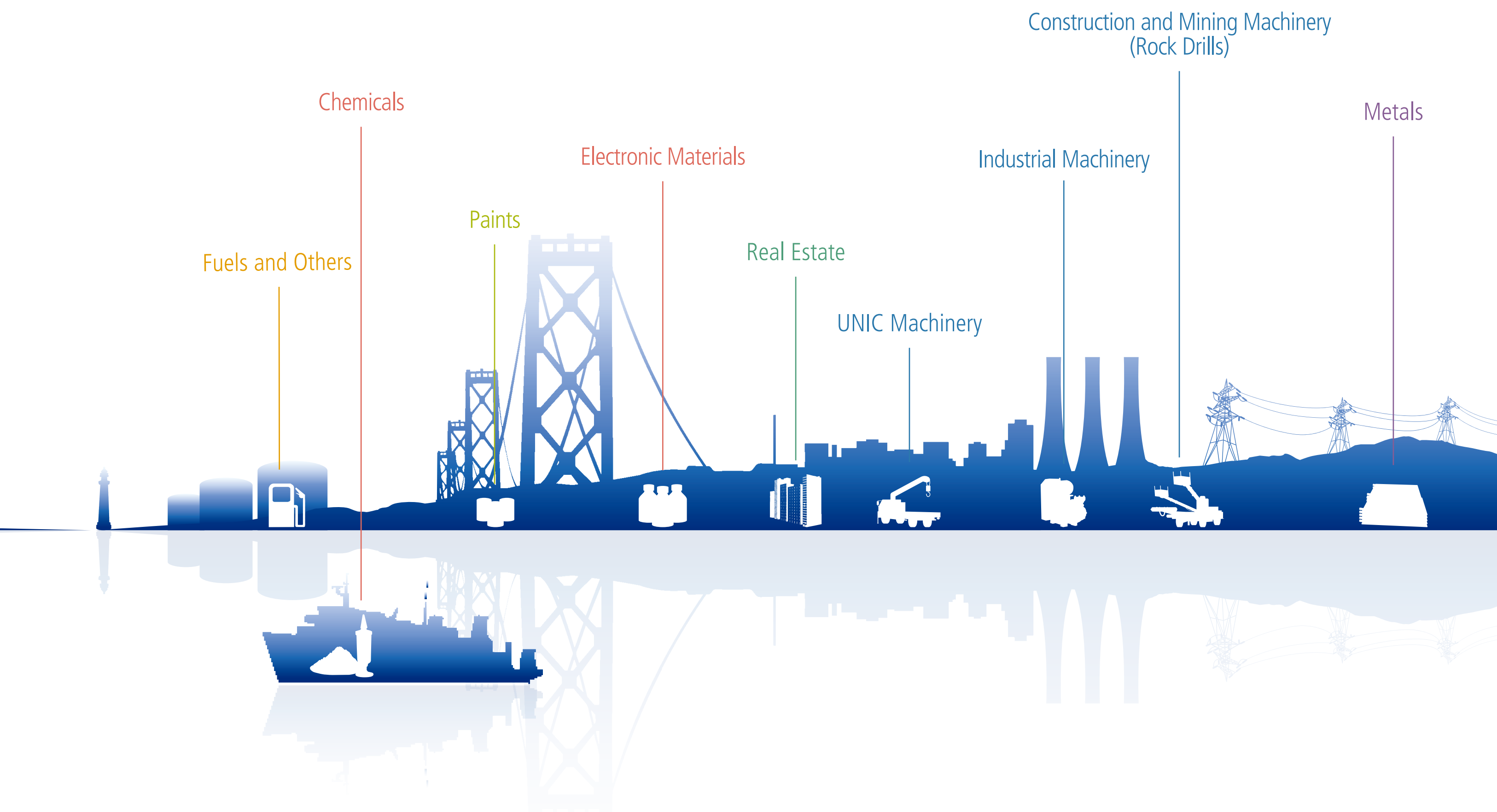
FURUKAWA

ANNUAL REPORT 2011

Year ended March 31, 2011



Profile

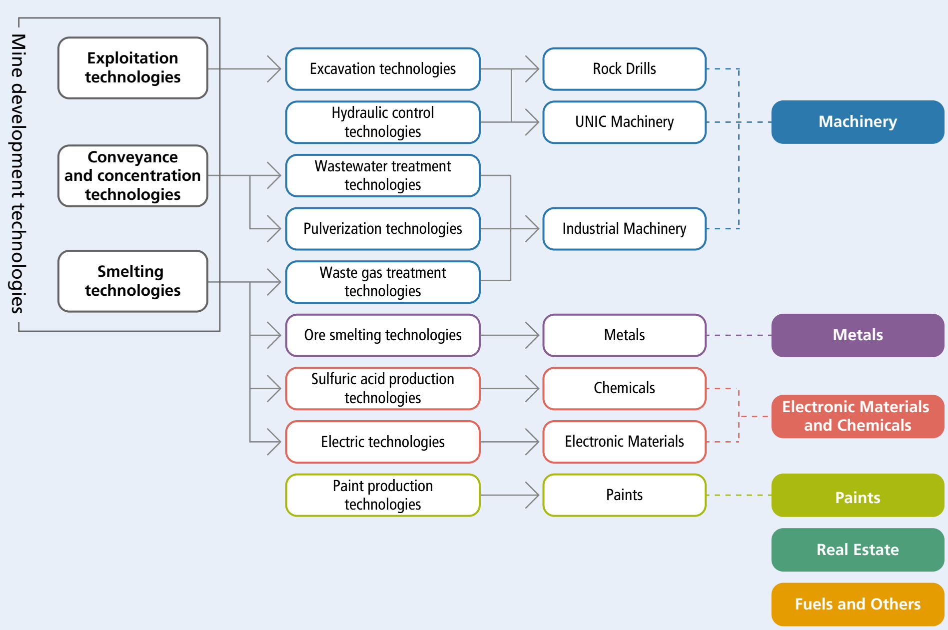
Since its establishment in 1875, Furukawa has emerged from its origins in mine development to build a broad range of businesses while constantly addressing the needs of the times. Over that period, our business domain has diversified to encompass industrial machinery, construction and mining machinery (rock drills), UNIC machinery, metals, electronic materials, chemicals, paints, real estate and fuels and others. 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.

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.

Contents

Overview of Furukawa Company Group

Furukawa's Technological Genealogy



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.

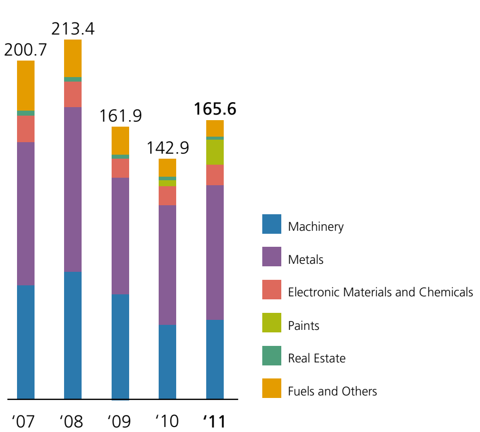
Consolidated Financial Highlights

Furukawa Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2011, 2010 and 2009

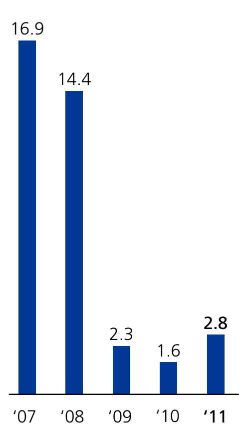
	Millions of yen			Thousands of U.S. dollars	Percent change
	2011	2010	2009	2011	2011/2010
For the year:					
Net sales	¥ 165,638	¥142,925	¥161,858	$1,995,639	15.9%
Operating income	2,821	1,598	2,303	33,988	76.6
Income (loss) before income taxes and minority interests	447	886	(2,618)	5,386	(49.5)
Net income (loss)	563	585	(5,917)	6,783	(3.8)
At year-end:					
Total assets	196,234	204,774	188,361	2,364,265	(4.2)
Net assets	47,622	50,855	45,742	573,759	(6.4)
Per share amounts:	Yen			U.S. dollars	
Net income (loss)					
Basic	1.39	1.45	(14.64)	0.02	(4.1)
Cash dividends	0.00	0.00	4.00	0.00	—

Notes: 1. U.S. dollar amounts are translated from yen for convenience only at the rate of ¥83=US$1.00.
2. From the 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 (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
3. Effective the year ended March 31, 2011, the Company adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and "Guidance on the Accounting Standard for Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008), which is new accounting for disclosures about segments of an enterprise and related information. Segment information for the year ended March 31, 2010 has been restated in accordance with such accounting standards for comparative purposes.

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 2011, ended March 31, 2011, the Japanese economy in the first half showed signs of a turnaround. In the second half, however, financial crises in Europe and uncertainty about the economic outlook for the United States provided the backdrop for appreciation of the yen and declines in stock prices. With the added impact of deflation, the domestic economy continued to mark time. The Great East Japan Earthquake, which struck on March 11, 2011, not only caused direct damage from the earthquake and tsunami, but also disrupted the supply chain that serves as the core for Japan-style business efficiency. Other impacts included limitations on electric power supply capacity. For these reasons, the outlook for the Japanese economy incorporates major elements of uncertainty.

Despite these challenging conditions, the Furukawa Company Group proactively advanced its business strategies, resulting in year-on-year sales increases for four business segments: Construction and Mining Machinery (Rock Drills), UNIC Machinery, Metals, and Electronic Materials. Consolidated net sales for the year amounted to ¥165,638 million, up 15.9% from the previous year. Major factors were an increase in shipments primarily to China, the Middle East, and North America, which boosted sales of the Construction and Mining Machinery (Rock Drills) segment, as well as rising prices of copper, which elevated sales of the Metals segment.

Operating income jumped 76.6%, to ¥2,821 million, owing mainly to increased sales of the Construction and Mining Machinery (Rock Drills), UNIC Machinery, and Electronic Materials segments. This was despite the negative impact on earnings of the strong yen and deteriorating purchasing conditions in the Metals segment, as well as a decline in rental income for the Real Estate segment.

Turning to other expenses, the Group also posted a ¥181 million write-down of investments in securities and a ¥67 million loss on disposal and sales of property, plant and equipment.

The Group incurred a ¥216 million loss on disaster associated with the earthquake, stated as an extraordinary loss. This was due primarily to suspension of operations at our main electronic materials plant in Iwaki City, Fukushima Prefecture. Income before income taxes and minority interests totaled ¥447 million, down from ¥886 million in the previous year.

As a result, net income declined 3.8%, to ¥563 million.

Great East Japan Earthquake: Impact and Responses

Fortunately, the Great East Japan Earthquake did not cause injury to our employees or major damage to our facilities. However, the Iwaki Plant (located in Iwaki City, Fukushima Prefecture) sustained damage to some equipment and was forced to temporarily suspend operations due to the nuclear power plant accident. By

April 19, operations had resumed and the plant was operating smoothly. In addition, Onahama Smelter and Refinery, a subcontractor in which the Company has an equity stake, suspended operations due to damage caused by the earthquake and tsunami. Owing to rigorous restoration work, however, that facility resumed operations in July. Otherwise, demand trends and electric power restrictions may have an impact on operations, but we will closely monitor the situation and are confident of addressing any problems.

Shareholder Return

Furukawa places great importance on improving returns of profits to all shareholders while retaining earnings required to finance capital expenditures and research and development expenses necessary to bolster earnings. Our basic policy is to appropriate profits after comprehensive consideration of future business development and various other factors. Regrettably, the Company did not declare cash dividends for the year under review. This is because we have not yet achieved a full-scale recovery in our business performance and have not reached the stage in which we can appropriate dividends. In fiscal 2012, we do not plan to pay an interim dividend and are yet to decide on the year-end dividend.

Medium-Term Management Plan

In the April 2008, the Furukawa Company Group embarked on a Medium-Term Management Plan covering the three-year period to March 2011. Under the plan, we have promoted various growth strategies. Due to dramatically changing economic conditions sparked by the global financial crisis, however, our business results have differed significantly from our forecasts. In light of this situation, we were formulating a new plan that was scheduled to start in April 2011, but the Great East Japan Earthquake in March forced us to reassess our assumptions related to the future business environment. Accordingly, we have decided to position fiscal 2012 as a period of reinforcing our foothold in preparation for the new plan, which will start in April 2012. Under the new plan, we will step up basic policies outlined in the previous plan, which are to "promote further overseas development and strengthen the technical capabilities of the Machinery business" and "promote development activities aimed at new product commercialization." At the same time, we are currently reformulating strategies centered on three core initiatives: "strengthen the earnings foundation of the Machinery business," "strengthen the development capabilities of the Materials business," and "foster the "Fine-tech" business."

Finally, I would like to offer my prayers to the many people whose lives were lost in the Great East Japan Earthquake, and extend my condolences to the many people who suffered injury. From my heart, I pray for recovery and restoration of the affected areas as soon as possible.

We look forward to the ongoing understanding and support of all stakeholders as we tackle future challenges.

August 2011

Nobuyoshi Soma
President and Representative Director

Formulating Our Next Medium-Term Management Plan

Furukawa's Corporate Philosophy and Business Strategies

The Furukawa Company Group's corporate philosophy centers on Innovation, Creativity, and Harmony. Guided by this philosophy, we actively invest in and allocate resources to core businesses. By manufacturing products filled with creativity, we continue meeting the needs of society.

Under our philosophy, we implemented our Medium-Term Management Plan covering the three-year period from April 2008 to March 2011. With "Growing through Challenge" as its slogan, the plan focused on two basic policies: (1) Strengthen the technical capabilities of the Machinery business and promote further overseas development; and (2) Promote development activities aimed at new product commercialization. Over the period of the plan, the Group's business was affected significantly by dramatically changing economic conditions with the worldwide economic recession. Nevertheless, we achieved some good results with the aforementioned policies.

Our next Medium-Term Management Plan, designed to build on the basic policies of the previous plan, cites three core initiatives: (1) Strengthen the earnings foundation of the Machinery business; (2) Strengthen the development capabilities of the Materials business; and (3) Foster the "Fine-tech" business.

At this juncture, we would like to give an overview and explain the position of these three businesses—machinery, materials, and fine-tech—which we regard as pillars of our operations.

Since our foundation in 1875, we have advanced our operations based on the core businesses of mine development and smelting, starting with the Ashio Copper Mine. While the metals business requires technological expertise in deep ore extraction and smelting, the mining business also calls for technological capabilities in other areas, such as excavation, transportation, wastewater treatment, crushing, and exhaust gas treatment. Our advancements in these technologies over the years led to our current machinery-related businesses, centering on rock drills and industrial machinery. At the same time, we are strong in materials-related businesses, namely electronic materials and chemicals. These are the culmination of effects to effectively utilize by-products of the copper smelting process to develop advanced materials. The Company has deployed its expertise in materials to develop solid businesses in machinery and materials. Going forward, we will further strengthen these businesses while at the same time fostering our "Fine-tech" business, which integrates our capabilities in both machinery and materials at an advanced level.

In the Machinery business (consisting of rock drills and UNIC machinery), we will seek to expedite overseas advancement while further expanding our domestic market share, in order to strengthen the earnings foundation. In rock drills, we will expand our sales office network and introduce products that meet local needs in China, a core market that we are targeting. At the same time, we will open representative offices in India, Central and South America, Africa, and other nations earmarked for rapid future growth. In addition, we will reinforce our sales and service capabilities, including the upgrading of offices to local subsidiaries. In UNIC machinery, we will focus on strengthening our presence in China, Russia, and India, where strong growth is expected, while establishing optimal production frameworks in Japan, China, and Thailand.

