Annual Report 2014

Year ended March 31, 2014

Bridging to the Future

Business Domains of the Furukawa Company Group

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. In our businesses, which can be broadly classified into the fields of machinery and materials, we deliver attractive products to diverse markets. Going forward, we will expand our involvement in rapidly growing businesses, while adhering to our basis corporate policies, which are to "strengthen the technical capabilities of the Machinery business and promote further overseas development" and "promote development activities aimed at new product commercialization."

Machinery Business

INDUSTRIAL MACHINERY

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

CONSTRUCTION AND MINING MACHINERY (ROCK DRILLS)

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

UNIC MACHINERY

UNIC cranes, mini crawler cranes, UNIC carriers, UNICPAL

Materials Business

METALS

Electrolytic copper, gold, silver, sulfuric acid

ELECTRONIC MATERIALS

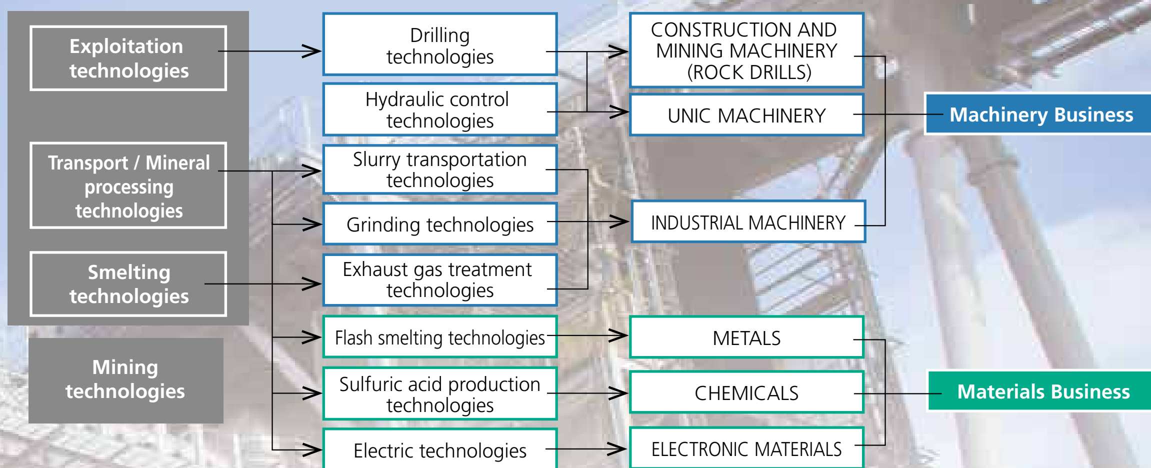
High-purity metallic arsenic, gallium phosphide poly-crystals, X-ray scintillator crystals, aluminum nitride ceramics, coils, lenses

CHEMICALS

Cuprous oxide, sulfuric acid, aluminum sulfate, ferric polysulfate solution, cupric oxide, titanium dioxide

Cover photo: Long-distance belt conveyor (turning conveyor) system delivered to Rikuzentakata City, Iwate Prefecture. The system can move large volumes of earth and rock at high speed. In this project, which entails relocation of communities to higher ground, the system enables the project to be completed in one-third of the time normally required. The Company's technologies are being deployed extensively in restoration projects.

Furukawa's Technological Genealogy



Financial Highlights

For the years ended March 31

		Millions of yen			
	2014/3	2013/3	2012/3	2011/3	2010/3
For the year:					
Net sales	**¥ 163,026**	¥ 165,540	¥ 157,566	¥ 165,638	¥ 142,925
Operating income	**6,886**	3,363	2,155	2,821	1,598
Income (loss) before income taxes and minority interests	**7,092**	5,433	(2,663)	447	886
Net income (loss)	**3,976**	2,976	(1,659)	563	585
Capital expenditures	**11,430**	2,926	3,588	2,112	2,545
Depreciation and amortization	**2,828**	3,015	3,329	3,290	3,244
Research and development expenses	**2,539**	2,559	2,622	2,225	1,862
At year-end:					
Total assets	**¥ 199,408**	¥ 186,076	¥ 193,971	¥ 196,234	¥ 204,774
Net assets	**56,313**	51,507	47,668	47,622	50,855
Per share amounts:			Yen		
Net income (loss)	**¥ 9.84**	¥ 7.37	¥ (4.11)	¥ 1.39	¥ 1.45
Cash dividends	**3.00**	2.00	0.00	0.00	0.00
Net assets	**135.34**	123.99	113.88	113.45	120.96
Return on equity (ROE) (%)	**7.6**	6.2	(3.6)	1.2	1.3
Equity ratio (%)	**27.4**	26.9	23.7	23.4	23.9

President and Representative Director
Naohisa Miyakawa

Business Conditions and Performance

In fiscal 2014, ended March 31, 2014, the Japanese economy began breaking out of its deflationary spiral and entering a moderate recovery thanks to fiscal and monetary measures taken by the government and the Bank of Japan. However, weakness among overseas economies led to the risk of downward pressure on the domestic economy.

Facing these conditions, the Furukawa Company Group implemented a number of proactive business strategies, centering on its three machinery-based businesses: Industrial Machinery, Construction and Mining Machinery (Rock Drills), and UNIC Machinery. These measures included advancing our overseas operations, relentlessly seizing opportunities arising from domestic economic recovery, reducing costs, and enhancing business efficiency.

For the fiscal year, the Industrial Machinery, Construction and Mining Machinery (Rock Drills), and UNIC Machinery segments together generated a 25.1% year-on-year increase in sales. However, overall revenue was affected by the Group's withdrawal from the fuels business in October 2012 and the paints business in March 2013. As a result, consolidated net sales amounted to ¥163,026 million, down 1.5% from fiscal 2013. In the previous fiscal year, the fuels business posted sales of ¥3,771 million, and the paints business generated sales of ¥15,079 million, for a total of ¥18,850 million.

Operating income jumped 104.8%, to ¥6,886 million, owing mainly to increased sales of the three machinery-based businesses—supported by healthy construction-related demand in Japan—as well as the weak yen, which helped the Metals business segment. Turning to other income, the Group posted ¥600 million, due to gain on foreign exchange stemming from the weakened yen. Furthermore, there was ¥1,095 million in compensation income. In other expenses, the Group posted a ¥1,078 million interest expense, ¥565 million on payments for idle mines, and a ¥187 million impairment loss. Furthermore, we posted losses in the form of a ¥101 million loss on sales and retirement of noncurrent assets. Consequently, net income increased 33.6%, to ¥3,976 million.

Future Initiatives

In fiscal 2014, the Group's performance benefited significantly from domestic construction-related demand centered on the three machinery-based businesses, as well as infrastructure-related demand related to economic recovery.

During the year, we received strong praise for the comprehensive engineering expertise of our Industrial Machinery business. This related to our involvement in a large-scale project for relocating people to higher ground in Rikuzentakata City, Iwate Prefecture. Since our founding, we have amassed extensive technological expertise in such areas as rock crushing, transportation, and bridges. By integrating these technologies, we are able to successfully carry out such high-ground relocation projects, which are rare anywhere in the world. We have also inherited and enhanced various technologies from our history in mine development, which we will deploy to address new needs arising from the changing times.

The Group expects demand to remain strong in the future for several reasons. In addition to full-fledged economic recovery, these include renewal of aging infrastructure to enhance earthquake resistance under the Building National Resilience Plan, as well as construction of transport infrastructure, such as new Shinkansen lines and the planned Linear Chuo Shinkansen Line. Major civil engineering projects are also planned ahead of the 2020 Summer Olympics in Tokyo. Our strategy is to effectively exploit such domestic demand. At the same time, we will build a future-oriented foundation for our three machinery-based businesses, with particular emphasis on overseas infrastructure and resource development, which are expected to constitute a growing market.

Our three materials-based businesses—Metals, Electronic Materials, and Chemicals—represent another cornerstone of our operations. Here, we will consider investing in mines to enable reliable procurement of ore and secure mining rights, and we will build a framework to complement our refining business. In addition, we will reassess our approach to research and development with the aim of swiftly commercializing new products and materials, especially in the Electronic Materials business.

Dividend Policy

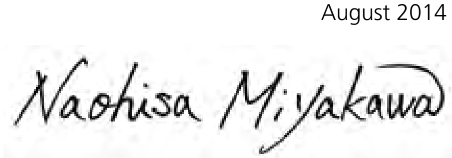
Furukawa places great importance on improving returns of profits to all shareholders while retaining earnings required to finance capital expenditures and research and development expenses necessary to bolster earnings. Our basic policy is to appropriate profits after comprehensive consideration of future business development and various other factors.

In fiscal 2014, the Company declared a year-end cash dividend of ¥3.00 per share, up ¥1.00 from the previous year. In fiscal 2015, we plan to pay a year-end dividend of ¥3.00 per share, with no interim dividend scheduled.

Going forward, we will continue pursuing our business operations with strategic priority on our two fundamental policies, which are to "strengthen the technical capabilities of the Machinery business and promote further overseas development" and "promote development activities aimed at new product commercialization."

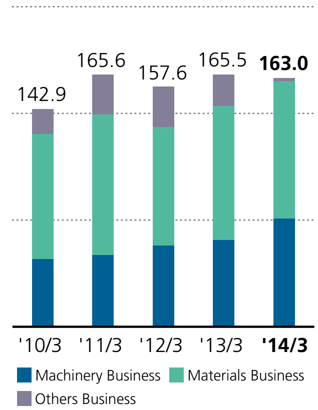
We look forward to the understanding and support of all stakeholders as we embrace the challenges of the future.

August 2014

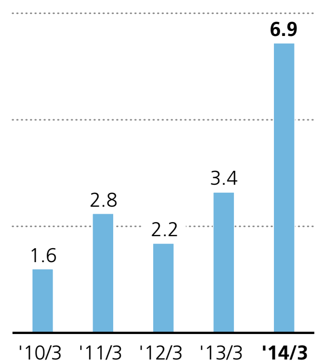


Naohisa Miyakawa
President and Representative Director

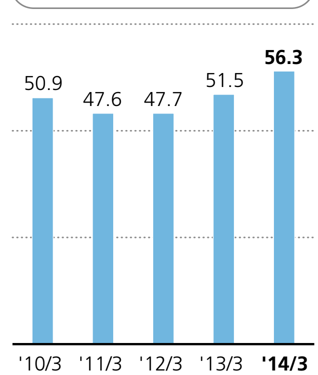
Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



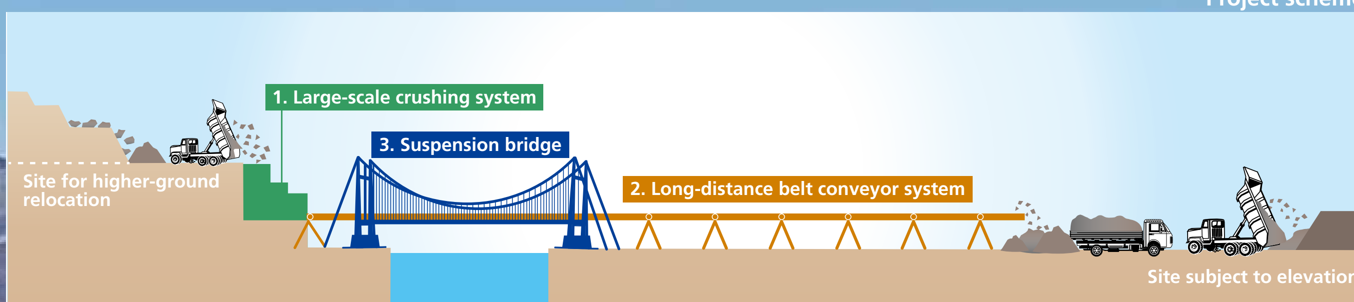
Net Assets
(Billions of yen)



Supporting Disaster Recovery in Rikuzentakata City

The Great East Japan Earthquake in March 2011 caused major damage in Rikuzentakata City, Iwate Prefecture. As part of the disaster recovery effort, a project is in place to relocate the community to higher ground. This project involves slicing into adjacent mountains to create an elevated foundation for construction of residential units. Earth and gravel cut from the mountains are used to fill and elevate low-laying areas, forming a base for development of commercial facilities and parks. It is a huge project designed to protect the city from future tsunami. The Furukawa Company Group's Industrial Machinery business has been employed to help restore the disaster-affected area as swiftly as possible. With a history of mining development technologies and innovation built up since our establishment, we are on the ground assisting in this important infrastructural project.

Project scheme



The Group's involvement in the Rikuzentakata City restoration project covers provision of three types of machinery: a large-scale crushing system for crushing earth and gravel, a long-distance belt conveyor system for transporting large volumes of earth and gravel to holding areas, and a suspension bridge for getting materials across a river that lies in between.

Our large-scale crushers are a culmination of crushing and pulverizing technologies amassed since our days in mining development. With eight feeders, eight screens, and eight crushers, it has a crushing and processing capacity of 8,000 tons per hour, among the highest in Japan.

Also large in scale, our long-distance belt conveyor system is used to transport earth and gravel, crushed by our large-scale crushers, to provisional holding areas. It is 1.8 meters wide, 3 kilometers long, and can transport materials at 15 kilometers per hour. In other words, this large-capacity, high-speed system can transport up to 6,000 tons of crushed gravel per hour. It can also transport materials in one-third of the time taken using 10-ton dump trucks, thus reducing the period of this project by around six years. In the restoration business, shortening the project period is an overriding priority, and our high-speed, long-distance belt conveyor makes this possible. Our belt conveyor is also the result of mineral ore transportation technologies developed during our history in mine development.

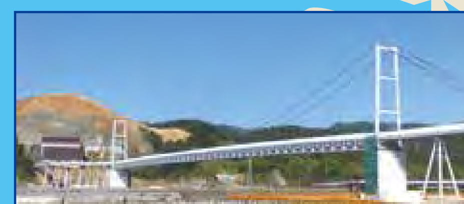
Our suspension bridge, made specifically for our belt conveyor, serves as a temporary bridge for transporting materials over the Kesen River. The suspension bridge configuration was adopted in consideration of the environmental impact on the river and demonstrates our expertise in this area amassed over many years.

The Group has also accumulated significant project execution and equipment installation expertise in its bridge-related business. These attributes gave us a competitive edge over other makers of crushers and belt conveyors, extending beyond mere sale of equipment.

By combining multiple original technologies developed over the years in crushing, transportation, and bridge-related technologies, the Group is able to provide comprehensive responses encompassing execution, installation, and operational management, in addition to equipment manufacture and sale. We have become a leader in the disaster recovery business by drawing on technologies and innovative concepts, as we have done since our foundation.

2. Long-distance belt conveyor system

Earth and rocks that have passed through the large-scale crushing system are then transported to a temporary holding area using our long-distance belt conveyor system. The system is 3 kilometers long and 1.8 meters wide. It consists of eight extractor conveyors, 10 main conveyors, and five turning conveyors. It can move material at up to 250 meters per minute, or 15 kilometers per hour, and has a total conveying capacity of 6,000 tons per hour. Compared with using 10-ton dump trucks, transportation time is reduced by around one-third.

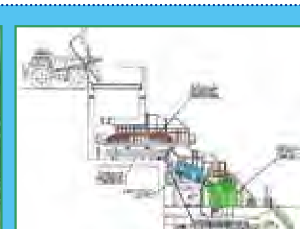


3. Suspension bridge

The suspension bridge has been made specifically for the long-distance belt conveyor, with the aim of transporting materials over the Kesen River, which divides the mountains from elevated areas. In consideration of the potential environmental impact on the river, where salmon are said to swim upstream, we decided to use a suspension bridge, which does not require support pillars driven into the river bed. With a main span of 220 meters, the structure has been named “Bridge of Hope” and has become a symbol of the recovery project alongside the “Miracle Pine” of Rikuzentakata City.

1. Large-scale crushing system

This system consists of eight crushing lines. Each combines a feeder for physically withdrawing earth and rocks cut from the mountains, a screen that separates rocks larger than 300 millimeters in diameter from the rest, and a crusher for pulverizing those larger rocks into pieces less than 300 millimeters in diameter. The total capacity is 8,000 tons per hour, one of the largest in Japan. The resulting earth and crushed rocks are then fed onto the belt conveyor system.



The Group’s involvement in the project is not limited to industrial machinery. We also provide hydraulic crawler drills to make blasting holes in the mountains, as well as UNIC cranes for moving materials onsite.

