and over its 130-year history has developed a diverse portfolio of businesses in the fields of machinery, metals, electronic materials, chemicals, and fuels. Grounded in its management philosophy—**Innovation, Creativity, and Harmony**—the Company has moved forward with innovation in its corporate structure and technological development. Furukawa strives to offer appealing products and services to its customers, and to contribute to the creation of a prosperous society that is in harmony with the environment.

>> **In fiscal 2005,** ended March 31, 2005, Furukawa's restructuring of its businesses, which included withdrawing from unprofitable businesses and sales of assets, began to make its effects felt. For the first time in five years, the Company was able to post net income. Furukawa also moved forward with further structural reforms, including the shift to a group management system in connection with the spin-off of business divisions.

>> **In fiscal 2006,** which will be the Company's first year of operation under the new medium-term management plan, Furukawa will work to maximize the corporate value of the entire Furukawa Company Group, employing the new business structure to further increase earning power and improve its financial position.

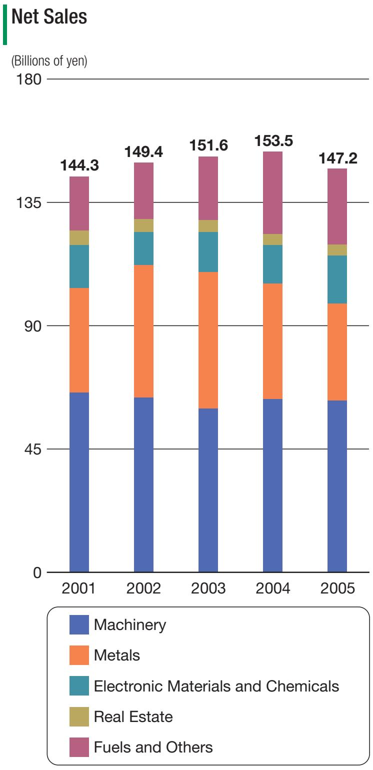
Contents

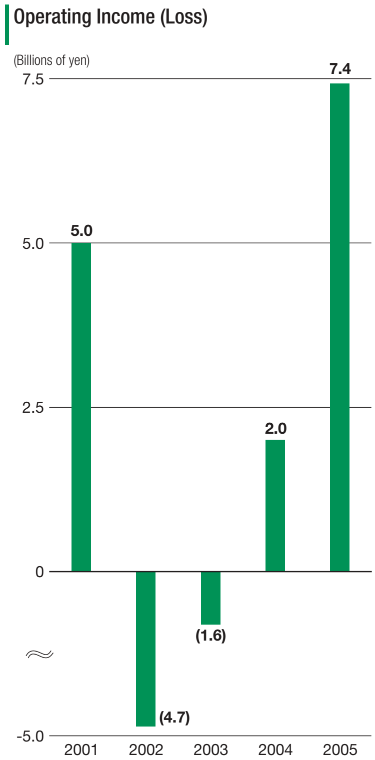
Consolidated Financial Highlights

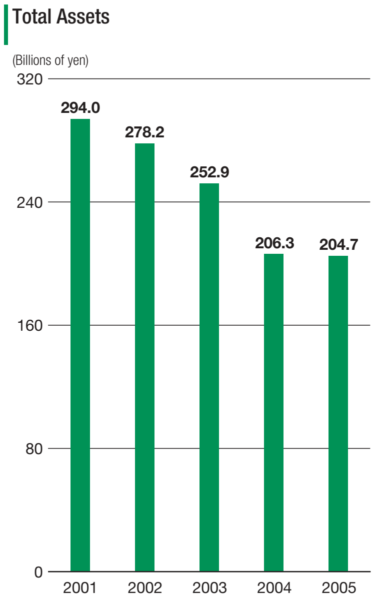
Furukawa Co., Ltd. and consolidated subsidiaries
Years ended 31st March, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars	Percent change
	2005	2004	2003	2005	'05 / '04
For the year:					
Net sales	¥ 147,237	¥ 153,513	¥ 151,630	$1,376,047	(4.1)%
Operating income (loss)	7,383	2,024	(1,591)	69,000	264.8
Income (loss) before income taxes and minority interests	4,199	(35,238)	(22,032)	39,242	—
Net income (loss)	2,257	(27,634)	(17,000)	21,093	—
At year-end:					
Total assets	¥ 204,651	¥ 206,250	¥ 252,856	$1,912,626	(0.8)
Shareholders' equity	31,335	28,660	33,665	292,850	9.3
	Yen			U.S. dollars	
Per share amounts:					
Net income (loss):					
Basic	¥ 5.57	¥ (84.61)	¥ (67.88)	$ 0.05	—
Diluted	5.03	—	—	0.05	—
Cash dividends	—	—	—	—	—

Note: U.S. dollar amounts are translated from yen for convenience only at the rate of ¥107=$1.







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

To Our Shareholders

The efforts of the entire Group to increase its profitability and improve its financial position proved to be effective and marked an end to the business restructuring that had been underway for over two years.

Furukawa Co., Ltd. and its consolidated subsidiaries made steady progress toward their goals in fiscal 2005. The efforts of the entire Group to increase its profitability and improve its financial position proved to be effective and marked an end to the business restructuring that had been underway for over two years. The Furukawa Company Group took another step forward in March 2005 with the spin-off of business divisions to become independent companies and the concomitant shift to an operating holding company system.

Performance in Fiscal 2005

Consolidated net sales for the fiscal year ended March 31, 2005 declined 4.1% to ¥147,237 million. In our core business segment, the Machinery Division, construction and mining machinery (rock drills) business achieved growth in revenues on the strength of healthy overseas shipments, although sales in the UNIC machinery business declined with the disappearance of last year's replacement domestic demand for trucks, which had been spurred by stricter exhaust-gas regulations. Revenues in the Metals Division fell significantly as a result of the termination of operations at Australian subsidiary Port Kembla Copper Pty. Ltd. (PKC). The Electronic Materials and Chemicals Division posted strong sales of high-purity metallic arsenic and other products. Due chiefly to the recovery in the performance of the Metals Division and the Electronic Materials and Chemicals Division, operating income jumped 264.8% to ¥7,383 million. After posting gains on sales of investment securities, gain on sales of property, plant and equipment, and loss on impairment of land resulting from spin off of businesses, Furukawa was able to post net income of ¥2,257 million, in contrast to net loss of ¥27,634 million in the previous fiscal year. Furukawa greatly regrets that it was unable to declare a dividend for the fiscal year ended March 31, 2005.

Overview of Furukawa's Business Restructuring

Furukawa designated fiscal years 2004 and 2005 as a period for restructuring its business base, increasing its profitability, and strengthening its financial position. Primary measures taken during this two-year period in connection with the restructuring are listed below.

Rationalization of business

- Operations halted at PKC in Australia, placed in Care & Maintenance status
- Nikko hydroelectric power generation business sold
- Foundry products business spun off
- Manufacturing halted in money-losing titanium dioxide business
- Two domestic sales and service subsidiaries for construction and mining machinery businesses were merged into one
- Sold holdings in Hitachi-Furukawa Construction Machinery Ltd. and took other measures to withdraw from the construction machinery manufacturing business

Improving and strengthening financial position

- Reduced labor force through the implementation of an early retirement program and intensified executive and employee compensation cuts
- Increased retained earnings by absorbing Furukawa Real Estate Co., Ltd.
- Conducted a ¥9.2 billion capital increase through third-party allocation
- Liquidated land and structures pertaining to the Furukawa Building (Muromachi) and the Furukawa Chiyoda Building

As a result of these measures, operating income increased for the second consecutive fiscal year, and the Group posted net income for the first time in five years. In addition, interest-bearing liabilities (corporate bonds and debt) were reduced from ¥140,389 million at March 31, 2003 to ¥116,851 million at March 31, 2005.

This new business structure will allow each of these businesses to realize agile management through responsibility and accountability systems.

Business Divisions Spun Off and Group Management System Adopted

In March 2005, Furukawa spun off several business divisions and changed to a group management system. Operations in three business divisions—Machinery (industrial machinery, construction and mining machinery (rock drills), and UNIC machinery), Metals, and Electronic Materials and Chemicals (electronic materials and chemicals businesses)—were spun off to become six subsidiaries. Furukawa Co., Ltd. will retain stock holdings in these equity-method subsidiaries, and will exercise operational control. The Company will also retain two businesses, Real Estate, and Fuels and Others, as well as research and development operations.

Furukawa has two main objectives in shifting to this new business structure. First, because these businesses have become independent companies, responsibility and accountability for asset management and profitability are clearly defined. The increased efficiency and profitability of each business that will result will strengthen the Group's overall management system. Second, manufacturing and sales are integrated, which will allow the new subsidiaries to practice quick decision making and vigorous management closely linked to the characteristics of each business and trends in its markets. This will allow these subsidiaries to rapidly provide the high-quality products and services desired by their customers.

Faced with a rapidly changing business environment marked by increasingly severe global competition, this new business structure will allow each of these businesses to realize agile management through responsibility and accountability systems, which will maximize the corporate value of the Furukawa Company Group overall.

Under the new group management system, the focus shifts to growth.

Formulating the Medium-Term Management Plan

As mentioned above, Furukawa's revenue base was strengthened by the rationalization of businesses during the restructuring in fiscal years 2004 and 2005, and various financial measures improved the Group's financial position. Under the new group management system, the focus shifts to growth. The new medium-term management plan, which will cover the period from fiscal 2006 through fiscal 2008 (April 1, 2005 through March 31, 2008), will lead us in that direction. The most important issues in the plan are to maximize the value of each business through the new business structure and to further strengthen the Group's financial position and growth in earnings. For detailed information on the new medium-term management plan, see pages 5 through 7 of this report. In brief, though, Furukawa's strategy for attaining its goals is to expand its overseas machinery business, bolster businesses that respond to the needs of lifestyle industries and society, further develop its environmental engineering business, expand its lineup of environmentally conscious high-value-added raw material products, and strengthen its financial position through increasing asset efficiency. Through these measures, we aim to increase consolidated operating income to ¥10,500 million and reduce interest-bearing liabilities by approximately ¥30,000 million by the end of fiscal 2008 (April 1, 2007 through March 31, 2008).

Furukawa will work to maximize the corporate value of the Group, pursuing continuous reform.

Maximizing Corporate Value

Over the past two years, Furukawa has made progress in shedding its adverse legacy. However, reform has only just begun. First, we must put the new business structure on the fast track, and steadily execute the new medium-term management plan. I hope to meet the expectations of investors next fiscal year with the resumption of dividends.

Furukawa will work to maximize the corporate value of the Group, pursuing continuous reform, and seeking to increase the competitiveness of its products and services through consultations with shareholders and other stakeholders.

We request your continued understanding and support.