In the Materials business, we leverage our knowledge and experience, acquired over many years, to develop new materials. This effort is spearheaded by our Materials Research Laboratory. Our aims are to strengthen our materials-related capabilities with twin emphases on versatility and distinctiveness. We will also strive to increase customer satisfaction levels by delivering added value in our downstream business development activities.

Meanwhile we will integrate our capabilities in machinery and materials at an advanced level and promote our "Fine-tech" business deploying leading-edge technologies, with the aim of developing distinctive new products.

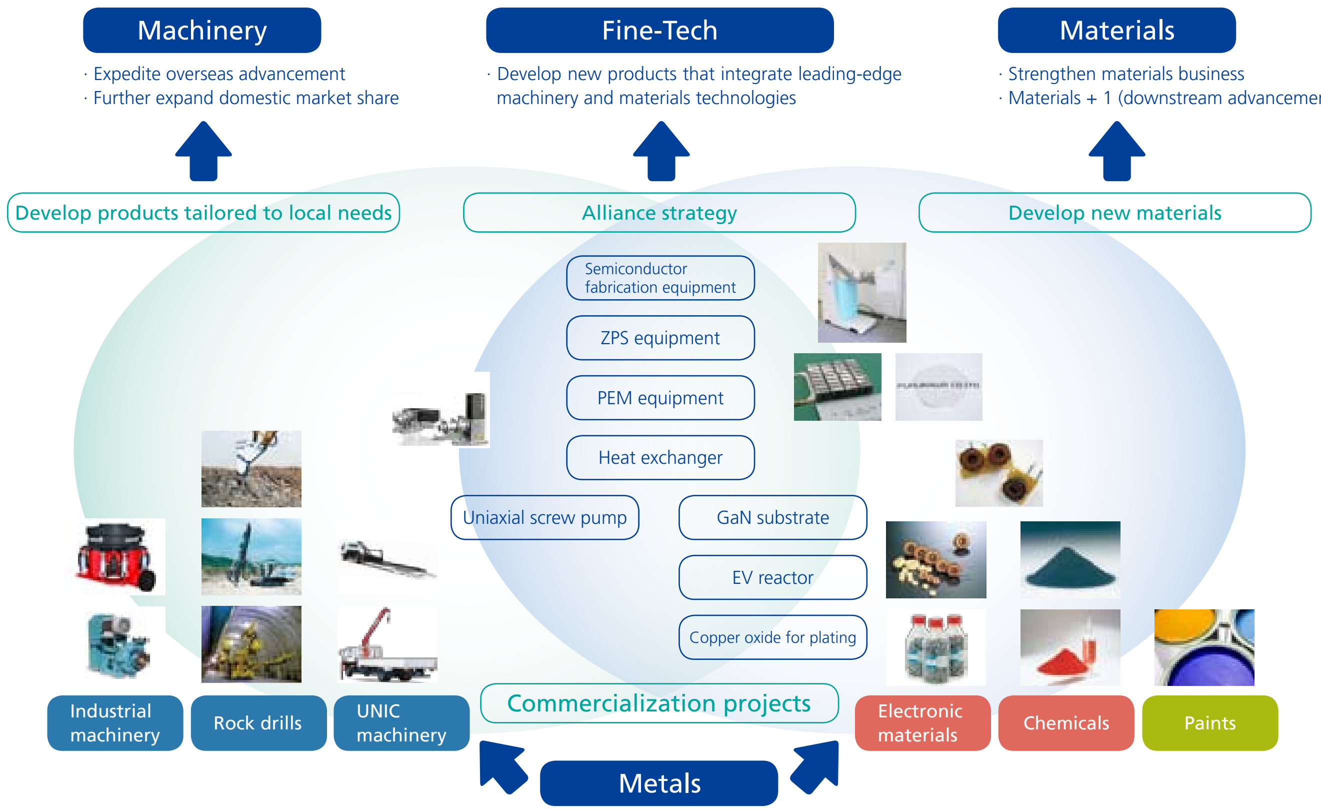
Next Medium-Term Management Plan

Strengthen the earnings foundation of the Machinery business

Strengthen the development capabilities of the Materials business

Foster the "Fine-tech" business

Positioning of "Fine-Tech" Business



Fine-Tech Business: Main Initiatives

Gallium nitride (GaN) products

We will continue development activities aimed at commercializing GaN substrates, which are expected to find widespread applications in the markets for laser diodes, light-emitting diodes (LEDs), and power devices. We have already established mass production technologies for 2-inch substrates and are making shipments to universities and research organizations. Going forward, we will emphasize development of low-priced, large-diameter products. Here, our plan is to promote the use of GaN substrates in high-luminescence LEDs for next-generation illumination and other functions, as well as in power devices in areas earmarked for considerable future growth, such as electric vehicles. In addition, we are in the process of developing samples of a GaN diode developed by POWDEC K.K., in which Furukawa has an equity stake. We are targeting applications for the diode in 600-volt medium-pressure-resistant power supplies for use in personal computers (PCs), home electronic appliances, and the like.

2-inch GaN substrates

GaN diode developed by POWDEC K.K.

Positron emission mammography (PEM) system using lutetium aluminum garnet (LuAG) scintillator crystals

Under a project sponsored by Japan's New Energy and Industrial Technology Development Organization (NEDO), Furukawa has completed a second PEM system prototype (next-generation breast cancer screening system) using LuAG scintillator crystals. At present, the system is undergoing clinical trials. Going forward, we will target pharmaceutical applications in order to accelerate market introduction. If our PEM system reaches the practical application stage, it will allow accurate detection even of tiny cancers and enable proper examination without incurring pain. For these reasons, it is highly anticipated among medical institutions.

Second PEM system prototype

LuAG scintillator crystals

Thermoelectric conversion materials

Furukawa is in the process of developing a new type of thermoelectric conversion material that converts heat emitted from automobiles and factories into electricity. We have already completed development of the basic material, which is currently being sampled by automakers. In addition, we have developed a package containing the material for use with stationary heat sources, and are presently conducting verification tests using heat processing furnaces. We will move to the practical application stage once performance is confirmed.

Thermoelectric conversion material

Shield module

Zone positioning system (ZPS)

We have developed a ZPS that uses ultrasound waves to make 3D position measurements. We have already delivered the system to data centers, medical institutions, and logistics companies and are awaiting feedback. We have great expectations for ZPS as a revolutionary type of positioning system. In the future, we will seek to build next-generation security systems that combine our ZPS with illumination and cameras, with the aim of tapping new markets.

Copper oxide for plating

In recent years, printed circuit boards have become more and more compact but require greater precision in copper plating processing than ever before. In response, we have developed copper oxide for plating that outperforms other products in terms of solubility and fluidity, and thus has earned high acclaim. We completed construction of a production plant in April 2011 and started full-scale deliveries in June.

Copper oxide for plating

At a Glance

	% of Net Sales	Segments	Main Group Company
Machinery	28.4%	Industrial Machinery	Furukawa Industrial Machinery Systems Co., Ltd.
		Construction and Mining Machinery (Rock Drills)	Furukawa Rock Drill Co., Ltd.
		UNIC Machinery	Furukawa UNIC Corporation
Metals	48.3%	Metals	Furukawa Metals & Resources Co., Ltd.
Electronic Materials and Chemicals	7.4%	Electronic Materials	Furukawa Denshi Co., Ltd.
		Chemicals	Furukawa Chemicals Co., Ltd.
Paints	9.1%	Paints*	Tohpe Corporation
Real Estate	0.9%	Real Estate	Furukawa Co., Ltd.
Fuels and Others	5.9%	Fuels	Furukawa Commerce Co., Ltd.
		Others	

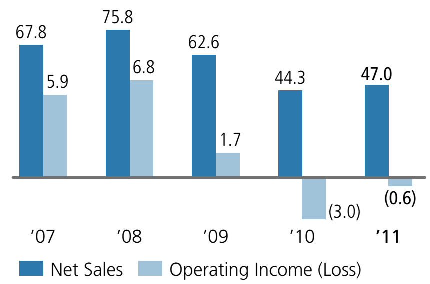
Main Products	Net Sales/Operating Income (Billions of yen)	Operating Margin (%)

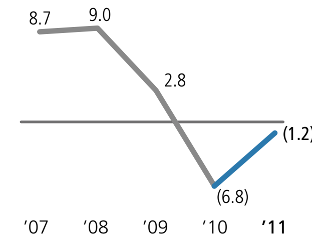
Machinery

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

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

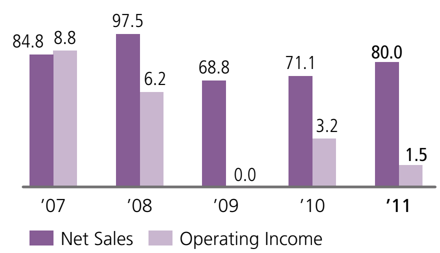
UNIC cranes, mini crawler cranes, UNIC PAL, UNIC carriers

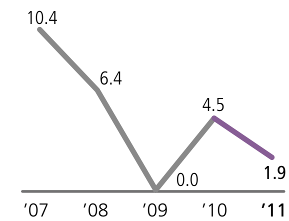




Metals

Electrolytic copper, electrolytic gold, electrolytic silver, sulfuric acid

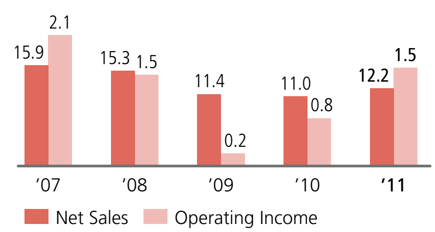


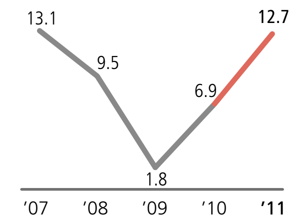


Electronic Materials and Chemicals

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

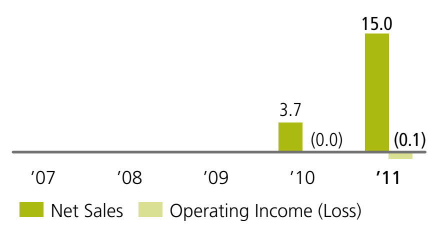
Cuprous oxide, sulfuric acid, aluminum sulfate, titanium dioxide, ferric polysulfate solution, copper oxide, copper oxide for plating

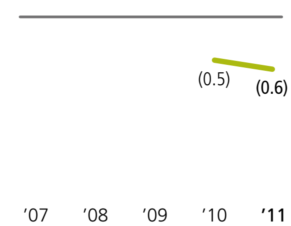




Paints

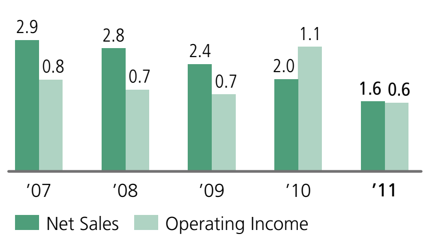
Kinds of paints, acrylic rubber, glue

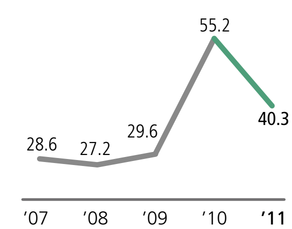




Real Estate

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

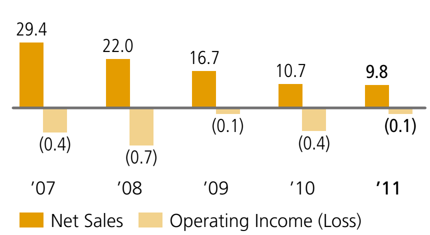


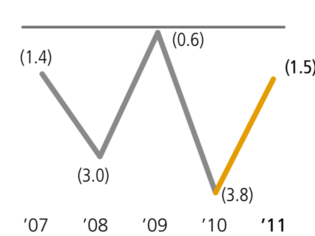


Fuels and Others

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.

Industrial Machinery

Performance and Strategies

In fiscal 2011, we reported a year-on-year increase in sales of sludge and mud pumps thanks to a healthy performance of main pump units, which compensated for depressed sales of shield pump components. However, a decline in orders for bridge construction orders in the previous year had a major negative impact, causing orders for stone crushers and other general machinery, as well as plant and components, to stagnate. As a result, the Industrial Machinery segment posted a 16.6% year-on-year decline in sales, to ¥10,655 million, and an operating loss of ¥30 million (from operating income of ¥433 million in the previous fiscal year).

To address public sector demand, until now we have organized our sales group along product-based lines. Going forward, however, we will integrate this organization to create a Public Sector Group that handles all products. This will enable us to centralize information gathering, raise operating efficiency, and expand our marketing activities. For the private sector, we will step up our industry-specific sales approach and leverage our strong track record in delivery of stone crushers, electrostatic precipitators, and other equipment to promote technological solution proposals across the board. At the same time, we will launch new and improved products on the market in order to generate demand.

For example, we released PICO PUMP, a new uniaxial screw pump that had been under development for some time. In addition to the food industry, we will seek to expand sales of this pump by targeting the cosmetics and hygiene-related sectors. In addition, we anticipate increased demand for wet-type electrostatic precipitators due to tightening regulations covering heavy metals. In response, we will continue highlighting the benefits of our new, highly efficient filter-type electrostatic precipitator to various sectors, including nonferrous metals, iron and steel, and chemicals, as well as for garbage incineration facilities.

Our mud pumps have a proud track record in wastewater treatment plants.

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

New type of uniaxial screw pump featuring improved compactness

Construction and Mining Machinery (Rock Drills)

Performance and Strategies

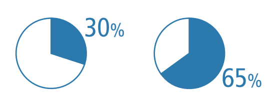
In the domestic rock drills business, we enjoyed a recovery in demand for breakers and crushers thanks to growing demand for hydraulic crawlers, while sales of ultralow-noise breakers were also healthy. Overseas, the yen's appreciation highlighted difficulties on the earnings side. Nevertheless, we reported an increase in overseas revenue thanks to steady sales of breakers in North America, Europe, and China, as well as solid sales of crawler drills in Southeast Asia and North America. Accordingly, the Construction and Mining Machinery (Rock Drills) segment posted a 17.1% rise in sales, to ¥23,880 million, and an operating loss of ¥350 million (down ¥2,235 million from the previous year).

In China, our business is facing intensified price competition from local and South Korean companies. To counter this situation, we will promote sales of locally assembled breakers. Meanwhile, we will upgrade our sales and service network centering on China, the rest of Asia, the Middle East, and Central and South America in order to strengthen our service infrastructure. In Japan, we will focus on expanding profitability by further increasing our market share for breakers, crushers, and crawler drills.

Going forward, we will concentrate on developing next-generation strategic breaker equipment, crawler drills with engines that meet Japan's fourth-generation exhaust emission regulations, and new crawler drills for newly emerging countries. In these ways, we will introduce competitive products that match market needs.

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.

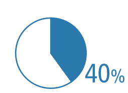
Hydraulic crawler drills



Global Market Share | Japanese Market Share

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

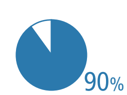
Hydraulic breakers



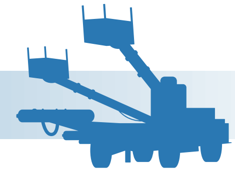
Japanese Market Share

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

Tunnel drill jumbos



Japanese Market Share



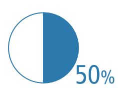
UNIC Machinery

Performance and Strategies

In fiscal 2011, domestic truck registrations jumped 23.5% year on year, to 51,000 units, enabling the Company to achieve a healthy sales increase for UNIC cranes from the beginning of the period. Overseas, the yen's appreciation made conditions difficult from both the profitability and sales promotion perspectives. Thanks also to healthy demand in Russia, however, total overseas sales were up. Accordingly, the UNIC Machinery segment posted a 12.1% increase in sales, to ¥12,490 million, and an operating loss of ¥187 million (down ¥684 million from the previous year).