Strategies to Expand Our Machinery-Related Businesses

The business environment surrounding the Furukawa Company Group is benefiting from multiple domestic infrastructure-related projects already under way or being planned. These include full-scale disaster recovery projects, new Shinkansen lines and the planned Linear Chuo Shinkansen Line, and projects related to the 2020 Summer Olympics in Tokyo. There are also various public works projects under the Building National Resilience Plan. Our aim is to advance our machinery-related businesses by deploying our accumulated experience and expertise in infrastructural projects, which apply our mine development technologies amassed since our foundation. Specifically, we will focus on three key areas: tunnel projects, concrete, and civil engineering and construction worksites. Below is a description of how our offerings relate to these areas of focus.

Areas of Focus in Infrastructure Market

Areas of Focus	Main Sites	Relevant Products
Tunnel projects	Reconstruction roads and service roads New Shinkansen lines Linear Chuo Shinkansen Line	Tunnel drill jumbos Shield pumps
Concrete	Quarries Quarrying plants	Hydraulic crawler drills Hydraulic breakers Crushers
Civil engineering and construction worksites	Civil project worksites Building construction sites Building demolition sites	UNIC cranes Mini crawler cranes Hydraulic breakers

Tunnel projects

The role of tunnels is to make way for roads and railway lines. When tunneling into mountains where the rock is hard, a drill-and-blast construction method is usually employed. Our leading-edge tunnel drill jumbos are ideally suited to such projects.

The job of a tunnel drill jumbo is to drill holes into hard rock. Explosives are inserted into the holes so the rock can be blasted. Many projects in Japan have employed this method, including the Seikan Tunnel, Hakkoda Tunnel, and Kanetsu Tunnel.

At present, a multitude of transport infrastructure projects are under way in Japan's Tohoku District, including reconstruction roads and service roads. These are progressing at a rapid pace, with the aim of opening the roads in six or seven years. A number of new Shinkansen lines are also scheduled to open between 2022 and 2035 in Hokkaido, Hokuriku, and Kyushu, which will require tunnels totaling around 238 kilometers in length. Then there is the Linear Chuo Shinkansen Line linking Tokyo and Nagoya. Scheduled to open in 2027, it will include 246 kilometers of tunnels.

Shield pumps

Since many of these tunnels will be built in the mountains, we expect our tunnel drill jumbos to be widely employed. As Japan's sole manufacturer of such equipment, we have an important role to play, and we will continue improving the safety and precision of our machines. To this end, we already developed state-of-the-art technologies—such as an automatic tracking and perforation guidance system, auto-drilling system, and perforation data recording system—in preparation for upcoming projects.

For the portion of the Linear Chuo Shinkansen Line to be built under the Tokyo Metropolitan Area, the shield method will be used for tunnel excavation. We expect that our shield pumps, which are used to discharge excavated soil mixed with water, will play a role here. We will exploit our overwhelming share of the domestic market to attract orders for these projects.

Tunnel drill jumbos

Types of Tunnel Projects

Tunnel Type	Excavation Method	Relevant Products	Track Record
Mountain tunnel	Blasting method	Tunnel drill jumbos	Hakkoda Tunnel Seikan Tunnel Kanetsu Tunnel, etc.
Underground tunnel	Shield method	Shield pumps	Tokyo Bay Aqua Line Tsukuba Express Bosporus Strait (Turkey), etc.

Concrete

Concrete is an essential component of many structures, including buildings and roads, and the volume of concrete shipments has grown sharply in recent years in line with progressive infrastructural development. Therefore, we expect demand to remain firm for gravel and limestone, which are basic materials used to make concrete.

Hydraulic crawler drills

Hydraulic breakers

At many open-cut gravel and limestone quarries, our hydraulic crawler drills are used to drill holes into the rock. The rock is then blasted using explosives inserted into the holes. Moreover, large rocks created from such blasts are broken into smaller pieces using our hydraulic breakers. The Furukawa Company Group has a 65% domestic market share for hydraulic crawler drills and a 40% share for hydraulic breakers.

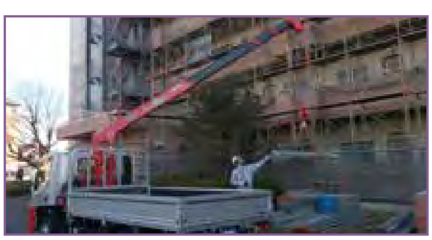
Our crushing machines, which include jaw crushers and corn crushers, are used in many plants where excavated rock is crushed. Here, our screens are also used to separate rocks according to size. Indeed, a variety of our machines, created using our expertise in mine development, are hard at work all over Japan.

Demand for concrete is expected to grow, and gravel, a key element of cocrete, will also become an important material for construction of infrastructure in such areas as road paving and railway track bedding. We will continue promoting sales aimed at addressing new demand for our machinery and components for use at various worksites.

Crushers

Civil engineering and construction worksites

The Furukawa Company Group predicts that the number of civil engineering and construction worksites will increase steadily in line with various large-scale projects in progress or being planned. In addition to full-scale restoration projects, these include construction of new Shinkansen lines and the planned Linear Chuo Shinkansen Line, the 2020 Summer Olympics in Tokyo, and public works projects under the Building National Resilience Plan.



UNIC cranes

Mini crawler cranes

The Group's UNIC cranes are used extensively in conveying, loading, unloading, and placement of materials uses at such civil engineering and construction worksites. Each machine can perform multiple roles, providing a level of convenience that is highly praised in the industry. We also have mini crawler cranes that are compact and versatile and can perform in places inaccessible by truck, as well as inside buildings.

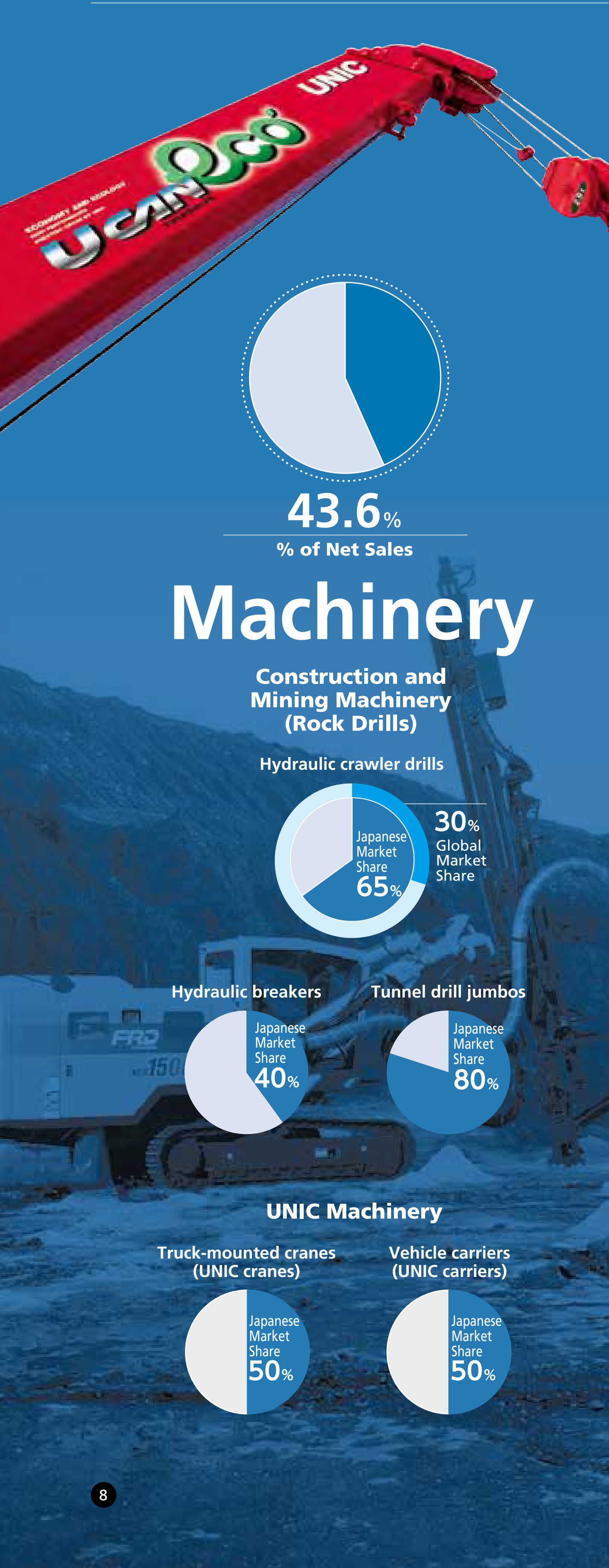
Many construction projects require demolition work. Here, our hydraulic breakers, which are attached to hydraulic shovels, serve a useful function.

Going forward, we will work hard to address growing demand at civil engineering and construction worksites for our offerings, especially our UNIC cranes, which have a 50% share of the domestic market.

Hydraulic crushers

The Furukawa Company Group has a full range of machinery to meet diversifying infrastructure-related demand, in both upstream and downstream areas. Our experience and technological expertise, which support the foundations of society, are already playing an important role. In addition to addressing strong demand in Japan, we will endeavor to meet diversified social needs overseas, where demand is also expected to grow in the areas of mine development and infrastructure-related construction.

For an overview of the Group's initiatives, please refer to the "Welcome to the Furukawa Planet" section of the corporate website:
http://www.furukawakk.co.jp/fkkplanet/e/ (also features a YouTube video).



Industrial Machinery

In fiscal 2014, the industrial machinery business booked sales from machinery ordered in the previous fiscal year, namely for large-scale crushing equipment to facilitate relocation to higher ground in earthquake-affected areas, as well as long-distance belt conveyors. We also reported healthy sales of crushers and other general industrial machinery. As a result, the segment posted sales of ¥18,528 million, up 43.7% from the previous fiscal year. Operating income jumped 137.6%, to ¥1,851 million.

Going forward, we will focus on completing projects for relocation to higher ground and operational control. In the public sector, we will target pumps for sewage treatment plants associated with infrastructure projects, as well as bridge-related projects and other initiatives. In the private sector, we will continue expanding sales of crushing equipment for the gravel and cement sectors, which provide raw materials for concrete. In addition, we will reinforce our sales systems for solutions and section plants, while strengthening our components business in order to raise customer satisfaction levels.

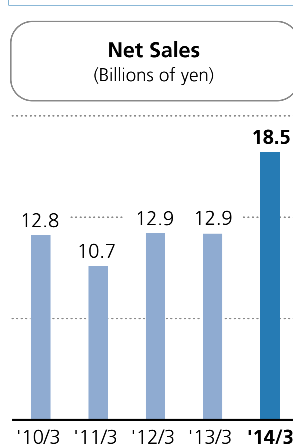
Overseas, we will broaden our sales channels by reinforcing alliances with Japanese companies, engineering firms, and water treatment equipment manufacturers.

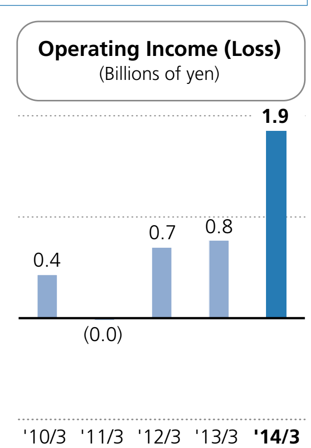

Sludge pump used in sewage treatment plants


Crushers


Bridges

Industrial Machinery





Construction and Mining Machinery (Rock Drills)

In the domestic rock drills business, we reported increased shipments of hydraulic breakers and hydraulic crushers on the back of buoyant demand in the construction sector. Shipments of hydraulic crawler drills were also healthy thanks to increased demand for gravel and limestone, leading to growth in sales of tunnel drill jumbos. As a result, the Construction and Mining Machinery (Rock Drills) segment posted a 15.2% increase in sales, to ¥26,843 million, and operating income of ¥341 million, compared with an operating loss of ¥68 million in the previous year.

In Japan, we will focus on sales of tunnel drill jumbos for tunnel projects as construction of disaster-related service and support roads gets into full swing. We will also strengthen our service network, including by establishing a sales office in Miyako City, Iwate Prefecture. In addition, we will actively gather information and make approaches to general contractors related to railway lines scheduled to start construction, including new Shinkansen lines and the Linear Chuo Shinkansen Line.

Overseas, we will seek to expand sales channels by forming alliances with agencies to strengthen our service capabilities, despite continued weakness in demand for natural resources. We will also strive to bolster sales of high-value-added machinery, such as the new FXJ Series of hydraulic breakers, while enhancing business profitability through cost reduction efforts.

UNIC Machinery

In fiscal 2014, domestic truck registrations grew 16.6% year on year on the back of economic recovery and disaster recovery demand. The percentage of crane-mounted trucks also remained high, leading to significant year-on-year growth in sales of UNIC cranes. Moreover, we reported an increase in shipments of vehicle carriers (UNIC carriers). Overseas, we generated higher revenue thanks to increased shipments of mini crawler cranes and the weak yen. As a result, sales in the UNIC Machinery segment climbed 24.6% year on year, to ¥25,741 million, and operating income rose 42.0%, to ¥3,142 million.

Going forward, we expect domestic sales of trucks to remain mostly unchanged. We also look forward to continued healthy sales of UNIC cranes. In addition, we will promote sales of mini crawler cranes, which do not require regular trucks for transportation, as well as shipbuilding cranes and UNICPAL cranes. Overseas, we will target sales expansion in various nations and regions by producing machinery tailored to demand in each market and building a robust global sales system. Here, we will leverage our global production system with operations in Japan, China, and Thailand.

Hydraulic crawler drills used in domestic and overseas mines and infrastructure projects

Hydraulic breakers attached to a hydraulic shovel

Tunnel drill jumbos used in mountain tunnel projects for roads and railways

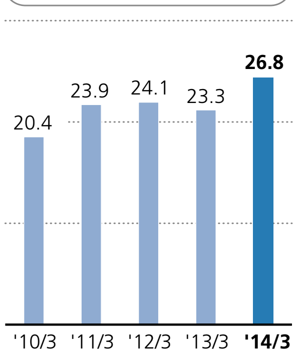
Truck-mounted UNIC cranes

UNIC carriers

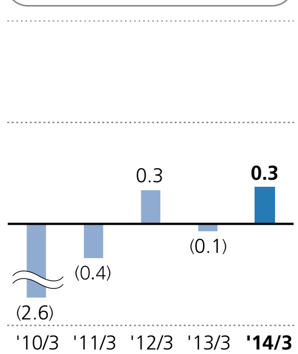
Highly functional and versatile mini crawler cranes

Construction and Mining Machinery (Rock Drills)

Net Sales
(Billions of yen)

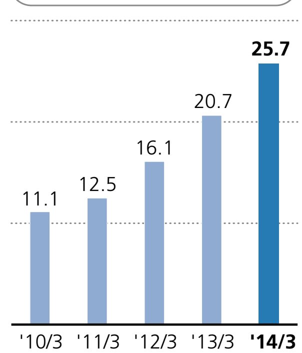


Operating Income (Loss)
(Billions of yen)

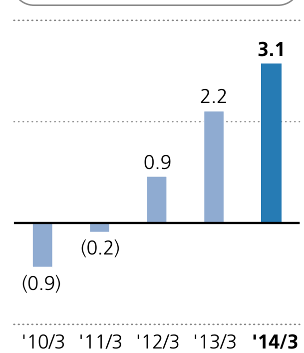


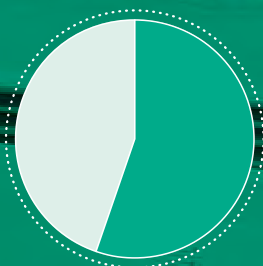
UNIC Machinery

Net Sales
(Billions of yen)



Operating Income (Loss)
(Billions of yen)





55.3%

% of Net Sales

Materials

Metals

After starting the year at US$7,434.50/ton on April 1, 2013, the price of electrolytic copper seemed likely to fall below the US$7,000 mark amid deteriorating world economic conditions. Subsequently, however, the price undulated in the US$7,000–7,400 range, buoyed by the U.S. economy, but ended the year at US$6,636.00/ton on March 31, 2014, due to the worsening situation in the Ukraine.

During the year, we enjoyed firm demand for copper among automakers and producers of air conditioners and other home appliances. Demand for electric cable was also solid, bolstered by redevelopment projects in the Tokyo Metropolitan Area, as well as earthquake resistance reinforcement projects and construction of mega-solar facilities.

In fiscal 2014, the Company's sales of electrolytic copper in volume terms declined 1,823 tons, to 94,966 tons. Overall sales in the Metals segment edged up 0.9%, to ¥78,685 million, boosted by the weak yen. Operating income surged 431.1%, to ¥1,503 million.