September 2005

Tetsuo Yoshino

Tetsuo Yoshino,
President and Representative Director

Medium-Term Management Plan

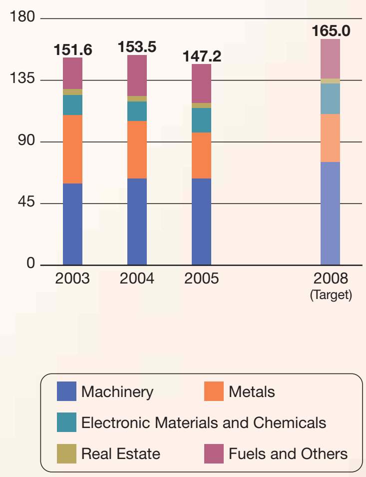
(April 2005 to March 2008)

The Furukawa Company Group has formulated its medium-term management plan for the period from fiscal 2006 through fiscal 2008 (April 1, 2005 to March 31, 2008). For the past two years, the Group has been rationalizing its operations, and improving its financial position. Building on the results in this “business restructuring period,” and the spin-off of Furukawa’s business divisions into separate companies in March 2005, the new management plan is intended to maximize the value of each business and further improve its financial position by increasing the Group’s earnings.

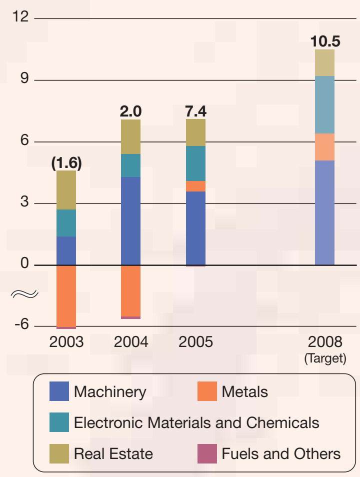
Performance Targets

The new medium-term management plan sets consolidated performance targets for fiscal 2008 (April 1, 2007 through March 31, 2008) of ¥165.0 billion in net sales and ¥10.5 billion in operating income, and a reduction of interest-bearing liabilities by approximately ¥30.0 billion by the end of the fiscal year.

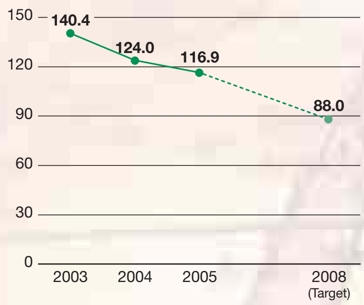
Net Sales by Business Division
(Billions of yen)



Operating Income by Business Division
(Billions of yen)



Interest-Bearing Liabilities
(Billions of yen)



Management Policies

The medium-term management plan presents the following three management policies.

1 Develop innovative, high-value-added global products and services, and increase profits.

Achieve earnings expansion by enhancing customer satisfaction and developing its global businesses providing environmentally conscious products and services.

2 Strengthen financial position through the reduction of interest-bearing liabilities.

Strengthen our financial position through increased capital efficiency and asset efficiency throughout the Group, and through the reduction of interest-bearing liabilities.

3 Maximize corporate value by reinforcing corporate governance and Group management.

Increase the speed of management decision making and clarify responsibilities by the spin-off of business divisions into independent companies and shift to a Group management structure.

Maximize corporate value by further emphasizing business-specific control of performance and results, bolster the Group’s earnings platform and reform employee mindset.

Management Strategy

Furukawa has adopted the following three strategies as a means to attain the goals set in the medium-term management plan.

1. Develop machinery for the global market and strengthen environmental businesses.
2. Expand lineup of environmentally conscious, high-value-added raw materials products.
3. Strengthen financial position through increased asset efficiency.

1 Develop machinery for the global market and strengthen environmental businesses

Truck-mounted cranes (UNIC cranes)

The decline in spending on public-works projects precludes precipitous growth in the domestic industrial machinery market, which is why the Furukawa Company Group is stressing overseas sales. In Japan, the Group is emphasizing businesses that respond to the needs of the country's aging population and growing demands for environmental protection.

① Develop overseas business

To expand sales of UNIC products (such as truck-mounted cranes) in China's exploding market, we established Taian Furukawa Machinery Co., Ltd. in 2003, and phase one of construction was completed at the end of October 2004. In October 2005 we are scheduled to commence the semi-knockdown production of truck-mounted cranes, exporting the partly-finished goods from Japan for assembly and sale in China. Our goal is to achieve an overseas sales ratio of 30% in fiscal 2008, when we will start full-scale manufacturing in China. We are building the optimum system for manufacturing UNIC products, anchored in Thailand, Japan and China, and will be reducing costs.

In the field of construction and mining machinery (rock drills), we established Furukawa Rock Drill Korea Co., Ltd. in 2003 and a Shanghai representative office in February 2004 to expand sales in the Asian market. In the future we will further strengthen our sales and service structure, which extends to the U.S., Europe, Japan, and other areas of Asia.

Rock drill products (Hydraulic breakers)

We will employ the brand power of both our UNIC products and rock drills to develop and market differentiated products, and win a large share of those markets. The combined overseas sales ratio of products in both these categories was 35% in fiscal 2005, and we intend to increase that to 50% in fiscal 2008.

Pneumatic micro-powder producing equipment "Dream Mill"

② Strengthen business activities that cater to lifestyle industries and the needs of society

The Furukawa Company Group developed a smaller version of its "Dream Mill" line of pneumatic micro-powder producing equipment, and commenced sales of these mills in April 2005. In addition to their R&D applications, these mills can be used in multiproduct, small-lot manufacturing in the food and pharmaceuticals industries, and we are energetically promoting such applications.

In Japan, the Furukawa Company Group is moving forward with the development of new businesses that respond to social needs and statutory revisions. The need for nursing care precautionary services is expected to increase as a result of a 2005 revision to the Nursing Care Insurance Law. In response, the Furukawa Company Group has entered the geriatric health support business, and is engaged in product development jointly with university research departments. In addition, as a step toward obligatory food recycling, the Group developed and is marketing raw garbage carbonization equipment.

Net sales in the lifestyle and needs of society business for fiscal 2005 were ¥100 million, and the Group's target for fiscal 2008 is ¥1.2 billion.


The rural-community sewage treatment facility
NEW MECHACERA (right)

③ Bolster environmental engineering business

The Group is strengthening its environmental engineering business through proposal-based marketing including plant design and construction for recycling and fusion facilities.

One step in this effort is the maximization of earnings in the rural-community sewage treatment facility business through the sale of NEW MECHACERA, an added value product for the reduction in volume and treatment of wastewater. The Group has also started producing and marketing recycled wood composite from waste wood and plastic. Because Furukawa uses no polyvinyl chloride resins in its recycled wood composite, it emits no harmful gasses when incinerated. Since it is resistant to insects and moisture absorption, we will market it as a construction material for use as roofing substrate and in walls. The plant will commence its operation from September 2005 and ship products from October 2005.

In fiscal 2005 net sales in the environmental engineering business were ¥2.2 billion, and our target for fiscal 2008 is ¥5.8 billion.

2 Expand lineup of environmentally conscious high-value-added raw material products

Gallium nitride (GaN) substrates

In response to the expansion of the digital and optical markets, Furukawa is developing and marketing crystalline products.

The Furukawa Group has developed gallium nitride (GaN) substrates, and has a goal of increasing production to 100 wafers per month during fiscal 2006. GaN substrates have great potential for use in blue laser diodes (LDs) and white light-emitting diodes (LEDs). Growth is forecast for this market.

In another area, Furukawa has developed high-performance scintillator crystals for use in PET* detector equipment. This PET detector equipment is quickly being adopted for diagnosis of cancer. In addition, Furukawa will expand its lineup of optical laser products used for polishing.

Net sales in the digital and optical markets during fiscal 2005 were ¥600 million, and our target for fiscal 2008 is ¥2.3 billion.

*PET: Positron Emission Tomography, a method of making images using positrons.

3 Strengthen financial position through increased asset efficiency

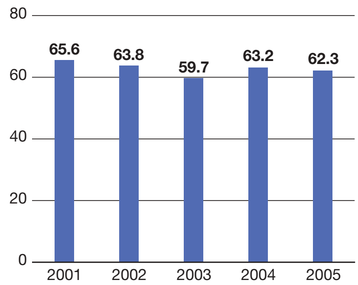
To strengthen our financial position, we will improve our operating cash flow, as well as sell assets and investment securities to reduce interest-bearing liabilities.

Review of Operations

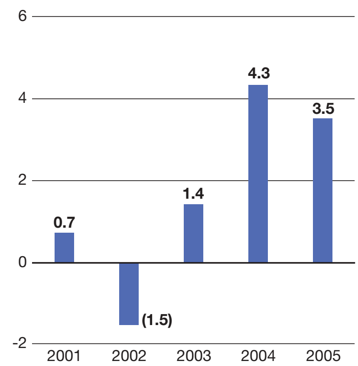
Machinery

This division is composed of three businesses: the industrial machinery business, which is responsible for the manufacturing and sales of general industrial machinery and construction operations; the construction and mining machinery (rock drill) business, which conducts manufacturing and sales of civil engineering and construction machinery; and the UNIC machinery business, which involves the manufacturing and sales of truck-mounted cranes and other UNIC products. The industrial machinery business is operated by Furukawa Industrial Machinery Systems Co., Ltd.; the rock drill business is operated by Furukawa Rock Drill Co., Ltd.; and the UNIC machinery business is operated by Furukawa UNIC Corporation.

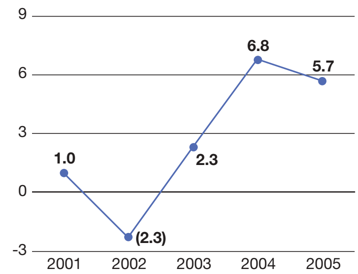
Net Sales (Billions of yen)

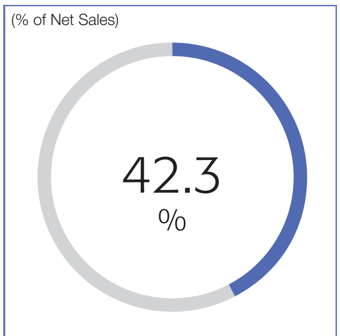


Operating Income (Loss) (Billions of yen)



Operating Margin (%)



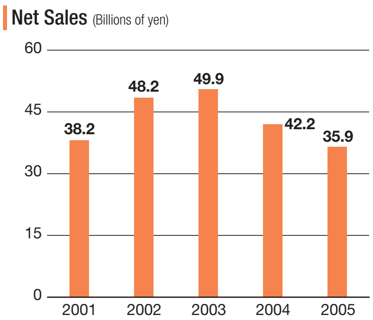


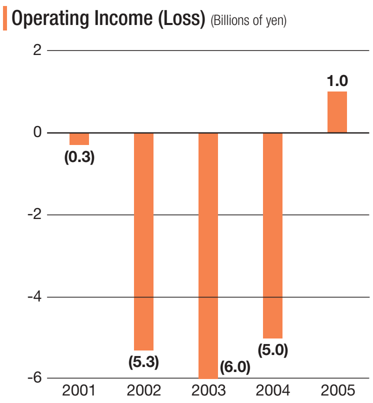
In fiscal 2005, ended March 31, 2005, net sales in the Machinery Division edged down 1.4% to ¥62,291 million. High-margin domestic sales of UNIC products contracted, together with other factors causing operating income to fall 17.7% to ¥3,541 million. The operating margin declined by 1.1 percentage points to 5.7%.