In Japan, we anticipate an increase in demand for UNIC cranes for reconstruction following the Great East Japan Earthquake, as well as a boost in demand from the adoption of Japan's Post New Long-Term Emission Regulations. In this context, we will continue aggressively promoting sales, focusing on the equipment rental sector. In addition, we will step up sales of mini crawler cranes, folding-type cranes (UNIC PAL), and ship cranes. Overseas, we will strengthen sales in Russia and other nations in a recovery trend, as well as in India, Indonesia, and Australia. We will also sell competitively priced cranes in newly emerging countries. Moreover, we will promote sales of mini crawler cranes centering on North America, where recovery is under way.

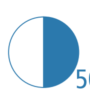
Truck-mounted cranes
(UNIC cranes)



Japanese Market Share

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

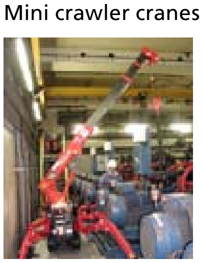
Vehicle carriers
(UNIC carriers)



Japanese Market Share

The UNIC carriers lineup of high-value-added products includes truck-mounted cranes that can operate on a platform with a 1° angle and two-vehicle carriers.

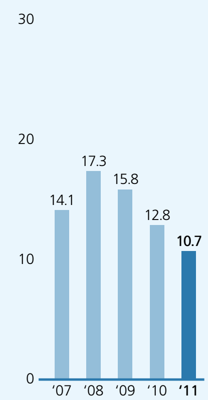
Mini crawler cranes



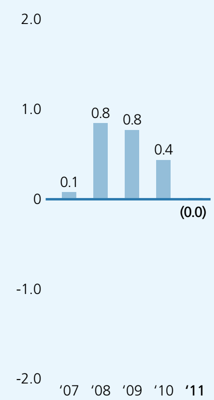
Our exceptional mini crawler cranes have won high acclaim for their compactness and operating efficiency, especially in Europe.

Industrial Machinery

Net Sales
(Billions of yen)

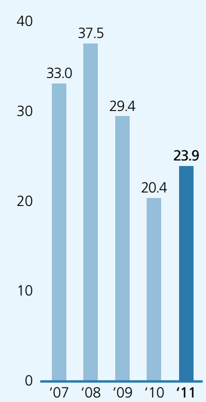


Operating Income (Loss)
(Billions of yen)



Construction and Mining Machinery (Rock Drills)

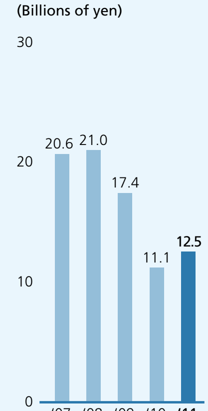
Net Sales
(Billions of yen)



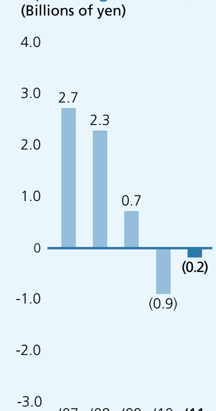
Operating Income (Loss)
(Billions of yen)

UNIC Machinery

Net Sales
(Billions of yen)



Operating Income (Loss)
(Billions of yen)



Metals

Performance and Strategies

After starting the year at US$7,881.00/ton in April 2010, the price of electrolytic copper temporarily declined, but subsequently increased on the back of favorable economic indicators from China and the depreciation of the U.S. dollar following monetary easing in that nation. The price then continued to rise due to positive employment statistics in the United States and anticipation of demand growth in China, hitting a record-high level of US$10,148.00/ton on February 14, 2011. Thereafter, however, the price softened due to surging crude oil prices amid political turmoil in the Middle East and North Africa and concerns that the Great East Japan Earthquake would impact the world economy, and ended the fiscal year at US$9,399.50/ton. In Japan, the price of electrolytic copper rose from ¥770,000/ton in April 2010 to ¥830,000/ton by the fiscal year-end.

For the year, the Metals segment posted a 12.4% increase in sales, to ¥79,980 million, owing to increases in the price of electrolytic copper. However, operating income fell 53.6%, to ¥1,495 million, due to deteriorating purchasing conditions.

At the present time, there are signs of recovery in purchasing conditions thanks to changes in the supply-demand balance for ore. However, conditions are expected to remain severe over the medium and long terms. For this reason, we will seek to secure mining rights overseas, with the aims of ensuring reliable copper ore procurement and stabilizing profits.

Due to the Great East Japan Earthquake, operations were suspended at Onahama Smelter and Refinery, a major refining vendor of the Company, which led to a significant decline in production volume. Owing to a tireless restoration effort, however, operations were resumed in July 2011.

Copper prices and foreign exchange rates

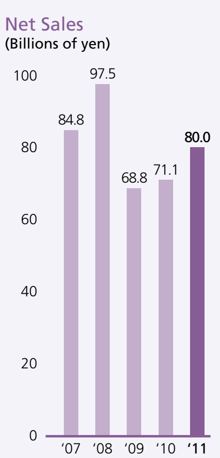
	2007	2008	2009	2010	2011
LME copper price (average; U.S. dollars/ton)	6,970	7,584	5,864	6,101	8,139
JPY rate per U.S. dollar (average for fiscal year)	¥118.03	¥114.28	¥100.54	¥92.85	¥85.71

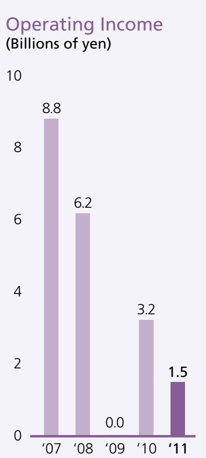
Copper production and sales volume*

	2007	2008	2009	2010	2011
Copper production volume (tons)	88,686	95,355	90,023	84,455	89,523
Copper sales volume (tons)	88,521	95,808	88,989	89,456	89,176

*Furukawa Metals & Resources Co., Ltd.

Metals






Copper cathodes


Onahama Smelting and Refining Co., Ltd.


Gibraltar Copper Mine in Canada

Electronic Materials

Performance and Strategies

In the year under review, demand for gallium arsenate semiconductors, the main application for high-purity metallic arsenic, was healthy thanks to solid demand for use in 3G mobile phone electronic devices in China and for use in laser optical devices. We also enjoyed an increase in sales of core coils for use in automobiles in overseas server power sources. As a result, the Electronic Materials segment posted a 19.7% increase in sales, to ¥7,147 million, and a 94.7% surge in operating income, to ¥1,280 million.

The Great East Japan Earthquake led to suspension of operations at the Iwaki Plant, a key facility, but operations resumed on April 19, 2011. Meanwhile, we will step up development of large-diameter gallium nitride (GaN) substrates, currently the focus of commercialization efforts, targeting the markets for high-luminescence light-emitting diodes (LEDs) and power devices. In addition, we will steadily launch new products onto the market. These include an electric reactor—a type of coil—we have developed for application in chargers used in plug-in hybrid vehicles and electric vehicles.

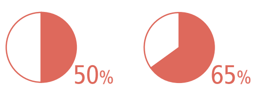
Chemicals

Performance and Strategies

During the period, the strong yen negatively impacted exports of cuprous oxide, but domestic sales were healthy. Demand for sulfuric acid for use in plasma display panels, solar cells, and water purification facilities was also steady, and shipments of copper oxide for plating, a new product, were also favorable. Accordingly, the Chemicals segment reported a 1.0% rise in sales, to ¥5,076 million, and a 158.7% jump in operating income, to ¥269 million.

Going forward, we will focus on high-value-added thin film sulfuric acid for use in applications where demand is expected to continue growing. These include displays, solar cells, and soil remediation. We will also concentrate on expanding sales of copper oxide for plating, having recently completed a production plant. We look forward to increasing demand for this product for use in high-precision copper plating in electronic circuit boards and other devices. At the same time, we will continue working to stabilize operations and reduce costs.

High-purity metallic arsenic



Global Market Share　Japanese Market Share

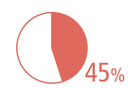
Gallium arsenate semiconductor materials used in cellular phones and other electronic devices, red laser diodes, and LEDs

Core coils

Our core coils are used in power sources and electronic control devices.

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

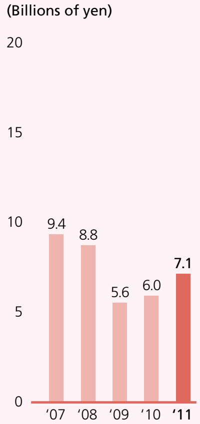
Cuprous oxide



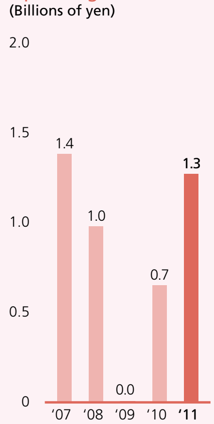
Japanese (Production) Market Share

Electronic Materials

Net Sales
(Billions of yen)

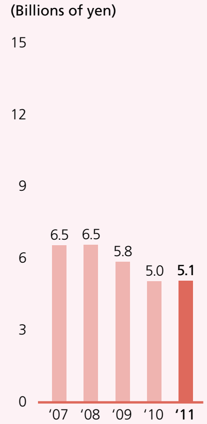


Operating Income
(Billions of yen)

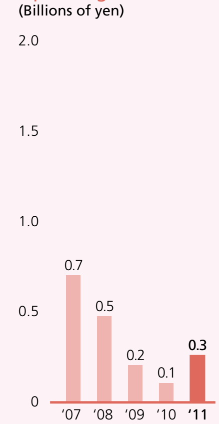


Chemicals

Net Sales
(Billions of yen)



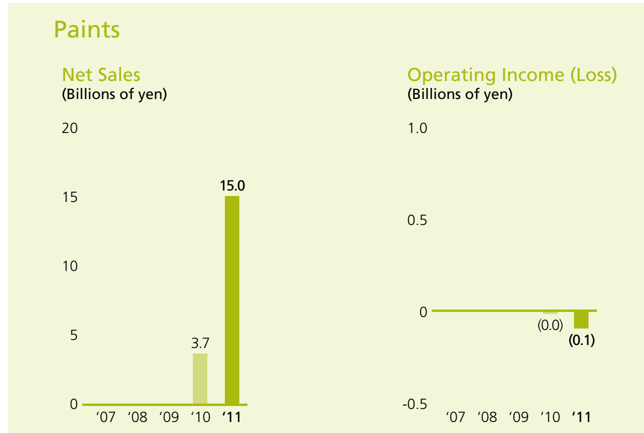
Operating Income
(Billions of yen)



Paints

The Paints segment was established in December 2009, when equity-method affiliate Tohpe Corporation was transformed into a consolidated subsidiary of the Furukawa Company Group. During the year under review, Tohpe advanced its operations with an emphasis on profitability while cutting costs through reorganization of its production system, based on a business enhancement plan. The Paints segment recorded sales of ¥15,041 million and an operating loss of ¥93 million.

Going forward, we will focus on sales of environmentally friendly paints and other highly profitable products, while at the same time pursuing cost-reduction efforts.

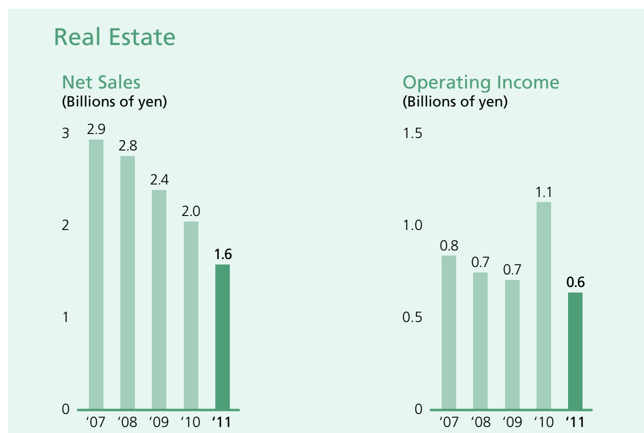


Real Estate

Revenue in the Real Estate segment declined due to rising vacancy rates among office buildings in Osaka, a key center for our real estate leasing activities. In Tokyo, meanwhile, demolition work started at the Furukawa Building as part of the Nihonbashi-Muromachi Eastern District Redevelopment Project. The resulting departure of tenants also affected revenue. The Real Estate segment posted a 22.8% decrease in sales, to ¥1,578 million, and a 43.7% fall in operating income, to ¥635 million.

Completion of a new building is scheduled for the end of 2013.

Furukawa Osaka Building

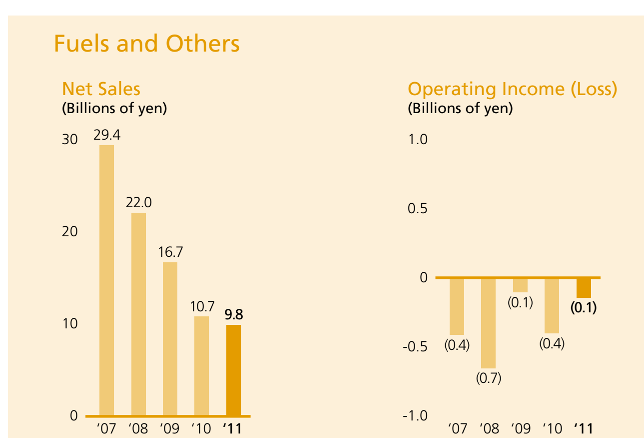


Fuels and Others

In the fuels category, internal demand for petroleum products continued retreating, which affected revenue. Sales in this business fell 9.0%, to ¥9,005 million, and operating loss was ¥57 million, up ¥28 million from the previous year.

In the Others category, consisting primarily of the transport business, we reported an 8.1% decline in sales, to ¥786 million. Thanks to our withdrawal from the compound lumber business, the operating loss declined ¥285 million, to ¥92 million.

Sales in the Fuels and Others segment declined 8.9%, to ¥9,791 million, and operating loss was ¥149 million (down ¥257 million from the previous fiscal year).



Research and Development

The Furukawa Company Group has set "Full-Fledged Monozukuri" as one of its medium-to-long-term goals. The Group's Research and Development Division plays a key role in supporting initiatives aimed at providing "Technology for Our Future."

The Division consists of seven entities: Nitride Semiconductors Department, Materials Research Laboratory, Techno-Research Laboratory, Semiconductor Growth System Department, R&D Planning Department, Intellectual Property Department, and Control Department. As well as engaging in research and development activities on materials and machinery products of the future and on processing equipment in the interdisciplinary field of materials and machinery, these entities use simulation and other technologies to support the development initiatives of each Group company. The Research and Development Division contributes to the growth of the Group's businesses by actively advancing research and development centered on new products and new technologies.

Nitride Semiconductors Department

The Nitride Semiconductors Department develops and manufactures GaN substrates used in the fabrication of GaN devices, which are next-generation semiconductor materials that transcend the limits of silicon semiconductors. Applications for GaN range from laser diodes in Blu-ray Discs through to power semiconductors, high-frequency devices used in telecommunications, and high-luminescence LEDs.

Following the successful development of a two-inch GaN substrate and more recently a four-inch GaN substrate, the Company is currently focusing on establishing mass production technology and technology for enhancing the quality of these GaN substrates. Furthermore, in collaboration with POWDEC K.K., an affiliate, we are also working on the development of epitaxial GaN substrates.

Two-inch GaN substrate and the recently developed four-inch GaN substrate

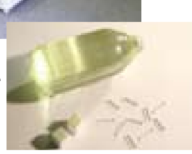
Materials Research Laboratory

The Materials Research Laboratory develops various materials, such as scintillator crystals and thermoelectric conversion materials, for cutting-edge applications in the electronics, optical, and energy fields. The Laboratory is also pursuing research on the development of downstream applications for material technologies, including a PEM system and a diffractive-optical element (DOE).