Earnings of copper refining companies are now improving thanks to gradual recovery in purchasing conditions, coupled with the weak yen. However, there are also some concerns, such as the impact of rising electricity prices. Overseas mines in which the Company has mining rights make a valuable contribution to current revenue (under other income). However, we must closely monitor copper prices and nationalistic tendencies with respect to natural resources. Therefore, we will seek to secure new mining rights and work in other ways to ensure reliable copper concentrates procurement and stabilize profits.

Copper Prices and Foreign Exchange Rates

	2010/3	2011/3	2012/3	2013/3	**2014/3**
LME copper price (average; US$ / ton)	6,101	8,139	8,485	7,855	**7,104**
JPY rate per US$ (average for fiscal year)	¥92.85	¥85.71	¥79.07	¥83.10	**¥100.24**

Copper Production and Sales Volume*

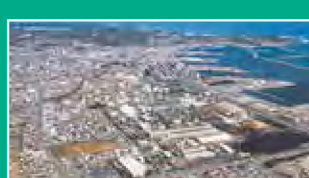
	2010/3	2011/3	2012/3	2013/3	**2014/3**
Copper production volume (tons)	84,455	89,523	76,896	90,387	**87,767**
Copper sales volume (tons)	89,456	89,176	82,597	96,789	**94,966**

* Furukawa Metals & Resources Co., Ltd.

Electrolytic copper

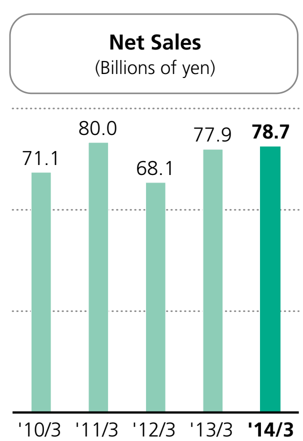
Hibi Kyodo Smelting Co., Ltd.

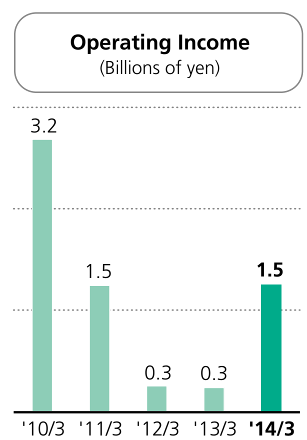
Gibraltar Copper Mine in Canada



Onahama Smelting and Refining Co., Ltd.

Metals





Electronic Materials

In the year under review, sales of high-purity metallic arsenic, a mainstay product in this segment, struggled in pricing and volume terms both in Japan and overseas, due to harmful rumors stemming from the Fukushima nuclear power plant accident. However, sales of coils, aluminum nitride, and optical components were firm. As a result, the Electronic Materials segment posted a 7.9% increase in sales, to ¥5,381 million, and an operating loss of ¥124 million, compared with operating loss of ¥263 million in the previous year.

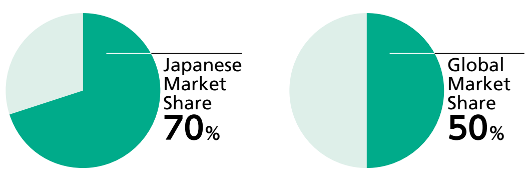
Going forward, our aim is to expand our businesses in coils, aluminum nitride, and optical components while maintaining solid profits from our mainstay high-purity metallic arsenic and scintillator crystal businesses. In particular, we plan to grow our coil products business into a major pillar supporting the Electronic Materials segment. To this end, we will focus on all aspects of that business, including product development, production facilities, and product inspections and quality assurance. In addition, we will step up sales activities aimed at commercializing new products transferred from our R&D entities.

Chemicals

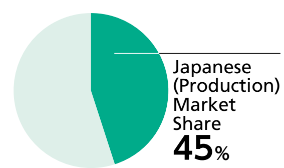
In fiscal 2014, we reported a year-on-year increase in sales of cuprous oxide for paints applied to the bottoms of ships, thanks to rising copper prices and demand. Sales of titanium dioxide were also up. As a result, the Chemicals segment posted a 19.7% increase in sales, to ¥6,097 million, and a 3.9% growth in operating income, to ¥316 million.

Looking ahead, we will improve the quality of our sulfuric acid products by modernizing our manufacturing facilities while expanding sales channels to address new applications. We expect to maintain a certain level of sales volume for cuprous oxide used in paints for energy-efficient ships. Here, we will adjust prices in order to boost profits. In addition, we will focus on developing new products and cultivating peripheral businesses with a view to the future.

High-purity metallic arsenic



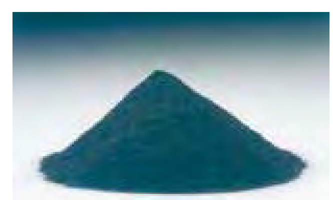
Cuprous oxide



High-purity metallic arsenic—high-purity gallium arsenide semiconductor materials used in mobile phones and other electronic devices, red laser diodes, and LEDs

Core coils used in automobile electronic control devices

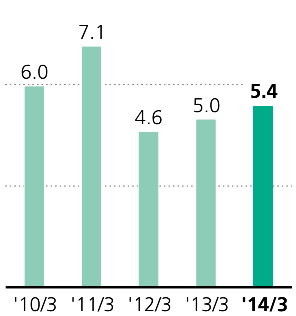
Cuprous oxide is a red powdery substance used to prevent corrosion on the underside of marine vessels.



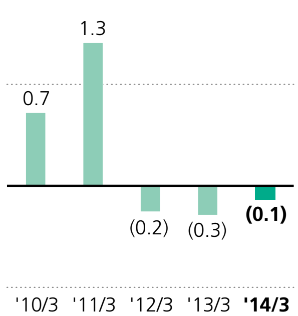
Cupric oxide used for copper plating

Electronic Materials

Net Sales
(Billions of yen)

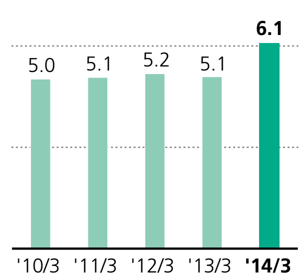


Operating Income (Loss)
(Billions of yen)

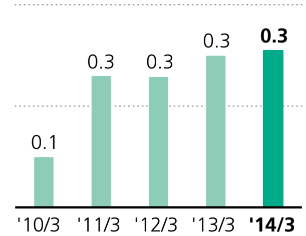


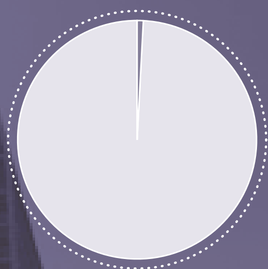
Chemicals

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)





1.1%
% of Net Sales

Real Estate and Others

Real Estate
Construction / sales, mediation / brokerage, other related services for office buildings

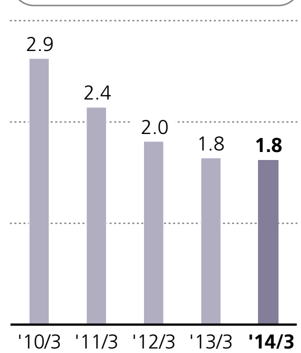
Others
Transportation service by trucks and domestic shipping

In the Real Estate category, revenue from rental buildings in the Osaka area was sluggish as vacancy rates failed to improve. In Tokyo, meanwhile, the Muromachi Furukawa Mitsui Building was completed on schedule in February 2014. However, one-time expenses associated with the opening of the building led to an operating loss. In summary, sales declined 4.3%, to ¥1,013 million, and operating loss was ¥43 million, compared with operating income of ¥220 million in the previous year.

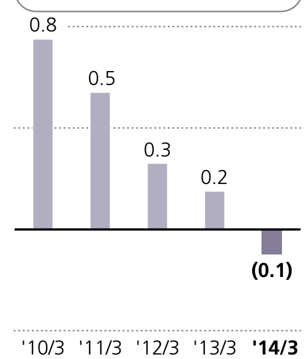
Total sales in the Real Estate and Others segment, which also includes the transport business, decreased 3.3%, to ¥1,751 million. The segment posted an operating loss of ¥103 million, compared with operating income of ¥157 million in the previous fiscal year.

Real Estate and Others

Net Sales
(Billions of yen)



Operating Income (Loss)
(Billions of yen)



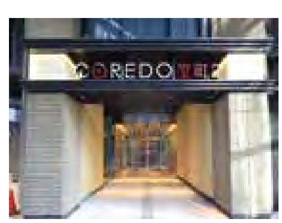
COLUMN

Muromachi Furukawa Mitsui Building completed

Together with other landowners, Furukawa is a participant in the Nihonbashi-Muromachi Eastern District Redevelopment Project, a large-scale, multiple-use complex in Tokyo's Nihonbashi district. As part of the project, the Muromachi Furukawa Mitsui Building was completed on February 1, 2014, and COREDO Muromachi 2, a commercial facility containing cinemas, was opened on March 20.

The Muromachi Furukawa Mitsui Building, which began construction in November 2011, consists of 22 floors above ground and four below. It has three zones: commercial facilities (floors 1–6), office space (floors 7–17), and rental accommodation (floors 18–21). The office floors are quite spacious for the Nihonbashi district, with each standard floor measuring around 1,840 square meters with 3-meter ceiling heights. The office floors also have environmentally friendly fittings, such as LED lighting and solar power-controlled electric window shades. Disaster-related information is transmitted via digital signage in the elevator hall, and there is a 72-hour electricity supply backup in the event of power outage. The highly functional offices also have disaster prevention storage spaces on all floors to facilitate business continuity planning (BCP) for tenant corporations.

Nihonbashi-Muromachi is Furukawa's birthplace, where founder Ichibe Furukawa opened the Company's first head office in 1877. The former Furukawa Building was later built on the same site. We expect the Muromachi Furukawa Mitsui Building to help strengthen our earnings foundation as a new pillar of our real estate business.



COREDO Muromachi 2


Muromachi Furukawa Mitsui Building

Corporate Principles

Innovation	**Future-oriented awareness reforms** Driven by a spirit of challenge, we shall work constantly to transform ourselves as a global company.
Creativity	**Powerful product manufacturing capabilities** We shall earn the trust of customers in Japan and overseas by pursuing technologies that anticipate their needs and acquiring powerful product manufacturing capabilities.
Harmony	**Social and environmental contribution** Respecting the laws and behavioral standards of Japan and other nations, we shall help create a sustainable, environmentally friendly society through transparent corporate activities and close communication with our various stakeholders.

The Furukawa Company Group's corporate principles are embodied in its CSR activities.

Since commencing operations in the copper mining business in 1875, we have sought relentlessly to transform ourselves through everlasting awareness reforms oriented toward the future. At the same time, we have earned people's trust by constantly addressing the needs of the times and acquiring powerful product manufacturing capabilities. In the process, we have developed multiple businesses and made a significant contribution to Japanese industry.

Through compliance, corporate governance, risk management, and other activities, we strive to raise operational transparency and further strengthen our manufacturing capabilities for the future. We will also help create a sustainable, environmentally friendly society while deepening communication with our various stakeholders.

The Furukawa Company Group has formulated the Corporate Conduct Charter and the Director and 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. We have also formed a CSR Promotion Meeting to powerfully promote CSR initiatives. To clarify the purpose of our activities, we adopt a proactive CSR approach that involves setting core priorities for initiatives to be undertaken.

* Formulated on December 2005, the Director and Employees' Code of Behavior sets out behavioral standards for Group executives and employees aimed at fulfilling basic objectives outlined in the Corporate Principles and Corporate Conduct Charter.

Relationships with Stakeholders

In the course of strengthening CSR activities and demonstrating our Corporate Principles, we have identified our stakeholders as follows: Customers, business partners, shareholders and other investors, employees, local communities, and the global environment. Our quest is to clarify our responsibilities to each stakeholder group and maintain close communications, in order to build relationships of trust and thus maximize corporate value.

CSR Overview

1. Corporate Principles 2. Corporate Conduct Charter
3. The Director and Employees' Code of Behavior

Responsibility to Shareholders

Stakeholder	Responsibility
Customers	We shall provide customers with high-quality products and services in order to increase satisfaction levels.
Business partners	We shall build mutually beneficial relationships conducive to harmonious coexistence through stable procurement activities based on the principles of fairness and economic rationality.
Shareholders and other investors	We shall work to maximize corporate value through communications focusing on timely, appropriate information disclosure and IR activities.
Employees	We shall create safe, healthy, motivating workplaces in which our diversified human resources can excel while adopting appropriate evaluation standards and fair incentives.
Local communities	We shall build and maintain favorable relationships of trust by pursuing social contribution activities aimed at harmonious coexistence with local communities.
Global environment	We shall protect biodiversity by developing environmentally friendly technologies and products while minimizing the environmental impact of our activities through savings of energy and resources and reduction of waste.

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.

Biodiversity is disappearing at an alarming rate on a global scale due to the destruction of ecosystems and extinction of species stemming from the socioeconomic activities of humans. Aware of the importance of protecting biodiversity, the Group formulated a set of "Biodiversity Action Guidelines."

We recognize the key role we play in giving back to the community as a good corporate citizen.

Environmental Management

Environmental Management System

Important items related to environmental protection are put forward and discussed by the Central Committee for Environmental Management, in which the senior managing directors and managing directors participate.

Furthermore, the Environment and Safety Promotion Committee 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 regular annual "Environment and Safety Audits." The aim of such audits is to emphasize "preventative measures" rather than "correctional measures." In fiscal 2014, these audits gave priority to the theme of preventative measures aimed at maintaining effective environmental protection, safety, and hygiene. Under a system introduced in fiscal 2011, meanwhile, each factory and site was checked for legal compliance with the relevant rules using various checklists, including one with 100 workplace audit items. The aim of the checklists is to quantify the environmental and safety initiatives of each factory and site and help them understand the level of their activities vis-à-vis other Group members.

In the event of a major disaster or ongoing disasters, we closely monitor the local situation and provide guidance on safety- and environment-related matters. When an accident happens, we undertake proper discussion with the onsite manager to determine the cause, then formulate measures to prevent a recurrence. In these and other ways, we work continuously to ensure safety in the workplace.

Biodiversity Action Guidelines

The Furukawa Company Group places importance on biodiversity and in September 2012 formulated its Biodiversity Action Guidelines, a set of specific guidelines aimed at contributing to sustainable social development as outlined in its Basic Environmental Management Principle. At present, we are working to foster an understanding of the importance of biodiversity among all employees and to grasp how biodiversity is impacted by the Group's ongoing business activities.

Japanese serow (goat-antelope) living near the Company's former Kune Mine near Hamamatsu City, Shizuoka Prefecture

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 second set of targets (fiscal 2010–fiscal 2014) are shown below. From fiscal 2015, we will pursue activities based on the third set of targets.

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, city gas, and electricity

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 *Nikko-Suginamiki* ("Cedar Avenue of Nikko"), as well as accept internships and host factory visits. Other initiatives include fund-raising activities, arranging blood-donor drives, sponsorship of community events, helping preserve biodiversity, holding original environmental activities, and loaning our land for free to local environmental associations.

Fifth Ashio Cherry Tree-Planting Drive

In March 2009, the newly formed Ashio Cherry Blossom Planting Group got together to begin planting 1,000 cherry blossom seedlings on land owned by Furukawa in Ashio-machi in Tochigi Prefecture. The tree-planting activity has been held annually since then, except in 2011 when the event was cancelled due to the Great East Japan Earthquake. In March 2014, 79 Group members—made up of Furukawa employees and their families—took part in the Fifth Ashio Cherry Tree-Planting Drive.

Cherry trees planted in March 2010 (second tree-planting drive)

The basic policy of the Furukawa Company Group is to contribute to society, its 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 its 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 eight 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 13 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.