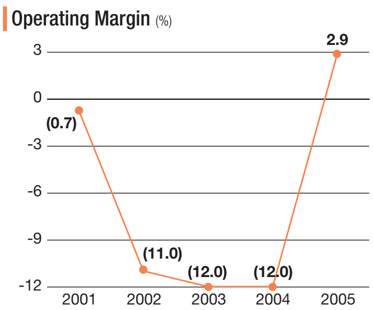
The industrial machinery business was affected by the continued contraction of public works spending. However, intensified marketing of sewage treatment facilities for rural communities began to show their effects, and revenues in this business showed growth. Revenues from bridges and industrial plants declined.

In the construction and mining machinery (rock drill) business, domestic demand remained at a low level, but overseas sales of rock drill products (rock drills and construction machinery) increased, particularly in the European and Middle East markets. In Asia, sales in China were affected by a monetary squeeze, but sales in Korea rose steadily.

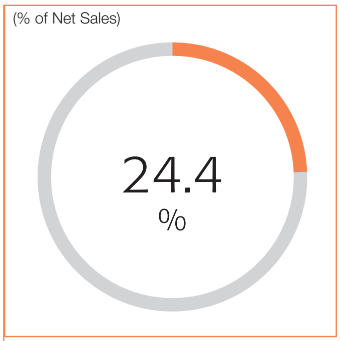
The UNIC machinery business saw a substantial downturn in domestic sales, as last fiscal year's transient demand in the Tokyo region produced by stricter regulation of truck exhaust emissions subsided. Exports to Taiwan, Australia, and Europe were healthy, and overseas sales increased. The first phase of plant construction has been completed at a joint venture subsidiary in Taian, China, in anticipation of future growth in demand.







In this division, Furukawa Metals & Resources Co., Ltd. is responsible for the import of copper ore, and the refining and sale of copper, gold, silver, and sulfuric acid. Furukawa Metals & Resources has taken a stake in Onahama Smelting & Refining Co., Ltd. and Hibi Kyodo Smelting Co., Ltd., and consigns smelting work to them.

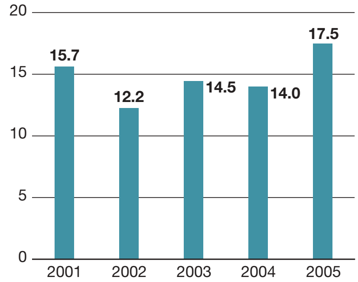


In fiscal 2005, net sales in the Metals Division fell 15.0% to ¥35,862 million. However, following an operating loss of ¥5,046 million in the previous fiscal year, the division was able to finish fiscal 2005 in the black, posting operating income of ¥1,027 million. The operating margin improved from a negative 12.0% to 2.9%.

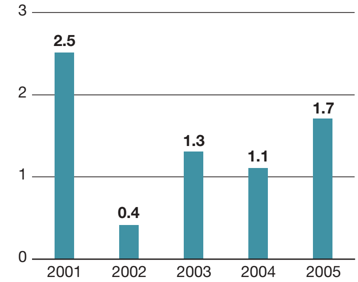
Market prices for electrolytic copper overseas remain at a high level, supported by solid demand across the board. In Japan, the average quotation for the fiscal year was ¥370,000 per ton, up ¥100,000 per ton from the previous fiscal year. Some mines have substantially increased production, and some idle mines have restarted operations. In addition, purchasing of ore by smelters in China and India has been restrained as a result of a monetary squeeze and other factors. This is causing a trend toward a loose supply-demand balance for copper ore, which led to improvement in purchasing conditions. The termination of operations at Australian subsidiary PKC also contributed to the recovery of earnings.

Electronic Materials and Chemicals

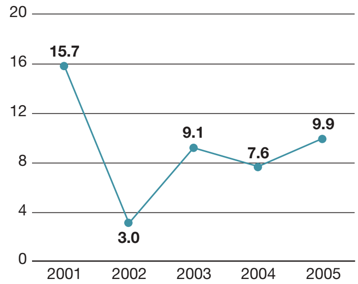
Net Sales (Billions of yen)



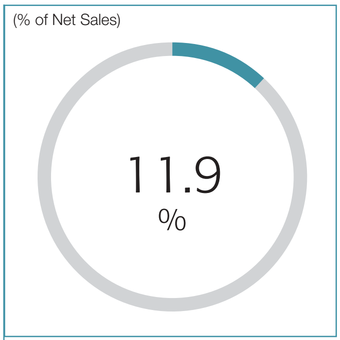
Operating Income (Billions of yen)



Operating Margin (%)



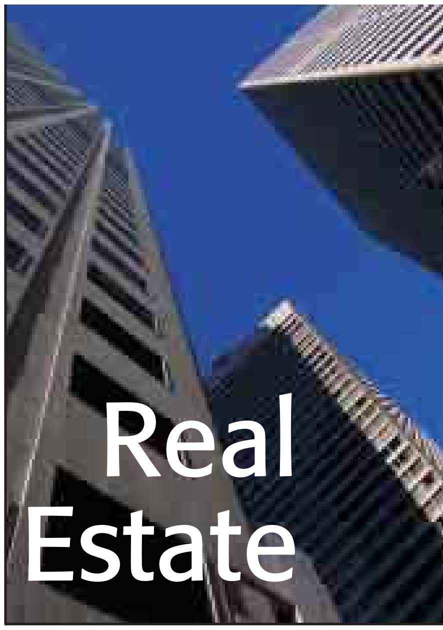
This division is composed of the electronic materials business, which is engaged in manufacturing and sales of electronic materials, including high-purity metallic arsenic and compound semiconductors, and the chemicals business, which manufactures and sells industrial chemicals such as cuprous oxide and sulfuric acid. The electronic materials business is operated by Furukawa Denshi Co., Ltd., and the chemicals business is operated by Furukawa Chemicals Co., Ltd.



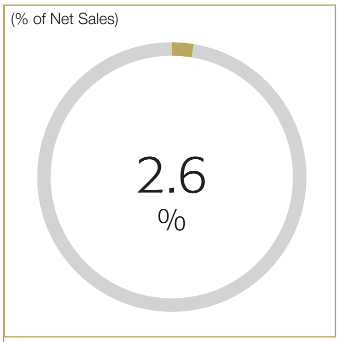
The Electronic Materials and Chemicals Division's net sales in fiscal 2005 increased 25.3% to ¥17,502 million. Operating income jumped 64.7% to ¥1,739 million, and the operating margin rose 2.3 percentage points to 9.9%.

Sales of high-purity metallic arsenic increased on the strength of strong demand for gallium arsenate crystals, which is the main application for this material, for use in DVD laser diodes, LED traffic signals and other private-sector optics applications. The division commenced full-scale marketing of healing jewelry containing germanium in fiscal 2005, and a substantial increase in shipments has already been seen. Sales of gallium phosphorous polycrystals declined as a result of its low intensity characteristics when used in LEDs, and inventory adjustments by users.

Revenues from the sale of cuprous oxide, which is used in hull coatings, showed a robust increase as a result of an upturn in domestic and overseas shipbuilding. The division began production of aluminum sulfate in January 2003, and brisk demand has resulted in major sales growth. Manufacturing of titanium dioxide was terminated in 2003, and the division shifted to the procurement and marketing of OEM titanium dioxide. Sales in this area declined, but these operations made a large contribution to the improvement of the division's profitability.

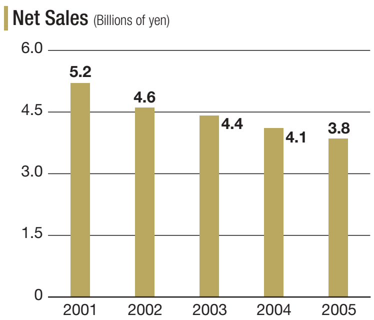


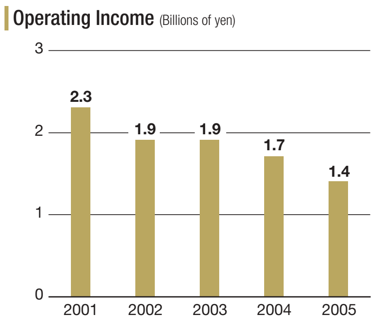
This division is engaged in the construction, allotment sale and brokerage of office and condominium buildings, and related services. Operations are conducted by Furukawa Co., Ltd.

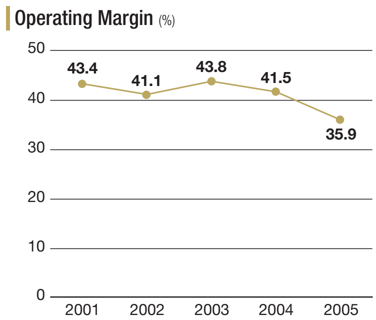


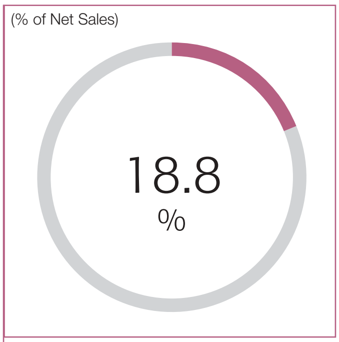
Net sales in the Real Estate Division fell 7.3% to ¥3,835 million in fiscal 2005. Operating income dropped 19.9% to ¥1,376 million, and the operating margin declined 5.6 percentage points to 35.9%.

A recovery of tenant demand in the division's core office-building market was seen, but conditions remain severe. The division is responding to these conditions with efforts to reduce vacancy rates and cut operating expenses. In an effort to strengthen its financial position through enhanced asset efficiency, in March 2005 the division sold the Furukawa Chiyoda Building, which is located in Tokyo.







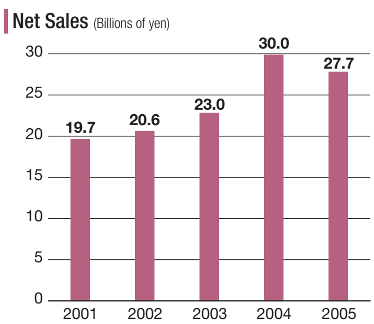


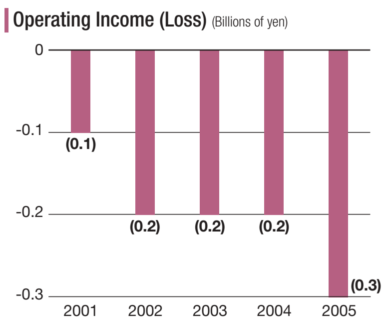
Fuels and Others

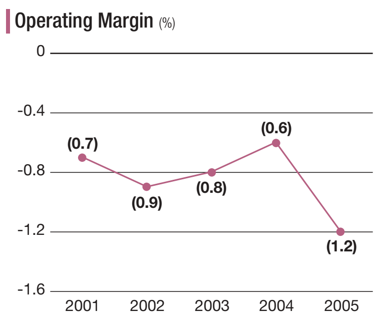
These divisions are composed of the fuels business, which is engaged in the sale of oil, petrochemicals and LPG, and other businesses, which include the transportation business and other operations. These businesses are operated by Furukawa Co., Ltd.