In addition to sampling LuAG scintillator crystals, the Company is collaborating with a university on the development of a PEM system that utilizes the characteristics of these crystals. In the field of thermoelectric conversion materials, as well as sampling elements that can be used in moderate temperature regions, the Company is trial testing modules and power generation units. The Laboratory is developing DOEs targeting various applications, with a focus on elements that can control the shape of laser beams and the flux of LEDs.

The Company also develops new materials for fields with substantial growth potential, such as the fuel cell materials and printable electronics fields.

Second PEM system prototype



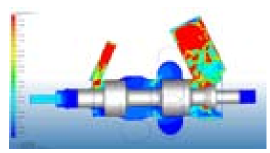
LuAG scintillator crystals

Thermoelectric conversion element module

Shield module

Techno-Research Laboratory

The Techno-Research Laboratory supports the development activities of the Furukawa Company Group's Machinery segment by working in the areas of simulation technology and enhancing the intelligence and data capabilities of machinery. Development successes to date include fluid analysis for enhancing the performance of drifters—a type of rock drill—and a system that predicts sudden changes in rock strata from changes in borehole noise. The Laboratory also engages in environmental- and recycling-related research and development, such as technologies for processing heavy metals and for recovering metals, and provides the Company's affiliates with assistance for developing cast steel and other materials.



Simulation of the internal flow of a hydraulic drifter

Semiconductor Growth System Department

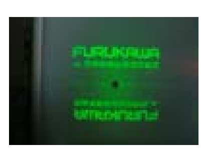
The Semiconductor Growth System Department develops and manufactures processing equipment used in the manufacture of cutting-edge electronic materials, solar cells, flat panel displays, and devices. It also develops metal organic chemical vapor deposition (MOCVD) equipment, crystal baking equipment, and film formation equipment for solar cell applications using the Company's materials and machinery technologies.

In the year under review, the Company received an order from Taiwan for a large crystal baking system. We also began marketing a recently developed composite CVD system for LEDs, and a system that cleans the parts of film formation equipment.

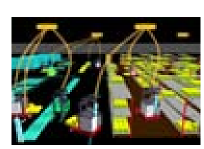
Cleaning system for film formation equipment parts

R&D Planning Department

The R&D Planning Department is tasked with investigating and planning new development themes, promoting development by the Research and Development Division and Group companies, as well as promoting the commercialization of successful developments. In the area of commercializing newly developed products and systems, the department sells and promotes the ultrasonic zone positioning system (ZPS) developed by the Techno-Research Laboratory and DOEs developed by the Materials Research Laboratory.



A DOE can draw an image using a single laser.



The ZPS measures the flow line of workers and a forklift.

Intellectual Property Department

The Intellectual Property Department handles patent-related strategies and other matters concerning intellectual property in order to increase the added value of the Furukawa Copmany Group's products.

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 to perform all corporate activities 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 makes 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 2011, these audits gave priority to the theme of complete compliance with rules. Also, each factory and site was checked for legal compliance with the relevant rules using 100 new workplace audit items, as well as a new environmental safety checklist and basic checklist covering labor health and safety activities. Going forward, we will target the upgrading of control systems related to environmental safety and labor safety while making the Group's internal networks more robust.

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. We introduced the cross-auditing system with the objective of improving the competence of auditors and the level of auditing undertaken at the Group's worksites. In fiscal 2011, the success of this system was apparent in reciprocal learning and reciprocal education on wide-ranging know-how, as well as in the increase in auditors' knowledge and 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*	10% reduction of fiscal 2004 consumption	(842)%
Water	25% reduction of fiscal 2004 consumption	101%
Waste discharge	35% reduction of fiscal 2004 consumption	142%

*Switched from heavy oil to natural gas, which produces fewer CO_2 emissions
Calculation of achievement ratio: [(FY2004 results – FY2009 results) ÷ (FY2004 results – FY2009 target)] x 100%

Second Medium-Term Reduction Targets Base year: Fiscal 2006

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

*Forms of electricity 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 both people-friendly and environmentally friendly products as part of its contribution to the creation of a sustainable society.

U-can ECO EV

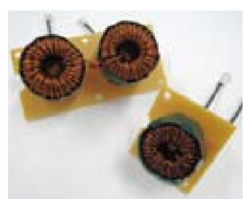
In July 2010, we launched the U-can ECO EV, a truck-mounted crane using a hybrid system that can be recharged by plugging it into a home power outlet.

A battery to power the crane and an electric unit that employs proprietary motor control technology have been added to create a new model that allows crane operation when the truck's engine has been switched off. The U-can ECO EV produces zero CO_2 emissions when the crane is in operation*, and generates considerably less noise.

* Note: This does not include emissions produced through power generation or when recharging.

Electric Reactor

It is expected that an electric reactor—a type of coil—developed by the Furukawa Company Group will be fitted to chargers used in hybrid plug-in vehicles which are scheduled for release in 2012. Consequently, we intend to commence



production at the end of 2011 to ensure stable supply to customers. Because this reactor, 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 NO_X emissions.

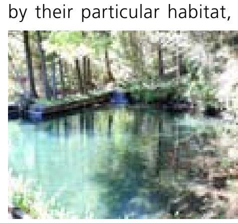
Social Contribution Activities

The Furukawa Company Group seeks to live in harmony with local communities through stewardship and maintenance of forests owned by Furukawa and involvement in afforestation programs. We also participate in factory neighborhood cleanup activities and preservation of the "*Nikko-Suginamiki*" ("Avenue of cedars in Nikko"), as well as accept internships and host factory visits. Other activities 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, the home of Furukawa. A third tree-planting drive had been scheduled for April 2011, but was cancelled due to the Great East Japan Earthquake.

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 have previously undertaken an environmental



survey of not only the river but also the entire surrounding environment. Thanks to these efforts, in June 2010 we confirmed a greater number of fireflies compared with the previous year.

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 16 executive officers, five of whom concurrently hold positions as directors.

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

Furukawa uses an auditor system, with a Board of Auditors composed of two statutory auditors and three outside auditors. Pursuant to an audit policy formulated by the Board of Auditors, auditors attend meetings of the Board of Directors, the Management Council, the Management Committee, and other important management meetings. In addition, they receive business reports from directors, audit business sites and subsidiaries, and monitor the performance of duties carried out by directors. The audit function is further reinforced by the Audit Office, an organization in charge of internal auditing. The Audit Office is composed of six members who engage in auditing 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.

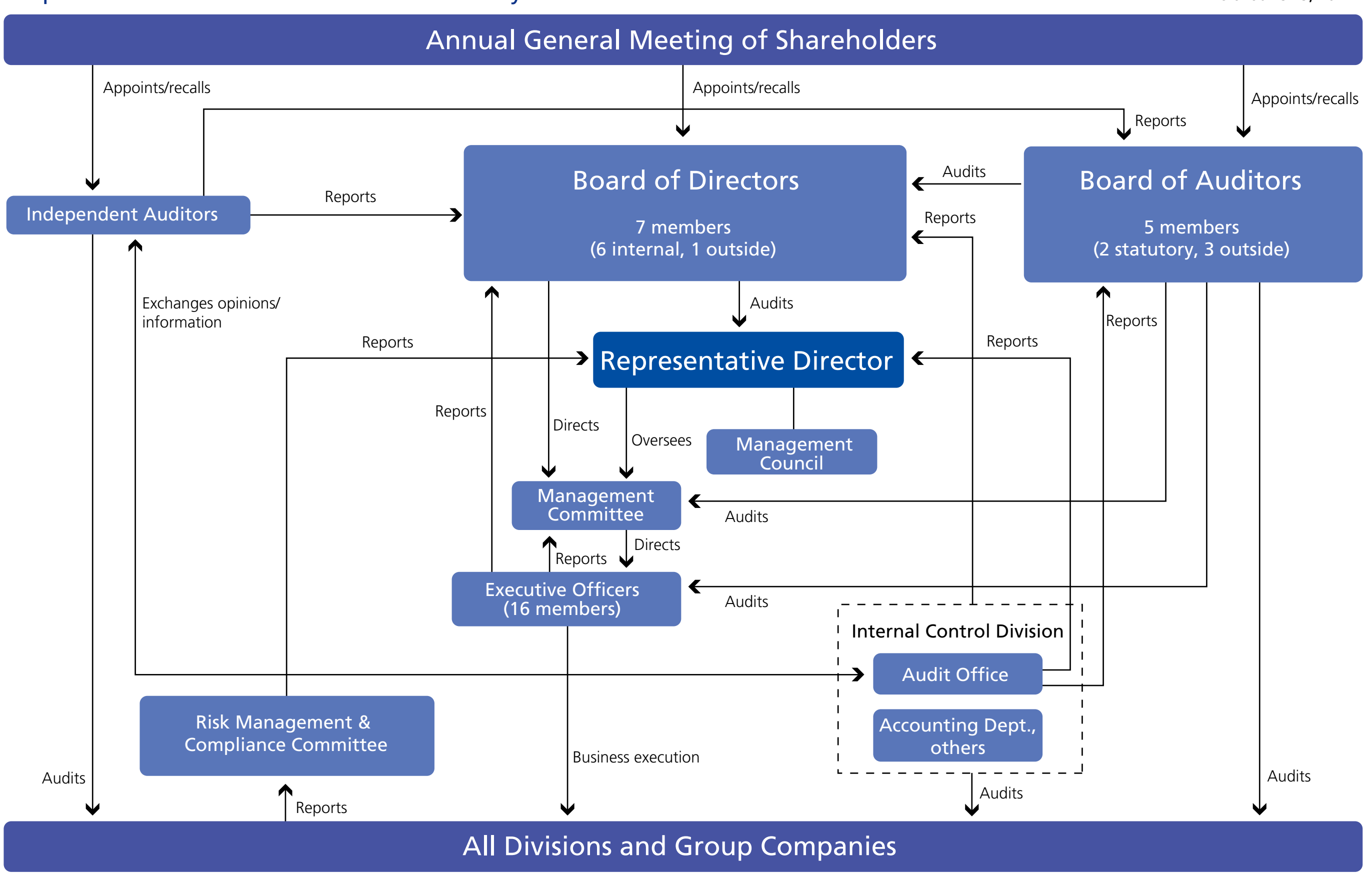
Compliance and System of Risk Management

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, 2011



Consolidated Six-Year Financial Summary

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

	Millions of yen					
	2011	2010	2009	2008	2007	2006
For the year:						
Net sales	¥ 165,638	¥ 142,925	¥ 161,858	¥ 213,426	¥ 200,749	¥ 181,938
Cost of sales	146,364	127,302	143,651	181,522	167,507	153,281
Gross profit	19,274	15,623	18,207	31,904	33,242	28,657
Selling, general and administrative expenses	16,453	14,025	15,904	17,497	16,343	16,527
Operating income	2,821	1,598	2,303	14,407	16,899	12,130
Income (loss) before income taxes and minority interests	447	886	(2,618)	12,484	11,127	9,810
Net income (loss)	563	585	(5,917)	8,595	17,554	5,309
Cash flows from operating activities	3,743	9,083	5,112	12,823	12,648	8,254
Cash flows from investing activities	(1,644)	(3,643)	(11,539)	(855)	(4,367)	(336)
Cash flows from financing activities	(5,703)	(4,769)	12,116	(13,835)	(8,910)	(18,086)
Capital expenditures	1,933	2,936	16,507	4,374	3,905	1,777
Depreciation and amortization	3,290	3,244	3,145	2,993	2,626	2,595
Reserch and development expenses	2,225	1,862	1,752	1,941	1,888	1,859
At year-end:						
Total assets	¥ 196,234	¥ 204,774	¥ 188,361	¥ 199,383	¥ 217,027	¥ 213,046
Current assets	80,199	82,617	77,509	88,888	94,865	89,055
Current liabilities	70,456	73,733	64,276	80,487	89,293	88,220
Total equity	45,849	48,885	44,585	54,301	56,246	—
Net assets (Note 1)	47,622	50,855	45,742	55,431	52,136	43,072
Interest-bearing liabilities	89,265	94,714	92,475	77,907	89,389	99,418
Per share amounts:	Yen					
Net income (loss):						
Basic	¥ 1.39	¥ 1.45	¥ (14.64)	¥ 21.26	¥ 43.42	¥ 13.12
Diluted	—	—	—	—	—	12.37
Cash dividends	0.00	0.00	4.00	6.00	5.00	3.00
Net assets	113.45	120.96	110.31	134.33	139.13	106.52
Profitability:						
Cost of sales margin (%)	88.4	89.1	88.8	85.1	83.4	84.2
Gross margin (%)	11.6	10.9	11.2	14.9	16.6	15.8
SG&A expense margin (%)	9.9	9.8	9.8	8.2	8.1	9.1
Operating margin (%)	1.7	1.1	1.4	6.8	8.4	6.7
Return on sales (%)	0.3	0.4	(3.7)	4.0	8.7	2.9
Efficiency and soundness:						
Return on equity (%) (Note 2)	1.2	1.3	(12.0)	15.5	35.3	14.3
Return on assets (%) (Note 3)	0.3	0.3	(3.1)	4.1	8.2	2.5
Debt-to-equity ratio (times) (Note 4)	1.9	1.9	2.1	1.4	1.6	2.3
Equity ratio (%) (Note 5)	23.4	23.9	23.7	27.2	25.9	20.2
Investment indicators:						
Dividend payout ratio (%) (Note 6)	0.0	0.0	0.0	28.2	11.5	22.9
Dividends on equity ratio (%) (Note 7)	0.0	0.0	3.2	4.5	4.3	3.3
Price book value ratio (times) (Note 8)	0.8	0.9	0.7	1.4	2.1	2.9
Stock price at fiscal year-end	86	114	82	183	293	306

Notes: 1. Figures for 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 (D/E) 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) ratio = Total cash dividends / Average net assets × 100
8. Price book value ratio (PBR) = Stock price (fiscal year-end) / Net assets per share

Financial Review

Revenue and Expenses

In fiscal 2011, ended March 31, 2011, consolidated net sales totaled ¥165,638 million, up 15.9% compared with the previous fiscal year.

Within this amount, sales of the Metals segment increased 12.4% year on year, to ¥79,980 million, thanks mainly to rising market prices for electrolytic copper. Sales of the Construction and Mining Machinery (Rock Drills) segment rose 17.1%, to ¥23,880 million; sales of the UNIC Machinery segment climbed 12.1%, to ¥12,490 million; and sales of the Electronic Materials segment jumped 19.7%, to ¥7,147 million.

Cost of sales increased 15.0%, to ¥146,364 million, with the cost of sales margin edging down 0.7 percentage point, to 88.4%.

Selling, general and administrative (SG&A) expenses rose 17.3%, to ¥16,453 million. This was due primarily to Tohpe Corporation becoming a consolidated subsidiary in December 2009, which pushed up SG&A expenses ¥2,139 million.

As a result, operating income jumped 76.6% from the previous fiscal year, to ¥2,821 million. This was due to a performance turnaround by the Construction and Mining Machinery (Rock Drills) segment, which reduced its operating loss ¥2,235 million. By contrast, the Metals segment suffered a 53.6% fall in operating income, to ¥1,495 million, due to deteriorating profitability from refining operations. Accordingly, the operating margin improved 0.6 percentage point, to 1.7%.

Under other income (expenses), interest and dividend income climbed 36.1%, to ¥678 million, and interest expense to ¥1,527 million. The Furukawa Company Group also posted other income of ¥107 million on equity in earnings of affiliates. In other expenses, the Group incurred a ¥216 million loss on disaster associated with the Great East Japan Earthquake (primarily from suspension of operations at our main electronic materials plant in Iwaki City, Fukushima Prefecture) and a ¥181 million write-down of investments in securities.

