

FURUKAWA

Annual Report 2015

Year ended March 31, 2015





Ichibee Furukawa

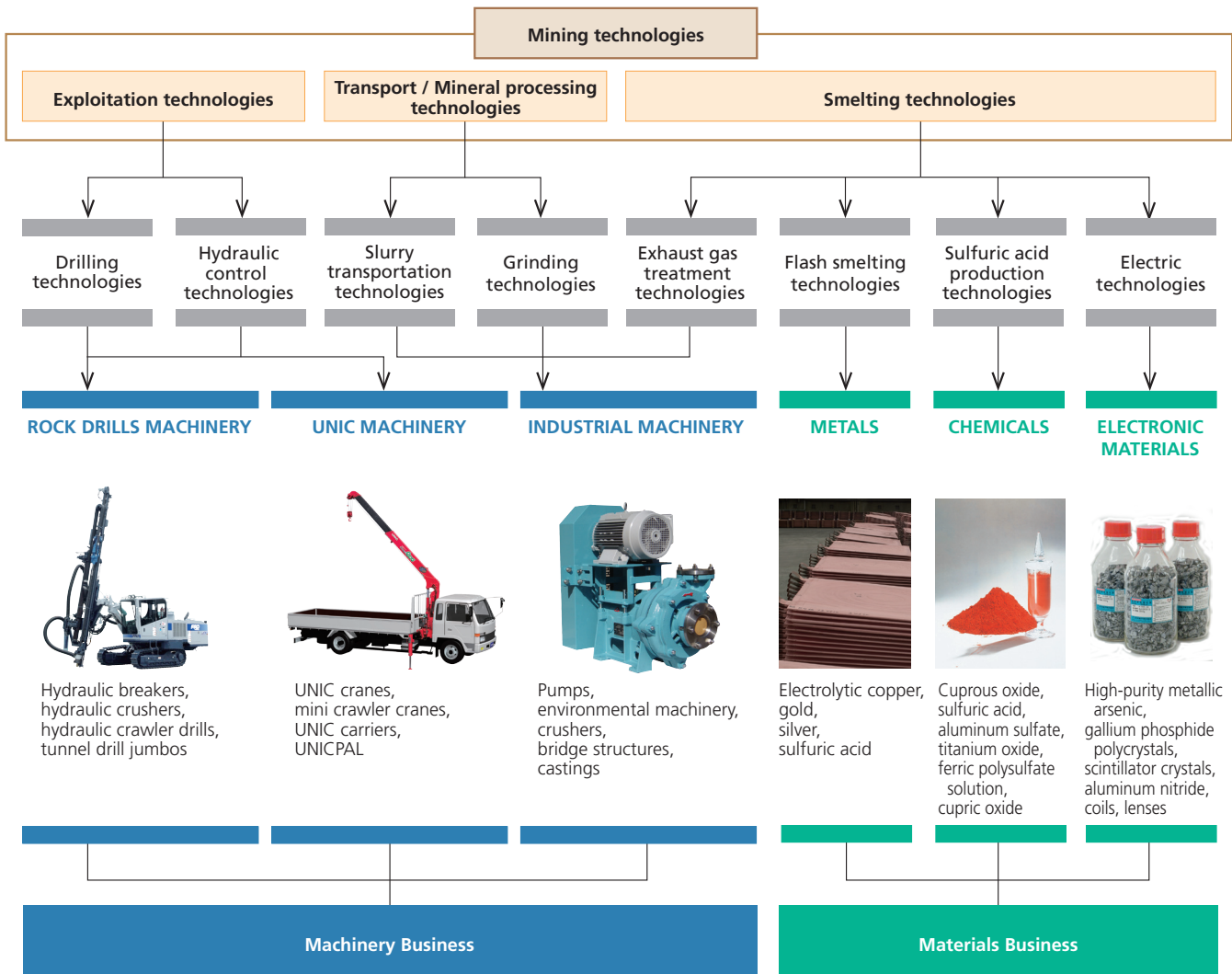
In August 2015, the Furukawa Company Group will celebrate 140 years since its foundation. We trace our history back to the development of the Ashio Copper Mine by founder Ichibee Furukawa. At the time, the Company introduced world-leading mine development technologies that have become the foundation for its technological expertise today. Since then, we have developed and advanced our technologies—amassed through mine development—according to the needs of the times.

Today, the Machinery business and the Materials business, which are our core business domains, continue to provide products that the world needs. Going forward, we will work to expand our presence in fast-growing businesses 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.”