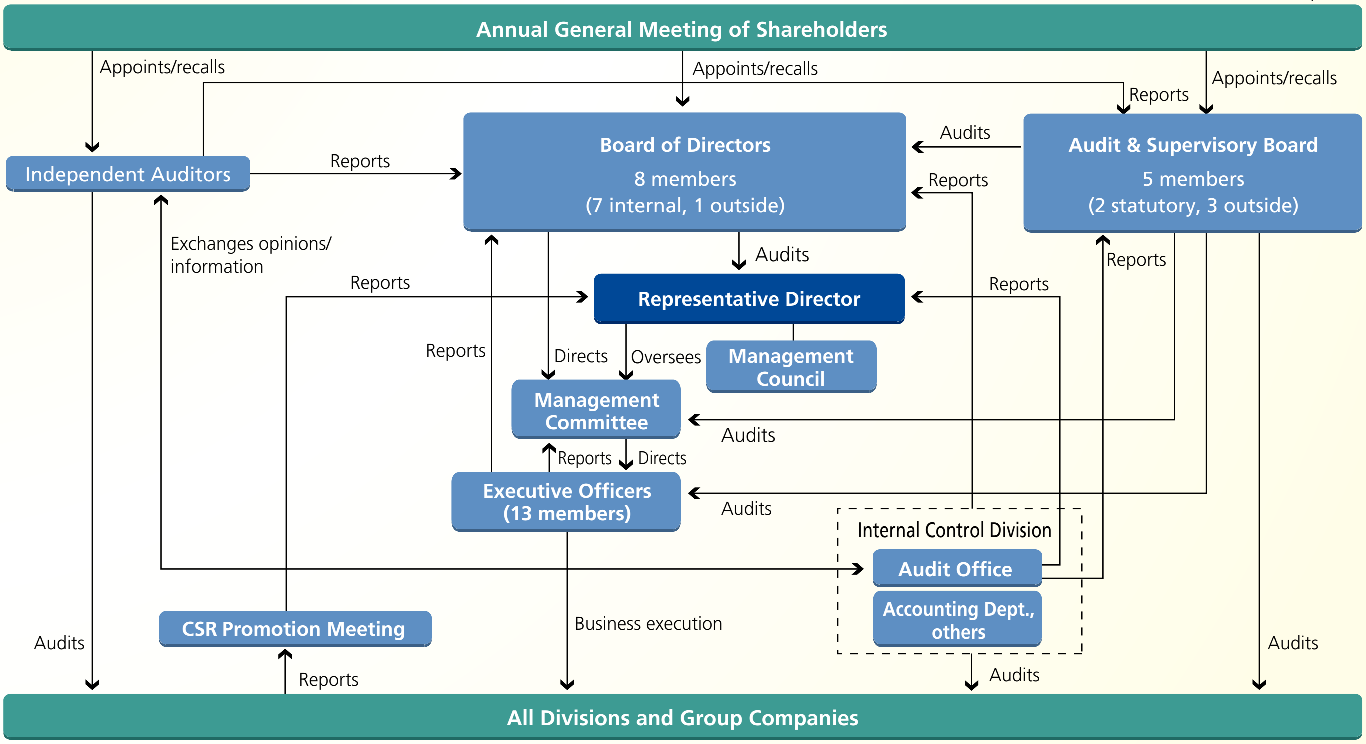
Furukawa uses an auditor system, with an Audit & Supervisory Board composed of two statutory auditors and three outside auditors. Pursuant to an audit policy formulated by the Audit & Supervisory Board, auditors attend meetings of the Board of Directors, the Management Council, the Management Committee, 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, the organization in charge of internal auditing. The Audit Office is composed of five members who engage in auditing Group-wide operations management and the execution of business operations. In order to ensure the efficiency and effectiveness of the audit function, Furukawa continuously works to reinforce cooperation between the Audit Office, auditors, and independent auditors, who together devise audit plans, review audit results, and share other audit-related information.

Compliance and System of Risk Management

The Furukawa Company Group has formulated a Corporate Conduct Charter and the Director and 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.
Recognizing effective risk management as an important aspect of its business activities, Furukawa identifies and assesses potential risk and formulates preventive and response measures, as well as remedial initiatives. We also established the Compliance Committee and the Risk Management Committee to comprehensively study ways to improve the Group's compliance and risk management, including formulation of basic policies and establishment of relevant frameworks.

Corporate Governance and Internal Control Systems

As of June 27, 2014



Consolidated Six-Year Financial Summary

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

	Millions of yen					
	2014/3	2013/3	2012/3	2011/3	2010/3	2009/3
For the year:						
Net sales	**¥ 163,026**	¥ 165,540	¥ 157,566	¥ 165,638	¥ 142,925	¥ 161,858
Cost of sales	**139,777**	144,225	138,097	146,364	127,302	143,651
Gross profit	**23,249**	21,315	19,469	19,274	15,623	18,207
Selling, general and administrative expenses	**16,363**	17,952	17,314	16,453	14,025	15,904
Operating income	**6,886**	3,363	2,155	2,821	1,598	2,303
Income (loss) before income taxes and minority interests	**7,092**	5,433	(2,663)	447	886	(2,618)
Net income (loss)	**3,976**	2,976	(1,659)	563	585	(5,917)
Cash flows from operating activities	**1,983**	5,491	4,978	3,743	9,083	5,112
Cash flows from investing activities	**(3,129)**	(2,253)	(3,153)	(1,644)	(3,643)	(11,539)
Cash flows from financing activities	**(4,562)**	252	(3,782)	(5,703)	(4,769)	12,116
Capital expenditures	**11,430**	2,926	3,588	2,112	2,545	17,118
Depreciation and amortization	**2,828**	3,015	3,329	3,290	3,244	3,145
Research and development expenses	**2,539**	2,559	2,622	2,225	1,862	1,752
At year-end:						
Total assets	**¥ 199,408**	¥ 186,076	¥ 193,971	¥ 196,234	¥ 204,774	¥ 188,361
Current assets	**76,838**	79,508	81,497	80,199	82,617	77,509
Current liabilities	**73,976**	74,439	74,807	70,456	73,733	64,276
Total equity	**54,694**	50,111	46,022	45,849	48,885	44,585
Net assets	**56,313**	51,507	47,668	47,622	50,855	45,742
Interest-bearing liabilities	**77,220**	80,634	85,796	89,265	94,714	92,475
Per share amounts:		Yen				
Net income (loss)	**¥ 9.84**	¥ 7.37	¥ (4.11)	¥ 1.39	¥ 1.45	¥ (14.64)
Cash dividends	**3.00**	2.00	0.00	0.00	0.00	4.00
Net assets	**135.34**	123.99	113.88	113.45	120.96	110.31
Profitability:		%				
Cost of sales margin (%)	**85.7**	87.1	87.6	88.4	89.1	88.8
Gross margin (%)	**14.3**	12.9	12.4	11.6	10.9	11.2
SG&A expense margin (%)	**10.0**	10.8	11.0	9.9	9.8	9.8
Operating margin (%)	**4.2**	2.0	1.4	1.7	1.1	1.4
Return on sales (%)	**2.4**	1.8	(1.1)	0.3	0.4	(3.7)
Efficiency and soundness:						
Return on equity (ROE) (%) (Note 1)	**7.6**	6.2	(3.6)	1.2	1.3	(12.0)
Return on assets (ROA) (%) (Note 2)	**2.1**	1.6	(0.9)	0.3	0.3	(3.1)
Debt-to-equity (D/E) ratio (Times) (Note 3)	**1.4**	1.6	1.9	1.9	1.9	2.1
Equity ratio (%) (Note 4)	**27.4**	26.9	23.7	23.4	23.9	23.7
Investment indicators:						
Dividend payout ratio (%) (Note 5)	**30.5**	27.2	—	—	—	—
Dividends on equity (DOE) ratio (%) (Note 6)	**2.2**	1.6	—	—	—	3.2
Price book value ratio (PBR) (Times) (Note 7)	**1.4**	0.9	0.7	0.8	0.9	0.7
Stock price at fiscal year-end (Yen)	**186**	109	80	86	114	82

Notes:
1. Return on equity (ROE) = Net income / Average total equity × 100
2. Return on assets (ROA) = Net income / Average total assets × 100
3. Debt-to-equity (D/E) ratio = Interest-bearing liabilities (fiscal year-end) / Total equity [Shareholders' equity] (fiscal year-end)
4. Equity ratio = Total equity [Shareholders' equity] (fiscal year-end) / Total assets (fiscal year-end) × 100
5. Dividend payout ratio = Total cash dividends / Net income × 100
6. Dividends on equity (DOE) ratio = Total cash dividends / Average net assets × 100
7. Price book value ratio (PBR) = Stock price (fiscal year-end) / Net assets per share

Revenue and Expenses

In fiscal 2014, ended March 31, 2014, consolidated net sales totaled ¥163,026 million, down 1.5% compared with the previous fiscal year. The decrease in revenue stemmed from the Group's withdrawal from the fuels business in October 2012 and the paints business in March 2013. In the previous year, sales in the fuels and paints businesses were ¥3,771 million and ¥15,079 million, respectively, for a total of ¥18,850 million. By contrast, sales in the three machinery-based businesses increased significantly. Specifically, the Industrial Machinery segment posted a 43.7% jump in sales, to ¥18,528 million, owing largely to projects for relocation to higher ground in earthquake-affected areas. The Construction and Mining Machinery (Rock Drills) segment reported a 15.2% rise in sales, to ¥26,843 million, thanks mainly to robust construction-related demand in Japan and the weak yen, which benefited our overseas business. The UNIC Machinery segment recorded a 24.6% increase in sales, to ¥25,741 million, benefiting from a rise in domestic truck registrations amid economic recovery and solid reconstruction demand.

Cost of sales declined 3.1%, to ¥139,777 million, and the cost of sales margin was down 1.4 percentage points, to 85.7%.

Selling, general and administrative (SG&A) expenses fell 8.9%, to ¥16,363 million.

As a result, operating income jumped 104.8% from the previous fiscal year, to ¥6,886 million. Contributing to earnings were the Industrial Machinery segment, with 137.6% growth in operating income, to ¥1,851 million; the Construction and Mining Machinery (Rock Drills) segment, with operating income of ¥341 million (compared with an operating loss of ¥68 million in the previous year); the UNIC Machinery segment, with operating income rising 42.0%, to ¥3,142 million; and the Metals segment, with a 431.1% surge in operating income, to ¥1,503 million. Accordingly, the operating margin rose 2.2 percentage points, to 4.2%.

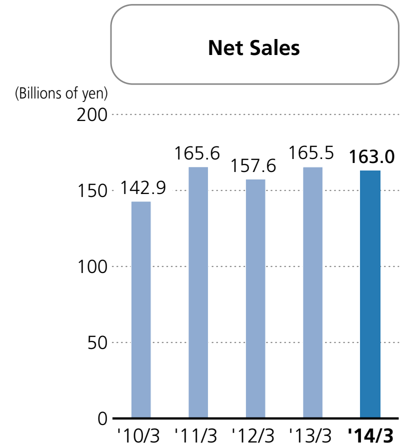
Turning to other income, the Group posted ¥600 million, due to gain on foreign exchange stemming from the weakened yen. Furthermore, there was ¥1,095 million in compensation income. In other expenses, the Group posted a ¥1,078 million interest expense, ¥565 million on payments for idle mines, and a ¥187 million impairment loss. Furthermore, we posted losses in the form of a ¥101 million loss on sales and retirement of noncurrent assets.

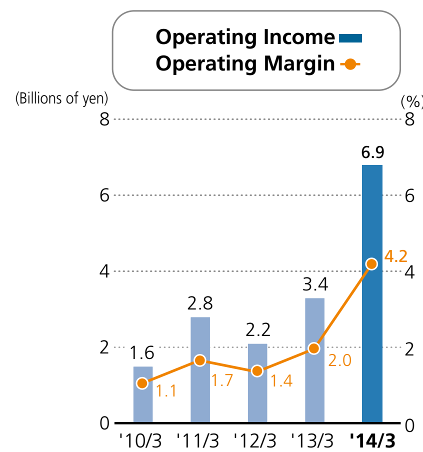
As a result, the Group reported income before income taxes and minority interests of ¥7,092 million. Total income taxes—the sum of inhabitants' tax, enterprise tax, and corporate income tax adjustments—amounted to ¥2,933 million, and minority interests totaled ¥183 million. Accordingly, the Group posted net income of ¥3,976 million, up 33.6% from the previous year.

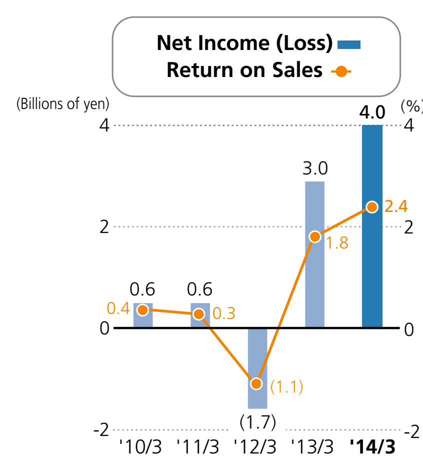
Return on equity (ROE) improved 1.4 percentage points, to 7.6%, and net income per share grew from ¥7.37 to ¥9.84.

Financial Position

At March 31, 2014, total assets amounted to ¥199,408 million, up 7.2% from a year earlier. The increase stemmed mainly from a rise in property, plant and equipment related to the completion of the Muromachi Furukawa Mitsui Building, as well as an increase in investment securities thanks to rising prices of listed shareholdings.







Total liabilities grew 6.3%, to ¥143,095 million. This was due primarily to an increase in liability for retirement benefits. The fiscal year-end balance of interest-bearing liabilities (debt) declined 4.2%, to ¥77,220 million.

Net assets at fiscal year-end stood at ¥56,313 million, up 9.3% from a year earlier. This was mainly due to an increase in shareholders' equity boosted by higher retained earnings. Consequently, the equity ratio edged up 0.5 percentage point, to 27.4%, and the debt-to-equity (D/E) ratio declined from 1.6 to 1.4 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 ¥2,539 million, down 0.8% from the previous year. Of this total, ¥111 million was allocated to the Industrial Machinery segment, ¥689 million to the Construction and Mining Machinery (Rock Drills) segment, ¥326 million to the UNIC Machinery segment, ¥1,320 million to the Electronic Materials segment, and ¥90 million to the Chemicals segment.

Capital expenditures amounted to ¥11,430 million. Of this total, ¥296 million was allocated to the Industrial Machinery segment, ¥841 million to the Construction and Mining Machinery (Rock Drills) segment, ¥392 million to the UNIC Machinery segment, ¥769 million to the Metals segment, ¥694 million to the Electronic Materials segment, and ¥122 million to the Chemicals segment, aimed primarily at improvements in production efficiency. In addition, ¥7,769 million was allocated to the Real Estate segment, mainly for the Nihonbashi-Muromachi Eastern District Redevelopment Project, and ¥543 million went to the Others segment, mainly for solar power generation equipment for the purpose of selling electricity. Depreciation and amortization declined 6.2%, to ¥2,828 million.

The Group's capital expenditure budget is based on comprehensive consideration of various factors, including demand forecasts, production plans, and investment benefits. In the year ending March 31, 2015, the Group plans to invest a total of ¥3.6 billion, mainly for the purchase of new facilities and repair of existing ones. We expect to procure these funds via borrowings and/or internal funds.

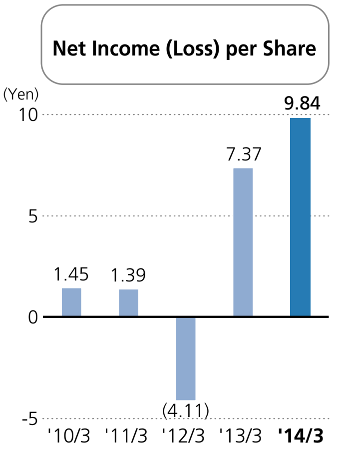
Cash Flows

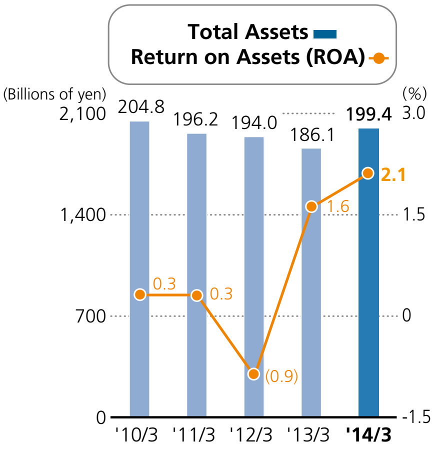
In the year under review, net cash provided by operating activities amounted to ¥1,983 million, down 63.9% from the previous year. The main factor was a decrease in payables-trade, which contrasted with income before income taxes and minority interests.

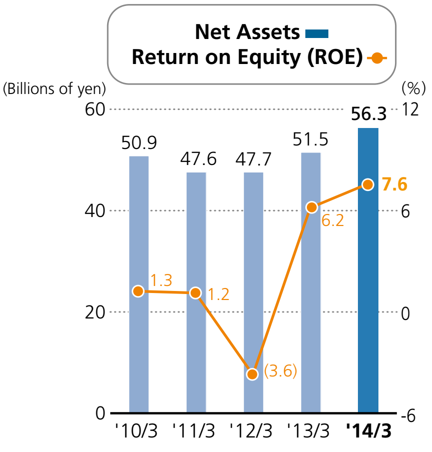
Net cash used in investing activities totaled ¥3,129 million, up 38.9% from the previous year. The primary component was purchases of property, plant and equipment.