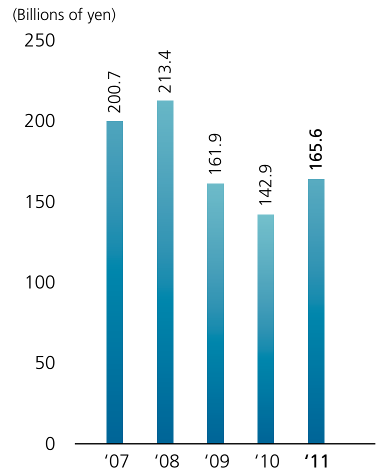
As a result, the Group reported income before income taxes and minority interests of ¥447 million. Total income taxes—the sum of inhabitants' tax, enterprise tax, and corporate income tax adjustments—fell 62.4%, to ¥114 million. Minority interests amounted to ¥230 million. Accordingly, the Group posted net income of ¥563 million, down 3.8% from the previous year.

Return on equity (ROE) was 1.2%, and net income per share totaled ¥1.39, down ¥0.06 from the previous year.

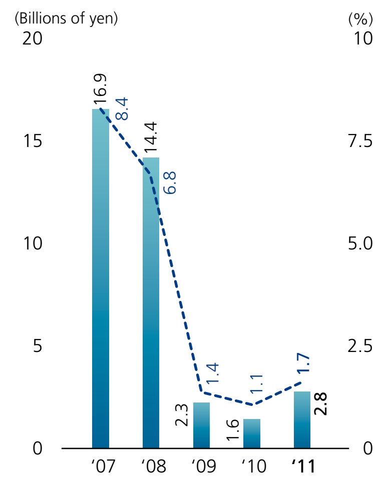
Financial Position

At March 31, 2011, total assets stood at ¥196,234 million, down 4.2% from a year earlier. Within this amount, total current assets declined

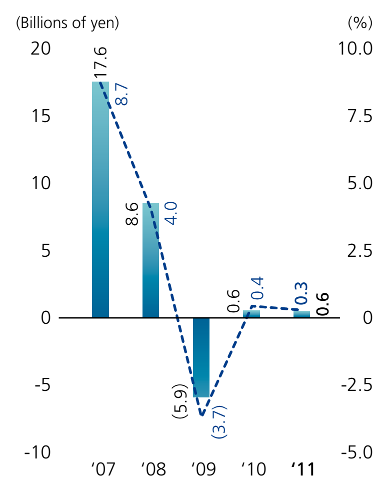
Net Sales



Operating Income
Operating Margin



Net Income (Loss)
Return on Sales



2.9%, to ¥80,199 million, due mainly to decreases in cash and cash equivalents and raw materials and supplies.

Total investments and other assets decreased 12.0%, to ¥30,378 million, due mainly to a decline in investments in securities caused by falling prices of listed shares.

Total liabilities were down 3.4%, to ¥148,612 million. This was mainly due to a decline in short-term loans in the current liabilities section and a decrease in long-term debt in the long-term liabilities section. As a result, the fiscal year-end balance of interest-bearing liabilities (corporate bonds and debt) fell 5.8%, to ¥89,265 million.

Total net assets at fiscal year-end stood at ¥47,622 million, down 6.4% from a year earlier. This was mainly due to a drop in unrealized holding gain on securities, net of income taxes. Consequently, the equity ratio edged down 0.5 percentage point, to 23.4%, and the debt-to-equity ratio was unchanged, at 1.9 times.

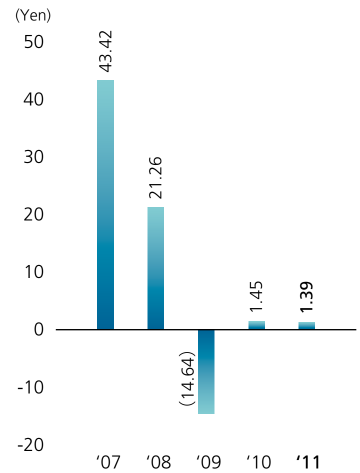
R&D and Capital Expenditures

The Furukawa Company Group is actively engaged in R&D on new materials and high-value-added products that meet diversified market needs. In the year under review, total research and development expenses amounted to ¥2,225 million, equivalent to 1.3% of consolidated net sales. Of this total, ¥68 million was allocated to the Industrial Machinery segment, ¥607 million to the Construction and Mining Machinery (Rock Drills) segment, ¥174 million to the UNIC Machinery segment, ¥1,070 million to the Electronic Materials segment, ¥68 million to the Chemicals segment, and ¥235 million to the Paints segment.

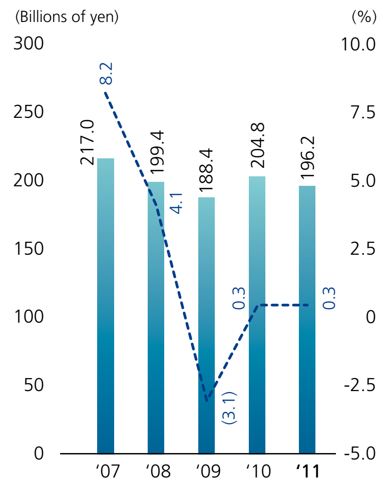
Capital expenditures (increase in the tangible fixed assets and the intangible fixed assets) amounted to ¥1,933 million. Of this total, ¥175 million was allocated to the Industrial Machinery segment, ¥273 million to the Construction and Mining Machinery (Rock Drills) segment, ¥160 million to the UNIC Machinery segment, ¥149 million to the Metals segment, ¥87 million to the Electronic Materials segment, ¥50 million to the Chemicals segment, and ¥340 million to the Paints segment. In addition, ¥308 million was allocated to the Real Estate segment, mainly for maintenance of buildings owned by the Group, and ¥29 million to the Fuels and Others segment 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 1.4%, to ¥3,290 million.

The Group's capital expenditure budget is based on comprehensive consideration of various factors, including demand forecasts, production

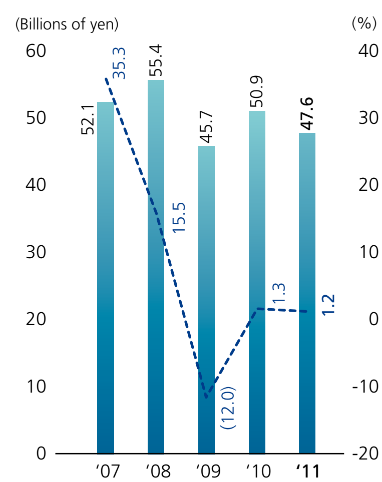
Net Income (Loss) per Share



Total Assets
Return on Assets



Net Assets
Return on Equity



plans, and investment benefits. In fiscal 2012, the Group plans to invest a total of ¥3.3 billion, mainly for the purchase of new facilities and the repair of existing ones. We expect to procure these funds via borrowings and/or internal funds.

Cash Flows

In the year under review, net cash provided by operating activities amounted to ¥3,743 million, down ¥5,340 million from the previous year. The main factor was a decrease in inventories.

Net cash used in investing activities totaled ¥1,644 million, down ¥1,999 million from the previous year. The primary reason was purchases of property, plant and equipment.

Net cash used in financing activities totaled ¥5,703 million, up ¥934 million from the previous year. This was due mainly to repayment of long-term debt.

As a result, cash and cash equivalents at the end of the fiscal year totaled ¥16,271 million, a ¥3,986 million, or 19.7%, decline from a year earlier.

Capital Strategies

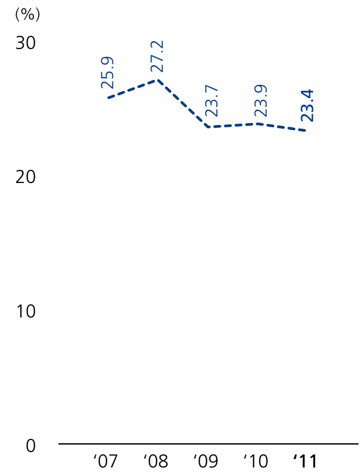
Furukawa places great importance on improving returns of profits to all shareholders. Our basic policy is to appropriate profits after comprehensive consideration of various factors, including retained earnings required to finance capital expenditures and research and development expenses necessary to 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' meeting. Regrettably, the Company did not declare cash dividends for the year under review. This is because we have not yet achieved a full-scale recovery in our business performance and have not reached the stage in which we can appropriate dividends as shareholder returns.

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

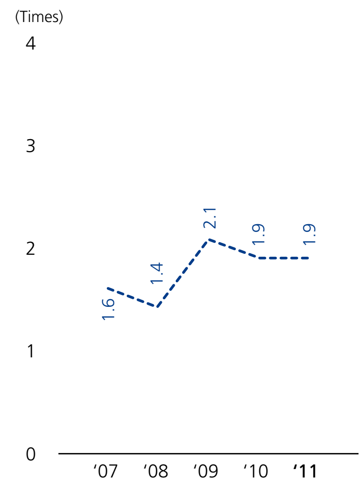
Business Risks

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

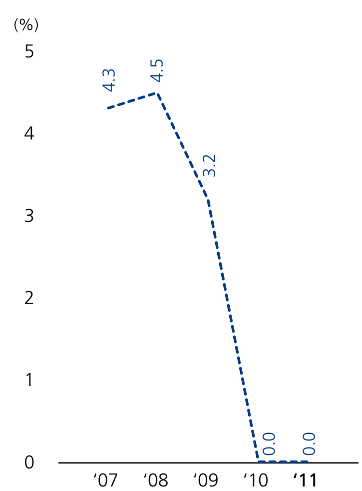
Equity Ratio



Debt-to-Equity (D/E) Ratio



Dividends on Equity (DOE) Ratio



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 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, 2011, the carrying value of investments in securities as stated in the balance sheets was ¥16,265 million, while land stood at ¥59,073 million. Accordingly, the Group's operating results and financial position are at risk of impairment losses, losses from devaluation, and losses on sales due to movements in stock and land prices.

(3) Accrued Employees' Retirement Benefits

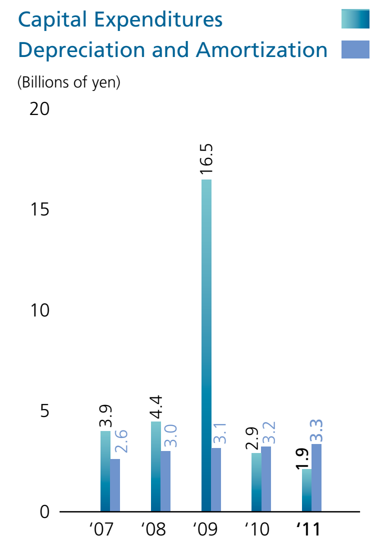
The employees of the Furukawa Company Group are covered by unfunded employee retirement benefit plans and non-contributory funded employee pension plans as defined-benefit plans. Accrued employees' retirement benefits are provided at an amount calculated based on the retirement benefit obligation and the fair value of pension plan assets at the balance sheet date. In calculating accrued employees' retirement benefits, the Group adopts assumptions in connection with the discount rate and expected rate of return on plan assets, as well as other assumptions. Accordingly, the 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.

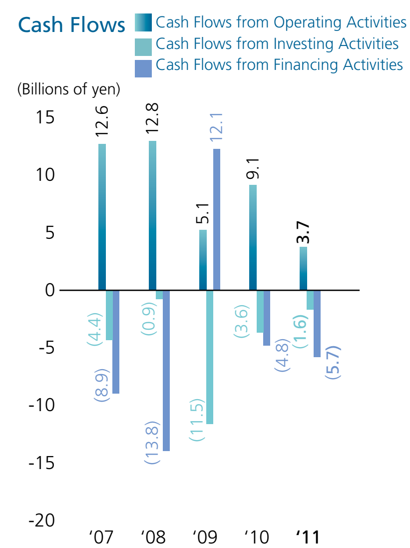
(4) Earthquakes and Other Natural Disasters

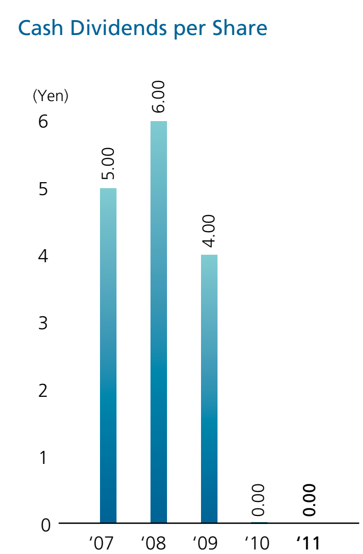
The Furukawa Company Group's operating results and financial position are at risk in the event of a suspension in operations and delays in production and/or shipments due to damage to manufacturing bases and facilities from earthquakes and other natural disasters.

(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.

(6) Dilution of Shares Due to Exercise of New Stock Acquisition Rights

The Furukawa Company Group seeks to procure investment capital in a flexible manner to fund overseas investments and other initiatives. To this end, the Board of Directors, at its meeting held on December 20, 2010, passed a resolution to issue new stock acquisition rights in a third-party allotment, with the recipient being Mizuho Securities Co., Ltd. The new stock acquisition rights were subsequently issued on January 5, 2011. In the event that said rights are exercised, the per-share value of the Company's shares may become diluted.

Consolidated Balance Sheets

Furukawa Co., Ltd. and consolidated subsidiaries
As of March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 4)
ASSETS	**2011**	2010	**2011**
Current Assets:			
Cash and cash equivalents	**¥ 16,271**	¥ 20,257	**$ 196,036**
Receivables — trade:			
Notes and accounts	**24,956**	23,984	**300,675**
Affiliates	**242**	443	**2,916**
Finished products	**11,217**	10,261	**135,145**
Work in process	**5,183**	4,713	**62,446**
Raw materials and supplies	**13,263**	16,448	**159,795**
Deferred income taxes (Note 15)	**2,098**	1,048	**25,277**
Other current assets	**7,142**	5,659	**86,047**
Allowance for doubtful accounts	**(173)**	(196)	**(2,084)**
Total current assets	**80,199**	82,617	**966,253**
Property, Plant and Equipment, at Cost (Notes 6 and 20)**:**			
Land and timberlands	**60,931**	61,165	**734,109**
Buildings and structures	**44,782**	45,109	**539,542**
Machinery and equipment	**50,121**	50,429	**603,868**
Lease assets (Note 11)	**1,295**	1,041	**15,602**
Construction in progress	**645**	359	**7,771**
	157,774	158,103	**1,900,892**
Accumulated depreciation	**(72,117)**	(70,458)	**(868,880)**
Property, plant and equipment, net	**85,657**	87,645	**1,032,012**
Investments and Other Assets:			
Goodwill (Note 7)	**599**	713	**7,217**
Investments in securities (Notes 5 and 6)	**19,349**	22,059	**233,120**
Investments in affiliates	**5,257**	5,381	**63,337**
Loans receivable	**1,444**	1,492	**17,398**
Deferred income taxes (Note 15)	**12**	13	**145**
Other investments	**5,542**	6,902	**66,771**
Allowance for doubtful accounts	**(1,825)**	(2,048)	**(21,988)**
Total investments and other assets	**30,378**	34,512	**366,000**
Total assets	**¥ 196,234**	¥ 204,774	**$ 2,364,265**