Net sales in the Fuels and Others Divisions declined 7.7% to ¥27,747 million. An operating loss of ¥329 million was posted, larger than last year's operating loss by ¥164 million. The operating margin sank by 0.6 percentage points to a negative 1.2%.

Worldwide growth in demand, coupled with a decline in the ability to meet that demand, have sent oil prices to record highs, and domestic prices are also at high levels. At the same time, though, the decline in the volume of fuel oil use by power plants caused the division's oil sales to fall sharply.







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 philosophy is that each employee should strive in all our corporate activities to act in harmony with the environment, to consider the improvement of the environment, and to contribute to the development of a sustainable society. We are aware of the important role we play in community service as a corporate citizen, and every employee is involved. Major activities are introduced below.

Environmental Management

Environmental management system

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

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

To further improve its environmental protection activities, the Furukawa Company Group convenes a meeting of environmental protection activity supervisors every year. For the purposes of sharing information and resolving issues quickly, environmental protection supervisors from the various Group companies are assembled to jointly discuss the activities the various companies are pursuing, and study means to resolve the issues that have arisen in the course of those activities.

ISO14001 certification

The Furukawa Company Group saw ISO14001 certification as the starting point for environmentally conscious corporate activities, and proceeded to obtain certification. By March 31, 2005, the Furukawa Company Group's principal business sites had obtained certification as planned.

Afforestation activity in Ashio, Japan

Usuiso seaside cleanup

Environmental Protection Activities

The implementation of energy conservation activities

The Furukawa Company Group is pressing forward with energy conservation by reducing energy consumption at its plants and offices. Electricity usage in fiscal 2005 has been lowered substantially.

Reducing industrial waste

Furukawa's total volume of industrial waste generated in fiscal 2005 was 6,329 tons, down approximately 20% from its fiscal 2004 level. The Group is working for further reductions.

Environmentally Friendly Products

The Furukawa Company Group is developing and marketing a number of products that directly contribute to environmental protection. Among these are high performance dioxin removal plants that contribute to environmental protection by removing dioxins and other harmful substances from incinerator stack gasses. The Group's NEW MECHACERA for sewage treatment facilities for rural communities not only protects water quality and reduces unpleasant odors, but also reduces the volume of sludge and has treatment capabilities, realizing the recycling of sludge for use as agricultural land.

Social Contributions

The bedrock of Furukawa's social contribution activities as a corporate citizen is "the spirit of harmony," one of its management philosophies. The Group seeks to maintain good relationships with local communities through stewardship and maintenance of forest land owned by Furukawa, afforestation programs, seacoast cleanup, preservation of the Nikko-Suginamiki*, and participation in blood drives.

**More than 15,000 Japanese cedar trees, planted in the 17th century, line the 30-mile route from the city of Nikko to a shrine and temple area. This scenic drive and the surrounding woodlands have been designated a natural monument.*

Corporate Governance

The basic policy of the Furukawa Company Group is to contribute to society, our shareholders, and our 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 led to the March 2005 spin-off of six businesses in three divisions, and the concomitant shift to a holding company system. The Furukawa Company Group's management structure is discussed below.

To clearly separate management oversight functions from executive functions, accelerate decision making, and clarify responsibilities, the Furukawa Company Group has adopted an executive officer system. Representative directors at six companies that conduct the Group's core businesses have become executive officers in the interest of promoting agile management.

The Board of Directors has a membership of eight, of which one is an outside director, and performs oversight over the execution of the Furukawa Company Group's operations. The Management Council sets the Furukawa Company Group's fundamental management policies and strategies, and makes decisions regarding decisions on important matters. There is also the Management Committee, which meets monthly to discuss the operations of Furukawa and its core subsidiaries, and provide direction. Decisions made by the Management Council that involves the allocation of funds or important management issues must be approved by resolution of the Board of Directors.

The Furukawa Company Group uses the auditor system, with a Board of Auditors composed of two statutory auditors and two outside auditors. Auditors attend meetings of the Board of Directors, Management Council, Management Committee, and other important management meetings, as well as monitor performance of duty by directors and audit business sites and subsidiaries. In March 2005, an Internal Audit Department was established to perform audits of the status of management and the execution of operations throughout the Furukawa Company Group's operations, from the standpoint of reinforcing and monitoring the internal control system.

As one measure to further its IR activities, Furukawa has redone its Web page, and will be using it to provide corporate information to shareholders, investors, and other stakeholders in a timely fashion.

Directors and Auditors

President and Representative Director	Tetsuo Yoshino
Senior Managing Director	Isao Asada
Senior Managing Director	Toshikatsu Uematsu
Managing Director	Koji Toda
Managing Director	Nakao Yamashita
Director	Junnosuke Furukawa
Director	Yasuhei Konagaya
Director	Hiroyuki Shiaku
Statutory Auditor	Tsuyoshi Ishii
Statutory Auditor	Ryouji Ohnuma
Auditor	Toshiharu Nagao
Auditor	Tomoo Yamada

Executive Officers

Senior Managing Executive Officer	Isao Asada
Senior Managing Executive Officer	Toshikatsu Uematsu
Managing Executive Officer	Koji Toda
Managing Executive Officer	Nobuyoshi Soma
Managing Executive Officer	Nakao Yamashita
Senior Executive Officer	Yasuhei Konagaya
Senior Executive Officer	Hiroyuki Shiaku
Senior Executive Officer	Yukio Takeuchi
Executive Officer	Toshihiko Arai
Executive Officer	Yasuhiro Ogura
Executive Officer	Shin Nakamura
Executive Officer	Masafumi Miyata
Executive Officer	Takeji Saitsu
Executive Officer	Toshikazu Nakagawa
Executive Officer	Yoichiro Kato
Executive Officer	Toshio Matsumoto
Executive Officer	Yasuji Tomiyama
Executive Officer	Makoto Iwasaki
Executive Officer	Manabu Zama

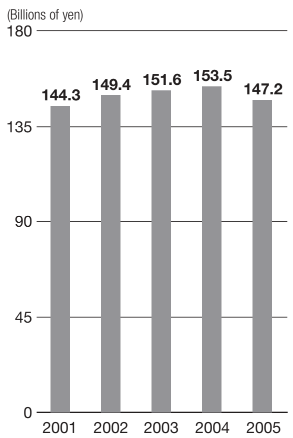
Financial Section

Consolidated Five-Year Financial Summary

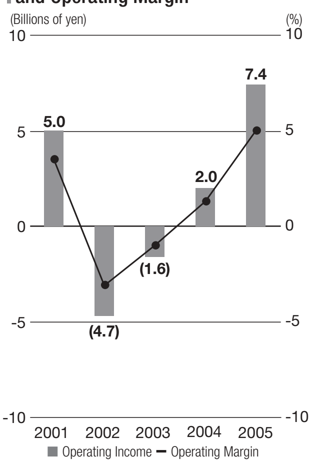
Furukawa Co., Ltd. and consolidated subsidiaries
Years ended 31st March

	Millions of yen				
	2005	2004	2003	2002	2001
For the year:					
Net sales	**¥147,237**	¥153,513	¥151,630	¥149,436	¥ 144,333
Net income (loss)	**2,257**	(27,634)	(17,000)	(18,696)	(4,191)
At year-end:					
Total assets	**¥204,651**	¥206,250	¥252,856	¥278,174	¥ 294,020
Current assets	**92,197**	83,777	79,552	87,081	109,335
Current liabilities	**104,439**	81,213	94,056	100,298	98,155
Shareholders' equity	**31,335**	28,660	33,665	49,791	61,491
	Yen				
Per share amounts:					
Net income (loss):					
Basic	**¥ 5.57**	¥ (84.61)	¥ (67.88)	¥ (74.56)	¥ (16.71)
Diluted	**5.03**	—	—	—	—
Cash dividends	**—**	—	—	—	3.00
Net assets	**77**	71	134	199	245
	Percent				
Financial indicators:					
Return on equity	**7.5%**	(88.7)%	(40.7)%	(33.6)%	(7.1)%

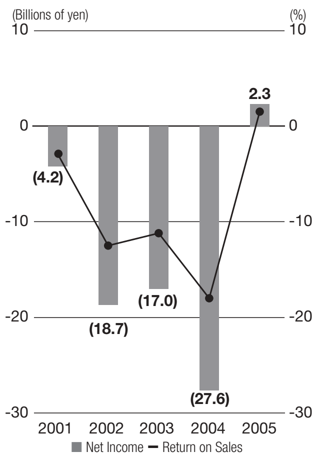
Net Sales



Operating Income (Loss) and Operating Margin



Net Income (Loss) and Return on Sales



Financial Review

Revenue and Expenses

During fiscal 2005, ended March 31, 2005, consolidated net sales totaled ¥147,237 million, a 4.1% decrease compared with the previous fiscal year. Cost of sales also declined 8.3% year on year to ¥124,586 million, contributing to a 3.9 percentage point drop in the cost of sales margin to 84.6%. The principal cause for the improvement in the cost rate is the suspension of operations at Port Kembla Copper Pty. Ltd. (PKC), which had incurred substantial losses. Selling, general and administrative expenses amounted to ¥15,268 million, a decrease of 2.2% compared with the previous fiscal year. Major components were the transfer to allowance for doubtful accounts and a decline in employee salaries. As a result of these factors, operating income jumped 264.8% on a year-on-year basis to ¥7,383 million.

Under other income and expenses, expenses of ¥3,184 million were posted compared with expenses totaling ¥37,262 million in the previous fiscal year. Of this amount, Furukawa incurred other, net expenses of ¥1,426 million, a significant improvement from other, net expenses of ¥35,040 million a year earlier. In the fiscal year under review, a loss on impairment of land resulting from spin off of businesses of ¥4,011 million was reported as well as a loss on copper smelting business in Australia of ¥1,476 million, down from ¥53,137 million in fiscal 2004. While Furukawa recorded gain on foreign exchange, this was substantially lower than the previous fiscal year. This year-on-year decline is attributed to the drop in foreign exchange gains relating to PKC's foreign-currency denominated debt. Other principal items include gain on sales of investments in securities of ¥2,118 million and gain on sales of property, plant and equipment totaling ¥1,913 million. (For details please refer to Note 14 of Notes to Consolidated Financial Statements)

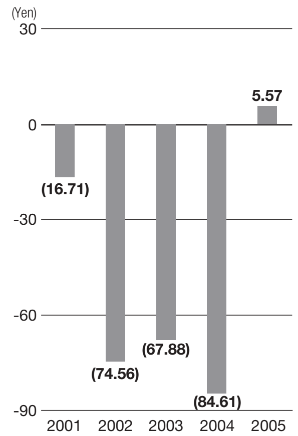
Accounting for these factors, income before income taxes and minority interests was ¥4,199 million, a turnaround from the loss of ¥35,238 million in fiscal 2004. After income taxes and minority interests, Furukawa reported net income of ¥2,257 million compared with a net loss of ¥27,634 million in the previous fiscal year.