Net cash used in financing activities was ¥4,562 million, compared with net cash provided by financing activities of ¥252 million in the previous year. This was mainly due to repayment of long-term debt.

As a result, cash and cash equivalents at the end of the fiscal year totaled ¥12,734 million, down ¥5,230 million, or 29.1%, 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. The Articles of Incorporation states that "subject to resolution of the Board of Directors, interim dividends may be paid, with September 30 of each year as the date of record."

For fiscal 2014, the Company has declared a year-end dividend of ¥3.00 per share, up ¥1.00 from the previous year. Facing rapidly changing economic conditions in Japan and overseas, we will deploy retained earnings to further enhance our business performance and improve our financial position. Specifically, we will make careful and effective investments aimed at strengthening the technological capabilities of our Machinery business while promoting further business development overseas. In the Metals segment, meanwhile, we will invest in mines and promote development activities aimed at new product commercialization.

Business Risks

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

The Furukawa Company Group is at risk of foreign exchange fluctuations in connection with its export business, the import of raw materials, primarily copper ore, and smelting and processing income. In addition, the Furukawa Company Group's stock of nonferrous metal inventories, an internationally traded commodity, is subject to market movements. While the 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.

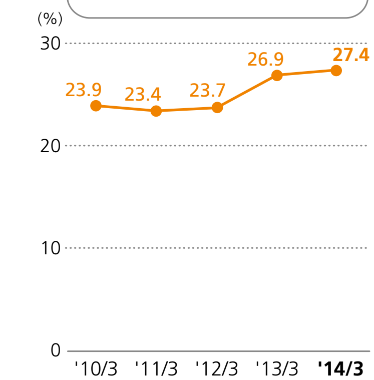
(2) Investment Securities and Land

Historically, the Furukawa Company Group has maintained relatively high balances of marketable securities and land. As of March 31, 2014, the carrying value of investment securities as stated in the balance sheets was ¥22,714 million, while land stood at ¥55,400 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.

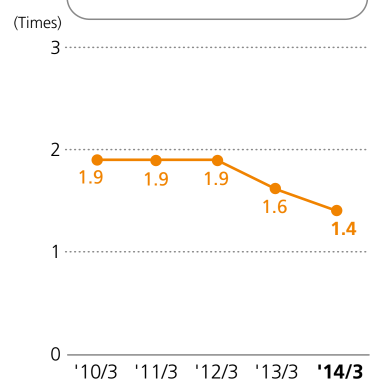
(3) Retirement Benefit Obligation

The employees of the Furukawa Company Group are covered by defined benefit corporate pension plans, and non-contributory funded employee pension plans. Liability for 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 retirement benefit obligation, 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

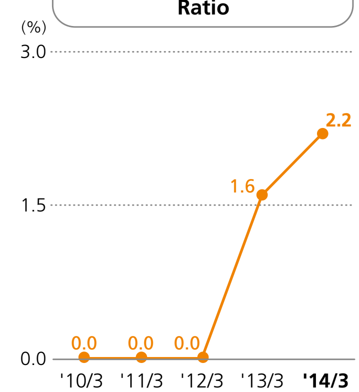
Equity Ratio



Debt-to-Equity (D/E) Ratio



Dividends on Equity (DOE) Ratio



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 retirement benefit obligation are made.

(4) Earthquakes and Other Natural Disasters

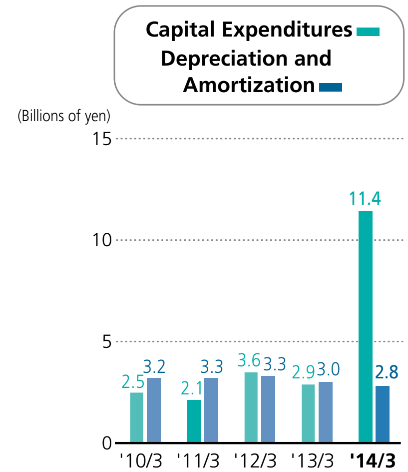
The Furukawa Company Group's operating results and financial position are at risk in the event of a suspension in operations and delays in production and/or shipments due to damage to manufacturing bases and facilities from earthquakes and other natural disasters.

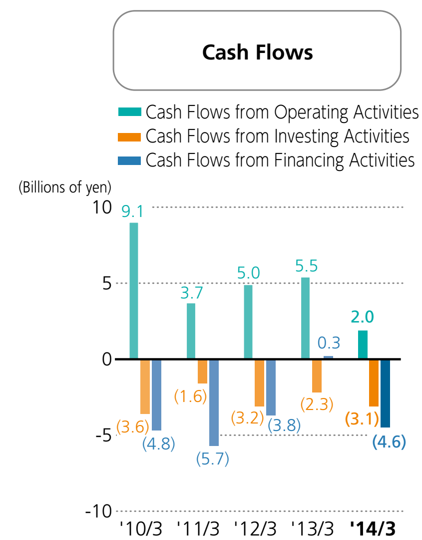
(5) Environmental Protection

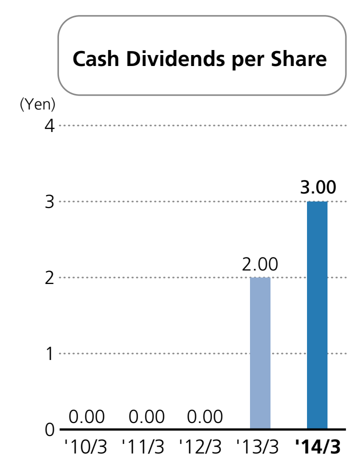
The Furukawa Company Group places the highest importance on environmental protection, environmental safety, and prevention of pollution at its various business sites, both in Japan and overseas, respecting all laws and regulations. Furthermore, in Japan the Group is vigilant in preventing water run-off 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.







Financial Section

Consolidated Balance Sheets

Furukawa Co., Ltd. and consolidated subsidiaries
As of March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
ASSETS	**2014**	2013	**2014**
Current Assets:			
Cash and cash equivalents	¥ **12,734**	¥ 17,964	$ **123,631**
Receivables—trade:			
Notes and accounts	**25,796**	22,942	**250,447**
Affiliates	**902**	572	**8,757**
Finished products	**12,604**	12,761	**122,369**
Work in process	**7,220**	6,961	**70,097**
Raw materials and supplies	**13,244**	11,818	**128,583**
Deferred tax assets (Note 14)	**885**	1,299	**8,592**
Other current assets	**3,656**	5,291	**35,495**
Allowance for doubtful accounts	**(203)**	(100)	**(1,971)**
Total current assets	**76,838**	79,508	**746,000**
Property, Plant and Equipment, at Cost (Notes 6 and 19)**:**			
Land and timberlands	**57,256**	56,863	**555,883**
Buildings and structures	**51,525**	41,498	**500,243**
Machinery and equipment	**48,407**	46,364	**469,971**
Lease assets (Note 10)	**1,671**	1,616	**16,223**
Construction in progress	**240**	2,894	**2,330**
	159,099	149,235	**1,544,650**
Accumulated depreciation	**(71,900)**	(70,212)	**(698,058)**
Property, plant and equipment, net	**87,199**	79,023	**846,592**
Investments and Other Assets:			
Goodwill	**48**	65	**466**
Investment securities (Notes 5 and 6)	**25,092**	19,878	**243,612**
Investments in affiliates	**5,034**	4,804	**48,874**
Long-term loans receivable	**2,328**	1,725	**22,602**
Deferred tax assets (Note 14)	**1,857**	69	**18,029**
Other assets	**1,644**	1,996	**15,961**
Allowance for doubtful accounts	**(632)**	(992)	**(6,136)**
Total investments and other assets	**35,371**	27,545	**343,408**
Total assets	¥ **199,408**	¥ 186,076	$ **1,936,000**

LIABILITIES AND NET ASSETS	Millions of yen 2014	2013	Thousands of U.S. dollars (Note 4) 2014
Current Liabilities:			
Short-term debt (Note 6)	¥ **12,748**	¥ 10,738	$ **123,767**
Current portion of long-term debt (Note 6)	**17,861**	25,652	**173,408**
Lease obligations (Note 6)	**311**	274	**3,019**
Payables—trade:			
Notes and accounts	**21,552**	24,529	**209,243**
Affiliates	**4**	3	**39**
Accrued expenses	**17,341**	9,289	**168,359**
Income taxes payable	**2,422**	1,058	**23,515**
Deferred tax liabilities (Note 14)	**2**	14	**19**
Other current liabilities	**1,735**	2,882	**16,845**
Total current liabilities	**73,976**	74,439	**718,214**
Long-Term Liabilities:			
Long-term debt (Note 6)	**46,611**	44,244	**452,534**
Lease obligations (Note 6)	**692**	578	**6,718**
Accrued employees' retirement benefits (Note 13)	**—**	1,050	**—**
Provision for environmental measures	**149**	163	**1,447**
Liability for retirement benefits (Notes 3 and 13)	**5,672**	163	**55,068**
Deferred tax liabilities (Note 14)	**8,902**	8,255	**86,427**
Deferred tax liabilities on surplus on the revaluation of land (Note 14)	**2,253**	2,346	**21,874**
Asset retirement obligations	**205**	201	**1,990**
Other long-term liabilities	**4,635**	3,293	**45,000**
Total long-term liabilities	**69,119**	60,130	**671,058**
Net Assets (Note 7):			
Shareholders' equity:			
Common stock without par value:			
Authorized—800,000,000 shares			
Issued—404,455,680 shares	**28,208**	28,208	**273,864**
Retained earnings	**21,917**	18,581	**212,786**
Treasury stock, at cost:			
2014—329,062 shares	**(48)**	(47)	**(466)**
2013—318,422 shares	**—**	—	**—**
Total shareholders' equity	**50,077**	46,742	**486,184**
Accumulated other comprehensive income:			
Unrealized holding gain (loss) on securities, net of income taxes	**5,882**	2,727	**57,106**
Deferred gain (loss) on hedges	**15**	(390)	**146**
Surplus on the revaluation of land, net of income taxes	**3,504**	3,673	**34,019**
Translation adjustments	**(953)**	(2,641)	**(9,252)**
Retirement benefits liability adjustments	**(3,831)**	—	**(37,194)**
Total accumulated other comprehensive income	**4,617**	3,369	**44,825**
Subscription rights to shares	**53**	53	**515**
Minority interests	**1,566**	1,343	**15,204**
Total net assets	**56,313**	51,507	**546,728**
Total liabilities and net assets	¥ **199,408**	¥ 186,076	$ **1,936,000**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Operations

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2013	**2014**
Net Sales	**¥ 163,026**	¥ 165,540	**$ 1,582,777**
Cost of Sales (Note 16)	**(139,777)**	(144,225)	**(1,357,059)**
Gross profit	**23,249**	21,315	**225,718**
Selling, General and Administrative Expenses (Note 9)	**(16,363)**	(17,952)	**(158,864)**
Operating income	**6,886**	3,363	**66,854**
Other Income (Expenses):			
Interest and dividend income	**413**	369	**4,010**
Equity in earnings (losses) of affiliates	**(137)**	(332)	**(1,330)**
Interest expense	**(1,078)**	(1,259)	**(10,466)**
Other income (expenses), net (Notes 17 and 19)	**1,008**	3,292	**9,786**
Income (Loss) before income taxes and minority interests	**7,092**	5,433	**68,854**
Income Taxes (Note 14)**:**			
Current	**(3,067)**	(1,366)	**(29,776)**
Deferred	**134**	(912)	**1,301**
Total income taxes	**(2,933)**	(2,278)	**(28,475)**
Income (Loss) Before Minority Interests	**4,159**	3,155	**40,379**
Minority Interests	**(183)**	(179)	**(1,777)**
Net income (loss)	**¥ 3,976**	¥ 2,976	**$ 38,602**

	Yen		U.S. dollars (Note 4)
Net Income (Loss) per Share:			
Basic	**¥ 9.84**	¥ 7.37	**$ 0.10**
Diluted	**9.59**	—	**0.09**
Net Assets per Share	**135.34**	123.99	**1.31**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2013	**2014**
Income (Loss) Before Minority Interests	**¥ 4,159**	¥ 3,155	**$ 40,379**
Other Comprehensive Income (Loss):			
Unrealized holding gain (loss) on securities, net of income taxes	**3,161**	559	**30,689**
Deferred gain (loss) on hedges	**407**	(196)	**3,951**
Translation adjustments	**1,383**	450	**13,427**
Share of other comprehensive income (loss) of associates accounted for using equity method	**351**	320	**3,408**
Total other comprehensive income (Note 8)	**5,302**	1,133	**51,475**
Comprehensive Income	**9,461**	4,288	**91,854**
Comprehensive Income (Loss) Attributable to:			
Shareholders of Furukawa Co., Ltd.	**9,225**	4,081	**89,563**
Minority interests	**236**	207	**2,291**

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, 2014 and 2013

For the year ended March 31, 2014	Number of shares of common stock (thousands)	Millions of yen — Shareholders' equity: Common stock	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at beginning of year	404,456	¥ 28,208	¥ 18,581	¥ (47)	¥ 46,742
Cash dividends paid	—	—	**(808)**	—	**(808)**
Net income (loss) for the year	—	—	**3,976**	—	**3,976**
Purchase of treasury stock	—	—	—	**(1)**	**(1)**
Reversal of surplus on the revaluation of land	—	—	**168**	—	**168**
Net change during the year	—	—	—	—	—
Balance at end of year	**404,456**	**¥ 28,208**	**21,917**	**¥ (48)**	**¥ 50,077**

For the year ended March 31, 2014	Millions of yen — Accumulated other comprehensive income: Unrealized holding gain (loss) on securities, net of income taxes	Deferred gain (loss) on hedges	Surplus on the revaluation of land, net of income taxes	Translation adjustments	Retirement benefits liability adjustments (Note 13)	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at beginning of year	¥ 2,727	¥ (390)	¥ 3,673	¥ (2,641)	¥ —	¥ 3,369	¥ 53	¥ 1,343	¥51,507
Cash dividends paid	—	—	—	—	—	—	—	—	**(808)**
Net income (loss) for the year	—	—	—	—	—	—	—	—	**3,976**
Purchase of treasury stock	—	—	—	—	—	—	—	—	**(1)**
Reversal of surplus on the revaluation of land	—	—	—	—	—	—	—	—	**168**
Net change during the year	**3,155**	**405**	**(169)**	**1,688**	**(3,831)**	**1,248**	—	**223**	**1,471**
Balance at end of year	**¥ 5,882**	**¥ 15**	**¥ 3,504**	**¥ (953)**	**¥ (3,831)**	**¥ 4,617**	**¥ 53**	**¥ 1,566**	**¥56,313**

For the year ended March 31, 2013	Number of shares of common stock (thousands)	Millions of yen — Shareholders' equity: Common stock	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at beginning of year	404,456	¥ 28,208	¥ 15,704	¥ (46)	¥ 43,866
Cash dividends paid	—	—	—	—	—
Net income (loss) for the year	—	—	2,976	—	2,976
Purchase of treasury stock	—	—	—	(1)	(1)
Reversal of surplus on the revaluation of land	—	—	(99)	—	(99)
Net change during the year	—	—	—	—	—
Balance at end of year	404,456	¥ 28,208	¥ 18,581	¥ (47)	¥ 46,742

For the year ended March 31, 2013

	Millions of yen								
	Accumulated other comprehensive income								
	Unrealized holding gain (loss) on securities, net of income taxes	Deferred gain (loss) on hedges	Surplus on the revaluation of land, net of income taxes	Translation adjustments	Retirement benefits liability adjustments (Note 13)	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at beginning of year	¥ 2,162	¥ (191)	¥ 3,578	¥ (3,393)	¥ —	¥ 2,156	¥ 53	¥ 1,593	¥47,668
Cash dividends paid	—	—	—	—	—	—	—	—	—
Net income (loss) for the year	—	—	—	—	—	—	—	—	2,976
Purchase of treasury stock	—	—	—	—	—	—	—	—	(1)
Reversal of surplus on the revaluation of land	—	—	—	—	—	—	—	—	(99)
Net change during the year	565	(199)	95	752	—	1,213	—	(250)	963
Balance at end of year	¥ 2,727	¥ (390)	¥ 3,673	¥ (2,641)	¥ —	¥ 3,369	¥ 53	¥ 1,343	¥51,507

For the year ended March 31, 2014

	Thousands of U.S. dollars (Note 4)			
	Shareholders' equity			
	Common stock	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at beginning of year	$ 273,864	$ 180,398	$ (456)	$ 453,806
Cash dividends paid	—	**(7,845)**	—	**(7,845)**
Net income (loss) for the year	—	**38,602**	—	**38,602**
Purchase of treasury stock	—	—	**(10)**	**(10)**
Reversal of surplus on the revaluation of land	—	**1,631**	—	**1,631**
Net change during the year	—	—	—	—
Balance at end of year	**$ 273,864**	**$ 212,786**	**$ (466)**	**$ 486,184**

The accompanying notes are an integral part of these statements.

