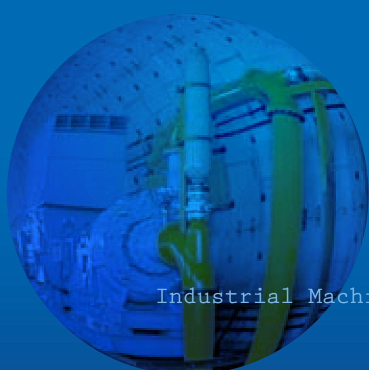
Growing through Challenge

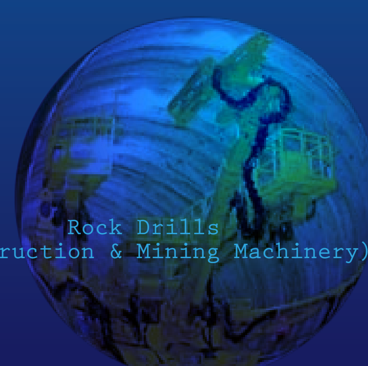
UNIC Machinery



Industrial Machinery

ANNUAL REPORT 2010

Year ended March 31, 2010



Rock Drills
(Construction & Mining Machinery)

Metals

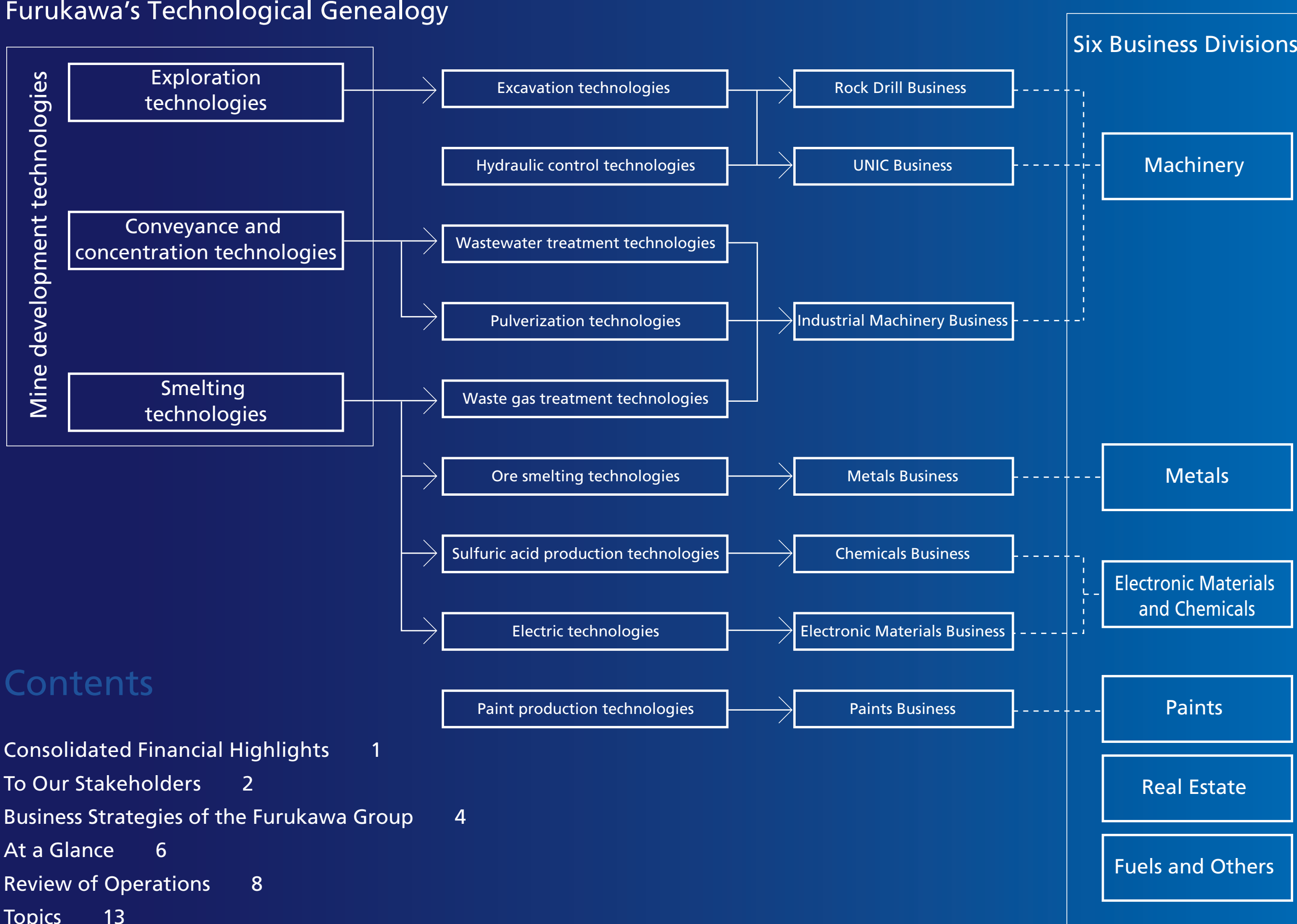
FURUKAWA

Profile

Since its establishment in 1875, Furukawa has emerged from its origins in mine development to build a broad range of businesses while constantly addressing the needs of the times. Our core technologies, amassed through our involvement in copper mine development, have advanced over the years and form the basis of our current business portfolio. The Furukawa Company Group operations are classified into six business divisions: Machinery, Metals, Electronic Materials and Chemicals, Paints, Real Estate, and Fuels and Others. These divisions complement each other and together enable the Group to demonstrate its powerful strengths.

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

Furukawa's Technological Genealogy



Contents

Forward-Looking Statements

This annual report contains statements about the Company's plans, strategies, performance outlooks, and the like, and includes forward-looking statements that are not historical facts. Such statements reflect expectations, estimates, forecasts, projections, and plans based on information currently available to the Company and are subject to various risks, uncertainties, and assumptions. These changing factors may cause actual results to differ materially from those projected.

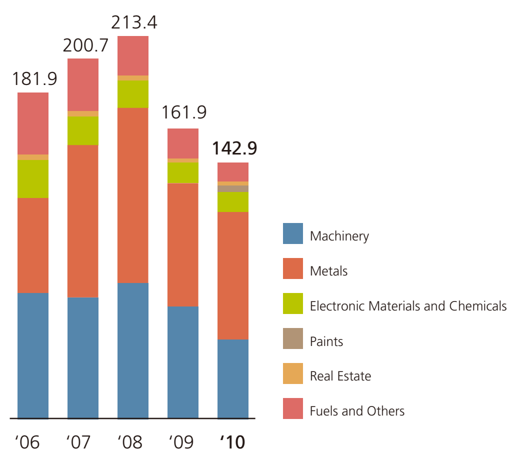
Consolidated Financial Highlights

Furukawa Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2010, 2009 and 2008

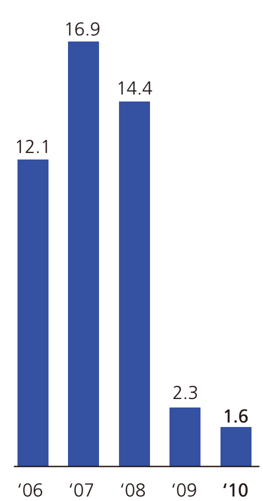
	Millions of yen			Thousands of U.S. dollars	Percent change
	2010	2009	2008	2010	2010/2009
For the year:					
Net sales	**¥142,925**	¥161,858	¥213,426	**$1,536,828**	(11.7)%
Operating income	**1,598**	2,303	14,407	**17,183**	(30.6)
Income (loss) before income taxes					
and minority interests	**886**	(2,618)	12,484	**9,527**	—
Net income (loss)	**585**	(5,917)	8,595	**6,290**	—
At year-end:					
Total assets	**204,774**	188,361	199,383	**2,201,871**	8.7
Net assets	**50,855**	45,742	55,431	**546,828**	11.2
Per share amounts:	Yen			U.S. dollars	
Net income (loss)					
Basic	**1.45**	(14.64)	21.26	**0.02**	—
Cash dividends	**0.00**	4.00	6.00	**0.00**	—

Notes: 1. U.S. dollar amounts are translated from yen for convenience only at the rate of ¥93=US$1.00.
2. From the fiscal year ended March 31, 2007, what was formerly recorded as "shareholders' equity" is now recorded as "net assets," in line with revisions to Japanese accounting standards as detailed in the Accounting Standards Board of Japan's (ASBJ's) "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No.5, December 9, 2005) and its implementation guidance, "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No.8, December 9, 2005).
Figures for fiscal 2006 represent total shareholders' equity

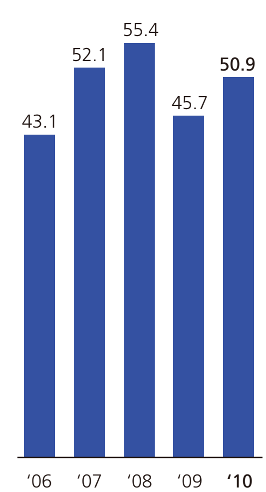
Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Net Assets
(Billions of yen)



To Our Stakeholders

Nobuyoshi Soma
President and Representative Director

Business Conditions and Performance

In fiscal 2010, ended March 31, 2010, the Japanese economy showed some signs of recovery after a period of deterioration in parallel with the worldwide economic recession. However, conditions remained difficult amid ongoing appreciation of the Japanese yen and deflation. Overseas, despite continued economic expansion in some emerging countries, including China and India, the economic recovery in industrialized regions, such as the United States and Europe, remains moderate amid significant restraints on the pace of recovery.

This difficult business environment has had a considerable influence on the performance of the Furukawa Company Group. Consolidated net sales for the year amounted to ¥142,925 million, down 11.7% from the previous fiscal year. This decline stemmed from various factors. In the Machinery Division, a recovery in demand failed to materialize, prompting a decline in revenues in the industrial machinery, rock drills, and UNIC machinery businesses. In the Fuels Division, the decrease in sales volumes and a fall in sales prices amid declining demand resulted in a slump in sales.

Operating income fell 30.6%, to ¥1,598 million. In addition to the aforementioned decline in revenues, this was mainly due to deteriorating profitability in the Machinery Division stemming from lower capacity utilization. These factors outweighed increased profits generated by the Metals Division owing to rising copper and gold prices, leading to significant decline in total earnings.

Turning to other income, the Group posted a ¥1,345 million gain related to copper smelting business in Australia following a review of expenses incurred in the dismantling of smelting equipment at its Australian copper smelting subsidiary. The Group also posted a ¥610 million gain on sales of investments in securities. In other expenses, the Group incurred a ¥762 million loss on withdrawal from the compound lumber business and a ¥266 million impairment loss on fixed assets. Based on the aforementioned, the Group posted net income of ¥585 million, a ¥6,502 million improvement from the previous year when we incurred a ¥7,418 million write-down of investments in securities.

Shareholder Return

Furukawa places great importance on returning profits to shareholders while retaining earnings required to finance capital expenditures and R&D expenses necessary to bolster earnings. Our basic policy is to appropriate profits after comprehensive consideration of future business development and various other factors. Unfortunately, in the year under review we were unable to pay a dividend due to insufficient profits. In fiscal 2011, we do not plan to pay an interim dividend and are yet to decide on the year-end dividend.

Management Policy

Guided by our corporate philosophy—Innovation, Creativity, and Harmony—we will continue pursuing reforms of our corporate structure to build an efficient management system. Deploying our creative strengths, we will provide appealing manufactured products and services in order to earn the trust of customers.

We will strive to increase enterprise value by pursuing four key strategies. First, we will expand provision of creative high-value-added products and services. Second, we will increase the ratio of new products and businesses by promoting their development. Third, we will pursue cost reductions for existing products. Fourth, we will downsize and abolish unprofitable businesses and promote collaboration with other companies.

Medium-Term Management Plan

In April 2008, the Furukawa Company Group embarked on a Medium-Term Management Plan covering the three-year period to March 2011. With the aim of establishing a solid earnings structure that is resilient to the external environment, we designated the period of the plan as a time to build a robust springboard for making a significant leap forward. However, the global financial crisis and the subsequent economic recession that occurred in the first year of the plan have had a considerable impact on the Group's performance. At present, our performance so far in fiscal 2011, the final year of the plan, has differed significantly from the plan's targets. Although it will be difficult to achieve our numerical targets for the year, we will adhere to the basic policies of the plan, which are to "promote further overseas development and strengthen the technical capabilities of the Machinery Division" and "promote development activities aimed at new product commercialization." We will continue to powerfully implement these policies, which are positioned as strategic priorities for the Group. During fiscal 2011, we intend to formulate a new medium-term management plan that will take sufficient account of current conditions.

Outlook

We are hopeful of a recovery in Japan's economy on the back of improvements in overseas economies and emergency economic measures. However, there are several areas of concern with regard to the risk of a further economic downturn, including a weakening in overseas economies, the yen's appreciation, and ongoing deflation.

In this challenging economic environment, we expect the Metals Division, one of the Group's core divisions, to find it more and more difficult to generate earnings due to worsening copper purchasing conditions accompanying intense worldwide competition to procure resources. Accordingly, we will focus on further expanding the Machinery Division and the Electronic Materials and Chemicals Division, where future growth is anticipated.

We can expect the harsh business climate to continue in fiscal 2011, the final year of the Medium-Term Management Plan. Nevertheless, while adhering closely to its basic policies, the Group will work hard to restore its performance by taking accurate and prompt measures to address changes in the business environment.

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

August 2010

Nobuyoshi Soma

Nobuyoshi Soma
President and Representative Director

Business Strategies of the Furukawa Group

The Group's Medium-Term Management Plan, covering the three-year period from April 2008 through March 2011, sets out two basic policies. These policies are to "promote further overseas development and strengthen the technical capabilities of the Machinery Division" and "promote development activities aimed at new product commercialization." We will continue pursuing business strategies guided by these two basic policies.

Promoting Further Overseas Development and Strengthening the Technical Capabilities of the Machinery Division

Since the worldwide economic recession began two years ago, there has been no let-up in the harsh operating environment surrounding the Machinery Division. According to data supplied by the Japan Construction Equipment Manufacturers Association, in fiscal 2010 worldwide shipments of construction machinery contracted by 57%. Further, domestic truck registrations, which have a direct bearing on our UNIC machinery business, declined to less than half the figure of two years ago, reaching a level not seen since 1961. The Company is pursuing a range of initiatives to address these challenging conditions.

Expanding the Rock Drill Business in China

Amid languishing global demand for machinery, the market in China continues to grow. In the past ten years, sales of mainstay hydraulic breakers in the Group's rock drill business have increased approximately ten-fold in China. The market for construction equipment used for building road infrastructure and farming infrastructure is expected to continue expanding, primarily in China's interior regions. At the same time, we face increasingly harsh competition from cheaper products made in China and South Korea. Meanwhile, because our crawler drills—which are used at mines, quarries, civil engineering, and construction sites—are high-value-added products, we are able to dominate the market together with leading European companies, making it difficult for newcomers to compete.

Under these circumstances, in the year under review Furukawa Rock Drill (Shanghai) Co., Ltd. opened new offices in Beijing and Chengdu, boosting sales and service support for the Company's distributor network in China. In fiscal 2011, we will concentrate on addressing customer needs by increasing the number of both Japanese and local staff, establishing distributors in regions where we do not yet have a presence, reinforcing distributor support, and working in collaboration with construction machinery manufacturers. We will accelerate efforts aimed at increasing sales of hydraulic breakers in China by making use of local procurement and local assembly to reduce costs, thereby enabling the provision of low-cost products.

Besides China, we will also pursue sales expansion in other priority markets, namely, in Southeast Asia, India, the Middle East, Central and South America, and North America.

Demand for hydraulic breakers continues to grow, especially in China's interior regions.

Our high-value-added crawler drills boast the top share of the world market.

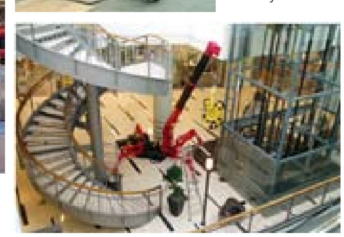
Advancing into the Chinese Market

FRD Shanghai

Further Expansion of the UNIC Machinery Market

The Company is stepping up efforts aimed at developing UNIC machinery that meets the specific needs of each region. In advanced countries, this involves stimulating demand for mini crawler cranes. As for emerging markets, we will introduce UNIC products that deliver high cost-performance.