Financial Position

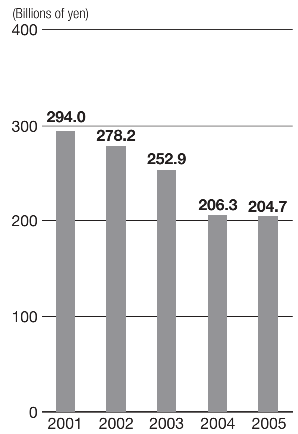
Furukawa pursues financial policies that are intended to accomplish the goals of maintaining liquidity at suitable levels, securing the funds needed for business activities, and preserving the soundness of its balance sheet.

Total assets as of the fiscal year-end, March 31, 2005, stood at ¥204,651 million, a light drop of 0.8% compared with the previous fiscal year-end. Current assets climbed 10.1% to ¥92,197 million reflecting the increase in cash and cash equivalents following the sale of the Furukawa Chiyoda Building and the increase in inventories of copper ore in connection with Furukawa's copper smelting business. Investment rose 5.4% to ¥39,257 million. As a result of the sale of an office building in Tokyo and devaluation of land resulting from the spin off of businesses, property, plant and equipment, net declined 14.1% to ¥73,197 million

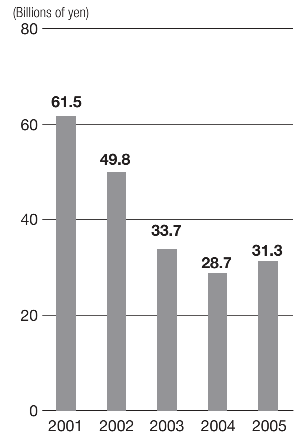
Net Income (Loss) per Share



Total Assets



Shareholders' Equity



Current liabilities increased 28.6% to ¥104,439 million owing mainly to the reclassification of a portion of corporate bonds to current portion of long-term debt and an increase in trade accounts payable relating to the purchase of ores and other metals materials. Long-term liabilities contracted 26.2% to ¥76,427 million. This was attributed to the aforementioned reclassification of a portion of corporate bonds to current portion of long-term debt. As a result, fiscal year-end interest-bearing liabilities (corporate bonds and debt) declined ¥7,144 million to ¥116,851 million.

Shareholders' equity as of March 31, 2005 stood at ¥31,335 million, an increase of 9.3%. The deficit narrowed significantly due to the net income for the period. The shareholders' equity ratio climbed 1.4 percentage points to 15.3%.

R&D and Capital Expenditures

In response to rapid changes in the social and economic environment, the Furukawa Company Group is engaged in research and development of a wide range of new materials and high-value-added products to meet the needs of the market. Research and development expenses for the fiscal year under review were ¥1,777 million, representing 1.2% of consolidated net sales. Of this, ¥823 million was allocated to the Machinery Division, ¥14 million to the Metals Division, and ¥939 million to the Electronic Materials Division.

Capital investment (including investments in intangible fixed assets) amounted to ¥2,994 million. Of this total, ¥946 million was allocated to the Machinery Division, ¥597 million to the Metals Division, ¥487 million to the Electronic Materials Division, all for improvements in manufacturing efficiency, and ¥825 million to the Real Estate Division for maintenance on lease buildings, and ¥139 million to the Fuels and Others Division for the purchase of vehicles for use in the transportation business.

Cash Flows

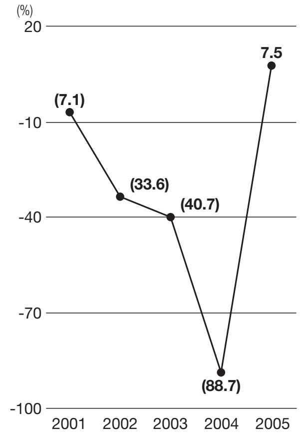
Net cash provided by operating activities during the fiscal year under review totaled ¥7,698 million, chiefly as a result of the turnaround to income before income taxes and minority interests and increases in inventories and payables, trade.

Net cash provided by investing activities was ¥7,620 million. Included in the principal components was proceeds from sales of property, plant and equipment.

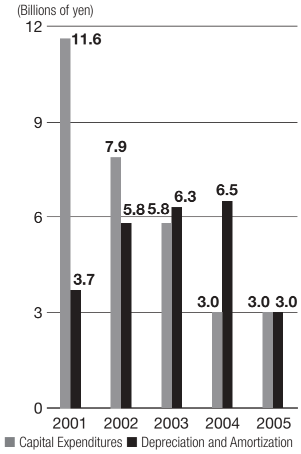
Net cash used in financing activities narrowed to ¥8,227 million. Principal components were repayment of short-term loans, repayment of long-term loans payable and repayment of notes.

As a result, cash and cash equivalents at the end of the fiscal year were up 36.8% to ¥26,608 million.

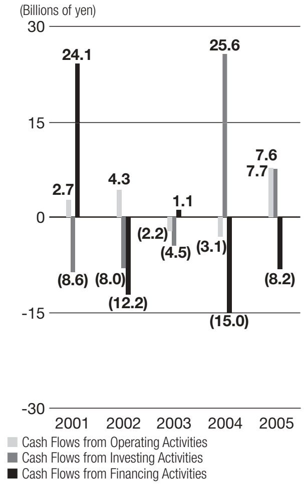
Return on Equity



Capital Expenditures, and Depreciation and Amortization



Cash Flows



Business Risks

Port Kembla Copper Pty. Ltd. (Australia)

Operations at Port Kembla Copper Pty. Ltd. (PKC) were halted in August 2003. In the ensuing period, the company has been placed in a care and maintenance status with efforts made to identify a potential investor for ultimate sale. While estimated losses relating to the suspension of operations have been brought to account, potential risks that may impact the Furukawa Company Group's operating results and financial position include: costs in connection with negotiations regarding the possible sale of PKC; and costs in connection with cleanup activities at plants, sites and other areas, subject to discussion with local authorities.

Fluctuations in the Foreign Exchange and Metals Markets

The Furukawa Company Group is at risk of foreign exchange fluctuation 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 as a hedge against the aforementioned risks, its operating results and financial position may be adversely impacted by movements in exchange rates and nonferrous metal markets.

Investments in Securities and Land

Historically, the Furukawa Company Group has maintained relatively high balances of marketable securities and land. In recent years, however, the Group has worked to streamline assets and has sold a portion of its marketable securities and idle assets. As of March 31, 2005 the carrying value of investments in securities was ¥21,655 million, while land stood at ¥47,282 million. The Furukawa Company Group's operating results and financial position are therefore at risk of impairment losses, losses from devaluation and losses on sale due to movements in stock and land prices.

Accrued Employees' Retirement Benefits

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

Earthquake and Natural Disaster

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.

Consolidated Balance Sheets

Furukawa Co., Ltd. and consolidated subsidiaries
31st March, 2005 and 2004

ASSETS	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars (Note 3) 2005
Current Assets:			
Cash and cash equivalents (Note 6)	¥ 26,608	¥ 19,454	$ 248,673
Receivables, trade (Note 6):			
Notes and accounts	31,733	31,968	296,570
Affiliates	1,596	1,958	14,916
Inventories (Notes 4 and 6)	23,338	20,521	218,112
Deferred income taxes (Note 12)	1,439	1,985	13,449
Other current assets (Note 6)	7,871	8,631	73,560
Allowance for doubtful accounts	(388)	(740)	(3,626)
Total current assets	92,197	83,777	861,654
Investments:			
Investments in securities (Notes 5 and 6)	27,301	25,532	255,150
Investments in affiliates	1,676	3,050	15,664
Loans receivable	2,192	2,190	20,486
Deferred income taxes (Note 12)	169	955	1,579
Other investments (Note 7)	9,926	7,364	92,766
Allowance for doubtful accounts	(2,007)	(1,834)	(18,757)
Total investments	39,257	37,257	366,888
Property, Plant and Equipment—at Cost (Notes 6 and 7):			
Land and timberlands	49,128	57,329	459,140
Buildings and structures	37,102	40,681	346,748
Machinery and equipment	36,416	38,901	340,336
Construction in progress	402	116	3,757
	123,048	137,027	1,149,981
Accumulated depreciation	(49,851)	(51,811)	(465,897)
Property, plant and equipment, net	73,197	85,216	684,084
Total assets	¥204,651	¥206,250	$1,912,626

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars (Note 3) 2005
Current Liabilities:			
Short-term loans (Note 6)	**¥ 22,415**	¥ 24,269	**$ 209,486**
Current portion of long-term debt (Note 6)	**44,192**	23,258	**413,009**
Payables, trade:			
Notes and accounts (Note 6)	**25,725**	17,937	**240,421**
Affiliates	**5**	210	**47**
Accrued expenses	**8,001**	8,218	**74,776**
Accrued income taxes (Note 12)	**482**	281	**4,505**
Deferred income taxes (Note 12)	**29**	4	**271**
Other current liabilities (Note 6)	**3,590**	7,036	**33,550**
Total current liabilities	**104,439**	81,213	**976,065**
Long-term Liabilities:			
Long-term debt (Note 6)	**50,244**	76,468	**469,570**
Accrued employees' retirement benefits (Note 11)	**1,187**	1,020	**11,093**
Deferred income taxes (Note 12)	**11,404**	379	**106,579**
Deferred income taxes on surplus on the revaluation of land (Note 12)	**3,010**	13,466	**28,131**
Other long-term liabilities (Note 6)	**10,582**	12,221	**98,898**
Total long-term liabilities	**76,427**	103,554	**714,271**
Minority Interests in Consolidated Subsidiaries	**(7,550)**	(7,177)	**(70,560)**
Contingent Liabilities (Note 13)			
Shareholders' Equity:			
Common stock without par value:			
Authorized—800,000,000 shares			
Issued—404,455,680 shares	**28,208**	28,208	**263,626**
Capital surplus	**—**	29,534	**—**
Deficit	**(2,871)**	(50,390)	**(26,832)**
Surplus on the revaluation of land, net of income taxes	**4,387**	20,172	**41,000**
Net unrealized holding gain on securities, net of income taxes	**2,026**	1,349	**18,935**
Translation adjustments	**(404)**	(206)	**(3,776)**
	31,346	28,667	**292,953**
Treasury stock, at cost			
2004—96,606 shares			
2005—127,084 shares	**(11)**	(7)	**(103)**
Total shareholders' equity	**31,335**	28,660	**292,850**
Total liabilities, minority interests and shareholders' equity	**¥204,651**	¥206,250	**$1,912,626**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Operations