For the year ended March 31, 2014

	Thousands of U.S. dollars (Note 4)								
	Accumulated other comprehensive income								
	Unrealized holding gain (loss) on securities, net of income taxes	Deferred gain (loss) on hedges	Surplus on the revaluation of land, net of income taxes	Translation adjustments	Retirement benefits liability adjustments (Note 13)	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at beginning of year	$ 26,476	$ (3,786)	$ 35,660	$ (25,640)	$ —	$ 32,709	$ 515	$13,039	$500,069
Cash dividends paid	—	—	—	—	—	—	—	—	**(7,845)**
Net income (loss) for the year	—	—	—	—	—	—	—	—	**38,602**
Purchase of treasury stock	—	—	—	—	—	—	—	—	**(10)**
Reversal of surplus on the revaluation of land	—	—	—	—	—	—	—	—	**1,631**
Net change during the year	**30,630**	**3,932**	**(1,641)**	**16,388**	**(37,194)**	**12,116**	—	**2,165**	**14,281**
Balance at end of year	**$ 57,106**	**$ 146**	**$ 34,019**	**$ (9,252)**	**$ (37,194)**	**$ 44,825**	**$ 515**	**$15,204**	**$546,728**

Consolidated Statements of Cash Flows

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2013	**2014**
Operating Activities:			
Income (Loss) before income taxes and minority interests	**¥ 7,092**	¥ 5,433	**$ 68,854**
Foreign exchange (gains) losses	**(236)**	3,015	**(2,291)**
Depreciation and amortization	**2,828**	3,015	**27,456**
Decrease in allowance for doubtful accounts, net	**(232)**	(247)	**(2,252)**
Increase (Decrease) in accrued employees' retirement benefits	**(4,499)**	1,248	**(43,680)**
Increase in net defined benefit liability	**5,672**	—	**55,068**
Gain (Loss) on sales of investment securities	**(42)**	(994)	**(408)**
Gain on sales of subsidiaries' stocks	**—**	(824)	**—**
Compensation income	**(1,094)**	(1,264)	**(10,621)**
Interest and dividend income	**(413)**	(369)	**(4,010)**
Interest expense	**1,078**	1,259	**10,466**
Impairment loss on property, plant and equipment	**187**	331	**1,816**
Changes in operating assets and liabilities:			
Receivables—trade	**(2,632)**	794	**(25,553)**
Inventories	**(28)**	(2,549)	**(272)**
Payables—trade	**(4,146)**	3,914	**(40,252)**
Other	**(315)**	(3,916)	**(3,059)**
Subtotal	**3,220**	5,671	**31,262**
Interest and dividends received	**403**	388	**3,913**
Interest paid	**(1,090)**	(1,287)	**(10,583)**
Income taxes paid	**(1,793)**	(846)	**(17,408)**
Income taxes refunded	**149**	301	**1,447**
Compensation received	**1,094**	1,264	**10,621**
Net cash provided by operating activities	**1,983**	5,491	**19,252**
Investing Activities:			
Increase in time deposits	**(0)**	(300)	**(0)**
Decrease in time deposits	**304**	—	**2,951**
Purchases of property, plant and equipment	**(2,668)**	(2,439)	**(25,903)**
Proceeds from sales of property, plant and equipment	**837**	429	**8,126**
Purchases of investment securities	**(1,704)**	(3,032)	**(16,544)**
Proceeds from sales of investment securities	**630**	2,531	**6,117**
Proceeds from redemption of investments	**—**	505	**—**
Increase in long-term loans receivables	**(566)**	(340)	**(5,495)**
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	**—**	321	**—**
Other	**38**	81	**369**
Net cash used in investing activities	**(3,129)**	(2,253)	**(30,379)**
Financing Activities:			
Proceeds from long-term debt	**20,280**	16,860	**196,893**
Repayment of long-term debt	**(25,705)**	(18,130)	**(249,562)**
Proceeds from short-term debt	**5,722**	10,743	**55,553**
Repayment of short-term debt	**(3,712)**	(8,851)	**(36,039)**
Cash dividends paid	**(804)**	—	**(7,806)**
Repayment of finance lease obligations	**(329)**	(360)	**(3,194)**
Other	**(14)**	(10)	**(136)**
Net cash provided by (used in) financing activities	**(4,562)**	252	**(44,291)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**479**	320	**4,650**
Net Increase (Decrease) in Cash and Cash Equivalents	**(5,229)**	3,810	**(50,768)**
Cash and Cash Equivalents at Beginning of Year	**17,963**	14,154	**174,399**
Cash and Cash Equivalents at End of Year	**¥ 12,734**	¥ 17,964	**$ 123,631**

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, 2014 and 2013

1. Basis of Presentation

The accompanying consolidated financial statements of Furukawa Co., Ltd. (the "Company") and consolidated subsidiaries (together the "Furukawa Group") are 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 are 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 makes 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 35 subsidiaries and 11 affiliates as of March 31, 2014 (47 subsidiaries and 16 affiliates as of March 31, 2013). The consolidated financial statements included the accounts of the Company and 35 subsidiaries as of March 31, 2014 (47 as of March 31, 2013).

Compared with the previous year, the number of subsidiaries decreased by 12 subsidiaries mainly due to the transfer of stocks.

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 on March 31. Relevant adjustments have been made for significant transactions with such subsidiaries during the intervening period from January 1 to March 31.

Investments in subsidiaries and affiliates which are not accounted for by the equity method 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) Short-Term Investments and Investment 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, 2014 and 2013. 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 sheet amounts of 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 sheet amounts of 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 except for lease 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) Amortization of Goodwill

Goodwill is amortized by the straight-line method over five years.

(9) Retirement Benefits

The retirement benefit obligation for employees is attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (mainly 15 years), which are shorter than the average remaining years of service of the employees.

Prior service cost is being amortized as incurred by the straight-line method over periods (mainly 15 years), which are 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 tax liabilities 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 ¥1,849 million ($17,951 thousand) and ¥1,768 million as of March 31, 2014 and 2013, 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 (loss) per share is computed based on the net income (loss) 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 since no dilutive instruments were issued and outstanding for the year ended March 31, 2013.

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 operations.

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 those 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

The Company adopted "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26 of May 17,2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of May 17, 2012) (except for certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance) as of the end of the year ended March 31, 2014. The accounting standard requires entities to apply a revised method for recording the retirement benefit obligation, after deducting pension plan assets, as a liability for retirement benefits. In addition, unrecognized actuarial differences and unrecognized prior service costs are recorded as a liability for retirement benefits. Concerning the application of the "Accounting Standard for Retirement Benefits", based on the provisional treatment set out in Clause 37 of the standard, the effects of such changes in the current fiscal year have been recorded in retirement benefits liability adjustments in accumulated other comprehensive income. As a result of this change, a liability for retirement benefits was recognized in the amount of ¥5,672 million ($55,068 thousand) and accumulated other comprehensive income decreased by ¥3,831 million ($37,194 thousand) as of March 31, 2014. In addition, net assets per share decreased by ¥9.48 ($0.09).

Unapplied Accounting Standard, etc.

On May 17, 2012, the ASBJ issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25), which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

(1) Overview

The standard provides guidance for the accounting for unrecognized actuarial differences and unrecognized prior service costs, the calculation methods for retirement benefit obligation and service costs, and enhancement of disclosures taking into consideration improvements to financial reporting and international trends.

(2) Scheduled date of adoption

The revised accounting standard and guidance were adopted as of the end of the year ended March 31, 2014. However, revisions to the calculation methods for the retirement benefit obligation and service costs are scheduled to be adopted from the beginning of the year ending March 31, 2015.

(3) Impact of adopting revised accounting standard and guidance

The impact on the consolidated financial statements as a result of this adoption is minimal.

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 ¥103=US$1.00, the exchange rate prevailing on March 31, 2014. 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. Investment Securities

The aggregate acquisition cost, carrying value and unrealized gain or loss pertaining to the marketable other securities as of March 31, 2014 and 2013 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2014			**2014**		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Listed stocks	**¥ 21,598**	**¥ 13,555**	**¥ 8,043**	**$ 209,689**	**$ 131,602**	**$ 78,087**
Government bonds	**—**	**—**	**—**	**—**	**—**	**—**
Corporate bonds	**—**	**—**	**—**	**—**	**—**	**—**
	21, 598	**13,555**	**8,043**	**209,689**	**131,602**	**78,087**
Securities whose carrying value does not exceed their acquisition cost:						
Listed stocks	**1,116**	**1,266**	**(150)**	**10,835**	**12,291**	**(1,456)**
Government bonds	**—**	**—**	**—**	**—**	**—**	**—**
Corporate bonds	**—**	**—**	**—**	**—**	**—**	**—**
	1,116	**1,266**	**(150)**	**10,835**	**12,291**	**(1,456)**
Total	**¥ 22,714**	**¥ 14,821**	**¥ 7,893**	**$ 220,524**	**$ 143,893**	**$ 76,631**

	Millions of yen		
	2013		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Listed stocks	¥ 13, 838	¥ 9,743	¥ 4,095
Government bonds	—	—	—
Corporate bonds	—	—	—
	13, 838	9,743	4,095
Securities whose carrying value does not exceed their acquisition cost:			
Listed stocks	3,629	3,914	(285)
Government bonds	17	17	—
Corporate bonds	51	51	—
	3,697	3,982	(285)
Total	¥ 17,535	¥ 13,725	¥ 3,810

Gain on sales of securities classified as other securities with aggregate gains for the years ended March 31, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Sales proceeds	**¥ 548**	¥ 2,531	**$ 5,320**
Aggregate gains	**42**	994	**408**
Aggregate losses	**—**	—	**—**

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

Short-term debt, most of which are unsecured, represented notes payable to banks, with the average interest rate of 0.6% and 0.6% as of March 31, 2014 and 2013.

Long-term debt as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Loans, principally from banks, insurance companies and government agencies, most of which are secured, due 2014 to 2029	**¥ 64,472**	¥ 69,896	**$ 625,942**
	64,472	69,896	**625,942**
Current portion of long-term debt	**(17,861)**	(25,652)	**(173,408)**
	¥ 46,611	¥ 44,244	**$ 452,534**

The average interest rates applicable to the above debt amounting to ¥64,472 million ($625,942 thousand) and ¥69,896 million were 1.0% and 1.2% as of March 31, 2014 and 2013, respectively.

The aggregate annual maturities of long-term debt subsequent to March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31,	**2014**	
2015	**¥ 17,861**	**$ 173,408**
2016	**13,956**	**135,495**
2017	**11,070**	**107,476**
2018	**7,493**	**72,748**
2019	**12,125**	**117,718**
2020 and thereafter	**1,967**	**19,097**
	¥ 64,472	**$ 625,942**

Lease obligations as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Lease obligations due 2014 to 2023	**¥ 1,003**	¥ 852	**$ 9,737**
	1,003	852	**9,737**
Current portion of lease obligations	**(311)**	(274)	**(3,019)**
	¥ 692	¥ 578	**$ 6,718**

The aggregate annual maturities of lease obligations subsequent to March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31,	**2014**	
2015	**¥ 311**	**$ 3,019**
2016	**269**	**2,612**
2017	**177**	**1,718**
2018	**107**	**1,039**
2019 and thereafter	**139**	**1,350**
	¥ 1,003	**$ 9,738**

The Company and certain consolidated subsidiaries have entered into overdraft and loan commitment agreements amounting to ¥31,460 million ($305,437 thousand) with 24 banks and ¥50,414 million with 24 banks as of March 31, 2014 and 2013, respectively. The borrowings outstanding and the unused balances under these credit facilities amounted to ¥12,656 million ($122,874 thousand) and ¥18,804 million ($182,563 thousand), respectively, as of March 31, 2014 and amounted to ¥19,756 million and ¥30,658 million, respectively, as of March 31, 2013.

Assets pledged as collateral and liabilities with collateral pledged as of March 31, 2014 and 2013 were as follows:

(a) Assets pledged as collateral

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Investment securities	**¥ 493**	¥ 859	**$ 4,786**
Property, plant and equipment, net	**1,351**	1,546	**13,117**
	¥ 1,844	¥ 2,405	**$ 17,903**

(b) Liabilities with collateral pledged

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Long-term debt (including current portion)	**¥ 791**	¥ 1,004	**$ 7,680**

7. Net Assets

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

	Thousands of shares			
	As of March 31, 2013	Increase	Decrease	As of March 31, 2014
Shares issued:				
Common stock	404,455	—	—	404,455
Total	404,455	—	—	404,455
Treasury stock:				
Common stock (Note)	318	10	—	329
Total	318	10	—	329

Note: The increase of 10 thousand shares of equity in treasury stock was due to the purchase of shares of less than a standard unit.

(2) Subscription rights to shares

			Thousands of shares				Millions of yen
			Number of shares subject to be issued upon exercise of rights				
Attribution	Details of subscription rights to shares (*)	Type of shares to be issued upon exercise of rights	As of March 31, 2013	Increase	Decrease	As of March 31, 2014	Balance as of March 31, 2014
Parent company	Subscription rights to shares due 2016	Common stock	100,000	—	—	100,000	¥ 53
Total			100,000	—	—	100,000	53

Note: All subscription rights to shares can be exercised.

8. Other Comprehensive Income

Reclassification adjustment and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Unrealized holding gain (loss) on securities:			
Amounts arising during the year	**¥ 4,125**	¥ 2,611	**$ 40,049**
Reclassification adjustments for gains and losses included in net income	**(42)**	(1,057)	**(408)**
Amounts before tax effect	**4,083**	1,554	**39,641**
Tax effect	**(922)**	(995)	**(8,952)**
Unrealized holding gain (loss) on securities	**3,161**	559	**30,689**
Deferred gain (loss) on hedges:			
Amounts arising during the year	**(755)**	(1,610)	**(7,330)**
Adjustment on the acquisition cost of assets	**1,323**	1,347	**12,845**
Amounts before tax effect	**568**	(263)	**5,515**
Tax effect	**(161)**	67	**(1,564)**
Deferred gain (loss) on hedges	**407**	(196)	**3,951**
Surplus on the revaluation of land, net of income taxes:			
Tax effect	**—**	—	**—**
Translation adjustments:			
Amounts arising during the year	**1,383**	450	**13,427**
Share of other comprehensive income (loss) of associates accounted for using equity method:			
Amounts arising during the year	**451**	341	**4,379**
Reclassification adjustments for gains and losses included in net income	**(100)**	(21)	**(971)**
Share of other comprehensive income (loss) of associates accounted for using equity method	**351**	320	**3,408**
Total other comprehensive income	**¥ 5,302**	¥ 1,133	**$ 51,475**

9. Research and Development Expenses

Research and development expenses, included in selling, general and administrative expenses and cost of sales, for the years ended March 31, 2014 and 2013 amounted to ¥2,539 million ($24,650 thousand) and ¥2,559 million, respectively.