Our mini crawler cranes have already established a solid reputation in European markets, where they are known for their compact size, which enables excellent operability in confined spaces. These machines have carved out a completely new market as cranes that can be used indoors and other restricted areas. Recognizing the latent demand that exists for these cranes in other advanced regions, such as North America and Oceania, we will work on developing markets in these areas as well.



Our mini crawler cranes are widely acclaimed in Europe.

Market needs for existing truck-mounted cranes vary from country to country. In the growing Chinese market, we are establishing a business model tailored to its specific needs. This entails putting in place an appropriate sales structure and introducing products that meet local needs, such as cranes that deliver high cost-performance. We plan to market such products in Asia and the Middle East as well. In Europe, we will carve out a new market for mini cranes that can be mounted on commonly used trailers.

Cranes made by Taian Furukawa deliver high cost-performance.

Crane mounted on trailer

Promoting Development Activities Aimed at New Product Commercialization

The development and commercialization of new products that draws on Furukawa's core technologies is absolutely vital for the Company's survival. Leveraging our core technologies, we will commercialize new products that meet the needs of today's world.

Gallium Nitride Substrates

The establishment of the Nitride Semiconductors Department in April 2008 marked the start of full-scale development of mass-produced gallium nitride (GaN) substrate products. Development was further advanced with the construction of a new building in April 2009, which brought together the crystal manufacturing and polishing processes under one roof. In the year under review, using numerous hydride vapor phase epitaxy (HVPE) machines developed in-house, we advanced from the developmental stage to the manufacture of mass-produced substrates. Our plan is to swiftly expand our current crystal mass production capacity in order to supply customers with products for use in laser diodes (LDs) mass production in the second half of the current fiscal year. With a view to commercialization, we will work with Furukawa Denshi to establish marketing, mass production management, and quality control systems.

Gallium nitride (GaN) substrate

New laboratory of Nitride Semiconductors Department

The Company's GaN substrates meet a wide range of device-related needs. This is because the entire two-inch surface of the substrates is uniform, so they have the advantage of offering a high level of freedom for device design. In collaboration with POWDEC K.K., an affiliate, we are promoting low-cost development of large-diameter GaN substrates for use in electric vehicles and power supply devices, which require heavy current and high pressure resistance. We also intend to develop GaN substrates for high-luminescence LEDs.

Progress of Gallium Nitride (GaN) Substrate

Fiscal 2009
Newly setup the Nitride Semiconductors Department.

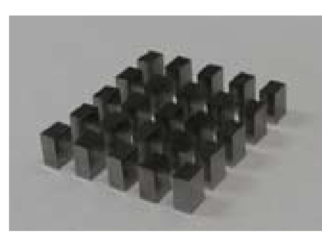
Fiscal 2010
Operations concentrated in newly built laboratory.
Shifted to integrated manufacturing process, from development to mass production.
Begun sample shipments of LDs and electronic devices to users.

Fiscal 2011
Established mass production system (first half)
Supply to begin for LDs mass production (scheduled for second half).

Thermoelectric Conversion Material

In August 2008, we developed a high-performance thermoelectric conversion material that can convert energy from heat exhaust to electricity. In the year under review, we continued developing mass production technologies for this material, while pursuing development of thermoelectric modules. At present, we are conducting enclosure tests for seal-casing the modules, and we plan to speed up sampling in the future.

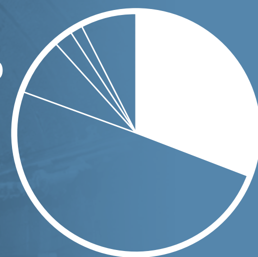
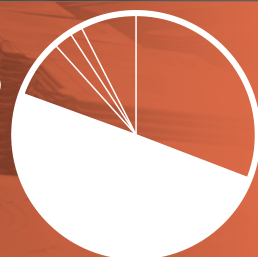
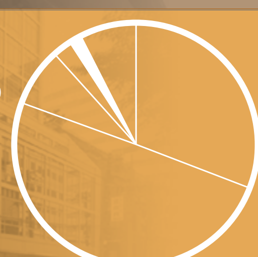
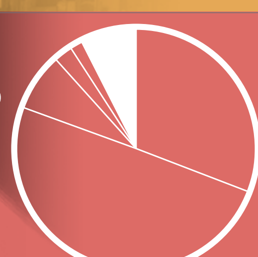
We are also developing other new products that meet current market needs. These include a positron emission mammography (PEM) system that uses lutetium aluminum garnet (LuAG) scintillator crystals to detect cancer, and a reactor for use in chargers used by plug-in hybrid vehicles and electric vehicles.



High-performance thermoelectric conversion material

Thermoelectric module

At a Glance

% of Net Sales		Businesses	Main Group Company
Machinery	31.0% 	Industrial Machinery	Furukawa Industrial Machinery Systems Co., Ltd.
		Rock Drills (Construction & Mining Machinery)	Furukawa Rock Drill Co., Ltd.
		UNIC Machinery	Furukawa UNIC Corporation
Metals	49.8% 	Metals	Furukawa Metals & Resources Co., Ltd.
Electronic Materials and Chemicals	7.7% 	Electronic Materials	Furukawa Denshi Co., Ltd.
		Chemicals	Furukawa Chemicals Co., Ltd.
Paints	2.6% 	Paints*	Tohpe Corporation
Real Estate	1.4% 	Real Estate	Furukawa Co., Ltd.
Fuels and Others	7.5% 	Fuels	Furukawa Commerce Co., Ltd.
		Others	

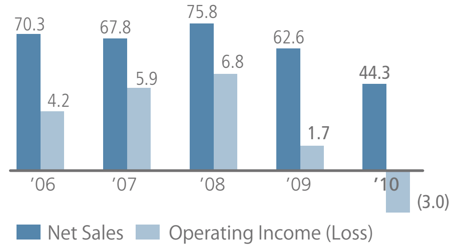
Main Products	Net Sales/Operating Income (Billions of yen)	Operating Margin (%)

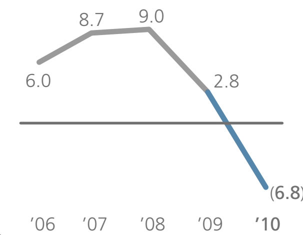
Machinery

Pumps, environmental machinery, stone crushers, plants, steel structures, castings

Rock drills (hydraulic breakers, hydraulic crawler drills, tunnel drill jumbos, etc.)

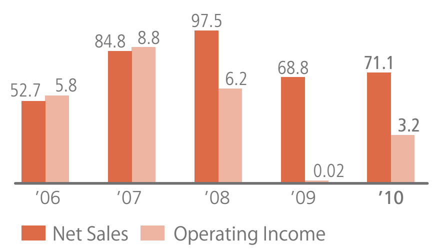
UNIC cranes, mini crawler cranes, UNICPAL, UNIC carriers

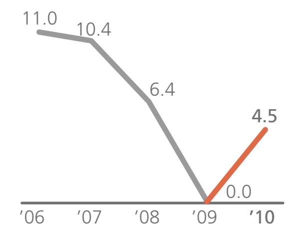




Metals

Electrolytic copper, electrolytic gold, electrolytic silver, sulfuric acid

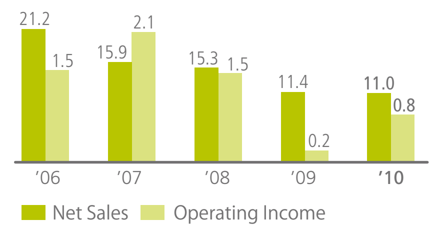


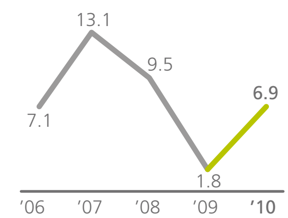


Electronic Materials and Chemicals

High-purity metallic arsenic, gallium phosphorous polycrystals, X-ray scintillator crystals, aluminum nitride ceramics, core coil, optical parts

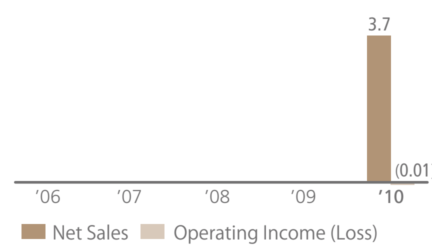
Cuprous oxide, sulfuric acid, aluminum sulfate, titanium dioxide, ferric polysulfate solution, copper oxide, copper oxide for plating

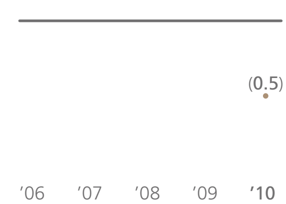




Paints

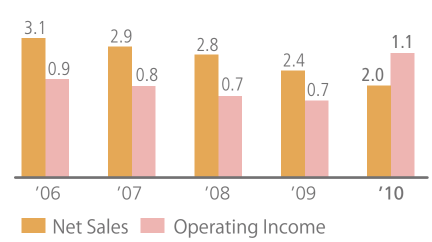
Kinds of paints, acrylic rubber, glue

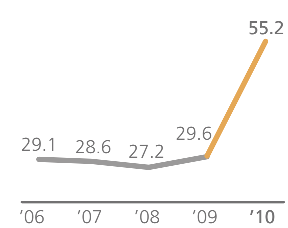




Real Estate

Construction/sales, mediation/brokerage, other related services for office buildings and apartments

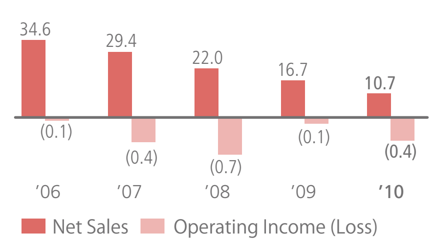


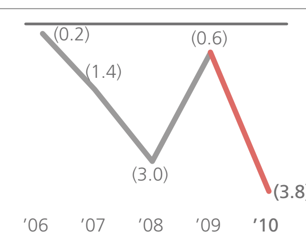


Fuels and Others

Heavy oil, gasoline, diesel, kerosene, lubricating oil, LPG, coke

Transportation service by trucks and domestic shipping





* New business launched in December 2009 when Tohpe Corporation became a consolidated subsidiary.

Machinery

In fiscal 2010, ended March 31, 2010, the Machinery Division reported sales of ¥44,313 million, a 29.3% decline compared with the previous year. The division reported an operating loss of ¥3,010 million, down ¥4,744 million from the previous year, and the operating margin fell 9.6 percentage points, to –6.8%.

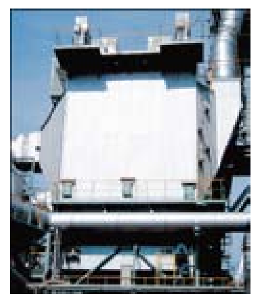
Industrial Machinery

Performance and Strategies

In fiscal 2010, we recorded a decline in both revenues and earnings for industrial machinery. The main reasons were a decrease in sales of pump plants and lower demand for environmental machinery and steel structures due to fewer public works projects. Other factors included a slump in large-scale projects stemming from the economic downturn, as well as postponements in the release of new products and an overall decline in demand for other industrial machinery. As a result, sales of industrial machinery declined 19.3% year on year, to ¥12,783 million, and operating income fell 43.5%, to ¥433 million.

As a manufacturer of pumps, environmental machinery, stone crushers, and other industrial machinery, we will strive to increase orders received through comprehensive proposal-based sales and the deployment of best practices across the division. We will restructure our current product-based sales system into two sector-based groups—one for the public sector and one for the private sector—and improve sales efficiency by centralizing customer information. Demand is expected to increase for environmental measures, recycling, and energy conservation amid a tightening of environment-related regulations. We will work hard to secure new sources of earnings by launching new products that draw on technologies the Group has amassed over many years. For example, we plan to release a uniaxial screw pump with a mechanism that is more compact than existing products for application in the food industry. We will also increase sales by creating replacement demand for a new filter-type electrostatic precipitator with significantly higher efficiency.

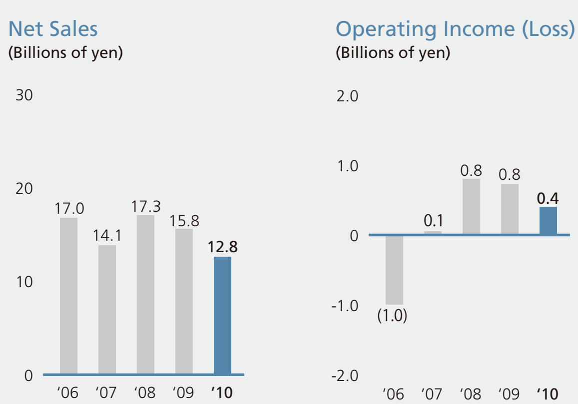

Crushers used in the steel, chemical, and nonferrous metal mining industries


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

New type of uniaxial screw pump featuring improved compactness


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

Industrial Machinery

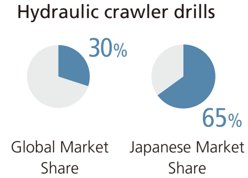


Rock Drills (Construction and Mining Machinery)

Performance and Strategies

In the rock drill business, demand for breakers slumped amid a decrease in a wide spectrum of domestic projects. Sales of crawler drills also declined on the back of a fall in capital investments stemming from production cutbacks in the quarry and lime sectors. Overseas, we recorded a sharp decline in sales of breakers and crawler drills, which are mainstay products in the construction and mining machinery segment. The exceptions here were China, where the market remained

Hydraulic crawler drills




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

buoyant owing to demand for the construction of infrastructure, as well as Saudi Arabia and some other countries. The decline in sales stemmed from prolonged inventory adjustments and price competition with rival manufacturers. As a result, sales in the rock drill business declined 30.7%, to ¥20,386 million, and we recorded a ¥2,572 million operating loss, down ¥2,827 million from the previous year.

China is the largest market for Furukawa's rock drills. In light of its strategic importance, we will increase the number of staff based in that country, as well as strengthen collaboration with manufacturers of construction machinery, expand our distributor networks, and upgrade our services. We will strive to improve price competitiveness by offering low-priced products through cost reductions achieved through local procurement and local assembly. As for other priority markets, we will pursue sales expansion in Southeast Asia, India, the Middle East, Central and South America, and North America. At the same time, we will develop new markets in Japan for ultralow-noise hydraulic breakers and other environmentally friendly products by boosting sales expansion activities.

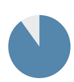
Hydraulic breakers

35%

Japanese Market Share

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

Tunnel drill jumbos



90%

Japanese Market Share

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

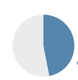
UNIC Machinery

Performance and Strategies

In the UNIC machinery business, domestic sales inevitably slumped due to a decline in truck registrations in Japan for the fourth consecutive year. In fiscal 2010, truck registrations fell 33.9% year on year, to 41,000 units, the first time total registrations have fallen below 50,000 since 1961. Overseas sales declined overall for the year, despite signs of recovery in demand in the second half of the period. As a result, sales in the UNIC machinery business amounted to ¥11,142 million, down 35.9% from the previous year. We reported an operating loss of ¥870 million, down ¥1,581 million from the previous year.

With no prospect of a rapid recovery in demand in the domestic truck market, we will work hard to boost sales of high-value-added products, including environmentally friendly ECO cranes and an operator-friendly joystick remote crane controller. At the same time, we will reinforce our product lineup and sales in markets that are not dependent on trucks, such as mini crawler cranes and large ship cranes. Overseas, we will create business models tailored to local market needs by identifying strategic products for each region or country. For example, in North America and Oceania we will market mini crawler cranes, which have earned a solid reputation in Europe for their compact size and accessibility. In China, we will introduce cranes that offer high cost-performance.

Truck-mounted cranes (UNIC cranes)

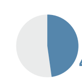


47%

Japanese Market Share

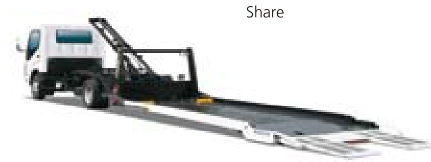
The U-can ECO series of low-noise, fuel-efficient truck-mounted cranes is slowly penetrating the market.

Vehicle carriers (UNIC carriers)



48%

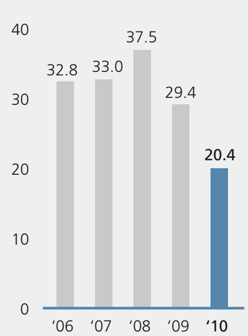
Japanese Market Share



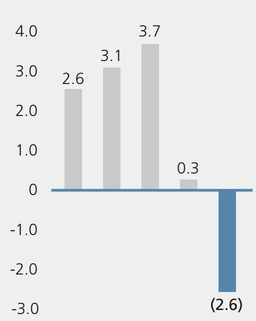
The UNIC carriers lineup of high-value-added products includes truck-mounted cranes that can operate on a platform with a zero-degree angle and two-vehicle carriers.