Ashio Copper Mine

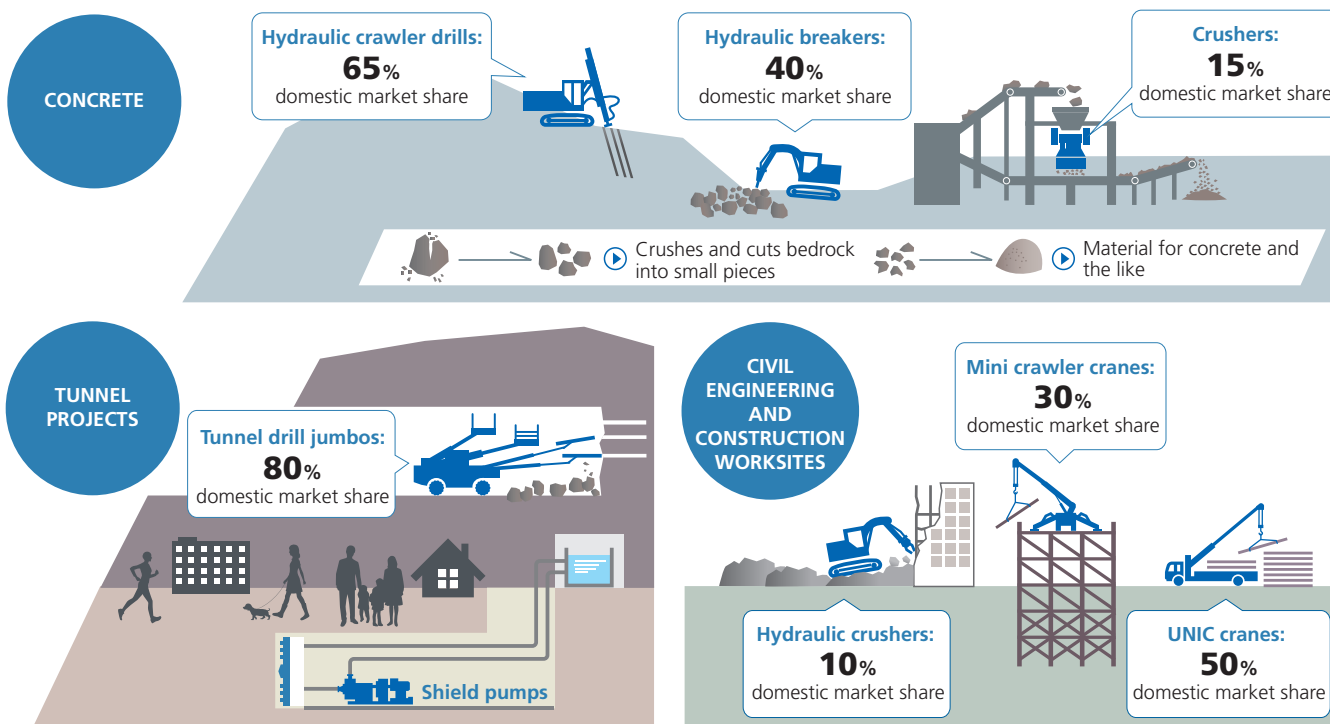
Furukawa's Technological Genealogy



Financial Highlights For the years ended March 31

	2015/3	Millions of yen			
		2014/3	2013/3	2012/3	2011/3
For the year:					
Net sales	¥ 172,544	¥ 163,026	¥ 165,540	¥ 157,566	¥ 165,638
Operating income	8,925	6,886	3,363	2,155	2,821
Income (loss) before income taxes and minority interests	6,160	7,092	5,433	(2,663)	447
Net income (loss)	9,793	3,976	2,976	(1,659)	563
Capital expenditures					
Depreciation and amortization	3,223	2,828	3,015	3,329	3,290
Research and development expenses	2,227	2,539	2,559	2,622	2,225
At year-end:					
Total assets	¥ 207,317	¥ 199,408	¥ 186,076	¥ 193,971	¥ 196,234
Net assets	70,581	56,313	51,507	47,668	47,622
Per share amounts:					
Net income (loss)	¥ 24.23	¥ 9.84	¥ 7.37	¥ (4.11)	¥ 1.39
Cash dividends	5.00	3.00	2.00	0.00	0.00
Net assets	170.22	135.34	123.99	113.88	113.45
Return on equity (ROE) (%)	15.9	7.6	6.2	(3.6)	1.2
Equity ratio (%)	33.2	27.4	26.9	23.7	23.4

Priority Fields in Machinery Business





President and Representative Director
Naohisa Miyakawa

Business Conditions and Performance

In fiscal 2015, ended March 31, 2015, the Japanese economy continued recovering moderately on the back of improved corporate earnings, despite signs of weakness in personal consumption. However, instability among overseas economies led to the risk of downward pressure on the domestic economy—a situation that required ongoing caution.