10. Leases

Leases' accounting

Finance lease transactions that do not involve transfer of ownership

1. Leased asset quality
   (a) Tangible assets
       Mainly production installations (Machinery and equipment) in the machinery segment and distribution vehicles (Machinery and equipment) in the others segment
   (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, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Acquisition costs	**¥ 1,361**	¥ 1,954	**$ 13,214**
Accumulated depreciation	**1,198**	1,530	**11,631**
Net carrying value	**¥ 163**	¥ 424	**$ 1,583**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥262 million ($2,544 thousand) and ¥295 million for the years ended March 31, 2014 and 2013, 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, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Within one year	**¥ 149**	¥ 261	**$ 1,447**
Over one year	**14**	163	**136**
	¥ 163	¥ 424	**$ 1,583**

11. Financial Instruments

1. Overview

(1) Policy for financial instruments

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

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 debt is raised mainly in connection with business activities, and long-term debt is taken out principally for the purpose of making capital investments. Long-term debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for long-term debt bearing interest at variable rates, the Furukawa Group utilizes rate swap transactions as a hedging instrument for each contract. The assessment of effectiveness is omitted since it meets conditions of specific matching criteria for interest rate 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 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 on 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 "12. 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, 2014 and 2013 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		
	2014			**2014**		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets						
(1) Cash and cash equivalents	**¥ 12,734**	**¥ 12,734**	**¥ —**	**$ 123,631**	**$ 123,631**	**$ —**
(2) Trade notes and accounts receivable	**26,698**	**26,698**	**—**	**259,204**	**269,204**	**—**
(3) Investment securities	**22,714**	**22,714**	**—**	**220,524**	**220,524**	**—**
Total assets	**62,146**	**62,146**	**—**	**603,359**	**603,359**	**—**
Liabilities						
(1) Trade notes and accounts payable	**¥ 21,556**	**¥ 21,556**	**¥ —**	**$ 209,282**	**$ 209,282**	**$ —**
(2) Short-term debt (*1)	**12,748**	**12,748**	**—**	**123,767**	**123,767**	**—**
(3) Long-term debt (*1)	**64,472**	**64,665**	**193**	**625,942**	**627,816**	**1,874**
Total liabilities	**98,776**	**98,969**	**193**	**958,991**	**960,865**	**1,874**
Derivatives (*2)	**¥ (44)**	**¥ (44)**	**¥ —**	**$ 427**	**$ 427**	**$ —**

	Millions of yen		
	2013		
	Carrying value	Estimated fair value	Difference
Assets			
(1) Cash and cash equivalents	¥ 17,964	¥ 17,964	¥ —
(2) Trade notes and accounts receivable	23,514	23,514	—
(3) Investment securities	17,535	17,535	—
Total assets	59,013	59,013	—
Liabilities			
(1) Trade notes and accounts payable	¥ 24,532	¥ 24,532	¥ —
(2) Short-term debt (*1)	10,738	10,738	—
(3) Long-term debt (*1)	69,896	70,237	341
Total liabilities	105,166	105,507	341
Derivatives (*2)	¥ (524)	¥ (524)	¥ —

(*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) Investment securities

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

Liabilities

(1) Trade notes and accounts payable, (2) Short-term debt

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 "12. Derivative Transactions" to the consolidated financial statements.

2. Financial instruments of which it is extremely difficult to determine the fair value as of March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Unlisted stocks	**¥ 7,413**	¥ 7,147	**$ 71,971**

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) Investment securities."

3. Redemption schedule for receivables and marketable securities with maturities after March 31, 2014 and 2013 are as follows:

For the year ended March 31, 2014

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	**¥ 12,670**	**¥ —**	**¥ —**	**¥ —**
Trade notes and accounts receivable	**26,698**	**—**	**—**	**—**
Investment securities				
Other securities with maturity				
(1) Bonds (Municipal bonds)	**—**	**—**	**—**	**—**
(2) Bonds (Corporate bonds)	**—**	**—**	**—**	**—**
Total	**¥ 39,368**	**¥ —**	**¥ —**	**¥ —**

For the year ended March 31, 2013

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	¥ 18,231	¥ —	¥ —	¥ —
Trade notes and accounts receivable	23,514	—	—	—
Short-term investments and investment securities				
Other securities with maturity				
(1) Bonds (Municipal bonds)	—	17	—	—
(2) Bonds (Corporate bonds)	—	—	—	51
Total	¥ 41,745	¥ 17	¥ —	¥ 51

For the year ended March 31, 2014

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	**$ 123,019**	**$ —**	**$ —**	**$ —**
Trade notes and accounts receivable	**259,204**	**—**	**—**	**—**
Investment securities				
Other securities with maturity				
(1) Bonds (Municipal bonds)	**—**	**—**	**—**	**—**
(2) Bonds (Corporate bonds)	**—**	**—**	**—**	**—**
Total	**$ 382,223**	**$ —**	**$ —**	**$ —**

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

12. Derivative Transactions

The notional amounts and estimated fair value of the derivative instruments outstanding at March 31, 2014 and 2013 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, 2014		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward foreign exchange contracts				
	Sell				
	U.S. dollars	Accounts receivable	**¥ 80**	**—**	**¥ (2)**
	EUR	Accounts receivable	**102**	**—**	**1**
	U.S. dollars	Accounts payable	**11,395**	**—**	**(83)**
Allocation method	Forward foreign exchange contracts				
	Sell				
	U.S. dollars	Accounts receivable	**¥ 260**	**—**	**(*)**
	EUR	Accounts receivable	**459**	**—**	**(*)**
	Buy				
	U.S. dollars	Accounts payable	**¥ 3,326**	**—**	**(*)**

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2013		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward foreign exchange contracts				
	Sell				
	U.S. dollars	Accounts receivable	¥ 1,836	—	¥ (78)
	EUR	Accounts receivable	205	—	(4)
	U.S. dollars	Accounts payable	6,835	—	7
Allocation method	Forward foreign exchange contracts				
	Sell				
	U.S. dollars	Accounts receivable	¥ 167	—	(*)
	EUR	Accounts receivable	536	—	(*)
	Buy				
	U.S. dollars	Accounts payable	¥ 3,396	—	(*)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2014		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward foreign exchange contracts				
	Sell				
	U.S. dollars	Accounts receivable	**$ 777**	**—**	**$ (19)**
	EUR	Accounts receivable	**990**	**—**	**(10)**
	U.S. dollars	Accounts payable	**110,631**	**—**	**806**
Allocation method	Forward foreign exchange contracts				
	Sell				
	U.S. dollars	Accounts receivable	**$ 2,524**	**—**	**(*)**
	EUR	Accounts receivable	**4,456**	**—**	**(*)**
	Buy				
	U.S. dollars	Accounts payable	**$ 33,291**	**—**	**(*)**

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

(*) The fair values by means of the allocation method for forward 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, 2014 Contract amounts	Maturing after one year	Fair value
Special accounting procedure for interest rate swap	Receive/floating and pay/fixed	Long-term debt	**¥ 29,506**	**¥ 22,217**	**(*)**

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2013 Contract amounts	Maturing after one year	Fair value
Special accounting procedure for interest rate swap	Receive/floating and pay/fixed	Long-term debt	¥ 34,550	¥ 20,108	(*)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2014 Contract amounts	Maturing after one year	Fair value
Special accounting procedure for interest rate swap	Receive/floating and pay/fixed	Long-term debt	**$ 286,466**	**$ 215,699**	**(*)**

(*) 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, 2014 Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell				
	Copper	Raw material	**¥ 5,952**	**—**	**¥ 128**
	Buy				
	Copper	Raw material	**—**	**—**	**—**

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2013 Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell				
	Copper	Raw material	—	—	—
	Buy				
	Copper	Raw material	¥ 12,463	—	¥ (448)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2014 Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell				
	Copper	Raw material	**$ 57,786**	**—**	**$ 1,243**
	Buy				
	Copper	Raw material	**—**	**—**	**—**

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, contract amount and the fair value as of March 31, 2014 and 2013 does not exist and is not disclosed.

13. Retirement Benefit Plans

For the year ended March 31, 2014

The employees of the Company and most of its domestic consolidated subsidiaries are covered by defined benefit corporate pension 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.

The changes in the retirement benefit obligation during the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Retirement benefit obligation at April 1, 2013	¥ (15,373)	$ 149,252
Service cost	746	7,243
Interest cost	288	2,796
Actuarial loss	175	1,699
Retirement benefit paid	(850)	(8,252)
Exchange translation adjustment	360	3,495
Other	100	971
Retirement benefit obligation at March 31, 2014	¥ 16,192	$ 157,204

The changes in plan assets during the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Plan assets at April 1, 2013	¥ 8,609	$ 83,583
Expected return on plan assets	146	1,417
Actual loss	1,429	13,874
Contributions by the Company	477	4,631
Retirement benefits paid	(359)	(3,485)
Exchange translation adjustment	212	2,058
Others	6	58
Plan assets at March 31, 2014	¥ 10,520	$ 102,136

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2014 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded retirement benefit obligation	¥ 15,593	$ 151,388
Plan assets at fair value	(10,520)	(102,136)
	5,073	49,252
Unfunded retirement benefit obligation	599	5,816
Net liability for retirement benefits in the balance sheet	5,672	55,068
Liability for retirement benefits	5,672	55,068
Net liability for retirement benefits in the balance sheet	¥ 5,672	$ 55,068

The components of retirement benefit expense for the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥ 746	$ 7,243
Interest cost	288	2,796
Expected return on plan assets	(146)	(1,417)
Amortization of prior service cost	28	272
Amortization of actuarial loss	1,134	11,010
Retirement benefit expense	¥ 2,050	$ 19,904

Note: Retirement benefit expenses for consolidated subsidiaries adopting the simplified method which assumes retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at fiscal year-end are included in "Service cost."

Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized prior service cost	¥ 196	$ 1,903
Unrecognized actuarial loss	5,417	52,592
Total	¥ 5,613	$ 54,495

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2014 are as follows:

	2014
Bonds	16%
Stocks	63%
Cash on hand and in banks	13%
Other	8%
Total	100%

Note:
56% of total plan assets are in a "Retirement Benefit Trust" for corporate pension plans and non-contributory funded employee pension plans.
Matters related to the actual assumption
Major actuarial assumptions at the end of the period
Discount rates mainly 1.5%
Expected rates of return on plan assets mainly 2.0%

Defined contribution plan
The amount which a consolidated subsidiary has contributed or is obligated to contribute to the plan for the fiscal year is ¥9 million.

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, 2013 is summarized as follows:

	Millions of yen
	2013
Retirement benefit obligation	¥ (15,373)
Plan assets at fair value	8,609
Unfunded status	(6,764)
Unrecognized net obligation at transition	—
Unrecognized actuarial loss	7,629
Unrecognized prior service cost	224
Prepaid pension cost	(2,139)
Accrued employees' retirement benefits	¥ (1,050)

The components of retirement benefit expenses for the year ended March 31, 2013 was as follows:

	Millions of yen
	2013
Service cost	¥ 780
Interest cost	309
Expected return on plan assets	(111)
Amortization of net retirement benefit obligation at transition	28
Amortization of actuarial loss	1,119
Amortization of prior service cost	132
Retirement benefit expenses	2,257
Employees' contributions to the defined benefit pension plans	¥ 8
Total	¥ 2,265

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

	2013
Discount rates	mainly 1.6%
Expected return on plan assets	mainly 2.0%

14. Income Taxes

The reconciliation between the effective tax rates reflected in the consolidated statements of operations and the statutory tax rates for the years ended March 31, 2014 and 2013 were summarized as follows :

	2014	2013
Statutory tax rate	**38.0%**	38.0%
Non-deductible expenses for tax purposes	**0.7**	0.8
Non-taxable dividends and other income	**(0.9)**	(0.3)
Inhabitants per capital tax	**1.1**	1.8
Equity in earnings and losses of affiliates	**0.7**	2.3
Amortization of goodwill and negative goodwill	**0.1**	1.2
Gain on sales of subsidiaries' stocks	**—**	(5.1)
Changes in valuation allowance	**4.6**	9.4
Tax deduction such as R&D expenses	**—**	(1.8)
Tax credits	**(3.4)**	—
Different tax rates applied to subsidiaries	**(0.4)**	(4.6)
Other	**0.9**	0.2
Effective tax rate	**41.4%**	41.9%

Deferred tax assets and liabilities as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Deferred tax assets:			
Accrued employees' retirement benefits	**¥ —**	¥ 5,829	**$ —**
Liability for retirement benefits	**8,056**	—	**78,214**
Impairment loss on property, plant and equipment	**2,123**	2,426	**20,612**
Investment securities	**2,262**	3,317	**21,961**
Net operating loss carryforwards	**11,569**	14,106	**112,320**
Land	**2,177**	2,175	**21,136**
Other	**1,086**	1,372	**10,543**
Total gross deferred tax assets	**27,273**	29,225	**264,786**
Valuation allowance	**(17,457)**	(21,069)	**(169,485)**
Total deferred tax assets	**9,816**	8,156	**95,301**
Deferred tax liabilities:			
Statutory reserves provided for tax purposes	**(1,247)**	(1,117)	**(12,107)**
Gain from establishment of trust for retirement benefit plans	**(3,515)**	(3,729)	**(34,126)**
Land	**(8,158)**	(8,158)	**(79,204)**
Unrealized holding gain (loss) on securities	**(2,001)**	(1,079)	**(19,427)**
Capitalized interest of a foreign subsidiary	**(807)**	(777)	**(7,835)**
Other	**(250)**	(197)	**(2,427)**
Total deferred tax liabilities	**(15,978)**	(15,057)	**(155,126)**
Net deferred tax liabilities	**¥ (6,162)**	¥ (6,901)	**$ (59,825)**
Deferred tax liabilities on surplus on the revaluation of land	**¥ (2,253)**	¥ (2,346)	**$ (21,874)**

15. Contingent Liabilities

Contingent liabilities as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Notes receivable discounted and endorsed	**¥ 367**	¥ 456	**$ 3,563**
Loans guaranteed	**2,838**	2,713	**27,553**

16. Write-Down of Inventories

The amount of write-down of inventories, included in cost of sales for the year ended March 31, 2014, totaled ¥21 million ($204 thousand). For the year ended March 31, 2013, the Company reversed write-down in the amount of ¥46 million and credited it to cost of sales.

17. Other Income (Expenses)—Other, Net

Other income (expenses)—other, net for the years ended March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Gain on foreign exchange	**¥ 600**	¥ 966	**$ 5,825**
Gain on sales of disused articles	**237**	262	**2,301**
Gain on sales of investment securities	**42**	994	**408**
Compensation income	**1,095**	1,264	**10,631**
Gain on sales of subsidiaries' stocks	**—**	824	**—**
Payments for idle mines	**(565)**	(541)	**(5,485)**
Loss on sales and retirement of noncurrent assets	**(101)**	(63)	**(981)**
Impairment loss	**(187)**	(331)	**(1,816)**
Write-down of investment securities	**—**	(3)	**—**
Other, net	**(113)**	(80)	**(1,097)**
	¥ 1,008	¥ 3,292	**$ 9,786**

18. Segment Information

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 seven reportable segments are as follows: Industrial Machinery, Construction and Mining Machinery (Rock Drills), UNIC Machinery, Metals, Electronic Materials, Chemicals and Real Estate.

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

(a) Industrial Machinery
Manufacture and sale environmental machinery, pumps, plants, stone crushers, steel bridges and castings

(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, gold, silver and sulfuric acid which is smelted on consignment by joint smelting company

(e) Electronic Materials
Manufacture and sale high-purity metallic arsenic, gallium phosphide polycrystals, cores and coils, and aluminum nitride ceramics, optical components

(f) Chemicals
Manufacture and sale cuprous oxide, ferric polysulfate solution, sulfuric acid, titanium dioxide and functional materials

(g) Real Estate
Lease real estate

In addition, the Company withdrew from the fuels business by transferring all the shares of Furukawa Commerce Co., Ltd., which previously composed the Fuels segment, to Usami Koyu Corp., on October 1, 2012.

The Company withdrew from the paints business with the completion of the takeover bid of Tohpe Corporation, which previously composed the Paints segment, by transferring all its shares to Zeon Corporation, on March 27, 2013.

Accordingly, the Furukawa Group excluded the Fuels and Paints from reportable segments for the year ended March 31, 2014.

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 operations. Intersegment sales and transfers are recorded based on the actual market prices.