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended 31st March, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2005	2004	**2005**
Net Sales	**¥ 147,237**	¥ 153,513	**$ 1,376,047**
Cost of Sales (Note 8)	**(124,586)**	(135,872)	**(1,164,355)**
Gross profit	**22,651**	17,641	**211,692**
Selling, General and Administrative Expenses (Note 8)	**(15,268)**	(15,617)	**(142,692)**
Operating income	**7,383**	2,024	**69,000**
Other Income (Expenses):			
Interest and dividend income	**464**	502	**4,336**
Equity in earnings of affiliates	**69**	103	**645**
Interest expense	**(2,291)**	(2,827)	**(21,411)**
Other, net (Note 14)	**(1,426)**	(35,040)	**(13,328)**
Income (loss) before income taxes and minority interests	**4,199**	(35,238)	**39,242**
Income Taxes (Note 12):			
Current	**(494)**	(550)	**(4,617)**
Deferred	**(1,363)**	(4,138)	**(12,738)**
Total	**(1,857)**	(4,688)	**(17,355)**
Minority Interests	**(85)**	12,292	**(794)**
Net income (loss)	**¥ 2,257**	¥ (27,634)	**$ 21,093**

	Yen		U.S. dollars (Note 3)
Net Income (Loss) per Share:			
Basic	**¥ 5.57**	¥ (84.61)	**$ 0.05**
Diluted	**5.03**	—	**0.05**
Cash Dividends per Share	**—**	—	**—**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended 31st March, 2005 and 2004

	Number of shares of common stock (thousands)	Millions of yen						
		Common stock	Capital surplus	Deficit	Surplus on the revaluation of land	Net unrealized holding gain (loss) on securities	Translation adjustments	Treasury stock, at cost
Balance as of 31st March, 2003	250,752	¥23,608	¥ 11,435	¥(18,651)	¥ 21,136	¥(2,291)	¥(1,566)	¥ (6)
Increase due to third-party allotment	79,304	4,600	4,600	—	—	—	—	—
Increase due to merger	74,400	—	13,499	(4,896)	—	—	—	—
Decrease due to the change in the tax rate	—	—	—	—	(155)	—	—	—
Reversal of surplus on the revaluation of land	—	—	—	809	(809)	—	—	—
Net loss for the year	—	—	—	(27,634)	—	—	—	—
Bonuses to directors and statutory auditors	—	—	—	(18)	—	—	—	—
Net change during the year	—	—	—	—	—	3,640	1,360	(1)
Balance as of 31st March, 2004	404,456	28,208	29,534	(50,390)	20,172	1,349	(206)	(7)
Elimination of deficit	—	—	**(29,534)**	**29,534**	—	—	—	—
Decrease due to the change in the Company's ownership interests in the affiliate	—	—	—	—	**(49)**	—	—	—
Reversal of surplus on the revaluation of land	—	—	—	**15,736**	**(15,736)**	—	—	—
Net income for the year	—	—	—	**2,257**	—	—	—	—
Bonuses to directors and statutory auditors	—	—	—	**(8)**	—	—	—	—
Net change during the year	—	—	—	—	—	**677**	**(198)**	**(4)**
Balance as of 31st March, 2005	**404,456**	**¥ 28,208**	**¥ —**	**¥ (2,871)**	**¥ 4,387**	**¥ 2,026**	**¥ (404)**	**¥(11)**

	Thousands of U.S. dollars (Note 3)						
	Common stock	Capital surplus	Deficit	Surplus on the revaluation of land	Net unrealized holding gain on securities	Translation adjustments	Treasury stock, at cost
Balance as of 31st March, 2004	$263,626	$ 276,019	$(470,935)	$ 188,523	$12,607	$(1,925)	$ (66)
Elimination of deficit	—	**(276,019)**	**276,019**	—	—	—	—
Decrease due to the change in the Company's ownership interests in the affiliate	—	—	—	**(458)**	—	—	—
Reversal of surplus on the revaluation of land	—	—	**147,065**	**(147,065)**	—	—	—
Net income for the year	—	—	**21,093**	—	—	—	—
Bonuses to directors and statutory auditors	—	—	**(74)**	—	—	—	—
Net change during the year	—	—	—	—	**6,328**	**(1,851)**	**(37)**
Balance as of 31st March, 2005	**$263,626**	**$ —**	**$ (26,832)**	**$ 41,000**	**$18,935**	**$(3,776)**	**$(103)**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended 31st March, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2005	2004	2005
Cash Flows from Operating Activities:			
Income (loss) before income taxes and minority interests	¥ 4,199	¥(35,238)	$ 39,242
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by (used in) operating activities:			
Unrealized exchange gain on foreign currency items	(27)	(5,471)	(252)
Depreciation and amortization	3,026	6,533	28,280
(Decrease) increase in allowance for doubtful accounts, net	(173)	461	(1,617)
Increase (decrease) in accrued employees' retirement benefits	772	(1,859)	7,215
Gain from establishment of trust for retirement benefits plans	(1,484)	—	(13,869)
Loss on disposal and sales of property, plant and equipment	789	544	7,374
Gain on sales of property, plant and equipment	(1,913)	(1,194)	(17,879)
Gain on sales of investments in securities	(2,118)	(9,097)	(19,794)
Loss on impairment of land resulting from spin off of businesses	3,891	—	36,364
Interest and dividend income	(464)	(502)	(4,336)
Interest expense	2,291	2,827	21,411
Gain on sales of hydroelectricity business	—	(6,911)	—
Impairment loss on fixed assets	—	41,428	—
Changes in operating assets and liabilities:			
Receivables, trade	629	1,024	5,879
Inventories	(2,816)	5,200	(26,318)
Payables, trade	6,673	(4,194)	62,364
Other	836	9,067	7,815
Subtotal	14,111	2,618	131,879
Interest and dividends received	488	484	4,561
Interest paid	(2,344)	(4,267)	(21,907)
Payments related to copper smelting business in Australia	(3,407)	—	(31,841)
Income taxes paid	(539)	(1,179)	(5,037)
Other	(611)	(739)	(5,711)
Net cash provided by (used in) operating activities	7,698	(3,083)	71,944
Cash Flows from Investing Activities:			
Increase in time deposits	(356)	(3,563)	(3,327)
Decrease in time deposits	702	319	6,561
Purchases of property, plant and equipment	(2,978)	(2,837)	(27,832)
Proceeds from sales of property, plant and equipment	8,154	9,760	76,206
Increase in restricted deposits	401	—	3,748
Purchases of investments in securities	(4,384)	(2,620)	(40,972)
Proceeds from sales of investments in securities	4,742	15,575	44,318
Proceeds from sales of subsidiaries' stock	1,180	—	11,028
Proceeds from sales of hydroelectricity business	—	10,000	—
Proceeds from rental of real estate	191	196	1,785
Payments for investments	(11)	(200)	(103)
Payments for long-term deposits	—	(1,000)	—
Other	(21)	(28)	(197)
Net cash provided by investing activities	7,620	25,602	71,215
Cash Flows from Financing Activities:			
Proceeds from long-term loans payable	21,700	19,129	202,804
Repayment of long-term loans payable	(22,569)	(27,381)	(210,925)
Proceeds from short-term loans	14,296	23,817	133,607
Repayment of short-term loans	(16,250)	(24,833)	(151,869)
Proceeds from issuance of notes	500	1,000	4,673
Repayment of notes	(5,000)	(5,713)	(46,729)
Proceeds from issuance of common stock	—	9,132	—
Repayment of finance lease obligations	(895)	(178)	(8,364)
Net decrease in deposits for securities lending transactions	—	(9,990)	—
Other	(9)	55	(85)
Net cash used in financing activities	(8,227)	(14,962)	(76,888)
Effect of exchange rate changes on cash and cash equivalents	63	80	589
Net increase in cash and cash equivalents	7,154	7,637	66,860
Cash and Cash Equivalents at Beginning of Year	19,454	11,817	181,813
Cash and Cash Equivalents at End of Year (Note 15)	¥ 26,608	¥ 19,454	$ 248,673

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Furukawa Co., Ltd. and consolidated subsidiaries
31st March, 2005

1. Basis of Presentation

The accompanying consolidated financial statements of Furukawa Co., Ltd. (the "Company") and consolidated subsidiaries (together the "Furukawa Group") have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from those prepared by the Company as required under the Securities and Exchange Law of Japan.

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

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

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

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The Company had 38 subsidiaries as of 31st March, 2005 (41 as of 31st March, 2004). The consolidated financial statements included the accounts of the Company and 38 subsidiaries as of 31st March, 2005 (41 as of 31st March, 2004).

Compared with the previous year, the number of subsidiaries increased by 3 due to establishment and decreased by 6 due to liquidation and so on.

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

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

Although the Company had 14 affiliates as of 31st March, 2005 (13 affiliates as of 31st March, 2004), the equity method was applied to 6 affiliates as of 31st March, 2005 (6 as of 31st March, 2004) 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 31st March, 2005 and 2004. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Fair value is determined based on the average of the market value during the last month of the fiscal year. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(4) Inventories

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

(5) Allowance for Doubtful Accounts

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

(6) Property, Plant and Equipment, and Depreciation

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

Buildings and structures 5 to 60 years

Machinery and equipment 2 to 25 years

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

(7) Leases

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

(8) Retirement Benefit Plans

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

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

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

(9) Surplus on the Revaluation of Land

Pursuant to the "Law Concerning the Revaluation of Land", land used for the Company's business operations was revalued on 31st March, 2002. The income tax effect of the difference between the book value and the revalued amount has been presented under liabilities as "Deferred income taxes on surplus on the revaluation of land" and the remaining balance has been presented under shareholders' equity as "Surplus on the revaluation of land" in the accompanying consolidated balance sheets. Revaluation of land was determined based on the official notice prices published by the Commissioner of the National Tax Authorities in accordance with Paragraph 4, Article 2 of the "Enforcement Ordinance Concerning Land Revaluation," with relevant adjustments. The carrying value of the land after revaluation exceeded its fair value by ¥1,299 million ($12,140 thousand) and ¥6,878 million as of 31st March, 2005 and 2004, respectively.

(10) Income Taxes

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

(11) Amounts per Share

Basic net income (loss) per share is computed based on the net income (loss) attributable to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share is computed based on the net income attributable to the shareholders and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible notes.

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

(12) 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 is credited or charged to income as incurred.

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

(13) Appropriation of Retained Earnings

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

(14) Hedging Activities

The Furukawa Group uses derivative financial instruments for the purpose of hedging the risks of adverse fluctuations in foreign exchange rates 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 an asset or liability 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 and payables denominated in foreign currencies are translated at the contracted rates if the relating forward contracts qualify for hedge accounting.

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

(15) Shareholders' Equity

The Commercial Code of Japan (the "Code") provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until such reserve and capital surplus equals 25% of the common stock account. The code also stipulates that, to the extent that the sum of the capital surplus and the legal reserve exceeds 25% of the common stock account, the amount of the excess (if any) is available for appropriations by resolution of the shareholders.

3. 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 ¥107=US$1.00, the exchange rate prevailing on 31st March, 2005. 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.