Rock Drills (Construction and Mining Machinery)

Net Sales
(Billions of yen)

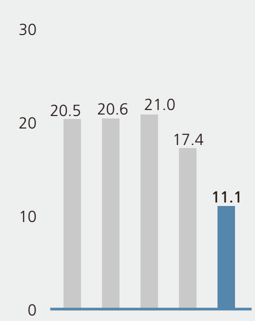


Operating Income (Loss)
(Billions of yen)

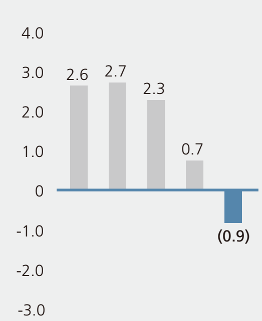


UNIC Machinery

Net Sales
(Billions of yen)



Operating Income (Loss)
(Billions of yen)



Metals

In fiscal 2010, sales in the Metals Division amounted to ¥71,133 million, up 3.4% from the previous year. Operating income grew ¥3,201 million, to ¥3,224 million, and the operating margin improved 4.5 percentage points, to 4.5%.

Performance and Strategies

After starting the year at US$3,963.50/ton in April 2009, the price of electrolytic copper continued to soar throughout the rest of the year. Copper prices were firm owing to a decline in LME inventories up until August, as well as expectations of an upturn in the U.S. economy and higher demand in China. Despite a subsequent increase in LME inventories, in November the price of copper climbed to US$6,945.50/ton amid fears of strikes at mines in Chile and weaker U.S. dollar exchange rates. This was followed by a temporary fall in price due to Dubai's debt problems. However, the minimum price remained firm, and once the threat of Dubai's debt problems had receded, fears of strikes at Chilean mines prompted a further rally, and by December 2009 the price had climbed to US$7,346.00/ton. From January onwards, uncertainties surrounding supply in South America and strong economic indicators for the U.S. and China prompted further price rises. Due to these factors combined with a weakening U.S. dollar against the euro, at fiscal year-end the price of copper had climbed to US$7,830.00/ton, its highest point for fiscal 2010. In Japan, too, the price of electrolytic copper rose from ¥450,000/ton in April 2009 to ¥730,000 by fiscal year-end.

Sales by the Metals Division increased 3.4% year on year, to ¥71,133 million, owing to rising copper prices and growth in gold sales volumes. Operating income rose significantly, to ¥3,224 million, amid an inventory valuation gain accompanying the rising price of electrolytic copper in overseas markets and higher sales volumes for gold.


Copper cathodes

While demand for copper is expected to increase in China and other emerging countries, there are fears that TC/RC conditions will worsen following mergers among resource companies to form oligopolies. In March 2010, the Company acquired mining rights in the Gibraltar Copper Mine in Canada through a joint venture. We will continue securing stable supplies of copper ore and building a business structure that can withstand harsh TC/RC conditions.

Copper prices and foreign exchange rates

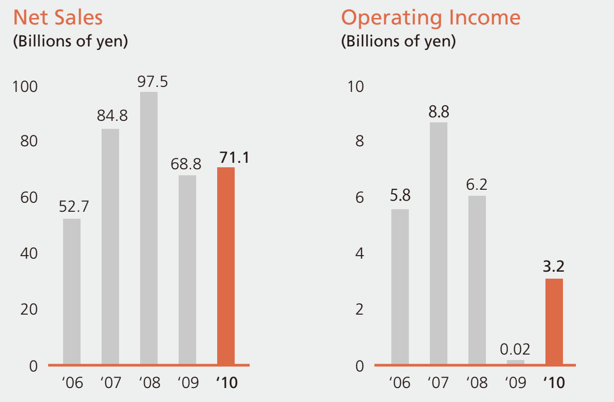
	2006	2007	2008	2009	2010
LME copper price (average; U.S. dollars/ton)	4,096	6,970	7,584	5,864	6,101
JPY rate per U.S. dollar (average for fiscal year)	¥114.32	¥118.03	¥114.28	¥100.54	¥92.85

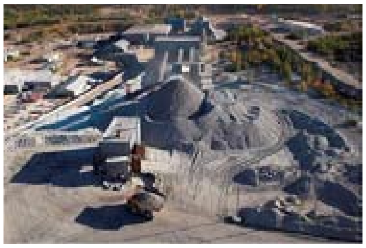
Copper production and sales volume*

	2006	2007	2008	2009	2010
Copper production volume (tons)	84,498	88,686	95,355	90,023	84,455
Copper sales volume (tons)	84,464	88,521	95,808	88,989	89,456

* Furukawa Metals & Resources Co., Ltd.

Electronic Materials




Joint acquisition of Gibraltar Copper Mine in Canada

Electronic Materials and Chemicals

Sales in the Electronic Materials and Chemicals Division declined 3.5% year on year, to ¥10,995 million. Operating income rose ¥557 million, to ¥763 million, while the operating margin increased 5.1 percentage points, to 6.9%.

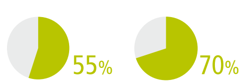
Electronic Materials

Performance and Strategies

Demand for gallium arsenate semiconductors, the main application for high-purity metallic arsenic, recovered thanks to higher demand for electronic devices and optical devices. Shipments of crystal products were steady in the second half of the year owing to an upturn in the market that prompted customers to complete inventory adjustments. As a result, sales in the electronic materials business grew 7.2% year on year, to ¥5,969 million. Operating income jumped ¥653 million, to ¥657 million.

The Company is currently focusing on establishing a mass production system for gallium nitride (GaN) substrates as part of commercialization efforts directed at the early market launch of these substrates. We plan to start supplying GaN substrates to customers during fiscal 2011. We are also in the process of creating a foundation for our electronic materials business that draws on our track record in supplying noise filters used in electronic control circuits. Here, we have already begun sampling reactors, a type of coil, that we have developed for application in chargers used in plug-in hybrid vehicles and electric vehicles.

High-purity metallic arsenic



Global Market Share
Japanese Market Share

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

Gallium phosphorus polycrystals

Global Market Share
Japanese Market Share

Semiconductor materials used in LED applications for displays and cellular phones

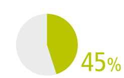
Chemicals

Performance and Strategies

In the year under review, we reduced production of sulfuric acid, cuprous oxide, and ferric polysulfate solution in response to a decline in shipments that stemmed from languishing demand from domestic customers caused by production adjustments. As a result, sales in the chemicals business decreased 13.7%, to ¥5,025 million, and operating income fell 47.8%, to ¥105 million.

Demand for cuprous oxide is expected to decrease due to ongoing declines in orders for new ships. Consequently, we will work hard to reduce costs by diversifying raw materials procurement. We will also strengthen sales of high-value-added copper compound products. In addition, we will powerfully promote development of next-generation products while focusing on improving the competitiveness of our entire product range.

Cuprous oxide

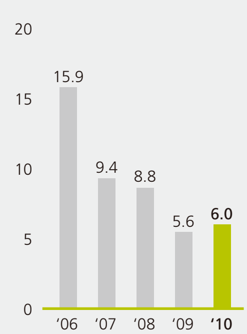


Japanese (Production) Market Share

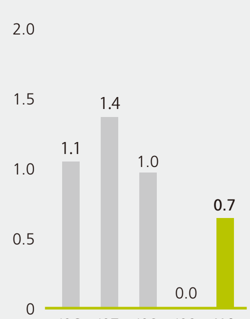
Cuprous oxide is used as an antifouling agent in paints applied to the bottoms of ships.

Electronic Materials

Net Sales
(Billions of yen)

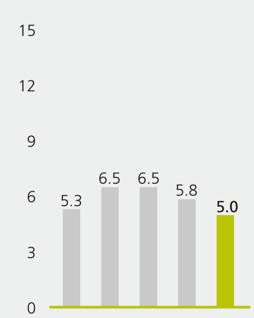


Operating Income
(Billions of yen)

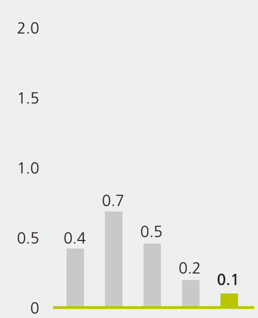


Chemicals

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Paints

For the period covering January through March 2010, the newly established Paints Division recorded sales of ¥3,693 million, and an operating loss of ¥19 million. The operating margin was –0.5%.

Overview

In December 2009, the Company transformed equity-method affiliate Tohpe Corporation into a consolidated subsidiary of the Furukawa Company Group. Tohpe Corporation is engaged in the manufacture and sales of paints and chemicals. As a result, Tohpe Corporation's financial results for the fourth quarter of fiscal 2010 are included in the Group's financial results. In the three months from January through March 2010, the Paints Division reported sales of ¥3,693 million, and an operating loss of ¥19 million.

In line with the management plan currently under way, we will step up efforts to reduce costs by consolidating production and other measures. At the same time as focusing on sales of highly profitable environmentally friendly paints, we will boost the production structure for acrylic rubber used in automotive-related applications, for which there is strong demand.

Real Estate

Furukawa Osaka Building

In fiscal 2010, sales in the Real Estate Division amounted to ¥2,044 million, down 14.3% from the previous year. Operating income jumped 59.9%, to ¥1,129 million, while the operating margin increased 25.6 percentage points, to 55.2%.

Overview

Revenue in this business declined due partly to the sale of the Dojima Grand Building in the previous year, despite efforts to acquire new tenants in an office building market experiencing rising vacancy rates. By contrast, earnings in this division were boosted by a decline in lease payments owing to the acquisition of the Furukawa Building, which had previously been subleased.

Fuels and Others

Sales in the Fuels and Others Division decreased 35.5%, to ¥10,747 million. The operating loss was ¥406 million, down ¥304 million from the previous year.

Overview

Crude oil prices rose during the year, although declining demand made it difficult to pass on these increases to sales prices. As a result, sales in the fuels business fell 36.0%, to ¥9,893 million, and we reported an operating loss of ¥29 million, down ¥232 million from the previous year.

In the Others category, consisting primarily of the transport business, we reported sales of ¥854 million, down ¥351 million, and an operating loss of ¥377 million, down ¥72 million from the previous year. In March 2010, we withdrew from the compound lumber business. The Company decided to discontinue this business in light of the challenging operating environment that shows no prospect of future profitability.

TOPICS

Tohpe Corporation Becomes Consolidated Subsidiary

In December 2009,the Company transformed equity-method affiliate Tohpe Corporation into a consolidated subsidiary. Tohpe Corporation is engaged in the manufacture and marketing of paints and chemicals. Established in 1915, Tohpe has more than 90 years' experience as a manufacturer of paints and related products. Since Tohpe became a member of the Furukawa Group (then Furukawa Mining Co., Ltd.) in 1919, the Company has maintained strong personal, capital, and business relationships with this important member of the Furukawa Company Group.

Tohpe's principal activities are the manufacture and marketing of paints and chemical products. It has a strong track record in the development of both environmentally friendly and highly functional paint products, as well as highly functional chemical products. Tohpe will receive assistance from the Company, primarily in the areas of finance and human resources, under the Company's current management plan that seeks to shore up its business segments. By making it a consolidated subsidiary, the Company is placing Tohpe on a more steady footing while expanding the business activities of the Group.

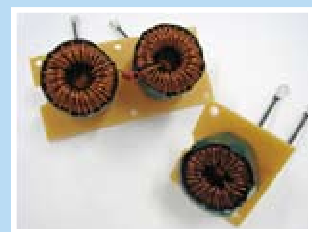
Tohpe Corporation

Sampling of Reactor for Charger Application

In the past, Furukawa has drawn on the technology it uses for the in-house production of core coils to supply core coils tailored to meet customers' needs, primarily in the automotive sector. In January 2010, the Company began supplying mass-produced samples of a new type of reactor* it has developed for application in chargers used in plug-in hybrid vehicles and electric vehicles. An amorphous dust core coil developed by the Company is used as the core material in the reactor. The reactor is smaller, less expensive, and not as noisy as conventional electromagnetic steel coils, and also saves energy through reduced conversion loss.

The Company plans to expand sales of this new reactor and other coil products by capitalizing on its strong track record in the supply of a wide range of core coils to the automotive sector.

* Coil made for use in a battery charger circuit.



New type of reactor developed

Acquisition of Canadian Copper Mine Rights

In March 2010, Furukawa Co., Ltd., Sojitz Corporation, and Dowa Metals and Mining Co., Ltd. jointly acquired a 25% interest in the Gibraltar Copper Mine, owned by Taseko Mines Ltd., a Canadian copper mining firm.

Located in British Colombia, the Gibraltar Copper Mine is currently in operation and has mineable reserves of 472 million tons. Operations can be sustained for 25 more years. The scheduled completion of an expansion project in 2010 will boost the current annual production capacity of approximately 120,000 tons of copper concentrate to 180,000 tons.

Furukawa's investment in the Gibraltar Copper Mine marks its third overseas mine investment, following earlier investments in the Huckleberry Mine in Canada and the Batu Hijau Mine in Indonesia. Furukawa is proactively establishing a business structure that will enable its Metals Division to secure a stable supply of copper ore and ride out harsh copper treatment charges and refining charges.

Gibraltar Copper Mine

Renewal of Furukawa Website

In March 2010, the Group launched its renewed website. A video called "Special Contents: Furukawa's Path from the Past to the Future," which traces Furukawa's involvement in Japan's growth over the years, has been added to the site. This new feature complements the highly popular five-minute video guide to the Company Group, available on the Japanese-language site. The Furukawa Company Group's Business page contains information on the history of the Company and its strategies, while the Investor Relations page contains a link for individual investors that offers concise snapshots of our history, technologies, and business activities. We encourage all visitors to our website to make use of these new eye-catching features, including an easy-to-use search function.

Furukawa's renewed website

Furukawa Initiatives

Research and Development

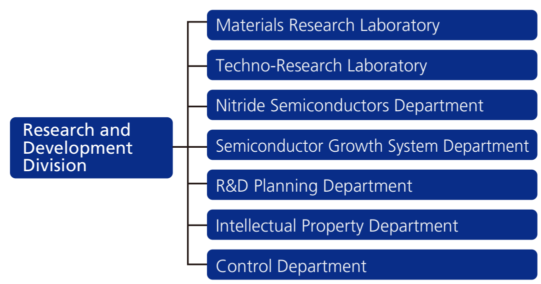
The Furukawa Company Group has embraced "Full-Fledged *Monozukuri*" as one of its medium-to-long-term strategies, and research and development activities are an important element supporting this initiative. The Group's Research and Development Division consists of seven entities: Materials Research Laboratory, Techno-Research Laboratory, Nitride Semiconductors Department, Semiconductor Growth System Department, R&D Planning Department, Intellectual Property Department, and Control Department. The Company promotes R&D aimed at benefiting its own business and contributing to social advancement, while working closely with other Group members in all areas, from basic materials to machinery and equipment.

R&D Policies

The Group has a *monozukuri* (art of production creation) tradition going back more than 130 years. In order to win against the competition with an overwhelming presence, we are stepping up technological and product development activities based on the key axiom of "Full-Fledged *Monozukuri* and Structural Development." Every employee of the Group shares the same understanding that our products must sell because of their superior quality, not due to temporary fads or environmental changes. Based on this recognition, we have a policy of developing core technologies within the Group. Consistent with this policy, the Research and Development Division is working to develop new materials, mainly in the field of new functional materials, and is actively advancing R&D aimed at developing next-generation machinery products and production technologies.

R&D Organization

The Group's Research and Development Division consists of seven entities: Materials Research Laboratory, Techno-Research Laboratory, Nitride Semiconductors Department, Semiconductor Growth System Department, R&D Planning Department, Intellectual Property Department, and Control Department. The Materials Research Laboratory develops new functional materials, while the Techno-Research Laboratory develops next-generation machinery products, as well as production, control, and data processing technologies. The Nitride Semiconductors Department develops nitride semiconductor materials, and the Semiconductor Growth System Department mainly handles development and manufacture of leading-edge electronic materials and thin-film production equipments. The R&D Planning Department coordinates the Group's overall R&D activities and is responsible for marketing and formulation of product development strategies. The Intellectual Property Department handles rights to technologies developed by the Group and also provides Groupwide and R&D support from the perspective of ensuring effective utilization of such rights.