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2011	2010	Thousands of U.S. dollars (Note 4) 2011
Current Liabilities:			
Short-term loans (Note 6)	¥ **12,858**	¥ 13,077	$ **154,916**
Current portion of long-term debt (Note 6)	**17,152**	20,222	**206,651**
Lease obligations (Note 6)	**262**	207	**3,157**
Payables — trade:			
Notes and accounts	**23,586**	26,227	**284,169**
Affiliates	**67**	199	**807**
Accrued expenses	**12,375**	9,880	**149,096**
Accrued income taxes	**438**	183	**5,277**
Deferred income taxes (Note 15)	**13**	102	**157**
Provision for restoration expenses for disaster	**54**	—	**651**
Other current liabilities	**3,651**	3,636	**43,986**
Total current liabilities	**70,456**	73,733	**848,867**
Long-term Liabilities:			
Long-term debt (Note 6)	**59,255**	61,415	**713,916**
Lease obligations (Note 6)	**693**	684	**8,349**
Accrued employees' retirement benefits (Note 14)	**1,625**	1,589	**19,578**
Provision for environmental measures	**178**	214	**2,145**
Deferred income taxes (Note 15)	**9,499**	8,869	**114,446**
Deferred income taxes on surplus on the revaluation of land (Note 15)	**2,767**	2,806	**33,337**
Asset retirement obligations	**192**	—	**2,313**
Other long-term liabilities	**3,947**	4,609	**47,555**
Total long-term liabilities	**78,156**	80,186	**941,639**
Net Assets (Note 8)**:**			
Shareholders' equity:			
Common stock without par value:			
Authorized—800,000,000 shares			
Issued—404,455,680 shares	**28,208**	28,208	**339,855**
Retained earnings	**17,310**	16,687	**208,554**
Treasury stock, at cost:			
2011—306,068 shares	**(46)**	—	**(554)**
2010—298,479 shares	—	(45)	**—**
Total shareholders' equity	**45,472**	44,850	**547,855**
Accumulated other comprehensive income:			
Unrealized holding gain on securities, net of income taxes	**294**	2,791	**3,542**
Deferred (losses) gains on hedges	**(110)**	41	**(1,325)**
Surplus on the revaluation of land, net of income taxes	**3,289**	3,348	**39,627**
Translation adjustments	**(3,096)**	(2,145)	**(37,302)**
Total other comprehensive income	**377**	4,035	**4,542**
Subscription rights to shares	**53**	—	**639**
Minority interests	**1,720**	1,970	**20,723**
Total net assets	**47,622**	50,855	**573,759**
Total liabilities and net assets	¥ **196,234**	¥ 204,774	$ **2,364,265**

Consolidated Statements of Operations

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2011	2010	**2011**
Net Sales	**¥ 165,638**	¥ 142,925	**$ 1,995,639**
Cost of Sales (Note 17)	**(146,364)**	(127,302)	**(1,763,422)**
Gross profit	**19,274**	15,623	**232,217**
Selling, General and Administrative Expenses (Note 10)	**(16,453)**	(14,025)	**(198,229)**
Operating income	**2,821**	1,598	**33,988**
Other Income (Expenses):			
Interest and dividend income	**678**	498	**8,169**
Equity in earnings (losses) of affiliates	**107**	(83)	**1,289**
Interest expense	**(1,527)**	(1,680)	**(18,398)**
Other, net (Notes 18 and 20)	**(1,632)**	553	**(19,662)**
Income before income taxes and minority interests	**447**	886	**5,386**
Income Taxes (Note 15)**:**			
Current	**(483)**	(363)	**(5,820)**
Deferred	**369**	60	**4,446**
Total	**(114)**	(303)	**(1,374)**
Income Before Minority Interests	**333**		**4,012**
Minority Interests	**230**	2	**2,771**
Net income	**¥ 563**	¥ 585	**$ 6,783**

	Yen		U.S. dollars (Note 4)
Net Income per Share:			
Basic	**¥ 1.39**	¥ 1.45	**$ 0.02**
Net Assets per Share	**113.45**	120.96	**1.37**

The accompanying notes are an integral part of these statements.

Consolidated Statement of Comprehensive Income

Furukawa Co., Ltd. and consolidated subsidiaries
For the year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars (Note 4)
	2011	**2011**
Income Before Minority Interests	**¥ 333**	**$ 4,012**
Other comprehensive loss:		
Unrealized holding losses on securities, net of income taxes	**(2,479)**	**(29,867)**
Deferred losses on hedges	**(157)**	**(1,892)**
Translation adjustments	**(802)**	**(9,663)**
Share of other comprehensive loss of associates accounted for using equity method	**(164)**	**(1,976)**
Total other comprehensive loss (Note 9)	**(3,602)**	**(43,398)**
Comprehensive loss	**(3,269)**	**(39,386)**
Comprehensive Loss Attributable to		
Comprehensive loss attributable to owners of the parent	**(3,036)**	**(36,579)**
Comprehensive loss attributable to minority interests	**(233)**	**(2,807)**

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, 2011 and 2010

	Number of shares of common stock (thousands)	Millions of yen: Shareholders' equity: Common stock	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2010	404,456	¥ 28,208	¥ 16,687	¥ (45)	¥ 44,850
Cash dividends paid	—	—	—	—	—
Net income for the year	—	—	**563**	—	**563**
Purchase of treasury stock	—	—	—	**(1)**	**(1)**
Reversal of surplus on the revaluation of land	—	—	**60**	—	**60**
Net change during the year	—	—	—	—	—
Balance as of March 31, 2011	**404,456**	**¥ 28,208**	**¥ 17,310**	**¥ (46)**	**¥ 45,472**

	Millions of yen: Accumulated other comprehensive income: Unrealized holding 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 accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance as of March 31, 2010	¥ 2,791	¥ 41	¥ 3,348	¥ (2,145)	¥ 4,035	¥ —	¥ 1,970	¥ 50,855
Cash dividends paid	—	—	—	—	—	—	—	—
Net income for the year	—	—	—	—	—	—	—	**563**
Purchase of treasury stock	—	—	—	—	—	—	—	**(1)**
Reversal of surplus on the revaluation of land	—	—	—	—	—	—	—	**60**
Net change during the year	**(2,497)**	**(151)**	**(59)**	**(951)**	**(3,658)**	**53**	**(250)**	**(3,855)**
Balance as of March 31, 2011	**¥ 294**	**¥ (110)**	**¥ 3,289**	**¥ (3,096)**	**¥ 377**	**¥ 53**	**¥ 1,720**	**¥ 47,622**

	Number of shares of common stock (thousands)	Millions of yen: Shareholders' equity: Common stock	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2009	404,456	¥ 28,208	¥ 16,386	¥ (43)	¥ 44,551
Cash dividends paid	—	—	(606)	—	(606)
Net income for the year	—	—	585	—	585
Purchase of 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						
	Unrealized holding 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	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
Purchase of 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	(362)	(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

	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, 2010	$ 339,855	$ 201,048	$ (542)	$ 540,361
Cash dividends paid	—	—	—	—
Net income for the year	—	**6,783**	—	**6,783**
Purchase of treasury stock	—	—	**(12)**	**(12)**
Reversal of surplus on the revaluation of land	—	**723**	—	**723**
Net change during the year	—	—	—	—
Balance as of March 31, 2011	**$ 339,855**	**$ 208,554**	**$ (554)**	**$ 547,855**

	Thousands of U.S. dollars (Note 4)							
	Accumulated other comprehensive income							
	Unrealized holding 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 accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance as of March 31, 2010	$ 33,627	$ 494	$ 40,337	$ (25,843)	$ 48,615	$ —	$ 23,735	$ 612,711
Cash dividends paid	—	—	—	—	—	—	—	—
Net income for the year	—	—	—	—	—	—	—	**6,783**
Purchase of treasury stock	—	—	—	—	—	—	—	**(12)**
Reversal of surplus on the revaluation of land	—	—	—	—	—	—	—	**723**
Net change during the year	**(30,085)**	**(1,819)**	**(710)**	**(11,459)**	**(44,073)**	**639**	**(3,012)**	**(46,446)**
Balance as of March 31, 2011	**$ 3,542**	**$ (1,325)**	**$ 39,627**	**$ (37,302)**	**$ 4,542**	**$ 639**	**$ 20,723**	**$ 573,759**

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, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2011	2010	**2011**
Operating Activities:			
Income before income taxes and minority interests	¥ **447**	¥ 886	$ **5,386**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**3,290**	3,244	**39,639**
Decrease in allowance for doubtful accounts, net	**(199)**	(245)	**(2,398)**
Increase in accrued employees' retirement benefits	**874**	820	**10,530**
Loss on disposal and sales of property, plant and equipment	**152**	306	**1,831**
Write-down of investments in securities	**181**	0	**2,181**
Gain on sales of investment in securities	**(7)**	(610)	**(84)**
Gain related to copper smelting business in Australia	**—**	(1,345)	**—**
(Decrease) increase in provision for environmental measures	**(36)**	214	**(434)**
Gain on sales of property, plant and equipment	**(85)**	(432)	**(1,024)**
Interest and dividend income	**(678)**	(498)	**(8,169)**
Interest expense	**1,527**	1,680	**18,398**
Impairment loss on property, plant and equipment	**100**	266	**1,205**
Changes in operating assets and liabilities:			
Receivables — trade	**(941)**	200	**(11,337)**
Inventories	**1,459**	(145)	**17,578**
Payables — trade	**(2,391)**	3,994	**(28,807)**
Other	**(117)**	(555)	**(1,411)**
Subtotal	**3,576**	7,780	**43,084**
Interest and dividends received	**734**	661	**8,843**
Interest paid	**(1,567)**	(1,675)	**(18,880)**
Dividends income from investment in silent partnership	**—**	3,944	**—**
Income taxes paid	**(583)**	(2,622)	**(7,024)**
Income taxes refunded	**1,583**	995	**19,073**
Net cash provided by operating activities	**3,743**	9,083	**45,096**
Investing Activities:			
Purchases of property, plant and equipment	**(1,896)**	(2,929)	**(22,843)**
Proceeds from sales of property, plant and equipment	**173**	1,070	**2,084**
Purchases of investments in securities	**(4)**	(1,123)	**(48)**
Proceeds from sales of investments in securities	**17**	1,372	**205**
Purchases of stocks of subsidiaries and affiliates	**0**	(2,053)	**0**
Collection of investments in capital	**0**	210	**0**
Payment for purchases of investments in subsidiaries	**—**	(198)	**—**
Other	**66**	8	**795**
Net cash used in investing activities	**(1,644)**	(3,643)	**(19,807)**
Financing Activities:			
Proceeds from long-term debt	**15,110**	17,930	**182,048**
Repayment of long-term debt	**(20,340)**	(18,606)	**(245,060)**
Proceeds from short-term loans	**3,132**	2,511	**37,735**
Repayment of short-term loans	**(3,350)**	(5,954)	**(40,361)**
Cash dividends	**—**	(606)	**—**
Repayments of finance lease obligations	**(290)**	(165)	**(3,494)**
Other	**35**	121	**421**
Net cash used in financing activities	**(5,703)**	(4,769)	**(68,711)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(382)**	243	**(4,602)**
Net (Decrease) Increase in Cash and Cash Equivalents	**(3,986)**	914	**(48,024)**
Cash and Cash Equivalents at Beginning of Year	**20,257**	19,343	**244,060**
Cash and Cash Equivalents at End of Year	¥ **16,271**	¥ 20,257	$ **196,036**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2011 and 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.

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.

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 44 subsidiaries as of March 31, 2011 (46 as of March 31, 2010). The consolidated financial statements included the accounts of the Company and 43 subsidiaries as of March 31, 2011 (45 as of March 31, 2010).

Compared with the previous year, the number of subsidiaries decreased by 2 subsidiaries 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 been included on the basis of a fiscal year-ended on December 31, but prior to the parent company's fiscal year-ended of March 31. Relevant adjustments have been made for significant transactions with such subsidiaries during the intervening period from January 1 to March 31.

The Company had 17 affiliates as of March 31, 2011 (17 affiliates as of March 31, 2010) and the equity method was applied to 7 affiliates as of March 31, 2011 (7 affiliates as of March 31, 2010) 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) 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, 2011 and 2010. 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 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

Provision for environmental measures 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 are stated at cost. Depreciation of property, plant and equipment except for lease assets 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) Provision for Restoration Expenses for Disaster

Provision for restoration expenses for disaster is provided to cover the restoration expenses for assets suffered from Great East Japan Earthquake anticipated to be incurred.

(9) 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 ($23,373 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.

(10) Surplus on the Revaluation of Land

Pursuant to the "Law Concerning the Revaluation of Land," land used for the Company's business operations was revalued on March 31, 2002. The income tax effect of the difference between the book value and the revalued amount has been presented under liabilities as "Deferred income taxes on surplus on the revaluation of land" and the remaining balance has been presented under net assets as "Surplus on the revaluation of land, net of income taxes" 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 ¥1,503 million ($18,108 thousand) and ¥1,453 million as of March 31, 2011 and 2010, respectively.

(11) Income Taxes

Current income taxes comprising corporation tax, enterprise tax and inhabitants' taxes are provided for based on amounts currently payable for each year. Deferred income taxes arising from temporary differences between financial reporting and tax bases of the assets and liabilities, which were measured using the enacted tax rates and laws which will be in effect when the temporary differences are expected to reverse, are reflected in the consolidated financial statements.

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

(12) Amounts per Share

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share is not presented for the years ended March 31, 2011 and 2010 since no dilutive instruments were issued and outstanding during those years.

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

(13) Foreign Currency Translation

Foreign currency denominated monetary assets and liabilities are translated into Japanese yen using the rates of exchange in effect at the balance sheet date. Differences arising from the translation are included in the consolidated statements of income.

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 the consolidated financial statements.

(14) Hedging Activities

The Furukawa Group uses derivative financial instruments for the purpose of hedging the risks of adverse fluctuations in foreign exchange rates 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.

(15) Shareholders' Equity

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

3. Accounting Changes

(1) Accounting Standard for Equity Method of Accounting for Investments

Effective the year ended March 31, 2011, the Company adopted "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16, March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associated Accounted for Using the Equity Method" (PITF No.24, March 10, 2008). The effect of adopting this new standard had no impact on the Company's result of operations.

(2) Accounting Standard for Asset Retirement Obligations

Effective the year ended March 31, 2011, the Company adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, March 31, 2008). The effect of adopting this new standard was to decrease operating income by ¥4 million ($48 thousand) and income before income taxes and minority interests by ¥115 million ($1,386 thousand) compared with the corresponding amounts which would have been reported under the previous method.

(3) Accounting Standard for Business Combinations

Effective the year ended March 31, 2011, the Company adopted "Accounting Standard for Business Combinations" (ASBJ Statement No.21, December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, December 26, 2008), "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23, December 26, 2008), "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, December 26, 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16, December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, December 26, 2008).

(4) Consolidated Statement of Comprehensive Income

Effective the year ended March 31, 2011, the Company adopted "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25, June 30, 2010). In accordance with this new standard, consolidated statement of comprehensive income for the year ended March 31, 2010 is not presented. The comparative information for the year ended March 31, 2010 is disclosed in Note 9.

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 ¥83=US$1.00, the exchange rate prevailing on March 31, 2011. 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, 2011 and 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2011			**2011**		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Listed corporate shares	**¥ 8,362**	**¥ 5,421**	**¥ 2,941**	**$ 100,747**	**$ 65,313**	**$ 35,434**
	8,362	**5,421**	**2,941**	**100,747**	**65,313**	**35,434**
Securities whose acquisition cost exceeds their carrying value:						
Listed corporate shares	**7,904**	**10,472**	**(2,568)**	**95,229**	**126,169**	**(30,940)**
	7,904	**10,472**	**(2,568)**	**95,229**	**126,169**	**(30,940)**
Total	**¥ 16,266**	**¥ 15,893**	**¥ 373**	**$ 195,976**	**$ 191,482**	**$ 4,494**

	Millions of yen		
	2010		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Listed corporate shares	¥ 14,886	¥ 11,496	¥ 3,390
	14,886	11,496	3,390
Securities whose acquisition cost exceeds their carrying value:			
Listed corporate shares	4,087	4,586	(500)
	4,087	4,586	(500)
Total	¥ 18,973	¥ 16,083	¥ 2,890

Gain on sales of securities classified as other securities with aggregate gains and losses for the years ended March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Sales proceeds	**¥ 17**	¥ 1,491	**$ 205**
Aggregate gains	**7**	610	**84**
Aggregate losses	**(3)**	(12)	**(36)**

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 0.7% and 0.9% as of March 31, 2011 and 2010, respectively.