4. Inventories

Inventories as of 31st March, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Finished products	**¥12,619**	¥12,204	**$117,935**
Work in process	**3,537**	3,653	**33,056**
Raw materials and supplies	**7,182**	4,664	**67,121**
	¥23,338	¥20,521	**$218,112**

5. Investments in Securities

The aggregate acquisition cost, carrying value and unrealized gain or loss pertaining to the marketable other securities as of 31st March, 2005 and 2004 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2005			**2005**		
	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	**¥16,960**	**¥20,542**	**¥3,582**	**$158,505**	**$191,981**	**$33,476**
Government bonds	**—**	**—**	**—**	**—**	**—**	**—**
Corporate bonds	**—**	**—**	**—**	**—**	**—**	**—**
	16,960	**20,542**	**3,582**	**158,505**	**191,981**	**33,476**
Securities whose acquisition cost exceeds their carrying value:						
Listed corporate shares	**1,209**	**1,097**	**(112)**	**11,299**	**10,252**	**(1,047)**
Government bonds	**16**	**16**	**(0)**	**150**	**150**	**(0)**
Corporate bonds	**—**	**—**	**—**	**—**	**—**	**—**
	1,225	**1,113**	**(112)**	**11,449**	**10,402**	**(1,047)**
Total	**¥18,185**	**¥21,655**	**¥3,470**	**$169,954**	**$202,383**	**$32,429**

	Millions of yen		
	2004		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Listed corporate shares	¥ 6,485	¥ 9,623	¥3,138
Government bonds	—	—	—
Corporate bonds	—	—	—
	6,485	9,623	3,138
Securities whose acquisition cost exceeds their carrying value:			
Listed corporate shares	11,484	10,498	(986)
Government bonds	16	16	(0)
Corporate bonds	—	—	—
	11,500	10,514	(986)
Total	¥17,985	¥20,137	¥2,152

Proceeds from sales of securities classified as other securities with aggregate gain and loss are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Sales proceeds	¥5,316	¥15,575	$49,682
Aggregate gain	2,118	9,097	19,794
Aggregate loss	—	313	—

6. Short-Term Loans and Long-Term Debt

Short-term loans, most of which are unsecured, represented notes payable to banks, with the average interest rates of 1.6% and 1.5% as of 31st March, 2005 and 2004, respectively.

Long-term debt as of 31st March, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
0.90% yen convertible notes due 2006	¥ 20,196	¥ 20,196	$ 188,747
1.45% yen notes due 2004	—	5,000	—
1.91% yen notes due 2005	5,000	5,000	46,729
0.37% yen notes due 2006	1,000	1,000	9,346
2.21% yen notes due 2007	4,100	4,100	38,318
0.65% yen notes due 2008	500	—	4,673
Loans, principally from banks, insurance companies and government agencies, most of which are secured, due 2005 to 2020	63,640	64,430	594,766
	94,436	99,726	882,579
Current portion of long-term debt	(44,192)	(23,258)	(413,009)
	¥ 50,244	¥ 76,468	$ 469,570

The 0.90% yen convertible notes are convertible into shares of common stock at the option of the holders on any date up to 30th March, 2006 at the conversion price of ¥332 ($3.10) per share. The above conversion price is subject to adjustment in certain circumstances, including stock splits. If all convertible notes had been converted at the current conversion price as of 31st March, 2005, 60,831 thousand new shares of common stock would have been issuable.

The average interest rate applicable to the above loans amounting to ¥63,640 million ($594,766 thousand) was 2.2% as of 31st March, 2005.

The aggregate annual maturities of long-term debt subsequent to 31st March, 2005 were as follows:

Year ending 31st March,	Millions of yen	Thousands of U.S. dollars
2006	¥44,192	$413,009
2007	21,190	198,038
2008	15,302	143,009
2009	7,945	74,252
2010 and thereafter	5,807	54,271
	¥94,436	$882,579

The Company and certain consolidated subsidiaries have entered into overdraft and loan commitment agreements amounting to ¥47,284 million ($441,907 thousand) with 27 banks and ¥35,041 million with 27 banks as of 31st March, 2005 and 2004, respectively. The borrowings outstanding and the unused balances under these credit facilities amounted to ¥16,810 million ($157,103 thousand) and ¥30,474 million ($284,804 thousand), respectively, as of 31st March, 2005 and amounted to ¥17,657 million and ¥17,384 million, respectively, as of 31st March, 2004. In addition, the following lease obligations are included in "Other current liabilities" and "Other long-term liabilities" in the accompanying consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Current portion	**¥ —**	¥ 331	**$ —**
Non current portion	**5,059**	5,258	**47,280**

Assets pledged as collateral for payables, trade of ¥373 million ($3,486 thousand) and ¥178 million, short-term debt of ¥1,089 million ($10,178 thousand) and ¥1,189 million, long-term debt (including current portion) of ¥9,416 million ($88,000 thousand) and ¥13,057 million and lease obligations (included in other long-term liabilities) of ¥5,059 million ($47,280 thousand) and ¥4,998 million as of 31st March, 2005 and 2004, respectively, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Cash and cash equivalents	**¥ 1,501**	¥ 4,350	**$ 14,028**
Receivables, trade	**45**	599	**421**
Inventories	**45**	617	**421**
Other current assets	**3,530**	3,807	**32,990**
Investments in securities	**3,783**	2,919	**35,355**
Property, plant and equipment, net	**20,977**	21,138	**196,047**
	¥29,881	¥33,430	**$279,262**

Above assets include those of a foreign consolidated subsidiary which are pledged as collateral for lease obligations. The foreign consolidated subsidiary has discretionary powers to dispose of these assets other than machinery and equipment leased under the lease contracts and restricted deposits (partly time deposit and included in other current assets) with the aggregated carrying value of ¥3,243 million ($30,308 thousand) and ¥3,601 million as of 31st March, 2005 and 2004, respectively.

7. Depreciation and Amortization

Depreciation and amortization for the years ended 31st March, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Property, plant and equipment	**¥2,958**	¥6,470	**$27,645**
Other investments	**68**	63	**635**
	¥3,026	¥6,533	**$28,280**

8. Research and Development Expenses

Research and Development expenses, included in selling, general and administrative expenses and cost of sales for the years ended 31st March, 2005 and 2004 amounted to ¥1,777 million ($16,607 thousand) and ¥1,794 million, respectively.

9. Leases

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

The pro forma amounts representing acquisition costs, accumulated depreciation and net carrying value for the machinery and equipment held under the finance leases currently accounted for as operating leases as of 31st March, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Acquisition costs	**¥1,570**	¥1,558	**$14,673**
Less accumulated depreciation	**780**	874	**7,290**
Net carrying value	**¥ 790**	¥ 684	**$ 7,383**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥262 million ($2,449 thousand) and ¥265 million for the years ended 31st March, 2005 and 2004, 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 31st March, 2005 and 2004 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Within one year	**¥218**	¥215	**$2,037**
Over one year	**572**	469	**5,346**
	¥790	¥684	**$7,383**

The future minimum lease payments under lease agreements other than finance leases as of 31st March, 2005 and 2004 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Within one year	**¥ 838**	¥ 747	**$ 7,832**
Over one year	**1,598**	2,319	**14,934**
	¥2,436	¥3,066	**$22,766**

10. Financial Instruments

The Furukawa Group entered into swap agreements to manage interest rate risks. Interest rate swaps convert floating rate of long-term debt to a fixed basis. The Furukawa Group also entered into forward foreign exchange contracts to hedge against transactions in foreign currencies.

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 31st March, 2005 and 2004, 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 31st March, 2005 and 2004 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Retirement benefit obligation	**¥(13,828)**	¥(13,811)	**$(129,233)**
Plan assets at fair value	**12,083**	8,317	**112,925**
Unfunded status	**(1,745)**	(5,494)	**(16,308)**
Unrecognized net retirement benefit obligation at transition	**—**	112	**—**
Unrecognized actuarial loss	**8,420**	9,958	**78,691**
Unrecognized prior service cost	**89**	98	**832**
Prepaid pension expenses	**(7,951)**	(5,694)	**(74,308)**
Accrued employees' retirement benefits	**¥ (1,187)**	¥ (1,020)	**$ (11,093)**

The components of retirement benefit expenses for the years ended 31st March, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Service cost	**¥ 702**	¥ 790	**$ 6,561**
Interest cost	**329**	419	**3,075**
Expected return on plan assets	**(133)**	(147)	**(1,243)**
Amortization of prior service cost	**8**	36	**75**
Amortization of actuarial loss	**779**	851	**7,280**
Amortization of net retirement benefit obligation at transition	**112**	112	**1,046**
Retirement benefit expenses	**¥1,797**	¥2,061	**$16,794**
Employees' contributions to the defined benefit pension plans	**16**	114	**150**
Total	**¥1,813**	¥2,175	**$16,944**

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

	2005	2004
Discount rates	**mainly 2.4%**	mainly 2.4%
Expected return on plan assets	**mainly 2.0%**	mainly 2.0%

12. Income Taxes

The difference between the statutory tax rate and the effective tax rate of the Furukawa Group for the year ended 31st March, 2005 was as follows:

Statutory tax rate	40.7%
Non-deductible expenses for tax purposes	1.7
Non-taxable dividends and other income	(0.2)
Inhabitants per capita tax	1.7
Equity in earnings of affiliated companies	(0.7)
Amortization of goodwill	(1.3)
Changes in valuation allowance	6.6
Other	(4.3)
Effective tax rate	44.2%

A reconciliation of the difference between the statutory tax rate and the effective tax rate of the Furukawa Group for the year ended 31st March, 2004 was omitted because the Furukawa Group recorded a loss before income taxes and minority interests.