Major R&D Successes

The Furukawa Company Group is working to commercialize the following products, which are the results of its R&D activities.

Gallium Nitride (GaN) Substrates

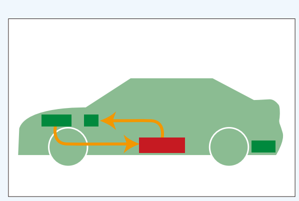
GaN is a new semiconductor that is used in next-generation high-performance, sophisticated electronic devices. Blue-violet laser diodes (LDs) in Blu-ray Discs and white light emitting diodes (LEDs) for lighting equipment were invented using GaN. Moreover, there are growing expectations for using GaN in new types of transistors for electric cars. The Furukawa Company Group supplies GaN substrates that are indispensable for these devices.

Pr:LuAG Scintillator Crystals

A scintillator is a material that exhibits the property of luminescence when subject to radiation. Pr:LuAG scintillator crystals, developed jointly by Furukawa and Tohoku University, are expected to find applications in the medical diagnostic field, including in positron emission tomography (PET) scanners used for early cancer detection, as well as next-generation positron emission mammography (PEM) equipment for breast cancer screening. Currently, we are making a prototype of large crystals with a diameter of 3 inches.

Thermoelectric Conversion Materials

Thermoelectric conversion materials are capable of converting excess heat into electricity. If we can effectively convert heat emissions from car engines and industrial furnaces, which normally wasted, into electricity, we can save energy and contribute to the global environment. Furukawa has developed thermoelectric conversion materials with heat conversion efficiency at the world's highest level. Currently we are making a prototype and advancing research activities towards the practical application of thermoelectric modules.



Liquid Crystal Display Processing Equipment

The recent spread of digital terrestrial televisions has led to remarkable growth in demand for color liquid crystal modules. These modules are subject to an extremely large number of processes before production is complete. At Furukawa, we manufacture baking equipment to dry oriented films coated on glass substrates to align liquid crystal molecules when manufacturing liquid crystal modules.

Our latest 7.5-generation baking equipment, for example, can dry oriented films coated on 1.95mm × 2.25mm glass subordinates very evenly. Our state-of-the-art baking equipment incorporates the latest technologies in such areas as heat flow analysis by simulation, high-precision temperature control, and three-dimensional position control.

Environmental Protection and Social Contribution Activities

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

■ Environmental Management

Environmental management system

The senior decision-making body for environmental protection activities is the Central Committee for Environmental Management, in which the senior managing directors and managing directors participate. In addition, we have the Environmental Management Subcommittee, which make proposals related to environmental protection activities and studies policies and guidelines to address revisions of environment-related regulations.

Furthermore, the Committee of Environmental Protection Supervisors meets every year, bringing together the people who directly guide and manage environmental and safety initiatives in each Group company. At these meetings, the committee aims to fulfill four basic purposes: (1) convey and ensure the enforcement of decisions made by the Environmental Management Committee; (2) help improve the competency of environmental protection supervisors at each Group company; (3) prevent accidents and disasters through concerted efforts to share information and reflect it in its daily business management; and (4) verify revisions to environment-related regulations.

Environment and safety audits

The Furukawa Company Group conducts annual "Environment and Safety Audits." In fiscal 2010, these audits gave priority to the themes of promoting visualization (quantification), the prompt detection of on-site problems, and making efficiencies and improvements. We will strive to upgrade control systems related to environmental protection and worker safety, while further strengthening the Group's internal networks.

The year under review marked the third time that the Group conducted "cross-audits," in which each plant is audited by an environment protection supervisor from another plant. The supervisors bring back the knowledge and experience acquired from performing cross-audits to their own plants, and the new perspective gained in the process help with the ongoing implementation of improvements. In fiscal 2010, the success of this system was apparent in the decrease in the number of items requiring improvement or correction compared with the previous year, as well as in the expansion of personal networks.

■ Environmental Protection Activities

The Furukawa Company Group's energy-saving activities center on achieving medium-term targets for energy and resource consumption set every five years. The results for the first set of targets (covering fiscal 2005–2009) and the targets for the next five years (fiscal 2010–fiscal 2014) are shown below.

● First Medium-Term Reduction Targets   Base year: Fiscal 2004

Category	Fiscal 2009 (target)	Achievement ratio
Electricity	40% reduction of fiscal 2004 consumption	142%
Heavy oil	25% reduction of fiscal 2004 consumption	374%
Natural gas (*1)	10% reduction of fiscal 2004 consumption	(842)%
Water	25% reduction of fiscal 2004 consumption	101%
Waste discharge	35% reduction of fiscal 2004 consumption	142%

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

Calculation of achievement ratio: [(FY2004 result – FY2009 result) ÷ (FY2004 result – FY2009 target)] x 100%

● Second Medium-Term Reduction Targets   Base year: Fiscal 2006

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

*2: Forms of energy used: Gasoline, kerosene, diesel oil, heavy oil, LPG, natural gas, and electricity

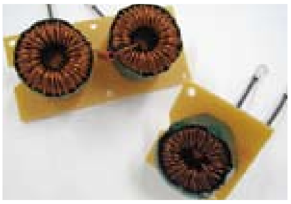
■ Environmentally Friendly Products

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

Ultralow-noise hydraulic breaker

A large ultralow-noise hydraulic breaker achieves an approximately 70% reduction in acoustic pressure and reduces sound levels by approximately 11 decibels by suppressing the unpleasant noise (high frequency region) that is made when metal strikes various surfaces. Furukawa applied to register a demolition and excavation method that uses this ultralow-noise hydraulic breaker with the New Technology Information System (NETIS) managed by Japan's Ministry of Land, Infrastructure and Transport. In January 2010, ours was the first product granted registration in the "ultralow-noise hydraulic breaker" category.

Amorphous dust core coil



A Japanese automobile manufacturer has adopted the Group's amorphous dust core coil for its electric vehicles. The amorphous dust core coil serves as a reactor, which is required in circuits used to convert voltage for recharging the batteries of electric vehicles and plug-in hybrid vehicles. Because this coil, which uses amorphous dust materials, provides greater recharging efficiency compared with cores that use other materials, it reduces energy loss and helps lower CO_2 and NOx emissions.

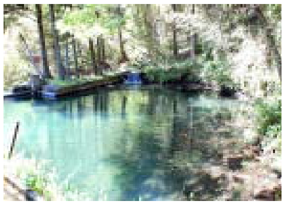
■ Social Contribution Activities

The Furukawa Company Group seeks to live in harmony with local communities through stewardship and maintenance of forests owned by Furukawa and participation in afforestation programs, as well as factory neighborhood cleanup activities, preservation of the "*Nikko-Suginamiki*" (Avenue of Cedars in Nikko), accepting internships, and hosting factory visits. Other initiatives include fund-raising activities, arranging blood-donor drives, sponsorship of community events, helping preserve biodiversity, holding original environmental activities, and loaning our land for free to local environmental associations.

In March 2009, we formed the Ashio Cherry Blossom Planting Group to promote the restoration of the natural environment in Ashio-machi in Tochigi Prefecture, where the Furukawa Company developed its second mine more than 130 years ago. Many volunteers from the Company took part in the second tree-planting drive, held in March 2010.

Preserving biodiversity

The site of the former Kune Mine, situated in Hamamatsu City in Shizuoka Prefecture, used to be home to a large number of *Genji-botaru* (Genji fireflies). For the past several years, we have worked together with the local community on a plan for the regeneration of fireflies in this area. Owing to genetic differences between individual organisms, even those belonging to the same species, caused by their particular habitat, we had previously undertaken an environmental survey of not only the river but also the entire surrounding environment. Thanks to these efforts, in June 2009 we confirmed the lights of multiple fireflies.



Corporate Governance

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

System of Corporate Governance

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

To clearly separate management oversight functions from executive functions, accelerate decision-making, and clarify responsibilities, Furukawa has adopted an executive officer system. At present, we have 15 executive officers, five of whom concurrently hold positions as directors.

The Management Council sets the Furukawa Company Group's fundamental management policies and strategies and makes decisions on important matters. There is also a Management Committee, which meets monthly to discuss the operations of Furukawa and its core companies, and provides direction. Decisions made by the Management Council that involve the allocation of funds or other important management issues must be discussed and approved by a resolution of the Board of Directors. Furthermore, important matters that have been determined by individual Group companies are discussed and reviewed by the Board of Directors and other relevant bodies.

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

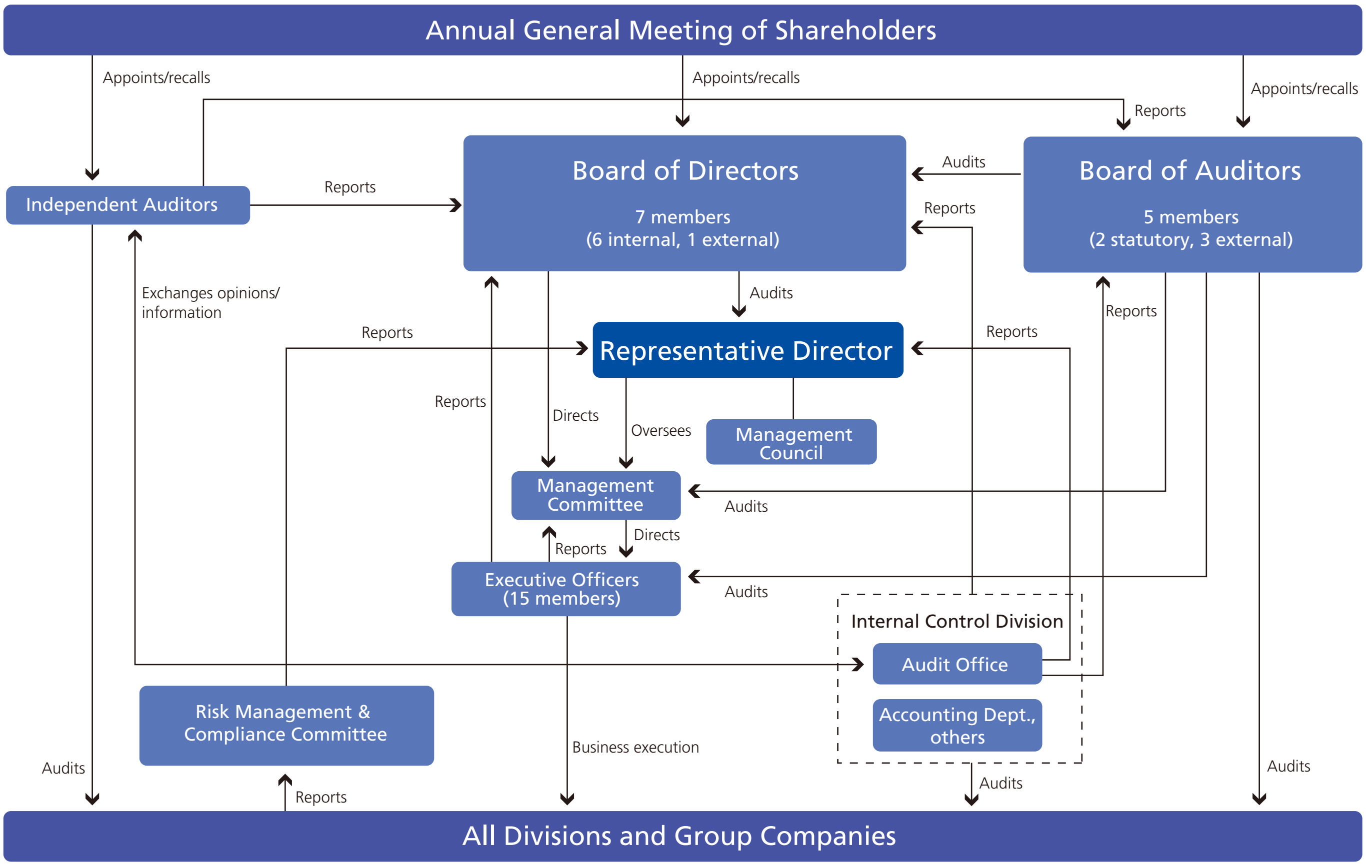
Compliance and System of Risk Management

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

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

Corporate Governance and Internal Control Systems

As of June 29, 2010



Consolidated Six-Year Financial Summary

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

	Millions of yen					
	2010	2009	2008	2007	2006	2005
For the year:						
Net sales	**¥ 142,925**	¥ 161,858	¥ 213,426	¥ 200,749	¥ 181,938	¥ 147,237
Cost of sales	**127,302**	143,651	181,522	167,507	153,281	124,586
Gross profit	**15,623**	18,207	31,904	33,242	28,657	22,651
Selling, general and administrative expenses	**14,025**	15,904	17,497	16,343	16,527	15,268
Operating income	**1,598**	2,303	14,407	16,899	12,130	7,383
Income (loss) before income taxes and minority interests	**886**	(2,618)	12,484	11,127	9,810	4,199
Net income (loss)	**585**	(5,917)	8,595	17,554	5,309	2,257
Cash flows from operating activities	**9,083**	5,112	12,823	12,648	8,254	7,698
Cash flows from investing activities	**(3,643)**	(11,539)	(855)	(4,367)	(336)	7,620
Cash flows from financing activities	**(4,769)**	12,116	(13,835)	(8,910)	(18,086)	(8,227)
Capital expenditures	**2,936**	16,507	4,374	3,905	1,777	2,994
Depreciation and amortization	**3,244**	3,145	2,993	2,626	2,595	3,026
At year-end:						
Total assets	**¥ 204,774**	¥ 188,361	¥ 199,383	¥ 217,027	¥ 213,046	¥ 204,651
Current assets	**82,617**	77,509	88,888	94,865	89,055	92,197
Current liabilities	**73,733**	64,276	80,487	89,293	88,220	104,439
Net assets (Note 1)	**50,855**	45,742	55,431	52,136	43,072	31,335
Interest-bearing liabilities	**94,714**	92,475	77,907	89,389	99,418	116,851
Per share amounts:	Yen					
Net income (loss):						
Basic	**¥ 1.45**	¥ (14.64)	¥ 21.26	¥ 43.42	¥ 13.12	¥ 5.57
Diluted	**—**	—	—	—	12.37	5.03
Cash dividends	**0.00**	4.00	6.00	5.00	3.00	0.00
Net assets	**120.96**	110.31	134.33	139.13	106.52	77.49
Profitability:						
Cost of sales margin (%)	**89.1**	88.8	85.1	83.4	84.2	84.6
Gross margin (%)	**10.9**	11.2	14.9	16.6	15.8	15.4
SG&A expense margin (%)	**9.8**	9.8	8.2	8.1	9.1	10.4
Operating margin (%)	**1.1**	1.4	6.8	8.4	6.7	5.0
Return on sales (%)	**0.4**	(3.7)	4.0	8.7	2.9	1.5
Efficiency and soundness:						
Return on equity (%) (Note 2)	**1.3**	(12.0)	15.5	35.3	14.3	7.5
Return on assets (%) (Note 3)	**0.3**	(3.1)	4.1	8.2	2.5	1.1
Debt-to-equity ratio (times) (Note 4)	**1.9**	2.1	1.4	1.6	2.3	3.7
Equity ratio (%) (Note 5)	**23.9**	23.7	27.2	25.9	20.2	15.3
Investment indicators:						
Dividend payout ratio (%) (Note 6)	**0.0**	0.0	28.2	11.5	22.9	0.0
Dividend on equity ratio (%) (Note 7)	**0.0**	3.2	4.5	4.3	3.3	0.0
Price book value ratio (times) (Note 8)	**0.9**	0.7	1.4	2.1	2.9	1.8
Stock price at fiscal year-end	**114**	82	183	293	306	143

Notes: 1. Figures for fiscal 2005 to fiscal 2006 represent total shareholders' equity.
2. Return on equity = Net income / Average total equity × 100
3. Return on assets = Net income / Average total assets × 100
4. Debt-to-equity ratio = Interest-bearing liabilities (fiscal year-end) / Total equity [Shareholders' equity] (fiscal year-end)
5. Equity ratio = Total equity [Shareholders' equity] (fiscal year-end) / Total assets (fiscal year-end) × 100
6. Dividend payout ratio = Total cash dividends / Consolidated net income × 100
7. Dividends on equity (DOE) = Total cash dividends / Average net assets × 100
8. Price book value ratio (PBR) = Stock price (fiscal year-end) / Net assets per share
9. Total equity = Net assets - Minority interests
(as of March 31, 2010: ¥48,885 million; as of March 31, 2009: ¥44,585 million; as of March 31, 2008: ¥54,301 million; as of March 31, 2007: ¥56,246 million)

Financial Review

Revenue and Expenses

In the fiscal year ended March 31, 2010, consolidated net sales totaled ¥142,925 million, a decline of 11.7% compared with the previous fiscal year.