Segment information of the Furukawa Group for the years ended March 31, 2014 and 2013 was as follows:

Year ended March 31, 2014	Millions of yen				
	Industrial Machinery	Construction and Mining Machinery (Rock Drills)	UNIC Machinery	Metals	Electronic Materials
Sales and operating income (loss)					
Outside customers	**¥18,528**	**¥26,843**	**¥25,741**	**¥78,685**	**¥ 5,381**
Intersegment	**2,584**	**176**	**83**	**402**	**12**
Total	**21,112**	**27,019**	**25,824**	**79,087**	**5,393**
Operating income (loss)	**¥ 1,851**	**¥ 341**	**¥ 3,142**	**¥ 1,503**	**¥ (124)**
Others					
Segment assets	**¥18,352**	**¥29,931**	**¥21,765**	**¥28,780**	**¥ 7,394**
Depreciation	**330**	**618**	**516**	**319**	**287**
Amortization of goodwill and negative goodwill	**—**	**—**	**24**	**—**	**—**
Investments in equity-method affiliates	**—**	**—**	**34**	**4,215**	**504**
Increase in tangible fixed assets and intangible fixed assets	**307**	**750**	**290**	**449**	**131**

Year ended March 31, 2014	Millions of yen				
	Chemicals	Real Estate	Others	Adjustments	Consolidated
Sales and operating income (loss)					
Outside customers	**¥ 6,097**	**¥ 1,013**	**¥ 738**	**¥ —**	**¥163,026**
Intersegment	**45**	**136**	**1,581**	**(5,019)**	**—**
Total	**6,142**	**1,149**	**2,319**	**(5,019)**	**163,026**
Operating income (loss)	**¥ 316**	**¥ (43)**	**¥ (60)**	**¥ (40)**	**¥ 6,886**
Others					
Segment assets	**¥ 15,893**	**¥32,993**	**¥ 3,955**	**¥40,345**	**¥199,408**
Depreciation	**213**	**252**	**72**	**8**	**2,615**
Amortization of goodwill and negative goodwill	**—**	**—**	**—**	**—**	**173**
Investments in equity-method affiliates	**—**	**—**	**236**	**—**	**4,989**
Increase in tangible fixed assets and intangible fixed assets	**131**	**552**	**30**	**75**	**2,715**

Year ended March 31, 2013	Millions of yen					
	Industrial Machinery	Construction and Mining Machinery (Rock Drills)	UNIC Machinery	Metals	Electronic Materials	Chemicals
Sales and operating income (loss)						
Outside customers	¥12,895	¥23,306	¥20,651	¥77,945	¥ 4,988	¥ 5,094
Intersegment	2,295	26	103	451	8	896
Total	15,190	23,332	20,754	78,396	4,996	5,990
Operating income (loss)	¥ 779	¥ (68)	¥ 2,213	¥ 283	¥ (263)	¥ 304
Others						
Segment assets	¥17,606	¥28,294	¥18,750	¥27,951	¥ 7,346	¥ 16,118
Depreciation	327	634	466	249	286	223
Amortization of goodwill and negative goodwill	—	(0)	19	—	—	—
Investments in equity-method affiliates	—	—	25	3,785	628	—
Increase in tangible fixed assets and intangible fixed assets	173	424	164	208	228	117

Year ended March 31, 2013	Millions of yen					
	Paints	Real Estate	Fuels	Others	Adjustments	Consolidated
Sales and operating income (loss)						
Outside customers	¥15,079	¥ 1,059	¥ 3,771	¥ 752	¥ —	¥165,540
Intersegment	53	142	164	1,374	(5,512)	—
Total	15,132	1,201	3,935	2,126	(5,512)	165,540
Operating income (loss)	¥ 66	¥ 220	¥ (28)	¥ (63)	¥ (80)	¥ 3,363
Others						
Segment assets	¥ —	¥25,078	¥ —	¥ 3,729	¥41,204	¥186,076
Depreciation	316	198	3	87	2	2,791
Amortization of goodwill and negative goodwill	154	—	—	—	—	173
Investments in equity-method affiliates	—	—	—	321	—	4,759
Increase in tangible fixed assets and intangible fixed assets	212	855	1	27	49	2,458

Year ended March 31, 2014	Thousands of U.S. dollars				
	Industrial Machinery	Construction and Mining Machinery (Rock Drills)	UNIC Machinery	Metals	Electronic Materials
Sales and operating income (loss)					
Outside customers	**$ 179,883**	**$ 260,612**	**$ 249,913**	**$ 763,932**	**$ 52,243**
Intersegment	**25,087**	**1,709**	**806**	**3,903**	**117**
Total	**204,970**	**262,321**	**250,719**	**767,835**	**52,360**
Operating income (loss)	**$ 17,971**	**$ 3,311**	**$ 30,505**	**$ 14,592**	**$ (1,204)**
Others					
Segment assets	**$ 178,175**	**$ 290,592**	**$ 211,311**	**$ 279,417**	**$ 71,786**
Depreciation	**3,204**	**6,000**	**5,010**	**3,097**	**2,786**
Amortization of goodwill and negative goodwill	**—**	**—**	**233**	**—**	**—**
Investments in equity-method affiliates	**—**	**—**	**330**	**40,922**	**4,893**
Increase in tangible fixed assets and intangible fixed assets	**2,981**	**7,282**	**2,816**	**4,359**	**1,272**

Year ended March 31, 2014	Thousands of U.S. dollars				
	Chemicals	Real Estate	Others	Adjustments	Consolidated
Sales and operating income (loss)					
Outside customers	**$ 59,194**	**$ 9,835**	**$ 7,165**	**$ —**	**$ 1,582,777**
Intersegment	**437**	**1,320**	**15,349**	**(48,728)**	**—**
Total	**59,631**	**11,155**	**22,514**	**(48,728)**	**1,582,777**
Operating income (loss)	**$ 3,068**	**$ (417)**	**$ (583)**	**$ (389)**	**$ 66,854**
Others					
Segment assets	**$ 154,301**	**$320,320**	**$ 38,398**	**$391,700**	**$ 1,936,000**
Depreciation	**2,068**	**2,447**	**699**	**77**	**25,388**
Amortization of goodwill and negative goodwill	**—**	**—**	**—**	**—**	**233**
Investments in equity-method affiliates	**—**	**—**	**2,292**	**10**	**48,437**
Increase in tangible fixed assets and intangible fixed assets	**1,272**	**5,359**	**291**	**727**	**26,359**

(Related information)

Years ended March 31, 2014 and 2013

1. Information regarding products and services

Year ended March 31, 2014	Millions of yen		
	Copper	Others	Total
Sales for outside customers	**¥ 68,811**	**¥ 94,215**	**¥ 163,026**

Year ended March 31, 2013	Millions of yen		
	Copper	Others	Total
Sales for outside customers	¥ 64,364	¥ 101,176	¥ 165,540

Year ended March 31, 2014	Thousands of U.S. dollars		
	Copper	Others	Total
Sales for outside customers	**$ 668,068**	**$ 914,709**	**$1,582,777**

2. Geographic segment information

(1) Net sales

Year ended March 31, 2014

Millions of yen			
Japan	Asia	Others	Total
¥ 126,802	**¥ 21,059**	**¥ 15,165**	**¥ 163,026**

Year ended March 31, 2013

Millions of yen			
Japan	Asia	Others	Total
¥ 133,151	¥ 20,800	¥ 11,589	¥ 165,540

Year ended March 31, 2014

Thousands of U.S. dollars			
Japan	Asia	Others	Total
$ 1,231,087	**$ 204,456**	**$ 147,234**	**$ 1,582,777**

(2) Property, plant and equipment

The geographic segment information for the years ended March 31, 2014 and 2013 has not been presented, because the total assets in Japan exceed 90% of consolidated totals.

3. Information regarding main customers

Year ended March 31, 2014

	Millions of yen	
Name of customer	Sales volume	Related segment
Furukawa Electric Co., Ltd.	**¥28,868**	**Metals**

Year ended March 31, 2013

	Millions of yen	
Name of customer	Sales volume	Related segment
Furukawa Electric Co., Ltd.	¥23,860	Metals

Year ended March 31, 2014

	Thousands of U.S. dollars	
Name of customer	Sales volume	Related segment
Furukawa Electric Co., Ltd.	**$280,272**	**Metals**

4. Impairment loss on property, plant and equipment

	Millions of yen									
Year ended March 31, 2014	Industrial Machinery	Construction and Mining Machinery (Rock Drills)	UNIC Machinery	Metals	Electronic Materials	Chemicals	Real Estate	Others	Adjustments	Consolidated
Impairment loss on property, plant and equipment	**—**	**—**	**—**	**—**	**—**	**—**	**¥ 7**	**¥ 180**	**—**	**¥ 187**

	Millions of yen											
Year ended March 31, 2013	Industrial Machinery	Construction and Mining Machinery (Rock Drills)	UNIC Machinery	Metals	Electronic Materials	Chemicals	Paints	Real Estate	Fuels	Others	Adjustments	Consolidated
Impairment loss on property, plant and equipment	—	—	—	—	—	—	—	¥ 52	¥ 170	¥ 109	—	¥ 331

	Thousands of U.S. dollars									
Year ended March 31, 2014	Industrial Machinery	Construction and Mining Machinery (Rock Drills)	UNIC Machinery	Metals	Electronic Materials	Chemicals	Real Estate	Others	Adjustments	Consolidated
Impairment loss on property, plant and equipment	**—**	**—**	**—**	**—**	**—**	**—**	**$ 68**	**$ 1,748**	**—**	**$ 1,816**

5. Amortization of goodwill and unamortized goodwill in reportable segments

Year ended March 31, 2014	Industrial Machinery	Construction and Mining Machinery (Rock Drills)	UNIC Machinery	Metals	Electronic Materials	Chemicals	Real Estate	Others	Adjustments	Consolidated
	Millions of yen									
Balance as of March 31, 2014	**—**	**—**	**¥ 48**	**—**	**—**	**—**	**—**	**—**	**—**	**¥ 48**

Year ended March 31, 2013	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, 2013	—	—	¥ 65	—	—	—	—	—	—	—	—	¥ 65

Year ended March 31, 2014	Industrial Machinery	Construction and Mining Machinery (Rock Drills)	UNIC Machinery	Metals	Electronic Materials	Chemicals	Real Estate	Others	Adjustments	Consolidated
	Thousands of U.S. dollars									
Balance as of March 31, 2014	**—**	**—**	**$ 466**	**—**	**—**	**—**	**—**	**—**	**—**	**$ 466**

6. Gain on negative goodwill in reporting segments
Not applicable.

19. Investment and Rental Properties

The Company and certain consolidated subsidiaries own office buildings for lease mainly in Tokyo and other areas. For the year ended March 31, 2014, rental income was ¥132 million ($1,282 thousand), gain on sales of rental properties was ¥42 million ($408 thousand) and impairment loss on rental properties was ¥177 million ($1,718 thousand).

For the year ended March 31, 2013, rental income was ¥383 million, gain on sales of rental properties was ¥6 million, loss on disposal was ¥40 million and impairment loss on rental properties was ¥164 million.

The carrying value, net changes in the carrying value and the fair value of those properties as of and for the years ended March 31, 2014 and 2013 are as follows:

Year ended March 31, 2014

Carrying value			Fair value
As of March 31, 2013	Net change	As of March 31, 2014	As of March 31, 2014
	Millions of yen		
¥ 28,079	**¥ 8,394**	**¥ 36,473**	**¥ 34,953**

Year ended March 31, 2013

Carrying value			Fair value
As of March 31, 2012	Net change	As of March 31, 2013	As of March 31, 2013
	Millions of yen		
¥ 28,618	¥ (539)	¥ 28,079	¥ 27,262

Year ended March 31, 2014

Carrying value			Fair value
As of March 31, 2013	Net change	As of March 31, 2014	As of March 31, 2014
	Thousands of U.S. dollars		
$ 272,612	**$ 81,495**	**$ 354,107**	**$ 339,350**

Notes:
1. The carrying value represents the acquisition cost less accumulated depreciation and cumulative impairment loss.

2. Net change in carrying value for the year ended March 31, 2014 mainly consists of increases related to acquisition of land and buildings in the amount of ¥9,223 million ($89,544 thousand) and decreases mainly due to amortization in the amount of ¥222 million ($2,155 thousand) and impairment loss on rental properties in the amount of ¥177 million ($1,718 thousand). Net change in carrying value for the year ended March 31, 2013 mainly consists of increases related to a decrease in the property of the consolidated subsidiary having been excluded from the consolidated balance sheet along with the sales of consolidated subsidiaries' stocks in the amount of ¥232 million, amortization in the amount of ¥178 million and impairment loss on rental properties in the amount of ¥164 million.
3. The fair value is mainly estimated in accordance with appraisal standards for valuing real estate.

20. Subsequent Event

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements, were approved at a shareholders' meeting held on June 27, 2014

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥3.00 = $0.029 per share)	¥ 1,212	$ 11,767
Transfer to legal reserve	121	1,175
	¥ 1,333	$ 12,942

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo, Japan 100-0011

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

Building a better working world

Independent Auditor's Report

The Board of Directors
Furukawa Co., Ltd.

We have audited the accompanying consolidated financial statements of Furukawa Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated 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, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

Ernst & Young ShinNihon LLC

June 27, 2014

Tokyo, Japan

Corporate Data

(As of March 31, 2014)

Directors and Auditors

(As of June 27, 2014)

Chairman and Representative Director	Nobuyoshi Soma
President and Representative Director	Naohisa Miyakawa
Executive Vice President Director	Manabu Zama
Managing Director	Susumu Nakamura
Managing Director	Toshio Matsumoto
Outside Director	Masao Yoshida
Director	Akinori Ota
Director	Minoru Iwata
Statutory Auditor	Yoshihito Emoto
Statutory Auditor	Masaya Kouzaki
Outside Company Auditor	Tamiki Ishihara
Outside Company Auditor	Nobuyuki Tomotsune
Outside Company Auditor	Ryoji Hatsuse

Executive Officers

(As of June 27, 2014)

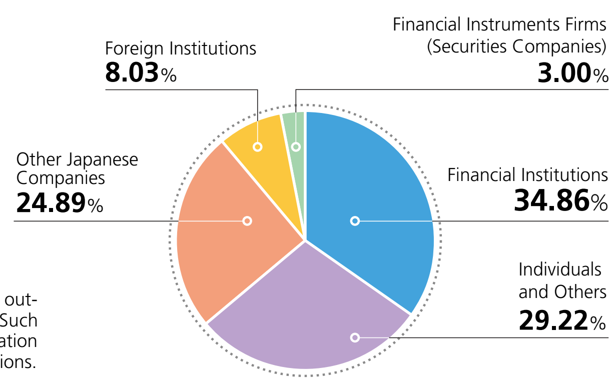
Vice President Executive Officer	Manabu Zama
Managing Executive Officer	Susumu Nakamura
Managing Executive Officer	Toshio Matsumoto
Senior Executive Officer	Akinori Ota
Senior Executive Officer	Minoru Iwata
Senior Executive Officer	Osamu Watanabe
Senior Executive Officer	Yasufumi Watanabe
Senior Executive Officer	Shigeo Matsudo
Senior Executive Officer	Kiyohito Mitsumura
Executive Officer	Naoki Kato
Executive Officer	Kiyohiko Ikebe
Executive Officer	Yoshinari Kuno
Executive Officer	Kazuo Inoue

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
Number of Shareholders:	28,071
Stock Exchange Listing:	Tokyo
Securities Code Number:	5,715
Employees: Consolidated	2,413
Stock Transfer Agent:	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan

Principal Shareholders

	Number of Shares (Thousands)	Percentage of Total Shares (%)
Japan Trustee Services Bank, Ltd. (trust account)	32,417	8.01
The Master Trust Bank of Japan, Ltd. (trust account)	27,072	6.69
Asahi Mutual Life Insurance Co.	23,734	5.86
Seiwa Sogo Tatemono Co., Ltd.	15,034	3.71
The Yokohama Rubber Company, Limited	13,411	3.31
Sompo Japan Insurance Inc.	10,756	2.65
Fujitsu Limited	9,617	2.37
Furukawa Electric Co., Ltd.	8,777	2.17
Fuji Electric Co., Ltd.	8,620	2.13
Chuo Real Estate Co., Ltd.	6,877	1.70

Composition of Shareholders



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.

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

Corporate History

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

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

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

1914 Manufactured the first rock drill in Japan.

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

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

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

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

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

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

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

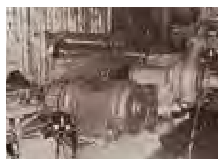
1987 Bought UNIC Corporation (manufacturer of truck-mounted cranes).

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

1990 Bought an American breaker sales and manufacturing company.


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


The first domestic rock drill was developed at Ashio.


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


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


The Furukawa / Outokumpu flash smelting plant.


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


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

1997 Established a manufacturer of UNIC products / components in Thailand.

1998 Established a sales company of rock drill products in Holland.

2003 Established a joint company for the manufacturing and distribution of UNIC cranes in China.

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

2006 Established a rock drills sales company in China.

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

2008 Set up 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.

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

2010 Acquired interest in Canadian copper mine

2011 Established a sales company of rock drill products in India.

2012 Established a sales company of rock drill products in Panama.

- With the sale of all of its shares in Furukawa Commerce Co., Ltd., the Group has withdrawn from the fuels business.

2013 The Group exited the paints business with the sale of all of its shares in Tohpe Corporation.

2014 Completed Muromachi Furukawa Mitsui Building in Nihonbashi, Tokyo.


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


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


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


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


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


Muromachi Furukawa Mitsui Building, consisting of a commercial facility (COREDO Muromachi 2), offices, and rental accommodation.

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