Deferred tax assets and liabilities as of 31st March, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Deferred tax assets:			
Allowance for doubtful accounts	¥ 167	¥ 165	$ 1,561
Accrued employees' retirement benefits	4,055	3,613	37,897
Investments in securities	8,197	1,368	76,608
Impairment loss on fixed assets	11,788	11,776	110,168
Unrealized gains on sales of property, plant and equipment	616	798	5,757
Net operating loss carryforwards	18,367	27,398	171,654
Land	1,468	2,143	13,720
Other	1,198	471	11,196
Total gross deferred tax assets	45,856	47,732	428,561
Valuation allowance	(37,975)	(38,186)	(354,906)
Total deferred tax assets	7,881	9,546	73,655
Deferred tax liabilities:			
Net unrealized holding gain on securities	(1,435)	(872)	(13,411)
Statutory reserves provided for tax purposes	(182)	(186)	(1,701)
Gain from establishment of trust for retirement benefit plans	(4,327)	(3,668)	(40,439)
Land	(9,093)	—	(84,981)
Capitalized interest of a foreign subsidiary	(2,023)	(1,567)	(18,907)
Other	(646)	(696)	(6,038)
Total deferred tax liabilities	(17,706)	(6,989)	(165,477)
Net deferred tax assets (liabilities)	(9,825)	2,557	(91,822)
Deferred tax liabilities on surplus on the revaluation of land	¥ (3,010)	¥(13,466)	$ (28,131)

13. Contingent Liabilities

Contingent liabilities as of 31st March, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Notes receivable discounted and endorsed	¥4,266	¥4,538	$39,869
Loans guaranteed	2,315	3,424	21,636

14. Other Income (Expenses)—Other, Net

Other Income (Expenses)—Other, net for the years ended 31st March, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Rental income from real estate	¥ 191	¥ 196	$ 1,785
Gain on foreign exchange	82	4,259	766
Gain on sales of property, plant and equipment	1,913	1,194	17,879
Gain on sales of investments in securities	2,118	9,097	19,794
Gain on sales of hydroelectricity business	—	6,911	—
Gains from establishment of trust for retirement benefits	1,484	—	13,869
Payments for closing mines	(612)	(741)	(5,720)
Loss on impairment of land resulting from spin off of businesses	(4,011)	—	(37,486)
Loss on copper smelting business in Australia	(1,476)	(53,137)	(13,794)
Loss on disposal and sales of property, plant and equipment	(789)	(544)	(7,374)
Other, net	(326)	(2,275)	(3,047)
	¥(1,426)	¥(35,040)	$(13,328)

Loss on copper smelting business in Australia, which has become dormant in 2004, consisted of Care & Maintenance expense of ¥1,153 million ($10,776 thousand) and consulting fee of ¥323 million ($3,019 thousand) for the year ended 31st March, 2005, and impairment loss on fixed assets of ¥41,428 million and Care & Maintenance expense of ¥11,709 million for the year ended 31st March, 2004.

15. Consolidated Statements of Cash Flows—Supplementary Information

Summary of assets and liabilities decreased by sales of hydroelectricity business was as follows:

	Millions of yen
	2004
Current assets	¥ 98
Fixed assets	3,007
Current liabilities	16

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 31st March, 2005 and 2004 were as follows:

Year ended 31st March, 2005	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	¥ 62,291	¥ 35,862	¥ 17,502	¥ 3,835	¥ 26,815	¥ 932	¥ —	¥ 147,237
Intersegment	437	637	151	107	245	1,307	(2,884)	—
Total	62,728	36,499	17,653	3,942	27,060	2,239	(2,884)	147,237
Costs and expenses	(59,187)	(35,472)	(15,914)	(2,566)	(27,389)	(2,239)	2,913	(139,854)
Operating income (loss)	¥ 3,541	¥ 1,027	¥ 1,739	¥ 1,376	¥ (329)	¥ 0	¥ 29	¥ 7,383
II. Assets, depreciation and capital expenditures								
Total assets	¥ 64,998	¥ 26,850	¥ 29,452	¥14,971	¥ 7,959	¥ 6,687	¥53,734	¥ 204,651
Depreciation	1,173	503	802	449	51	54	(6)	3,026
Capital expenditures	946	597	487	825	55	84	—	2,994

	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	$ 582,160	$ 335,159	$ 163,570	$ 35,841	$ 250,607	$ 8,710	$ —	$ 1,376,047
Intersegment	4,084	5,953	1,411	1,000	2,290	12,215	(26,953)	—
Total	586,244	341,112	164,981	36,841	252,897	20,925	(26,953)	1,376,047
Costs and expenses	(553,150)	(331,514)	(148,729)	(23,981)	(255,972)	(20,925)	27,224	(1,307,047)
Operating income (loss)	$ 33,094	$ 9,598	$ 16,252	$ 12,860	$ (3,075)	$ 0	$ 271	$ 69,000
II. Assets, depreciation and capital expenditures								
Total assets	$ 607,458	$ 250,935	$ 275,252	$139,916	$ 74,383	$ 62,495	$502,187	$ 1,912,626
Depreciation	10,963	4,701	7,495	4,196	477	504	(56)	28,280
Capital expenditures	8,841	5,579	4,551	7,710	514	786	—	27,981

Year ended 31st March, 2004	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	¥ 63,174	¥ 42,188	¥ 13,966	¥ 4,139	¥ 29,163	¥ 883	¥ —	¥ 153,513
Intersegment	319	611	98	102	226	1,326	(2,682)	—
Total	63,493	42,799	14,064	4,241	29,389	2,209	(2,682)	153,513
Costs and expenses	(59,189)	(47,845)	(13,008)	(2,522)	(29,606)	(2,157)	2,838	(151,489)
Operating income (loss)	¥ 4,304	¥ (5,046)	¥ 1,056	¥ 1,719	¥ (217)	¥ 52	¥ 156	¥ 2,024
II. Assets, depreciation and capital expenditures								
Total assets	¥ 71,815	¥ 31,068	¥ 29,219	¥19,757	¥ 9,085	¥ 4,980	¥40,326	¥ 206,250
Depreciation	1,271	3,660	892	608	43	67	(8)	6,533
Capital expenditures	701	926	717	502	68	82	—	2,996

The geographic segment information for the year ended 31st March, 2005 was omitted, because the amounts of operating revenues and total assets in Japan exceed 90% of consolidated totals.

The geographic segment information for the year ended 31st March, 2004 was as follows:

Year ended 31st March, 2004	Millions of yen				
	Japan	Oceania	Other Areas	Eliminations and Corporate	Consolidated
I. Sales and operating income (loss)					
Outside customers	¥ 134,491	¥ 12,196	¥6,826	¥ —	¥ 153,513
Inter-area	3,928	—	239	(4,167)	—
Total	138,419	12,196	7,065	(4,167)	153,513
Costs and expenses	(132,004)	(16,722)	(7,004)	4,241	(151,489)
Operating income (loss)	¥ 6,415	¥ (4,526)	¥ 61	¥ 74	¥ (2,024)
II. Assets					
Total assets	¥ 225,024	¥ 11,832	¥7,917	¥(38,523)	¥ 206,250

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

Overseas sales, which include exports of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the foreign consolidated subsidiaries, totaled ¥18,245 million ($170,514 thousand) and ¥29,157 million or 12.4% and 19.0% of the consolidated net sales for the years ended 31st March, 2005 and 2004, respectively.

ERNST & YOUNG SHINNIHON

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Furukawa Co., Ltd.

We have audited the accompanying consolidated balance sheets of Furukawa Co., Ltd. and consolidated subsidiaries as of 31st March, 2005 and 2004, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Furukawa Co., Ltd. and consolidated subsidiaries as of 31st March, 2005 and 2004, 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 31st March, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

29th June, 2005

Ernst & Young ShinNihon

Principal Subsidiaries and Affiliates

Company Name	Principal Business	Paid-in Capital
Subsidiaries		
Furukawa Industrial Machinery Systems Co., Ltd.	Sales and manufacture of machinery	JPY 300 million
Furukawa Rock Drill Co., Ltd.	Sales and manufacture of rock drills and construction machinery	JPY 400 million
Furukawa UNIC Corporation	Sales and manufacture of UNIC products	JPY 200 million
Furukawa Metals & Resources Co., Ltd.	Copper smelting	JPY 100 million
Furukawa Denshi Co., Ltd.	Sales and manufacture of electronic materials	JPY 300 million
Furukawa Chemicals Co., Ltd.	Sales and manufacture of chemical products	JPY 300 million
Furukawa Transportation Co., Ltd.	Transportation	JPY 150 million
Otsuka Iron Works, Ltd.	Manufacture of crushers	JPY 140 million
Oita Mining Co., Ltd.	Mining and sales of limestone	JPY 125 million
Ashio Smelting Co., Ltd.	Copper smelting and industrial waste treatment	JPY 100 million
Furukawa Commerce Co., Ltd.	Sales of petroleum and management of gas stations, sales of industrial machinery and non–life insurance, and management of bowling alleys	JPY 95 million
Furukawa Castec Co., Ltd.	Sales and manufacture of castings and industrial machines	JPY 50 million
Heiko Bridge Co., Ltd.	Construction of bridges	JPY 50 million
Tsubame Industrial Community Limited	Manufacture of machine tools and industrial machinery	JPY 40 million
Furukawa Plant Engineering and Construction Co., Ltd.	Construction and installation of various types of plants	JPY 30 million
Ashio Construction Co., Ltd.	Civil engineering and construction	JPY 30 million
UNIC Kanto Sales Co., Ltd.	Sales of UNIC cranes	JPY 30 million
UNIC Kyushu Sales Co., Ltd.	Sales of UNIC cranes	JPY 30 million
Furukawa Mansion Maintenance Co., Ltd.	Maintenance of apartments	JPY 20 million
UNIC Tohoku Sales Co., Ltd.	Sales of UNIC cranes	JPY 16 million
Ashio Rock Drill Co., Ltd.	Manufacture and repair of rock drills and industrial machinery	JPY 10 million
Iwaki Kosan Co., Ltd.	Administration of real estate	JPY 10 million
Dojima Jitsugyo Co., Ltd.	Maintenance of buildings	JPY 10 million
Wellness Co., Ltd.	Sales of health-care products	JPY 10 million
Port Kembla Copper Pty. Ltd. (Australia)	Copper smelting (Operations currently suspended)	AUD 369.5 million
Furukawa Unic (Thailand) Co., Ltd. (Thailand)	Manufacture of UNIC cranes, parts, and accessories	THB 200 million
Furukawa Rock Drill Europe B.V. (The Netherlands)	Sales of breakers and crawler drills	EUR 0.9 million
Gougler Industries, Inc. (U.S.A.)	Sales of breakers and crawler drills, production and sales of molds	USD 59.5 million
Furukawa Services S.A.S. (France)	Service of construction machinery	EUR 5 million
Shenyang-Furukawa Rock Drill Co., Ltd. (China)	Manufacture of hydraulic breakers	USD 1 million
Taian Furukawa Machinery Co., Ltd.	Sales of UNIC cranes	USD 2.5 million
Affiliates		
Tohpe Corporation	Production of paints	JPY 2,087 million
Iwaki Semiconductors Co., Ltd.	Production of semiconductors, such as gallium arsenate semiconductors	JPY 60 million
Hibi Kyodo Smelting Co., Ltd.	Copper smelting	JPY 4,700 million

Corporate Data

(As of March 31, 2005)

Company Name: Furukawa Co., Ltd.

Head Office: 6-1, 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

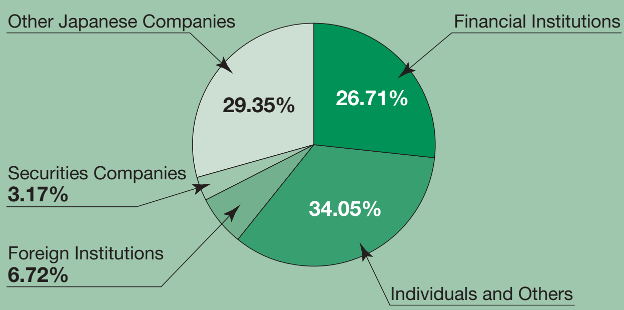
Stock Exchange Listing: Tokyo, Osaka

Securities Code Number: 5715

Employees: Consolidated 2,226; Non-consolidated 194

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

Composition of Shareholders:



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

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