Within this amount, sales of the Metals Division increased 3.4% year on year, thanks to rising market prices for electrolytic copper and higher sales volume. However, sales in the Machinery Division fell 29.3% amid declining demand for rock drill products and UNIC products, both in Japan and overseas. Despite increasing prices of crude oil, sales in the Fuels Division dropped 36.0% due to difficulties in passing higher costs onto sales prices, as well as falling demand.

Cost of sales decreased 11.4%, to ¥127,302 million, with the cost of sales margin edging up 0.3 percentage point, to 89.1%.

Selling, general and administrative expenses were down 11.8%, to ¥14,025 million, owing mainly to declines in shipping charges and salaries and allowances.

As a result, operating income decreased 30.6% from the previous fiscal year, to ¥1,598 million. This was primarily due to a ¥4,744 million year-on-year operating income decline in the Machinery Division amid languishing sales. By contrast, the Metals Division posted a ¥3,201 million increase in operating income, thanks to higher sales volume for gold, as well as a gain on valuation of inventories reflecting rising prices of electrolytic copper. Accordingly, the operating margin was down 0.3 percentage point, to 1.1%.

Under other income (expenses), interest and dividend income declined 20.1%, to ¥498 million, and interest expense to ¥1,680 million. Turning to other income, the Group posted a ¥1,345 million gain related to copper smelting business in Australia following a review of expenses incurred in the dismantling of smelting equipment at its Australian copper smelting subsidiary. The Group also posted a gain of ¥610 million on sales of investments in securities. In other expenses, the Group incurred a ¥762 million loss on withdrawal from the compound lumber business, and a ¥266 million impairment loss on fixed assets. As a result, income before income taxes and minority interests rose ¥3,504 million, to ¥886 million.

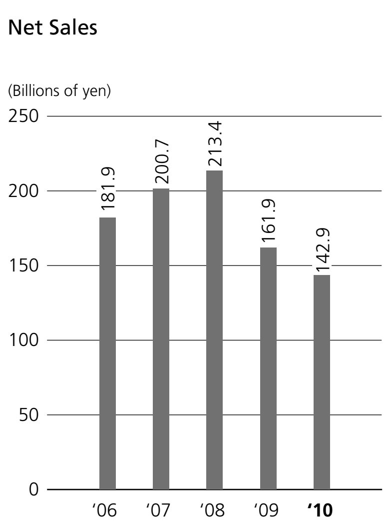
Total income taxes—the sum of inhabitants' taxes, enterprise tax, and corporate income tax adjustments—dropped 90.6%, to ¥303 million. Minority interests amounted to ¥2 million. Accordingly, the Group posted net income of ¥585 million.

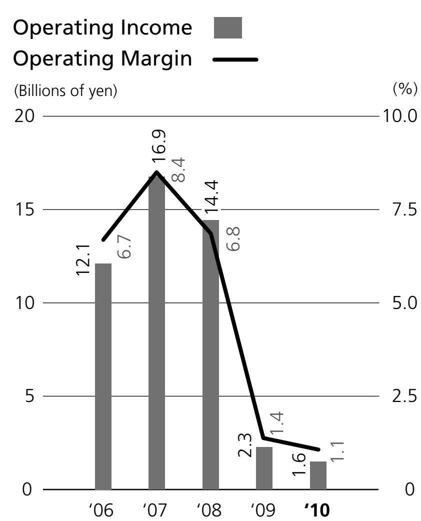
Return on equity (ROE) was 1.3%, and net income per share totaled ¥1.45, compared with a net loss per share of ¥14.64 in the previous year.

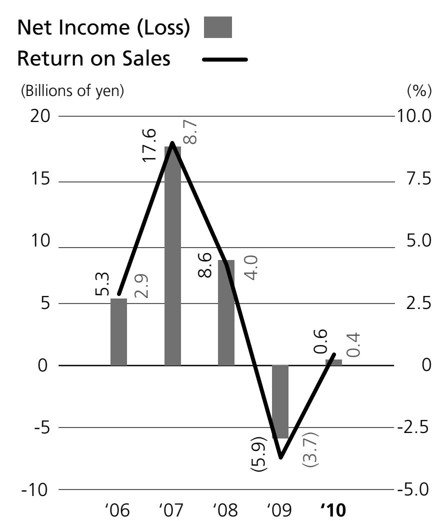
Financial Position

At March 31, 2010, total assets stood at ¥204,774 million, up 8.7% from a year earlier. The increase stemmed mainly from the inclusion of Tohpe Corporation in the scope of consolidation. Total current assets rose 6.6%, to ¥82,617 million, due mainly to increases in notes and accounts receivable and raw materials and supplies.

Investments and other assets climbed 28.9%, to ¥34,512 million,







due mainly to an increase in investments in securities caused by higher prices of listed shares.

Total liabilities grew 7.9%, to ¥153,919 million. This was mainly due to a rise in notes and accounts payable in the current liabilities section, as well as an increase in borrowings associated with the inclusion of Tohpe Corporation in the scope of consolidation. As a result, the fiscal year-end balance of interest-bearing liabilities (corporate bonds and debt) rose 2.4%, to ¥94,714 million.

Net assets at fiscal year-end stood at ¥50,855 million, up 11.2% from a year earlier. This was mainly due to an increase in net unrealized holding gain on securities, net of income taxes. Consequently, the equity ratio edged up 0.2 percentage point, to 23.9%, and the debt-to-equity ratio was down 0.2 point, to 1.9 times.

R&D and Capital Expenditures

The Furukawa Company Group is actively engaged in R&D on new materials and high-value-added products that meet diversified market needs and address dramatic changes in the socioeconomic environment. In the year under review, research and development expenses were ¥1,862 million, equivalent to 1.3% of consolidated net sales. Of this total, ¥791 million was allocated to the Machinery Division, ¥1,009 million to the Electronic Materials and Chemicals Division, and ¥61 million to the Paints Division.

Capital expenditures (including investments in intangible fixed assets) amounted to ¥2,936 million. Of this total, ¥1,502 million was allocated to the Machinery Division, ¥205 million to the Metals Division, ¥227 million to the Electronic Materials and Chemicals Division, and ¥59 million to the Paints Division, primarily for improvements in manufacturing efficiency. In addition, ¥236 million was allocated to the Real Estate Division, mainly for maintenance of buildings owned by the Group, and ¥114 million went to the Fuels and Others Division for the purchase of vehicles for use in the transportation business. All funds required for capital expenditures were derived from internal funds and borrowings. Depreciation and amortization rose 3.1%, to ¥3,244 million.

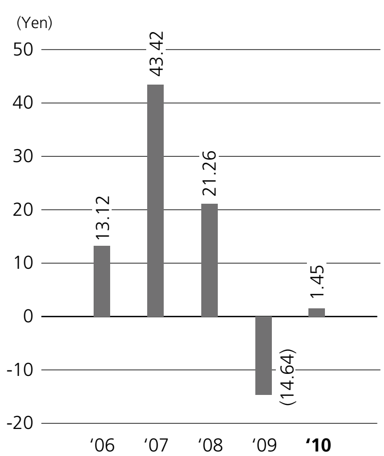
In the fiscal year ending March 31, 2011, the Group plans to invest a total of ¥1.9 billion, mainly for the purchase of new facilities and repair of existing ones. We expect to procure these funds via borrowings and/or internal funds. With respect to the Furukawa Building (Chuo-ku, Tokyo), purchased in March 2009, the Group plans to rebuild this property as part of its participation in the Nihonbashi-Muromachi Eastern District Development Project.

Cash Flows

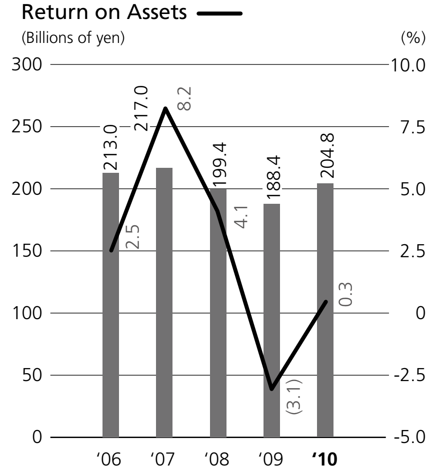
In the year under review, net cash provided by operating activities amounted to ¥9,083 million, up ¥3,971 million from the previous year. Main factors included dividends income on investment in silent partnership.

Net cash used in investing activities totaled ¥3,643 million, down ¥7,896 million from the previous year. The primary reason was a

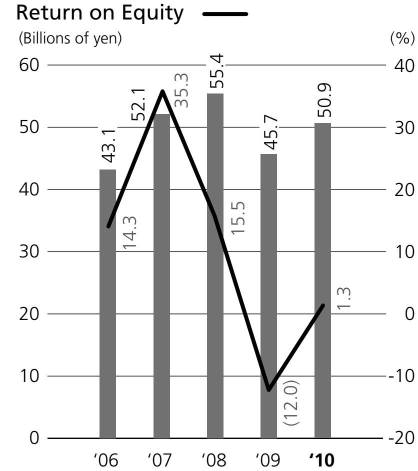
Net Income (Loss) per Share



Total Assets
Return on Assets



Net Assets
Return on Equity



decline in purchases of property, plant and equipment.

Net cash used in financing activities totaled ¥4,769 million, down ¥16,885 million from the previous year. This was due mainly to proceeds from long-term loans payable.

As a result, cash and cash equivalents at the end of the fiscal year totaled ¥20,257 million, a ¥914 million, or 4.7%, increase from a year earlier.

Capital Strategies

Furukawa places great importance in improving returns of profits to all shareholders. Our basic policy is to appropriate profits after comprehensive consideration of various factors, including retained earnings required to finance capital expenditures and R&D expenses necessary to bolster earnings, as well as future business development and other factors. In principle, we appropriate retained earnings to shareholders twice a year in the form of interim and year-end cash dividends. The decision-making body for the year-end dividend is the Annual General Meeting of Shareholders, while that for the interim dividend is the Board of Directors. Regrettably, the Company did not declare cash dividends for the year under review.

Facing difficult business conditions, we will deploy retained earnings to further enhance operating efficiency and strongly promote administrative reforms, in order to improve our earnings structure and reinforce our financial position. We will also make effective investments aimed at expanding overseas sales in existing businesses and entering markets for new products.

Business Risks

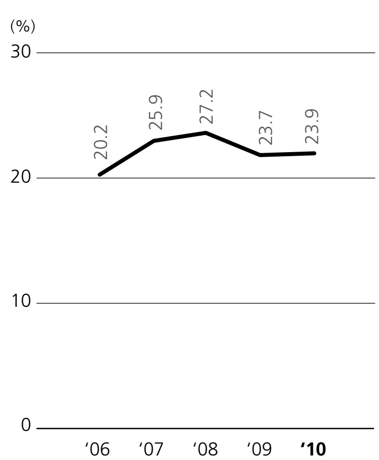
(1) Fluctuations in the Foreign Exchange and Nonferrous Metals Markets

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

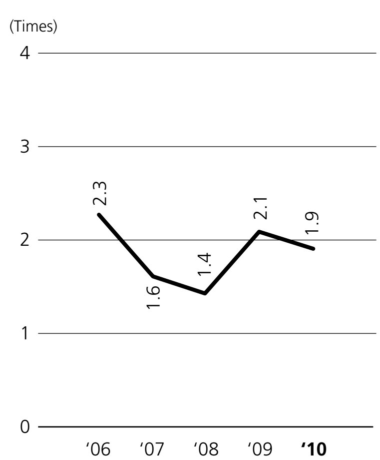
(2) Investments in Securities and Land

Historically, the Furukawa Company Group has maintained relatively high balances of marketable securities and land. As of March 31, 2010, the carrying value of investments in securities as stated in the consolidated balance sheets was ¥18,973 million, while land stood at ¥59,306 million. Accordingly, the Furukawa Company Group's operating results and financial position are at risk of impairment losses, losses from devaluation, and losses on sales due to movements in stock and land prices.

Equity Ratio



Debt-to-Equity (D/E) Ratio



Dividends on Equity (DOE)

(3) Accrued Employees' Retirement Benefits

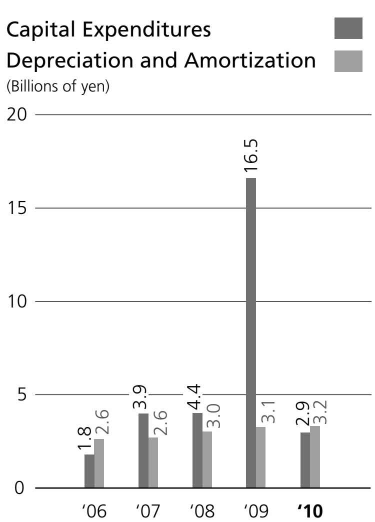
The employees of the Furukawa Company Group are covered by unfunded employee retirement benefit plans and non-contributory funded employee pension plans as defined-benefit plans. Accrued employees' retirement benefits are provided at an amount calculated based on the retirement benefit obligation and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

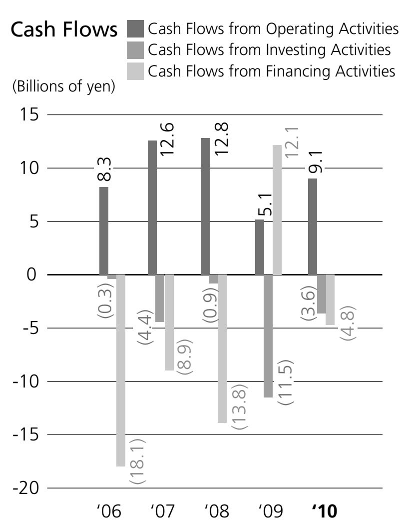
(4) Earthquakes and Natural Disasters

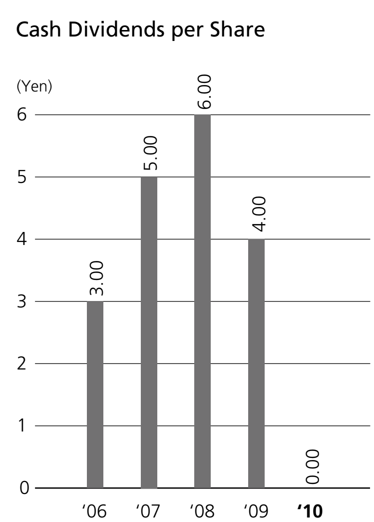
The Furukawa Company Group's operating results and financial position are at risk in the event of a suspension in operations and delays in production and/or shipments due to damage to manufacturing bases and facilities from earthquakes and other natural disasters.

(5) Environmental Protection

The Furukawa Company Group places the highest importance on environmental protection, environmental safety, and prevention of pollution at its various business sites, both in Japan and overseas, respecting all laws and regulations. Furthermore, in Japan the Group is vigilant in preventing water run-off from idle mines from contaminating water supplies and in preventing the buildup of slag or slurry. However, in the event of changes in legislation and the like, there is a possibility that the Group's performance results and its financial position could be influenced.