Long-term debt as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Loans, principally from banks, insurance companies and government agencies, most of which are secured, due 2011 to 2026	**¥ 76,407**	¥ 81,637	**$ 920,567**
	76,407	81,637	**920,567**
Current portion of long-term debt	**(17,152)**	(20,222)	**(206,651)**
	¥ 59,255	¥ 61,415	**$ 713,916**

The average interest rate applicable to the above loans amounting to ¥76,407 million ($920,567 thousand) was 1.6% and 1.7% as of March 31, 2011 and 2010, respectively.

The aggregate annual maturities of long-term debt subsequent to March 31, 2011 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	**¥ 17,152**	**$ 206,651**
2013	**16,844**	**202,940**
2014	**21,828**	**262,988**
2015	**10,381**	**125,072**
2016 and thereafter	**10,202**	**122,916**
	¥ 76,407	**$ 920,567**

Lease obligations as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Lease obligations due 2011 to 2017	**¥ 955**	¥ 891	**$ 11,506**
	955	891	**11,506**
Current portion of lease obligations	**(262)**	(207)	**(3,157)**
	¥ 693	¥ 684	**$ 8,349**

The aggregate annual maturities of lease obligations subsequent to March 31, 2011 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	**¥ 262**	**$ 3,157**
2013	**244**	**2,940**
2014	**211**	**2,542**
2015	**149**	**1,795**
2016 and thereafter	**89**	**1,072**
	¥ 955	**$ 11,506**

The Company and certain consolidated subsidiaries have entered into overdraft and loan commitment agreements amounting to ¥40,024 million ($482,217 thousand) with 26 banks and ¥40,288 million with 27 banks as of March 31, 2011 and 2010, respectively. The borrowings outstanding and the unused balances under these credit facilities amounted to ¥20,456 million ($246,458 thousand) and ¥19,568 million ($235,759 thousand), respectively, as of March 31, 2011 and amounted to ¥20,656 million and ¥19,632 million, respectively, as of March 31, 2010.

Assets pledged as collateral and liabilities with collateral pledged as of March 31, 2011 and 2010 were as follows:

(a) Assets pledged as collateral

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Investments in securities	**¥ 1,261**	¥ 1,839	**$ 15,193**
Property, plant and equipment, net	**6,611**	7,086	**79,650**
Other current assets	**—**	87	**—**
	¥ 7,872	¥ 9,012	**$ 94,843**

(b) Liabilities with collateral pledged

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Short-term debt	**¥ 100**	¥ 300	**$ 1,205**
Long-term debt (including current portion)	**2,826**	2,812	**34,048**
	¥ 2,926	¥ 3,112	**$ 35,253**

7. Goodwill

Goodwill and negative goodwill are netted against each other. The pre-netted amounts as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Goodwill	**¥ 599**	¥ 760	**$ 7,217**
Negative goodwill	**—**	(47)	**—**
Net goodwill	**¥ 599**	¥ 713	**$ 7,217**

8. Net Assets

(1) Types and number of shares issued and in treasury

	Thousands of shares			
	As of March 31, 2010	Increase	Decrease	As of March 31, 2011
Shares issued:				
Common stock	404,455	—	—	404,455
Total	404,455	—	—	404,455
Treasury stock:				
Common stock (Note)	298	8	—	306
Total	298	8	—	306

Note: The increase of 8 thousand shares of equity in treasury was due to the purchase of 8 thousand shares of less than a standard unit.

(2) Subscription rights to shares

Attribution	Details of subscription rights to shares (*2)	Type of shares to be issued upon exercise of rights	Thousands of shares				Millions of yen
			Number of shares subject to be issued upon exercise of rights				Balance as of March 31, 2011
			As of March 31, 2010	Increase	Decrease	As of March 31, 2011	
Parent company	Subscription rights to shares due 2016	Common stock	—	100,000 (*1)	—	100,000	53
Total			—	100,000	—	100,000	53

(*1) The increase of 100,000 thousand of subscription rights to shares due 2016 was due to issue subscription rights to shares.

(*2) All of subscription rights to shares can be exercised.

9. Other Comprehensive Income

The following table presents components of other comprehensive income for the year ended March 31, 2010:

	Millions of yen
Unrealized holding gain on securities, net of income taxes	¥ 4,808
Deferred gain on hedges	190
Translation adjustments	(712)
Share of other comprehensive loss of associates accounted for using equity method	(8)
Total other comprehensive income	¥ 4,728

Comprehensive income (loss) attributable to

	Millions of yen
Comprehensive income attributable to owners of the parent	¥ 4,913
Comprehensive loss attributable to minority interests	(52)
Total	¥ 4,861

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, 2011 and 2010 amounted to ¥2,225 million ($26,807 thousand) and ¥1,862 million, respectively.

11. Leases

Leases' accounting

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

1. Leased asset quality

(a) Tangible 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, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Acquisition costs	**¥ 2,718**	¥ 3,217	**$ 32,747**
Less accumulated depreciation	**1,635**	1,660	**19,699**
Net carrying value	**¥ 1,083**	¥ 1,557	**$ 13,048**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥471 million ($5,675 thousand) and ¥540 million for the years ended March 31, 2011 and 2010, 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, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Within one year	**¥ 363**	¥ 473	**$ 4,373**
Over one year	**720**	1,084	**8,675**
	¥ 1,083	¥ 1,557	**$ 13,048**

(2) Operating leases

The future minimum lease payments under lease agreements other than finance leases as of March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Within one year	**¥ 15**	¥ 12	**$ 181**
Over one year	**28**	14	**337**
	¥ 43	¥ 26	**$ 518**

12. Financial Instruments

1. Overview

(1) Policy for financial instruments

In consideration of 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 purpose.

(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 payables—trade notes and accounts payables—have payment due date 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 rate 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 swap.

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 price 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 "(14) 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 sheets as of March 31, 2011 and 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		
	2011			**2011**		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets						
(1) Cash and cash equivalents	**¥ 16,271**	**¥ 16,271**	**¥ —**	**$ 196,036**	**$ 196,036**	**$ —**
(2) Trade notes and accounts receivable	**25,197**	**25,197**	**—**	**303,578**	**303,578**	**—**
(3) Investments in securities	**16,266**	**16,266**	**—**	**195,976**	**195,976**	**—**
Total assets	**57,734**	**57,734**	**—**	**695,590**	**695,590**	**—**
Liabilities						
(1) Trade notes and accounts payable	**¥ 23,653**	**¥ 23,653**	**¥ —**	**$ 284,976**	**$ 284,976**	**$ —**
(2) Short-term loans (*1)	**12,858**	**12,858**	**—**	**154,916**	**154,916**	**—**
(3) Long-term debt (*1)	**76,406**	**76,866**	**460**	**920,554**	**926,096**	**5,542**
Total liabilities	**112,917**	**113,377**	**460**	**1,360,446**	**1,365,988**	**5,542**
Derivatives (*2)	**¥ 151**	**¥ 151**	**¥ —**	**$ 1,819**	**$ 1,819**	**$ —**

	Millions of yen		
	2010		
	Carrying value	Estimated fair value	Difference
Assets			
(1) Cash and cash equivalents	¥ 20,257	¥ 20,257	¥ —
(2) Trade notes and accounts receivable	24,427	24,427	—
(3) Investments in securities	18,973	18,973	—
Total assets	63,657	63,657	—
Liabilities			
(1) Trade notes and accounts payable	¥ 26,426	¥ 26,426	¥ —
(2) Short-term loans (*1)	13,077	13,077	—
(3) Long-term debt (*1)	81,637	82,187	550
Total liabilities	121,140	121,690	550
Derivatives (*2)	¥ 145	¥ 145	¥ —

(*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 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) Trade 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) Trade 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.

Derivative transactions

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, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Unlisted stocks	**¥ 8,340**	¥ 8,468	**$100,482**

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, 2011 and 2010 are as follows:

For the year ended March 31, 2011

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	¥ 16,195	—	—	—
Trade notes and accounts receivable	25,197	—	—	—
Total	¥ 41,392	—	—	—

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	$ 195,121	—	—	—
Trade notes and accounts receivable	303,578	—	—	—
Total	$ 498,699	—	—	—

For the year ended March 31, 2010

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	—	—	—
Trade notes and accounts receivable	24,426	—	—	—
Total	¥ 44,606	—	—	—

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

13. Derivative Transactions

The notional amounts and estimated fair value of the derivative instruments outstanding at March 31, 2011, 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, 2011		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward foreign exchange contracts				
	Sell				
	U.S. dollars	Accounts receivable	¥ 108	—	¥ (1)
	EUR	Accounts receivable	1,066	—	(45)
	U.S. dollars	Accounts payable	9,836	—	(88)
Allocation method	Forward foreign exchange contracts				
	Sell				
	U.S. dollars	Accounts receivable	¥ 136	—	(*)
	EUR	Accounts receivable	21	—	(*)
	Buy				
	U.S. dollars	Accounts payable	¥ 4,752	—	(*)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2011		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward foreign exchange contracts				
	Sell				
	U.S. dollars	Accounts receivable	$ 1,301	—	$ (12)
	EUR	Accounts receivable	12,843	—	(542)
	U.S. dollars	Accounts payable	118,506	—	(1,060)
Allocation method	Forward foreign exchange contracts				
	Sell				
	U.S. dollars	Accounts receivable	$ 1,639	—	(*)
	EUR	Accounts receivable	253	—	(*)
	Buy				
	U.S. dollars	Accounts payable	$ 57,253	—	(*)

Note: The fair values of forward currency contracts are based on exchange rates or prices provided by financial institutions.

(*) The fair values by means of the allocation method for foreign exchange contracts are included in the fair values of the hedged accounts receivables and payables because the derivative transactions are treated as a part of hedged accounts receivables and payables.

2. Interest-related transaction

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2011		
			Contract amounts	Maturing after one year	Fair value
Special accounting procedure for interest rate swap	Receive/floating and pay/fixed	Long-term debt	¥ 34,508	¥ 29,104	(*)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2011		
			Contract amounts	Maturing after one year	Fair value
Special accounting procedure for interest rate swap	Receive/floating and pay/fixed	Long-term debt	$ 415,759	$ 350,651	(*)

(*) 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, 2011 Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell				
	Copper	Raw material	—	—	—
	Buy				
	Copper	Raw material	¥ 6,244	—	¥ (17)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2011 Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell				
	Copper	Raw material	—	—	—
	Buy				
	Copper	Raw material	$ 75,229	—	$ (205)

Note: The fair values of forward product 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, 2011 does not exist and is not disclosed.

14. Employees' 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, 2011 and 2010 are summarized as follows:

	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Retirement benefit obligation	**¥ (15,165)**	¥ (15,117)	**$ (182,711)**
Plan assets at fair value	**9,390**	11,212	**113,133**
Unfunded status	**(5,775)**	(3,905)	**(69,578)**
Unrecognized net obligation at transition	**517**	647	**6,229**
Unrecognized actuarial loss	**7,653**	6,605	**92,205**
Unrecognized prior service cost	**279**	226	**3,361**
Prepaid pension cost	**(4,299)**	(5,162)	**(51,795)**
Accrued employees' retirement benefits	**¥ (1,625)**	¥ (1,589)	**$ (19,578)**

The components of retirement benefit expenses for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Service cost	**¥ 719**	¥ 627	**$ 8,663**
Interest cost	**348**	360	**4,193**
Expected return on plan assets	**(105)**	(156)	**(1,265)**
Amortization of net retirement benefit obligation at transition	**135**	32	**1,627**
Amortization of actuarial loss	**885**	1,052	**10,662**
Amortization of prior service cost	**22**	22	**265**
Retirement benefit expenses	**2,004**	1,937	**24,145**
Employees' contributions to the defined benefit pension plans	**4**	8	**48**
Total	**¥ 2,008**	¥ 1,945	**$ 24,193**

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

	2011	2010
Discount rates	**mainly 2.1%**	mainly 2.2%
Expected return on plan assets	**mainly 2.0%**	mainly 2.0%

15. Income Taxes

The reconciliation between the effective tax rates reflected in the consolidated statements of income and the statutory tax rates for the years ended March 31, 2011 and 2010 were summarized as follows:

	2011	2010
Statutory tax rates	**40.7%**	40.7%
Non-deductible expenses for tax purposes	**10.2**	4.9
Non-taxable dividends and other income	**(14.9)**	(4.3)
Inhabitants per capital tax	**21.1**	10.8
Equity in earnings and losses of affiliates	**(9.7)**	3.8
Amortization of goodwill and negative goodwill	**10.4**	(1.0)
Changes in valuation allowance	**(31.4)**	(21.3)
Other	**(0.9)**	0.6
Effective tax rates	**25.5%**	34.2%

Deferred tax assets and liabilities as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Deferred tax assets:			
Allowance for doubtful accounts	**¥ 311**	¥ 375	**$ 3,747**
Accrued employees' retirement benefits	**6,224**	5,798	**74,988**
Impairment loss on property, plant and equipment	**3,166**	3,139	**38,145**
Investments in securities	**3,729**	3,866	**44,928**
Accrued expenses	**117**	87	**1,410**
Net operating loss carryforwards	**16,280**	15,933	**196,145**
Land	**2,772**	2,638	**33,398**
Other	**950**	1,443	**11,444**
Total gross deferred tax assets	**33,549**	33,279	**404,205**
Valuation allowance	**(22,443)**	(22,737)	**(270,398)**
Total deferred tax assets	**11,106**	10,542	**133,807**
Deferred tax liabilities:			
Statutory reserves provided for tax purposes	**(1,536)**	(1,593)	**(18,506)**
Gain from establishment of trust for retirement benefit plans	**(4,327)**	(4,327)	**(52,133)**
Land	**(10,545)**	(10,545)	**(127,048)**
Capitalized interest of a foreign subsidiary	**(1,969)**	(1,604)	**(23,723)**
Other	**(131)**	(383)	**(1,578)**
Total deferred tax liabilities	**(18,508)**	(18,452)	**(222,988)**
Net deferred tax liabilities	**¥ (7,402)**	¥ (7,910)	**$ (89,181)**
Deferred income taxes on surplus on the revaluation of land	**¥ (2,767)**	¥ (2,806)	**$ (33,337)**

16. Contingent Liabilities

Contingent liabilities as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Notes receivable discounted and endorsed	**¥ 1,885**	¥ 1,531	**$ 22,711**
Loans guaranteed	**2,351**	2,792	**28,325**

17. Write-Down of Inventories

The amounts of write-down of inventories, included in cost of sales for the year ended March 31, 2011 amounted to ¥13 million ($157 thousand). For the year ended March 31, 2010, the Company reversed write-down in the amount of ¥536 million and credited it to costs of sales.