Consolidated Balance Sheets

Furukawa Co., Ltd. and consolidated subsidiaries
March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 4)
ASSETS	**2010**	2009	**2010**
Current Assets:			
Cash and cash equivalents	**¥ 20,257**	¥ 19,343	**$ 217,817**
Receivables, trade:			
Notes and accounts	**23,984**	18,942	**257,892**
Affiliates	**443**	601	**4,763**
Finished products	**10,261**	13,034	**110,333**
Work in process	**4,713**	6,370	**50,677**
Raw materials and supplies	**16,448**	9,671	**176,860**
Deferred income taxes (Note 15)	**1,048**	772	**11,269**
Other current assets	**5,659**	9,201	**60,852**
Allowance for doubtful accounts	**(196)**	(425)	**(2,108)**
Total current assets	**82,617**	77,509	**888,355**
Investments and Other Assets:			
Goodwill (Note 7)	**713**	—	**7,667**
Investments in securities (Notes 5 and 6)	**22,059**	15,931	**237,194**
Investments in affiliates	**5,381**	3,310	**57,860**
Loans receivable	**1,492**	1,396	**16,043**
Deferred income taxes (Note 15)	**13**	14	**140**
Other investments (Note 8)	**6,902**	7,771	**74,216**
Allowance for doubtful accounts	**(2,048)**	(1,653)	**(22,022)**
Total investments and other assets	**34,512**	26,769	**371,098**
Property, Plant and Equipment—at Cost (Notes 6 and 8):			
Land and timberlands	**61,165**	58,020	**657,688**
Buildings and structures	**45,109**	40,931	**485,043**
Machinery and equipment	**50,429**	44,607	**542,247**
Lease assets (Note 11)	**1,041**	536	**11,194**
Construction in progress	**359**	309	**3,860**
	158,103	144,403	**1,700,032**
Accumulated depreciation	**(70,458)**	(60,320)	**(757,613)**
Property, plant and equipment, net	**87,645**	84,083	**942,419**
Total assets	**¥ 204,774**	¥ 188,361	**$ 2,201,871**

	Millions of yen		Thousands of U.S. dollars (Note 4)
LIABILITIES AND NET ASSETS	**2010**	2009	**2010**
Current Liabilities:			
Short-term loans (Note 6)	**¥ 13,077**	¥ 13,172	**$ 140,613**
Current portion of long-term debt (Note 6)	**20,222**	18,141	**217,441**
Lease obligations (Note 6)	**207**	101	**2,226**
Payables, trade:			
Notes and accounts	**26,227**	16,342	**282,011**
Affiliates	**199**	219	**2,140**
Accrued expenses	**9,880**	11,462	**106,237**
Accrued income taxes	**183**	827	**1,968**
Deferred income taxes (Note 15)	**102**	30	**1,097**
Other current liabilities	**3,636**	3,982	**39,095**
Total current liabilities	**73,733**	64,276	**792,828**
Long-term Liabilities:			
Long-term debt (Note 6)	**61,415**	61,162	**660,376**
Lease obligations (Note 6)	**684**	418	**7,355**
Accrued employees' retirement benefits (Note 14)	**1,589**	1,381	**17,086**
Deferred income taxes (Note 15)	**8,869**	7,098	**95,366**
Deferred income taxes on surplus on the revaluation of land (Note 15)	**2,806**	3,030	**30,172**
Provision for environmental measures	**214**	—	**2,301**
Other long-term liabilities	**4,609**	5,254	**49,559**
Total long-term liabilities	**80,186**	78,343	**862,215**
Net Assets:			
Shareholders' Equity:			
Common stock without par value:			
Authorized—800,000,000 shares			
Issued—404,455,680 shares	**28,208**	28,208	**303,312**
Retained earnings	**16,687**	16,386	**179,430**
Treasury stock, at cost:			
2010— 298,479 shares	**(45)**	—	**(484)**
2009— 283,139 shares	**—**	(43)	**—**
Total shareholders' equity	**44,850**	44,551	**482,258**
Valuation, Translation Adjustments and Others:			
Net unrealized holding gain (loss) on securities, net of income taxes	**2,791**	(2,076)	**30,011**
Deferred gains (losses) on hedges	**41**	(138)	**441**
Surplus on the revaluation of land, net of income taxes	**3,348**	3,674	**36,000**
Translation adjustments	**(2,145)**	(1,426)	**(23,065)**
Total valuation, translation adjustments and others	**4,035**	34	**43,387**
Minority Interests in Consolidated Subsidiaries	**1,970**	1,157	**21,183**
Total net assets	**50,855**	45,742	**546,828**
Total liabilities and net assets	**¥ 204,774**	¥ 188,361	**$ 2,201,871**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Operations

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2010	2009	**2010**
Net Sales	**¥ 142,925**	¥ 161,858	**$ 1,536,828**
Cost of Sales (Notes 9 and 17)	**(127,302)**	(143,651)	**(1,368,839)**
Gross profit	**15,623**	18,207	**167,989**
Selling, General and Administrative Expenses (Note 9)	**(14,025)**	(15,904)	**(150,806)**
Operating income	**1,598**	2,303	**17,183**
Other Income (Expenses):			
Interest and dividend income	**498**	623	**5,355**
Equity in (losses) earnings of affiliates	**(83)**	107	**(892)**
Interest expense	**(1,680)**	(1,728)	**(18,065)**
Other, net (Note 18)	**553**	(3,923)	**5,946**
Income (loss) before income taxes and minority interests	**886**	(2,618)	**9,527**
Income Taxes (Note 15):			
Current	**(363)**	(1,047)	**(3,904)**
Deferred	**60**	(2,177)	**645**
Total	**(303)**	(3,224)	**(3,259)**
Minority Interests	**2**	(75)	**22**
Net income (loss)	**¥ 585**	¥ (5,917)	**$ 6,290**

	Yen		U.S. dollars (Note 4)
Net Income (Loss) per Share:			
Basic	**¥ 1.45**	¥ (14.64)	**$ 0.02**
Cash Dividends per Share	**—**	4.00	**—**
Net Assets per Share	**120.96**	110.31	**1.30**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2010 and 2009

		Millions of yen			
		Shareholders' equity			
	Number of shares of common stock (thousands)	Common stock	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2009	404,456	¥ 28,208	¥ 16,386	¥ (43)	¥ 44,551
Cash dividends paid	**—**	**—**	**(606)**	**—**	**(606)**
Net income for the year	**—**	**—**	**585**	**—**	**585**
Acquisition of the treasury stock	**—**	**—**	**—**	**(2)**	**(2)**
Stocks of the parent company owned by new consolidated subsidiaries	**—**	**—**	**—**	**(52)**	**(52)**
Disposal of stocks of the parent company owned by consolidated subsidiaries	**—**	**—**	**—**	**52**	**52**
Loss on disposal of stocks of the parent company owned by consolidated subsidiaries	**—**	**—**	**(4)**	**—**	**(4)**
Reversal of surplus on the revaluation of land	**—**	**—**	**326**	**—**	**326**
Net change during the year	**—**	**—**	**—**	**—**	**—**
Balance as of March 31, 2010	**404,456**	**¥ 28,208**	**¥ 16,687**	**¥ (45)**	**¥ 44,850**

	Millions of yen						
	Valuation, translation adjustments and others						
	Net unrealized holding (loss) gain on securities, net of income taxes	Deferred (losses) gains on hedges	Surplus on the revaluation of land, net of income taxes	Translation adjustments	Total valuation, translation adjustments and others	Minority interests in consolidated subsidiaries	Total net assets
Balance as of March 31, 2009	¥ (2,076)	¥ (138)	¥ 3,674	¥ (1,426)	¥ 34	¥ 1,157	¥ 45,742
Cash dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**(606)**
Net income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**585**
Acquisition of the treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(2)**
Stocks of the parent company owned by new consolidated subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**(52)**
Disposal of stocks of the parent company owned by consolidated subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**52**
Loss on disposal of stocks of the parent company owned by consolidated subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**(4)**
Reversal of surplus on the revaluation of land	**—**	**—**	**—**	**—**	**—**	**—**	**326**
Net change during the year	**4,867**	**179**	**(326)**	**(719)**	**4,001**	**813**	**4,815**
Balance as of March 31, 2010	**¥ 2,791**	**¥ 41**	**¥ 3,348**	**¥ (2,145)**	**¥ 4,035**	**¥ 1,970**	**¥ 50,855**

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

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

	Thousands of U.S. dollars (Note 4)			
	Shareholders' equity			
	Common stock	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2009	$ 303,312	$ 176,193	$ (462)	$ 479,043
Cash dividends paid	**—**	**(6,516)**	**—**	**(6,516)**
Net income for the year	**—**	**6,290**	**—**	**6,290**
Acquisition of the treasury stock	**—**	**—**	**(22)**	**(22)**
Stocks of the parent company owned by new consolidated subsidiaries	**—**	**—**	**(559)**	**(559)**
Disposal of stocks of the parent company owned by consolidated subsidiaries	**—**	**—**	**559**	**559**
Loss on disposal of stocks of the parent company owned by consolidated subsidiaries	**—**	**(42)**	**—**	**(42)**
Reversal of surplus on the revaluation of land	**—**	**3,505**	**—**	**3,505**
Net change during the year	**—**	**—**	**—**	**—**
Balance as of March 31, 2010	**$ 303,312**	**$ 179,430**	**$ (484)**	**$ 482,258**

	Thousands of U.S. dollars (Note 4)						
	Valuation, translation adjustments and others						
	Net unrealized holding (loss) gain on securities, net of income taxes	Deferred (losses) gains on hedges	Surplus on the revaluation of land, net of income taxes	Translation adjustments	Total valuation, translation adjustments and others	Minority interests in consolidated subsidiaries	Total net assets
Balance as of March 31, 2009	$ (22,322)	$ (1,484)	$ 39,505	$ (15,334)	$ 365	$ 12,441	$ 491,849
Cash dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**(6,516)**
Net income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**6,290**
Acquisition of the treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(22)**
Stocks of the parent company owned by new consolidated subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**(559)**
Disposal of stocks of the parent company owned by consolidated subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**559**
Loss on disposal of stocks of the parent company owned by consolidated subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**(42)**
Reversal of surplus on the revaluation of land	**—**	**—**	**—**	**—**	**—**	**—**	**3,505**
Net change during the year	**52,333**	**1,925**	**(3,505)**	**(7,731)**	**43,022**	**8,742**	**51,764**
Balance as of March 31, 2010	**$ 30,011**	**$ 441**	**$ 36,000**	**$ (23,065)**	**$ 43,387**	**$ 21,183**	**$ 546,828**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2010	2009	**2010**
Cash Flows from Operating Activities:			
Income (loss) before income taxes and minority interests	**¥ 886**	¥ (2,618)	**$ 9,527**
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**3,244**	3,145	**34,882**
(Decrease) increase in allowance for doubtful accounts, net	**(245)**	80	**(2,634)**
Increase in accrued employees' retirement benefits	**820**	565	**8,817**
Loss on disposal and sales of property, plant and equipment	**306**	806	**3,290**
Write-down of investments in securities	**0**	7,418	**—**
Expenses on removal of office tenants	**—**	1,305	**—**
Gain on sales of investments in securities	**(610)**	(3)	**(6,559)**
Gain related to copper smelting business in Australia	**(1,345)**	—	**(14,462)**
Increase in provision for environmental measures	**214**	—	**2,301**
Gain on sales of property, plant and equipment	**(432)**	(2,599)	**(4,645)**
Interest and dividend income	**(498)**	(623)	**(5,355)**
Interest expense	**1,680**	1,728	**18,065**
Loss on impairment of fixed assets	**266**	225	**2,860**
Changes in operating assets and liabilities:			
Receivables, trade	**200**	12,064	**2,151**
Inventories	**(145)**	5,355	**(1,559)**
Payables, trade	**3,994**	(16,194)	**42,946**
Other	**(555)**	(2,433)	**(5,969)**
Subtotal	**7,780**	8,221	**83,656**
Interest and dividends received	**661**	630	**7,108**
Interest paid	**(1,675)**	(1,709)	**(18,011)**
Payments for removal of office tenants	**—**	(1,023)	**—**
Dividends income on investment in silent partnership	**3,944**	—	**42,409**
Income taxes paid	**(2,622)**	(1,859)	**(28,194)**
Income taxes refunded	**995**	985	**10,699**
Other	**—**	(133)	**—**
Net cash provided by operating activities	**9,083**	5,112	**97,667**
Cash Flows from Investing Activities:			
Purchases of property, plant and equipment	**(2,929)**	(16,437)	**(31,495)**
Proceeds from sales of property, plant and equipment	**1,070**	5,517	**11,505**
Purchases of investments in securities	**(1,123)**	(6)	**(12,075)**
Proceeds from sales of investments in securities	**1,372**	3	**14,753**
Purchases of stocks of subsidiaries and affiliates	**(2,053)**	—	**(22,075)**
Collection of investments in capital	**210**	—	**2,258**
Payment for purchases of investments in subsidiaries	**(198)**	—	**(2,129)**
Other	**8**	(616)	**86**
Net cash used in investing activities	**(3,643)**	(11,539)	**(39,172)**
Cash Flows from Financing Activities:			
Proceeds from long-term loans payable	**17,930**	35,000	**192,796**
Repayment of long-term loans payable	**(18,606)**	(18,286)	**(200,065)**
Proceeds from short-term loans	**2,511**	4,615	**27,000**
Repayment of short-term loans	**(5,954)**	(6,827)	**(64,022)**
Cash dividends	**(606)**	(2,427)	**(6,516)**
Other	**(44)**	117	**(473)**
Net cash (used in) provided by financing activities	**(4,769)**	12,116	**(51,280)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**243**	(893)	**2,613**
Net Increase in Cash and Cash Equivalents	**914**	4,796	**9,828**
Cash and Cash Equivalents at Beginning of Year	**19,343**	14,547	**207,989**
Cash and Cash Equivalents at End of Year	**¥ 20,257**	¥ 19,343	**$ 217,817**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Furukawa Co., Ltd. and consolidated subsidiaries
March 31, 2010

1. Basis of Presentation

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

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

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

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

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The Company had 46 subsidiaries as of March 31, 2010 (34 as of March 31, 2009). The consolidated financial statements included the accounts of the Company and 45 subsidiaries as of March 31, 2010 (34 as of March 31, 2009).

Compared with the previous year, the number of subsidiaries increased by 12 due to acquisition of stocks of Tohpe Corporation and decreased by 1 due to completion of liquidation.

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

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

The Company had 17 affiliates as of March 31, 2010 (12 affiliates as of March 31, 2009) and the equity method was applied to 7 affiliates as of March 31, 2010 (6 as of March 31, 2009) in preparing the consolidated financial statements.

Investments in the remaining unconsolidated subsidiaries and affiliates are carried at cost because of their immaterial impact on the consolidated financial statements.

(2) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with a maturity of three months or less when purchased.

(3) Marketable Securities and Investments in Securities

Securities other than equity securities issued by subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities. The Furukawa Group does not hold any trading or held-to-maturity securities as of March 31, 2010 and 2009. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Fair value is determined based on the average of the market value during the last month of the fiscal year. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(4) Inventories

Finished copper products and work in process relating to copper products are stated at cost determined by the moving average method (the balance sheets amounts of the inventories are stated at the lowered book values reflecting potential decline in profitability). Other inventories are mainly stated at cost determined by the average method (the balance sheets amounts of the inventories are stated at the lowered book values reflecting potential decline in profitability).

(5) Allowance for Doubtful Accounts

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

(6) Provision for Environmental Measures

The provision for environmental countermeasures is provided to cover the disposal costs anticipated to be incurred with respect to the "Law

Concerning Special Measures for Promotion of Proper Treatment of PCB Wastes."

(7) 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 is summarized as follows:

Buildings and structures	5 to 60 years
Machinery and equipment	2 to 22 years

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

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

(8) Retirement Benefit Plans

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

Accrued employees' retirement benefits have been provided at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the balance sheet dates, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation has been attributed to each period by the straight-line method over the years of service of the eligible employees.

The net obligation at transition of the listed subsidiary, which amounts to ¥1,940 million ($20,860 thousand), is being amortized by the straight-line method over a period of 15 years.

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

(9) Surplus on the Revaluation of Land

Pursuant to the "Law Concerning the Revaluation of Land," land used for the Company's business operations was revalued on March 31, 2002. The income tax effect of the difference between the book value and the revalued amount has been presented under liabilities as "Deferred income taxes on surplus on the revaluation of land" and the remaining balance has been presented under net assets as "Surplus on the revaluation of land" in the accompanying consolidated balance sheets. Revaluation of land was determined based on the official notice prices published by the Commissioner of the National Tax Authorities in accordance with Paragraph 4, Article 2 of the "Enforcement Ordinance Concerning Land Revaluation," with relevant adjustments. The carrying value of the land after revaluation exceeded its fair value by ¥1,453 million ($15,624 thousand) and ¥1,609 million as of March 31, 2010 and 2009, 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.

The Company and its domestic wholly-owned subsidiaries file a consolidated corporation tax return.

(11) Amounts per Share

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share is not presented for the years ended March 31, 2010 and 2009 since no dilutive instruments were issued and outstanding during those years.

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

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

(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 are credited or charged to income as incurred.

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

(13) Hedging Activities

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

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

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

(14) Shareholders’ Equity

The Company Law of Japan (the “Law”) provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

3. Accounting Changes

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

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

(2) Accounting Standard for Measurement of Inventories

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

(3) Accounting Standard for Lease Transactions

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

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

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

(4) Accounting Standard for Retirement Benefits

From the fiscal year ended March 31, 2010, the Company and its consolidated subsidiaries adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)" (ASBJ Statement No. 19, July 31, 2008). This adoption had no impact on income because actuarial differences are amortized from the next year. In addition, unrecognized actuarial differences that arose by this adoption are ¥310 million ($3,333 thousand).

4. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥93=US$1.00, the exchange rate prevailing on March 31, 2010. This translation should not be construed as a representation that yen have been, could have been or could in the future be converted into U.S. dollars at the above or any other rate.

5. Investments in Securities

The aggregate acquisition cost, carrying value and unrealized gain or loss pertaining to the marketable other securities as of March 31, 2010 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2010			2010		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Corporate shares	**¥ 14,886**	**¥ 11,496**	**¥ 3,390**	**$ 160,065**	**$ 123,613**	**$ 36,452**
Government bonds	**—**	**—**	**—**	**—**	**—**	**—**
	14,886	**11,496**	**3,390**	**160,065**	**123,613**	**36,452**
Securities whose acquisition cost exceeds their carrying value:						
Corporate shares	**4,087**	**4,586**	**(500)**	**43,946**	**49,322**	**(5,376)**
Government bonds	**—**	**—**	**—**	**—**	**—**	**—**
	4,087	**4,586**	**(500)**	**43,946**	**49,322**	**(5,376)**
Total	**¥ 18,973**	**¥ 16,083**	**¥ 2,890**	**$ 204,011**	**$ 172,935**	**$ 31,076**

	Millions of yen		
	2009		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Listed corporate shares	¥ 2,603	¥ 1,841	¥ 762
Government bonds	—	—	—
	2,603	1,841	762
Securities whose acquisition cost exceeds their carrying value:			
Listed corporate shares	10,325	13,141	(2,816)
Government bonds	15	16	(1)
	10,340	13,157	(2,817)
Total	¥ 12,943	¥ 14,998	¥ (2,055)

Gain on sales of securities classified as other securities with aggregate gain and loss for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Sales proceeds	**¥ 1,491**	¥ 3	**$ 16,032**
Aggregate gain	**610**	3	**6,559**
Aggregate loss	**(12)**	0	**(129)**

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

Short-term loans, most of which are unsecured, represented notes payable to banks, with the average interest rates of 0.9% and 1.3% as of March 31, 2010 and 2009, respectively.

Long-term debt as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Loans, principally from banks, insurance companies and government agencies, most of which are secured, due 2010 to 2025	**¥ 81,637**	¥ 79,303	**$ 877,817**
	81,637	79,303	**877,817**
Current portion of long-term debt	**(20,222)**	(18,141)	**(217,441)**
	¥ 61,415	¥ 61,162	**$ 660,376**

The average interest rate applicable to the above loans amounting to ¥81,637 million ($877,817 thousand) was 1.7% and 1.8% as of March 31, 2010 and 2009, respectively.

The aggregate annual maturities of long-term debt subsequent to March 31, 2010 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	**¥ 20,222**	**$ 217,441**
2012	**15,675**	**168,548**
2013	**13,713**	**147,452**
2014	**18,428**	**198,151**
2015 and thereafter	**13,599**	**146,225**
	¥ 81,637	**$ 877,817**

Lease obligations as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Lease obligations due 2010 to 2016	**¥ 891**	¥ 519	**$ 9,581**
	891	519	**9,581**
Current portion of lease obligations	**(207)**	(101)	**(2,226)**
	¥ 684	¥ 418	**$ 7,355**

The aggregate annual maturities of lease obligations subsequent to March 31, 2010 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ **207**	$ **2,226**
2012	**206**	**2,215**
2013	**189**	**2,032**
2014	**155**	**1,667**
2015 and thereafter	**134**	**1,441**
	¥ **891**	$ **9,581**

The Company and certain consolidated subsidiaries have entered into overdraft and loan commitment agreements amounting to ¥40,288 million ($433,204 thousand) with 27 banks and ¥44,789 million with 27 banks as of March 31, 2010 and 2009, respectively. The borrowings outstanding and the unused balances under these credit facilities amounted to ¥20,656 million ($222,107 thousand) and ¥19,632 million ($211,097 thousand), respectively, as of March 31, 2010 and amounted to ¥25,356 million and ¥19,433 million, respectively, as of March 31, 2009.

Assets pledged as collateral and liabilities with collateral pledged as of March 31, 2010 and 2009 were as follows:

(a) Assets pledged as collateral

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Investments in securities	¥ **1,839**	¥ 645	$ **19,774**
Property, plant and equipment, net	**7,086**	19,587	**76,194**
Other current assets	**87**	—	**935**
	¥ **9,012**	¥ 20,232	$ **96,903**

(b) Liabilities with collateral pledged

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Short-term debt	¥ **300**	¥ 30	$ **3,226**
Long-term debt (including current portion)	**2,812**	2,177	**30,236**
	¥ **3,112**	¥ 2,207	$ **33,462**

7. Presentation of Goodwill and Negative Goodwill

Goodwill and negative goodwill are netted against each other. The pre-netted amounts as of March 31, 2010 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2010	**2010**
Goodwill	¥ **760**	$ **8,172**
Negative goodwill	**(47)**	**(505)**
Net goodwill	¥ **713**	$ **7,667**

8. Depreciation and Amortization

Depreciation and amortization for the years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Property, plant and equipment	**¥ 3,187**	¥ 3,095	**$ 34,269**
Other investments	**57**	50	**613**
	¥ 3,244	¥ 3,145	**$ 34,882**

9. Impairment Losses

The Company and its consolidated subsidiaries have recognized impairment losses on idle assets and mining assets that are no longer in operation due to a significant decline in their fair value by reducing their net book value to the respective net realizable value of each asset.

The impairment loss for the years ended March 31, 2010 and 2009 amounted to ¥689 million ($7,408 thousand) and ¥225 million, respectively.

The impairment loss of ¥689 million ($7,408 thousand) for the year ended March 31, 2010 consisted of losses on idle assets of ¥504 million ($5,419 thousand) (land—¥45 million ($484 thousand), building and structures—¥36 million ($387 thousand), and machinery and equipment—¥423 million ($4,548 thousand)) and a loss on mining assets that are no longer in operation of ¥185 million ($1,989 thousand) (land—¥185 million ($1,989 thousand)).

10. Research and Development Expenses

Research and development expenses, included in selling, general and administrative expenses and cost of sales, for the years ended March 31, 2010 and 2009 amounted to ¥1,862 million ($20,022 thousand) and ¥1,752 million, respectively.

11. Leases

Finance leases (lessee)

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

1. Leased asset quality
   (a) Tangible fixed assets
   Mainly production installations in the machinery segment (Machinery and equipment) and distribution vehicles in the others segment (Machinery and equipment)
   (b) Intangible assets
   Mainly software
2. Depreciation method of leased assets
   Refer to "(7) Property, Plant and Equipment and Depreciation" in "2. Summary of Significant Accounting Policies." Finance lease transactions that do not involve transfer of ownership, entered into on and before March 31, 2008, by the Company and its domestic consolidated subsidiaries are accounted for as operating leases.

The pro forma amounts representing acquisition costs, accumulated depreciation and net carrying value for the machinery and equipment and others held under the finance leases currently accounted for as operating leases as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Acquisition costs	**¥ 3,217**	¥ 3,593	**$ 34,591**
Less accumulated depreciation	**1,660**	1,522	**17,849**
Net carrying value	**¥ 1,557**	¥ 2,071	**$ 16,742**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥540 million ($5,806 thousand) and ¥599 million for the years ended March 31, 2010 and 2009, respectively, which were equal to the depreciation expense of leased assets computed by the straight-line method over the lease terms.

Future minimum lease payments including an interest element under the finance leases outstanding as of March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Within one year	**¥ 473**	¥ 535	**$ 5,086**
Over one year	**1,084**	1,536	**11,656**
	¥ 1,557	¥ 2,071	**$ 16,742**

(2) Operating leases

The future minimum lease payments under lease agreements other than finance leases as of March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		U.S. dollars
	2010	2009	**2010**
Within one year	**¥ 12**	¥ 19	**$ 129**
Over one year	**14**	22	**151**
	¥ 26	¥ 41	**$ 280**

12. Financial Instruments

For the year ended March 31, 2010

1. Overview of financial instruments

(1) Policy for financial instruments

In consideration of the annual financial plan, the Furukawa Group raises funds through mainly bank borrowings and bond issues. Further, the Furukawa Group raises short-term capital through mainly bank borrowings. The Furukawa Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk

Trade receivables—trade notes and accounts receivables—are exposed to credit risk in relation to customers. In addition, the Furukawa Group is exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies. In principle, the foreign currency exchange risks deriving from the trade receivables denominated in foreign currencies are hedged by forward foreign exchange contracts.

Marketable securities and investment securities are exposed to market risk. Those securities are composed of mainly the shares of common stock of other companies with which the Furukawa Group has business relationships.

Substantially all trade payable—trade notes and accounts payables—have payment due dates within one year.

Short-term loans are raised mainly in connection with business activities, and long-term debt is taken out principally for the purpose of making capital investments. Long-term debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for long-term debt bearing interest at variable rates, the Furukawa Group utilizes rate swap transactions as a hedging instrument for each contract. The assessment of effectiveness is omitted since it meets conditions of specific matching criteria for interest rate swaps.

Regarding derivatives, the Furukawa Group enters into forward foreign exchange contracts to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies. The Furukawa Group also enters into interest rate swap transactions to reduce fluctuation risk deriving from interest payable for debt bearing interest at variable rates. The Furukawa Group also enters into forward commodity exchange contracts to reduce fluctuation risk of commodity prices of inventories. Information regarding the method of hedge accounting, hedging instruments, hedged items, hedging policy and the assessment of effectiveness of hedging activities is found in "(13) Hedging Activities" in "2. Summary of Significant Accounting Policies."

(3) Risk management for financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies of the Furukawa Group for managing credit risk arising from receivables, each related division monitors credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer.

In utilizing derivatives, the Furukawa Group has transactions with major financial institutions or trading companies which have high credit to reduce credit risk.

(b) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

For trade receivables and payables denominated in foreign currencies, the Furukawa Group identifies the foreign currency exchange risk for each currency on a monthly basis and principally enters into forward foreign exchange contracts to hedge such risk. In order to mitigate the interest rate risk for loans payable and bonds bearing interest at variable rates, the Furukawa Group enters into interest rate swap transactions.

For marketable securities and investment securities, the Furukawa Group periodically reviews the fair values of such financial instruments.

In conducting or managing derivative transactions, each division makes transactions by approval of the directors of transaction-related divisions.

(c) Monitoring of liquidity risk (the risk that the Furukawa Group may not be able to meet its obligations on scheduled due dates)

Based on the report from each division, the Furukawa Group prepares and updates its cash flow plans on a monthly basis to manage liquidity risk.

(4) Supplementary explanation of the estimated fair value of financial instruments

The value of financial instruments is based on their quoted market place, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in "13. Derivative Transactions" are not necessarily indicative of the actual market risk involved in derivative transactions.

2. Estimated fair value of financial instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2010 and estimated fair value are shown as follows. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note 2 below.)

	Millions of yen			Thousands of U.S. dollars		
	2010			2010		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets						
(1) Cash and cash equivalents	**¥ 20,257**	**¥ 20,257**	**—**	**$ 217,817**	**$ 217,817**	**—**
(2) Notes and accounts receivable	**24,427**	**24,427**	**—**	**262,656**	**262,646**	**—**
(3) Investments in securities	**18,973**	**18,973**	**—**	**204,010**	**204,010**	**—**
Total assets	**63,657**	**63,657**	**—**	**684,483**	**684,483**	**—**

	Millions of yen			Thousands of U.S. dollars		
	2010			2010		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Liabilities						
(1) Notes and accounts payable	¥ 26,426	¥ 26,426	—	$ 284,151	$ 284,151	—
(2) Short-term loans (*1)	13,077	13,077	—	140,613	140,613	—
(3) Long-term debt (*1)	81,637	82,187	¥ 550	877,817	883,731	$ 5,914
Total liabilities	121,140	121,690	550	1,302,581	1,308,495	5,914
Derivatives (*2)	¥ 145	¥ 145	—	$ 1,559	$ 1,559	—

*1 Current portion of long-term debt is included in Long-term debt.

*2 The value of assets and liabilities arising from derivatives is shown at net value, with the amount in parentheses representing the net liability position.

Notes:

1. Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Assets

(1) Cash and cash equivalents, (2) Notes and accounts receivable

Since these items are settled in a short period of time, their carrying value approximates fair value.

(3) Investments in securities

The fair value of stocks is based on market prices. For information on securities classified by holding purpose, please refer to "5. Investments in Securities" to the consolidated financial statements.

Liabilities

(1) Notes and accounts payable (2) Short-term loans

Since these items are settled in a short period of time, their carrying value approximates fair value.

(3) Long-term debt

The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new loans were entered into.

Derivatives transaction

Please refer to "13. Derivative Transactions" to the consolidated financial statement.

2. Financial instruments for which it is extremely difficult to determine the fair value as of March 31, 2010

	Millions of yen	Thousands of U.S. dollars
Unlisted stocks	¥ 8,468	$ 91,054

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the above table of "(3) Investments in securities."

3. Redemption schedule for receivables and marketable securities with maturities after March 31, 2010 is as follows:

Millions of yen	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash deposit	¥ 20,180	—	—	—
Notes and accounts receivable	24,426	—	—	—
Total	¥ 44,606	—	—	—

Thousands of U.S. dollars	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash deposit	$ 216,989	—	—	—
Notes and accounts receivable	262,645	—	—	—
Total	$ 479,634	—	—	—

4. The redemption schedule for long-term debt is disclosed in "6. Short-Term Loans, Long-Term Debt and Lease Obligations."

(Additional information)

Effective the fiscal year ended March 31, 2010, "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, March 10, 2008) and "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 10, 2008) have been adopted.

13. Derivative Transactions

The notional amounts and estimated fair value of the derivative instruments outstanding at March 31, 2010, for which hedged accounting have been applied, are as follows:

1. Currency-related transactions

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2010		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward foreign exchange contracts				
	Sell				
	U.S. dollars	Accounts receivable	¥ 768	—	¥ (13)
	EUR	Accounts receivable	46	—	(0)
	U.S. dollars	Accounts payable	6,220	—	(209)
Allocation method	Forward foreign exchange contracts				
	Sell				
	U.S. dollars	Accounts receivable	¥ 324	—	(*)
	EUR	Accounts receivable	43	—	(*)
	Buy				
	U.S. dollars	Accounts payable	¥ 3,753	—	(*)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2010		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward foreign exchange contracts				
	Sell				
	U.S. dollars	Accounts receivable	$ 8,258	—	$ (140)
	EUR	Accounts receivable	495	—	(0)
	U.S. dollars	Accounts payable	66,872	—	(2,247)
Allocation method	Forward foreign exchange contracts				
	Sell				
	U.S. dollars	Accounts receivable	$ 3,484	—	(*)
	EUR	Accounts receivable	462	—	(*)
	Buy				
	U.S. dollars	Accounts payable	$ 40,355	—	(*)

2. Interest-related transaction

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2010		
			Contract amounts	Maturing after one year	Fair value
Special accounting procedure for interest rate swap	Receive/floating and pay/fixed	Long-term debt	¥ 37,094	¥ 29,988	(*)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2010		
			Contract amounts	Maturing after one year	Fair value
Special accounting procedure for interest rate swap	Receive/floating and pay/fixed	Long-term debt	$ 398,860	$ 322,452	(*)

(*) The fair values by means of the special accounting procedure for interest rate swap contracts are included in the fair values of the hedged long-term debt because the derivative transactions are treated as a part of hedged long-term debt.

3. Commodity-related transactions

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2010		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell				
	Copper	Raw material	—	—	—
	Buy				
	Copper	Raw material	¥ 5,118	—	¥ 367

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2010		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell				
	Copper	Raw material	—	—	—
	Buy				
	Copper	Raw material	$ 55,032	—	$ 3,946

Note: The fair values of forward currency contracts are based on the price provided by trading companies.

(*) Since short position trade is dependent on copper price at the time when copper will be received, amount of contract and the fair value as of March 31, 2010 does not exist and is not disclosed.