18. Other Income (Expenses)—Other, Net

Other income (expenses) — other, net for the years ended March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Employment adjustment subsidy	**¥ 35**	¥ 254	**$ 422**
Gain related to copper smelting business in Australia	**—**	1,345	**—**
Gain or loss on disposal and sales of property, plant and equipment	**(67)**	126	**(807)**
Gain on sales of investments in securities	**0**	598	**0**
Loss on adjustment for changes of accounting standard for asset retirement obligations	**(109)**	—	**(1,313)**
Loss on disaster	**(216)**	—	**(2,602)**
Payments for idle mines	**(567)**	(562)	**(6,831)**
Write-down of investments in securities	**(181)**	0	**(2,181)**
Provision for environmental measures	**—**	(214)	**—**
Loss on business withdrawal	**—**	(762)	**—**
Impairment loss on property, plant and equipment	**(100)**	(266)	**(1,205)**
Other, net	**(427)**	34	**(5,145)**
	¥ (1,632)	¥ 553	**$(19,662)**

19. Segment Information

Effective the year ended March 31, 2011, the Company adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, March 27, 2009) and "Guidance on the Accounting Standard for Segments of an Enterprise and Related Information" (ASBJ Guidance No.20, March 21, 2008), which is new accounting for disclosures about segments of an enterprise and related information. Segment information for the year ended March 31, 2010 has been restated in accordance with such accounting standards for comparative purposes.

The reportable segments are constituent units of the Furukawa Group for which separate financial information is available. The Board of Directors periodically examines these segments for the purpose of deciding the allocations of management resources and evaluating operating performance.

The Company mainly manufactures and sells machinery, smelts on consignment and sells copper and manufactures and sells electronic materials and chemicals.

Under the holdings company structure, each main Group company plans domestic and overseas comprehensive strategies about their products, and the Company manages and supervises them.

The Furukawa Group therefore categorizes segments classified by products based on main Group companies. The nine reportable segments are as follows: Industrial Machinery, Construction and Mining Machinery (Rock Drills), UNIC Machinery, Metals, Electronic Materials, Chemicals, Paints, Real Estate and Fuels.

Main products and services belonging to each segment are as follows:

(a) Industrial Machinery

Manufacture and sale environment machinery, pumps, plants, stone crushers, steel bridges and casting

(b) Construction and Mining Machinery (Rock Drills)

Manufacture and sale rock drills such as breakers, crushers, crawler drills and tunnel drill jumbos

(c) UNIC Machinery

Manufacture and sale truck-mounted cranes (UNIC cranes) and vehicle carriers (UNIC carriers)

(d) Metals

After buying ore, sale electrolytic copper, electrolytic gold, electrolytic silver and sulfuric acid which is smelted on consignment by joint smelting company

(e) Electronic Materials

Manufacture and sale high-purity metallic arsenic, gallium phosphorus polycrystals, aluminum nitride ceramics, optical components and cores and coils

(f) Chemicals

Manufacture and sale cuprous oxide, polyferric sulfate, sulfuric acid, titanium oxide and functional materials

(g) Paints

Manufacture and sale paints, acrylic rubber and adhesives

(h) Real Estate

Lease real estate

(i) Fuels

Purchase and sale perineum such as heavy oil, light oil and gasoline

The accounting method used for reportable segments is the same as the method stated in "2. Summary of Significant Accounting Policies." Operating income (loss) of reportable segments is based on operating income in the consolidated statements of income. Intersegment sales and transfers are recorded based on the actual market prices.

Segment information of the Furukawa Group for the years ended March 31, 2011 and 2010 was as follows:

Year ended March 31, 2011	Millions of yen					
	Industrial Machinery	Construction and Mining Machinery (Rock Drills)	UNIC Machinery	Metals	Electronic Materials	Chemicals
Sales and operating income (loss)						
Outside customers	¥ 10,655	¥ 23,880	¥ 12,490	¥ 79,980	¥ 7,147	¥ 5,076
Intersegment	1,609	24	71	587	49	808
Total	12,264	23,905	12,562	80,566	7,196	5,885
Operating income (loss)	¥ (30)	¥ (350)	¥ (187)	¥ 1,495	¥ 1,280	¥ 269
Others						
Segment assets	¥ 16,854	¥ 25,675	¥ 14,712	¥ 32,934	¥ 7,660	¥ 16,112
Depreciation	400	683	463	308	302	265
Investments in equity method and affiliates	—	—	8	3,771	671	—
Increase in the tangible fixed assets and the intangible fixed assets	175	237	160	149	87	50

Year ended March 31, 2011	Millions of yen					
	Paints	Real Estate	Fuels	Others	Adjustments	Consolidated
Sales and operating income (loss)						
Outside customers	¥ 15,041	¥ 1,578	¥ 9,005	¥ 786	¥ —	¥ 165,638
Intersegment	23	142	306	1,307	(4,926)	—
Total	15,063	1,720	9,311	2,092	(4,926)	165,638
Operating income (loss)	¥ (93)	¥ 635	¥ (57)	¥ (92)	¥ (49)	¥ 2,821
Others						
Segment assets	¥ 14,684	¥ 23,296	¥ 1,842	¥ 4,329	¥ 38,136	¥ 196,234
Depreciation	279	237	10	94	2	3,034
Investments in equity method and affiliates	196	—	—	468	—	5,114
Increase in the tangible fixed assets and the intangible fixed assets	340	308	3	26	398	1,933

Year ended March 31, 2011	Thousands of U.S. dollars					
	Industrial Machinery	Construction and Mining Machinery (Rock Drills)	UNIC Machinery	Metals	Electronic Materials	Chemicals
Sales and operating income (loss)						
Outside customers	$ 128,373	$ 287,711	$ 150,482	$ 963,614	$ 86,108	$ 61,157
Intersegment	19,386	289	855	7,072	590	9,735
Total	147,759	288,012	151,349	970,675	86,699	70,904
Operating income (loss)	$ (361)	$ (4,217)	$ (2,253)	$ 18,012	$ 15,422	$ 3,241
Others						
Segment assets	$ 203,060	$ 309,337	$ 177,253	$ 396,795	$ 92,289	$ 194,120
Depreciation	4,819	8,229	5,578	3,711	3,639	3,193
Investments in equity method and affiliates	—	—	96	45,434	8,084	—
Increase in the tangible fixed assets and the intangible fixed assets	2,108	2,855	1,928	1,795	1,048	602

Year ended March 31, 2011	Thousands of U.S. dollars					
	Paints	Real Estate	Fuels	Others	Adjustments	Consolidated
Sales and operating income (loss)						
Outside customers	$ 181,217	$ 19,012	$ 108,494	$ 9,471	$ —	$ 1,995,639
Intersegment	277	1,711	3,687	15,747	(59,349)	—
Total	181,482	20,723	112,181	25,204	(59,349)	1,995,639
Operating income (loss)	$ (1,120)	$ 7,651	$ (687)	$ (1,108)	$ (592)	$ 33,988
Others						
Segment assets	$ 176,916	$ 280,675	$ 22,193	$ 52,157	$ 459,470	$ 2,364,265
Depreciation	3,361	2,855	120	1,133	25	36,663
Investments in equity method and affiliates	2,361	—	—	5,639	—	61,614
Increase in the tangible fixed assets and the intangible fixed assets	4,096	3,711	36	313	4,797	23,289

Year ended March 31, 2010	Millions of yen					
	Industrial Machinery	Construction and Mining Machinery (Rock Drills)	UNIC Machinery	Metals	Electronic Materials	Chemicals
Sales and operating income (loss)						
Outside customers	¥ 12,784	¥ 20,387	¥ 11,143	¥ 71,133	¥ 5,970	¥ 5,025
Intersegment	1,513	19	26	500	120	260
Total	14,297	20,406	11,169	71,633	6,089	5,285
Operating income (loss)	¥ 433	¥ (2,585)	¥ (871)	¥ 3,224	¥ 658	¥ 104
Others						
Segment assets	¥ 17,743	¥ 24,635	¥ 15,026	¥ 30,408	¥ 7,930	¥ 16,216
Depreciation	408	696	465	309	345	284
Investments in equity method and affiliates	—	—	98	3,611	670	—
Increase in the tangible fixed assets and the intangible fixed assets	365	582	554	205	106	121

Year ended March 31, 2010	Millions of yen					
	Paints	Real Estate	Fuels	Others	Adjustments	Consolidated
Sales and operating income (loss)						
Outside customers	¥ 3,693	¥ 2,044	¥ 9,893	¥ 853	¥ —	¥ 142,925
Intersegment	5	152	215	1,206	(4,016)	—
Total	3,697	2,196	10,108	2,061	(4,016)	142,925
Operating income (loss)	¥ (19)	¥ 1,129	¥ (29)	¥ (377)	¥ (69)	¥ 1,598
Others						
Segment assets	¥ 15,287	¥ 23,584	¥ 2,401	¥ 4,017	¥ 47,527	¥ 204,774
Depreciation	66	270	12	153	2	3,010
Investments in equity method and affiliates	203	—	—	646	—	5,228
Increase in the tangible fixed assets and the intangible fixed assets	59	236	16	99	593	2,936

(Related information)

Year ended March 31, 2011

1. Information regarding products and services

	Millions of yen		
	Copper	Others	Total
Sales for outside customers	¥ 62,720	¥ 102,919	¥ 165,639
	Thousands of U.S. dollars		
	Copper	Others	Total
Sales for outside customers	$ 755,663	$ 1,239,988	$ 1,995,651

2. Geographical information

(1) Net sales

Millions of yen			
Japan	Asia	Others	Total
¥134,773	¥19,166	¥11,700	¥165,639
Thousands of U.S. dollars			
Japan	Asia	Others	Total
$1,623,771	$230,916	$140,964	$1,995,651

(2) Property, plant and equipment

The geographic segment information for the year ended March 31, 2011 has not been presented, because the total assets in Japan exceed 90% of consolidated totals.

3. Information regarding main customers

Name of Customer	Sales Volume (Millions of yen)	Related Segment
Furukawa Electric Co., Ltd.	¥26,626	Metals

Name of Customer	Sales Volume (Thousands of U.S. dollars)	Related Segment
Furukawa Electric Co., Ltd.	$320,795	Metals

4. Loss on impairment of fixed assets in reporting segments

	Industrial Machinery	Construction and Mining Machinery (Rock Drills)	UNIC Machinery	Metals	Electronic Materials	Chemicals	Paints	Real Estate	Fuels	Others	Adjustments	Consolidated
	Millions of yen											
Loss on impairment of fixed assets	—	—	—	—	—	—	—	¥ 22	¥ 3	—	¥ 75	¥ 100
	Thousands of U.S. dollars											
Loss on impairment of fixed assets	—	—	—	—	—	—	—	$ 265	$ 36	—	$ 904	$ 1,205

5. Amortization of goodwill and unamortized goodwill in reporting segments

	Industrial Machinery	Construction and Mining Machinery (Rock Drills)	UNIC Machinery	Metals	Electronic Materials	Chemicals	Paints	Real Estate	Fuels	Others	Adjustments	Consolidated
	Millions of yen											
Balance as of March 31, 2011	—	—	¥ 28	—	—	—	¥ 571	—	—	—	—	¥ 599
	Thousands of U.S. dollars											
Balance as of March 31, 2011	—	—	$ 337	—	—	—	$ 6,880	—	—	—	—	¥ 7,217

6. Gain on negative goodwill in reporting segments

Not applicable.

20. Investment and Rental Properties

The Company and certain consolidated subsidiaries own office buildings for lease mainly in Tokyo and other areas. Effective the year ended March 31, 2011, rental income is ¥678 million ($8,169 thousand), gain on sales of rental properties is ¥2 million ($24 thousand), loss on disposal and sales of rental properties is ¥36 million ($434 thousand) and impairment loss on rental properties is ¥100 million ($1,205 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, 2010	Net change	As of March 31, 2011	As of March 31, 2011
(Millions of yen)			
¥ 27,566	¥ 1,614	¥ 29,180	¥ 30,358

Carrying Value			Fair Value
As of March 31, 2010	Net change	As of March 31, 2011	As of March 31, 2011
(Thousands of U.S. dollars)			
$ 332,120	$ 19,446	$ 351,566	$ 365,759

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 to rental properties involved in the removal of office tenants due to real estate development in the amount of ¥2,381 million ($28,687 thousand) and decreases mainly due to amortization in the amount of ¥232 million ($2,795 thousand), decrease of rental area in the amount of ¥222 million ($2,675 thousand) and retirement in the amount of ¥209 million ($2,518 thousand).
3. The fair value is mainly estimated in accordance with appraisal standards for valuing real estate.

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, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31,2011, 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, 2011 and 2010, 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, 2011 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, 2011

Corporate Data

(As of March 31, 2011)

Directors and Auditors

(As of June 29, 2011)

President and Representative Director	Nobuyoshi Soma
Senior Managing Director	Manabu Zama
Managing Director	Yoshihito Emoto
Managing Director	Susumu Nakamura
Managing Director	Toshio Matsumoto
Director	Naohisa Miyakawa
Outside Director	Junnosuke Furukawa
Statutory Auditor	Tadatoshi Nanpei
Statutory Auditor	Masaya Kouzaki
Outside Company Auditor	Tamiki Ishihara
Outside Company Auditor	Nobuyuki Tomotsune
Outside Company Auditor	Yoshiki Sato

Executive Officers

(As of June 29, 2011)

Senior Managing Executive Officer	Manabu Zama
Managing Executive Officer	Yoshihito Emoto
Managing Executive Officer	Susumu Nakamura
Managing Executive Officer	Toshio Matsumoto
Senior Executive Officer	Naohisa Miyakawa
Senior Executive Officer	Toshikazu Nakagawa
Senior Executive Officer	Yasuji Tomiyama
Senior Executive Officer	Akira Usui
Senior Executive Officer	Kouichiro Umezaki
Executive Officer	Osamu Watanabe
Executive Officer	Saburou Saruhashi
Executive Officer	Norihiro Yanagisawa
Executive Officer	Kenji Ichimura
Executive Officer	Akinori Ota
Executive Officer	Yasufumi Watanabe
Executive Officer	Minoru Iwata

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

Securities Code Number: 5715

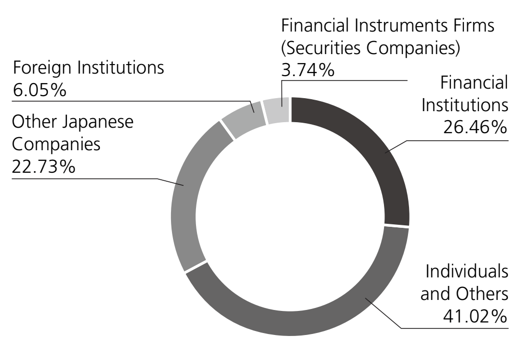
Employees: Consolidated 2,728; Non-consolidated 215

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.	12,429	3.07
The Master Trust Bank of Japan, Ltd. (trust account)	11,821	2.92
Japan Trustee Services Bank, Ltd. (trust account)	11,290	2.79
Chuo Real Estate Co., Ltd.	9,812	2.42
Fujitsu Limited	9,617	2.37
Furukawa Electric Co., Ltd.	8,777	2.17
Fuji Electric Co., Ltd.	8,620	2.13
The Yokohama Rubber Company, Limited	8,510	2.10

Composition of Shareholders

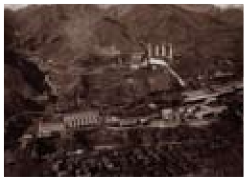


URL: http://www.furukawakk.co.jp/e_index.htm

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.



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

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

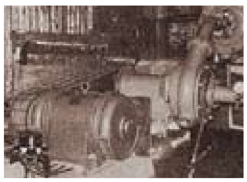
1914 Manufactured the first rock drill in Japan.

The first domestic rock drill was developed at Ashio.

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

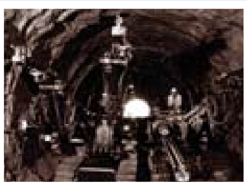
1944 Bought Osaka Smelter of Toa Chemical Smelting Co., Ltd. and established it as Osaka Cementation and Refining. Entered into the chemical business.

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



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

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



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

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.

The Furukawa/Outokumpu flash smelting plant

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

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

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

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

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

1990 Bought an American breaker sales and manufacturing company.

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

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

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

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

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.

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

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.

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.

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

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

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

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

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

FURUKAWA CO.,LTD.

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