14. Retirement Benefits

The balances of the retirement benefit obligation and plan assets, funded status and the amounts recognized in the consolidated balance sheets as of March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Retirement benefit obligation	**¥ (15,117)**	¥ (13,743)	**$ (162,548)**
Plan assets at fair value	**11,212**	7,936	**120,559**
Unfunded status	**(3,905)**	(5,807)	**(41,989)**
Unrecognized net obligation at transition	**647**	—	**6,957**
Unrecognized actuarial loss	**6,605**	10,526	**71,022**
Unrecognized prior service cost	**226**	248	**2,430**
Prepaid pension expenses	**(5,162)**	(6,348)	**(55,506)**
Accrued employees' retirement benefits	**¥ (1,589)**	¥ (1,381)	**$ (17,086)**

The components of retirement benefit expenses for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Service cost	**¥ 627**	¥ 686	**$ 6,742**
Interest cost	**360**	349	**3,871**
Expected return on plan assets	**(156)**	(149)	**(1,677)**
Amortization of prior service cost	**22**	22	**237**
Amortization of actuarial loss	**1,052**	855	**11,311**
Amortization of net obligation at transition	**32**	—	**344**
Retirement benefit expenses	**1,937**	1,763	**20,828**
Employees' contributions to the defined benefit pension plans	**8**	12	**86**
Total	**¥ 1,945**	¥ 1,775	**$ 20,914**

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

	2010	2009
Discount rates	**mainly 2.2%**	mainly 2.4%
Expected return on plan assets	**mainly 2.0%**	mainly 2.0%

15. Income Taxes

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

The above information for the year ended March 31, 2010 was summarized as follows:

Statutory tax rate	**40.7%**
Non-deductible expenses for tax purposes	**4.9**
Non-taxable dividends and other income	**(4.3)**
Inhabitants per capital tax	**10.8**
Equity in earnings of affiliates	**3.8**
Amortization of negative goodwill	**(1.0)**
Changes in valuation allowance	**(21.3)**
Other	**0.6**
Effective tax rate	**34.2%**

Deferred tax assets and liabilities as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Allowance for doubtful accounts	¥ 375	¥ 322	$ 4,032
Accrued employees' retirement benefits	5,798	5,257	62,344
Loss on impairment of fixed assets	3,139	2,791	33,753
Investments in securities	3,866	3,820	41,570
Accrued expenses	87	351	935
Net unrealized holding loss on securities	—	998	—
Net operating loss carryforwards	15,933	14,227	171,323
Land	2,638	2,627	28,366
Other	1,443	875	15,516
Total gross deferred tax assets	33,279	31,268	357,839
Valuation allowance	(22,737)	(21,693)	(244,484)
Total deferred tax assets	10,542	9,575	113,355
Deferred tax liabilities:			
Net unrealized holding gain on securities	—	(20)	—
Statutory reserves provided for tax purposes	(1,593)	(1,478)	(17,129)
Gain from establishment of trust for retirement benefit plans	(4,327)	(4,327)	(46,527)
Land	(10,545)	(9,225)	(113,387)
Capitalized interest of a foreign subsidiary	(1,604)	(738)	(17,247)
Other	(383)	(129)	(4,119)
Total deferred tax liabilities	(18,452)	(15,917)	(198,409)
Net deferred tax liabilities	¥ (7,910)	¥ (6,342)	$ (85,054)
Deferred income taxes on surplus on the revaluation of land	¥ (2,806)	¥ (3,030)	$ (30,172)

16. Contingent Liabilities

Contingent liabilities as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Notes receivable discounted and endorsed	¥ 1,531	¥ 444	$ 16,462
Loans guaranteed	2,792	3,725	30,022

17. Write-down of Inventories

The amounts of write-down of inventories, included in cost of sales, for the year ended March 31, 2009 amounted to ¥579 million. For the year ended March 31, 2010, the Company reversed write-down in the amount of ¥536 million ($5,763 thousand) and credited it to costs of sales.

18. Other Income (Expenses)—Other, Net

Other income (expenses)—other, net for the years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Gain or loss on disposal and sales of property, plant and equipment	**¥ 126**	¥ 1,793	**$ 1,355**
Gain on sales of investments in securities	**610**	—	**6,559**
Gain related to copper smelting business in Australia	**1,345**	—	**14,462**
Employment adjustment subsidy	**254**	—	**2,731**
Liquidating distribution from silent partnership	**—**	3,962	**—**
Payments for idle mines	**(562)**	(532)	**(6,043)**
Write-down of investments in securities	**0**	(7,418)	**0**
Expenses on removal of office tenants	**—**	(1,305)	**—**
Provision for environmental measures	**(214)**	—	**(2,301)**
Loss on business withdrawal	**(762)**	—	**(8,194)**
Impairment loss on fixed assets	**(266)**	(225)	**(2,860)**
Other, net	**22**	(198)	**237**
	¥ 553	¥ (3,923)	**$ 5,946**

19. Supplementary Cash Flow Information

The breakdown of assets and liabilities of the newly consolidated subsidiary, Tohpe Corporation, at the commencement of the consolidation is as follows. The following also shows the acquisition cost of the shares of Tohpe Corporation and amounts paid (net) for the acquisition of such shares for the year ended March 31, 2010.

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥ 8,334**	**$ 89,613**
Fixed assets	**7,297**	**78,462**
Goodwill	**761**	**8,183**
Current liabilities	**(10,751)**	**(115,602)**
Long-term liabilities	**(3,555)**	**(38,226)**
Minority Interest	**(883)**	**(9,495)**
Acquisition cost of Tohpe Corporation shares	**1,203**	**12,935**
Cash and cash equivalents of Tohpe Corporation	**(1,005)**	**(10,806)**
Net amounts paid for the acquisition of Tohpe Corporation shares	**¥ 198**	**$ 2,129**

20. Segment Information

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

The business segment information of the Furukawa Group for the years ended March 31, 2010 and 2009 was as follows:

Year ended March 31, 2010	Millions of yen								
	Machinery	Metals	Electronic Materials and Chemicals	Paints	Real Estate	Fuels	Others	Eliminations and Corporate	Consolidated
I. Sales and operating income (loss)									
Outside customers	¥ 44,313	¥ 71,133	¥ 10,995	¥ 3,693	¥ 2,044	¥ 9,893	¥ 854	—	¥ 142,925
Intersegment	369	500	376	4	152	215	1,206	¥ (2,822)	—
Total	44,682	71,633	11,371	3,697	2,196	10,108	2,060	(2,822)	142,925
Costs and expenses	(47,692)	(68,409)	(10,608)	(3,716)	(1,067)	(10,137)	(2,437)	2,739	(141,327)
Operating income (loss)	¥ (3,010)	¥ 3,224	¥ 763	¥ (19)	¥ 1,129	¥ (29)	¥ (377)	¥ (83)	¥ 1,598
II. Assets, depreciation, impairment loss on fixed assets and capital expenditures									
Total assets	¥ 57,193	¥ 30,407	¥ 24,145	¥ 15,287	¥ 23,584	¥ 2,401	¥ 4,017	¥ 47,740	¥ 204,774
Depreciation	1,570	309	629	66	270	12	152	236	3,244
Impairment loss on fixed assets	3	—	—	—	63	5	422	196	689
Capital expenditures	1,502	205	227	59	236	16	98	593	2,936

Year ended March 31, 2010	Thousands of U.S. dollars								
	Machinery	Metals	Electronic Materials and Chemicals	Paints	Real Estate	Fuels	Others	Eliminations and Corporate	Consolidated
I. Sales and operating income (loss)									
Outside customers	$ 476,484	$ 764,871	$ 118,226	$ 39,710	$ 21,978	$ 106,376	$ 9,183	—	$ 1,536,828
Intersegment	3,968	5,376	4,043	43	1,634	2,312	12,968	$ (30,344)	—
Total	480,452	770,247	122,269	39,753	23,612	108,688	22,151	(30,344)	1,536,828
Costs and expenses	(512,818)	(735,580)	(114,065)	(39,957)	(11,472)	(109,000)	(26,205)	29,452	(1,519,645)
Operating income (loss)	$ (32,366)	$ 34,667	$ 8,204	$ (204)	$ 12,140	$ (312)	$ (4,054)	$ (892)	$ 17,183
II. Assets, depreciation, impairment loss on fixed assets and capital expenditures									
Total assets	$ 614,978	$ 326,957	$ 259,624	$ 164,376	$ 253,591	$ 25,817	$ 43,195	$ 513,333	$ 2,201,871
Depreciation	16,882	3,323	6,763	710	2,903	129	1,634	2,538	34,882
Impairment loss on fixed assets	32	—	—	—	677	54	4,538	2,108	7,409
Capital expenditures	16,151	2,204	2,441	634	2,538	172	1,054	6,376	31,570

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

The geographic segment information for the years ended March 31, 2010 and 2009 has not been presented, because the revenues and total assets in Japan exceed 90% of consolidated totals.

Overseas sales, which include exports of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the foreign consolidated subsidiaries, totaled ¥22,950 million ($246,774 thousand) and ¥31,913 million or 16.1% and 19.7% of the consolidated net sales for the years ended March 31, 2010 and 2009, respectively.

21. Business Combination

For the year ended March 31, 2010

On December 22, 2009, the Company made its affiliate Tohpe Corporation a consolidated subsidiary through an allocation of new shares to a third party and a takeover bid. In connection with the accounting for the acquisition, the Company has applied the purchase method.

1. Outline of the business combination

(1) Names of the acquired party and description of its business

a) Tohpe Corporation

b) Production and sales of paints

(2) Reasons for the business combination

Tohpe Corporation announced its improved management plan that includes rationalization of production, personnel downsizing by freezing continued re-employment and strengthening of sales and product development, to achieve earnings recovery in Paint and Chemical Product business.

We have considered Tohpe Corporation as one of our important company in the Furukawa group and supported through investing, purchase of products and dispatching the Company's employees as CEOs. We concluded that achieving the Tohpe Corporation's improved management plan by our financial and personnel supports is the best way not only for management reconstruction of Tohpe Corporation but for expansion of the Furukawa group's operation. Therefore, we decided to make Tohpe Corporation a consolidated subsidiary through an allocation of new shares to a third party and takeover bid.

(3) Date of the business combination

December 22, 2009

(4) Form of the business combination

Allocation of new shares to a third party and takeover bid

(5) Name of company after business combination

Tohpe Corporation

(6) Ratio of voting rights acquired through the business combination
35.1%

2. Period for which the operating results of the acquired company are included in the consolidated financial statements of the Company
From January 1, 2010 to March 31, 2010

3. Acquisition cost
Cost for acquiring the shares: ¥954 million
Expenses related to the acquisition: ¥249 million
Total acquisition cost: ¥1,203 million

4. Amount, reason, amortization method and period of goodwill
a) Amount of goodwill
¥760 million
b) Reason
The acquisition cost of the acquired company exceeds the value of the assets and liabilities of the acquired company as of the date of the business combination.
c) Amortization method and period of goodwill
To be amortized over 5 years using the straight-line method

5. Assets and liabilities assumed on the date of the business combination and their components
Current assets: ¥8,334 million
Fixed assets: ¥7,296 million
Total assets: ¥15,630 million
Current liabilities: ¥10,751 million
Long-term liabilities: ¥3,554 million
Total liabilities: ¥14,306 million

6. Approximate impact on the consolidated statements of operations, assuming that the business combination took place at the beginning of the fiscal year ended March 31, 2010
Net sales: ¥14,518 million
Operating loss: ¥201 million
Loss before income taxes and minority interests: ¥483 million
Net loss: ¥258 million
Net loss per share: ¥0.64
These amounts were calculated based on the consolidated statements of operations of Tohpe Corporation with adjustment for the amortized amount of goodwill and minority interests on the assumption that the business combination was completed at the beginning of the fiscal year ended March 31, 2010.
The figures above are un-audited.

22. Investment and Rental Properties

The Company and certain consolidated subsidiaries own office buildings for lease mainly in Tokyo and other areas. Effective the fiscal year ended March 31, 2010, rental income is ¥1,114 million ($11,978 thousand), gain on sales of rental properties is ¥432 million ($4,645 thousand), loss on disposal and sales of rental properties is ¥171 million ($1,839 thousand) and loss on impairment of rental properties is ¥266 million ($2,860 thousand). The carrying value in the consolidated balance sheets and corresponding fair value of those properties are as follows:

Carrying Value			Fair Value
As of March 31, 2009	Net change	As of March 31, 2010	As of March 31, 2010
(Millions of yen)			
¥ 27,767	¥ (201)	¥ 27,566	¥ 31,598

Carrying Value			Fair Value
As of March 31, 2009	Net change	As of March 31, 2010	As of March 31, 2010
(Thousands of U.S. dollars)			
$ 298,570	$ (2,161)	$ 296,409	$ 339,763

Notes:

1. The carrying value represents the acquisition cost less accumulated depreciation and cumulative impairment loss.
2. The components of net change in carrying value included increases mainly related to changes in use in the amount of ¥276 million ($2,968 thousand) and decreases mainly due to sales of real estate in the amount of ¥629 million ($6,763 thousand).
3. The fair value is mainly estimated in accordance with appraisal standards for valuing real estate.

(Additional information)

Effective the fiscal year ended March 31, 2010, "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No. 20) and "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23) have been adopted.

ERNST & YOUNG

Report of Independent Auditors

The Board of Directors
Furukawa Co., Ltd.

We have audited the accompanying consolidated balance sheets of Furukawa Co., Ltd. and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Furukawa Co., Ltd. and consolidated subsidiaries at March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4.

Ernst & Young ShinNihon LLC

June 29, 2010

Corporate Data

(As of March 31, 2010)

Directors and Auditors

(As of June 29, 2010)

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

Executive Officers

(As of June 29, 2010)

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

Company Name: Furukawa Co., Ltd.

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

Tel: +81-3-3212-6570 **Fax:** +81-3-3212-6578

Date of Foundation: August 1875

Date of Establishment: April 1918

Number of Shares Authorized: 800,000,000 shares

Number of Shares Outstanding: 404,455,680 shares

Stock Exchange Listing: Tokyo, Osaka

Securities Code Number: 5715

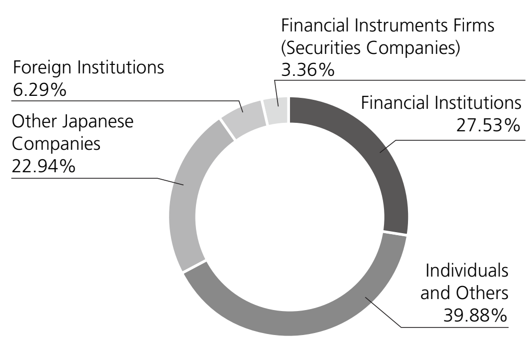
Employees: Consolidated 2,670; Non-consolidated 207

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

Principal Shareholders

	Number of Shares (Thousands)	Percentage of Total Shares (%)
Asahi Mutual Life Insurance Co.	27,923	6.90
Seiwa Sogo Tatemono Co., Ltd.	15,034	3.71
Sompo Japan Insurance Inc.	13,810	3.41
The Master Trust Bank of Japan, Ltd. (trust account)	12,235	3.02
Japan Trustee Services Bank, Ltd. (trust account)	12,006	2.96
Chuo Real Estate Co., Ltd.	11.827	2.92
Fujitsu Limited	9,617	2.37
Furukawa Electric Co., Ltd.	8,777	2.17
Fuji Electric Holdings Co., Ltd.	8,620	2.13
The Yokohama Rubber Company, Limited	8,510	2.10

Composition of Shareholders



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

Corporate History

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

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

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

1914 Manufactured the first rock drill in Japan.

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

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

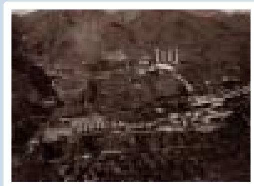
Built the Oyama Works of the Machinery Division of the Ashio Copper Mine in Tochigi.

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

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

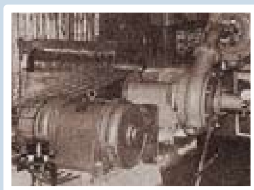
1962 Completed the Furukawa/Outokumpu flash smelting plant at Ashio Smelting and Refining.

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



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

The first domestic rock drill was developed at Ashio.



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

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

The Furukawa/Outokumpu flash smelting plant

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

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

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

1990 Bought an America breaker manufacturer.

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

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

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

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

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

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

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

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

2009 Built the new laboratory of the Nitride Semiconductors Department in Oyama.

Made Tohpe Corporation, which manufactures and distributes paints and chemicals, into a consolidated subsidiary.

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

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

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

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

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

In 2009, the new laboratory of the Nitride Semiconductors Department was built in Oyama.

Paints

FURUKAWA CO.,LTD.

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

Real Estate

Electronic Materials

Chemicals

Fuels and Others