Under these circumstances, the Furukawa Company Group actively advanced its operations by accurately grasping market needs and stepping up its overseas business expansion.

As a result, consolidated net sales amounted to ¥172,544 million, up 5.8% from the previous year. This was driven mainly by increased revenue in the Rock Drills Machinery, UNIC Machinery, Metals, and Real Estate segments. Operating income rose 29.6%, to ¥8,925 million, owing mainly to higher earnings in the Rock Drills Machinery, UNIC Machinery, and Real Estate segments.

Among other income, we received ¥819 million in compensation income for damages resulting from the Fukushima nuclear power plant accident, ¥645 million in gain on business withdrawal from operations at Port Kembla Copper Pty. Ltd., a consolidated subsidiary in Australia, and ¥530 million in gain on transfer of business associated with the after-sales service business for multilevel parking systems. Among other expenses, there was a ¥2,409 million provision for deposition field restoration (cost of earthquake-proofing our deposition field, which is the final disposal facility for residue and the like from our mine). Moreover, the withdrawal from the Port Kembla Copper Pty. Ltd. business led to the forfeiture of receivables in Port Kembla Copper Pty. Ltd. held by Furukawa Company and its consolidated subsidiaries, resulting in deferred income taxes of ¥5,018 million. As a result, net income for the year jumped 146.3%, to ¥9,793 million.

Future Initiatives

Going forward, the Furukawa Company Group will continue working to improve earnings and increase corporate value according to its 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.”

In the Machinery business, we will reinforce our revenue founda-

tion by addressing areas where domestic demand is firm, such as disaster recovery projects, new Shinkansen lines, the Linear Chuo Shinkansen Line, the Building National Resilience Plan, and the 2020 Summer Olympics and Paralympics in Tokyo. At the same time, we will build a foundation for the future in large overseas markets, centering on resources development and infrastructure development. In this context, we will further strengthen the global sales and services systems of the Rock Drills Machinery and UNIC Machinery segments, so we can supply products that satisfy customers in terms of price, quality, and delivery times, and thus expand market share. At the Tsukuba Development Center, opened in 2014, we will increase the speed and efficiency of product development based on flexible concepts that transcend machines and materials, with the aim of stimulating new product development matched to the needs of the times.

Dividend Policy

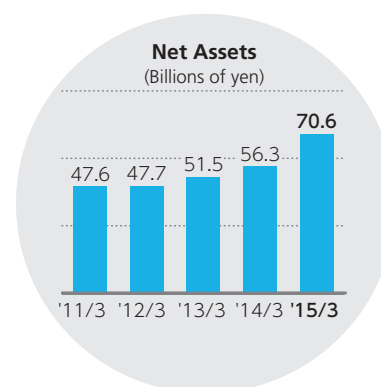
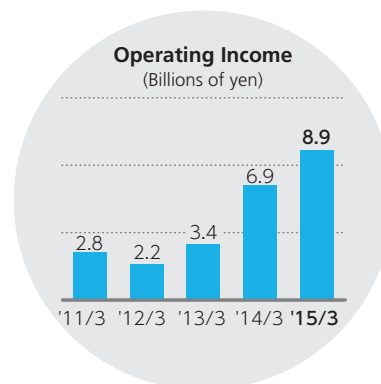
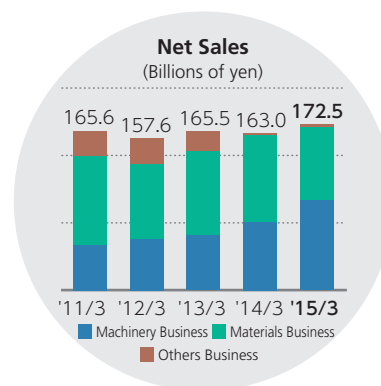
Furukawa places great importance on improving returns of profits to all shareholders while retaining earnings required to finance capital expenditures and research and development expenses necessary to bolster earnings. Our basic policy is to appropriate profits after comprehensive consideration of future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

In fiscal 2015, the Company declared a year-end cash dividend of ¥5.00 per share, up ¥2.00 from the previous year. In fiscal 2016, we plan to pay a year-end dividend of ¥5.00 per share, with no interim dividend scheduled.

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

August 2015

Naohisa Miyakawa
Naohisa Miyakawa
President and Representative Director



Interview with President Miyakawa



Please describe your business plans for the
Furukawa Company Group.

Question 1

Answer 1

About two years have passed since I became president, and during that time our business environment has changed dramatically. Domestic demand is now stronger than ever, driven by full-fledged disaster recovery projects, infrastructure development projects associated with the Building National Resilience Plan, the Linear Chuo Shinkansen Line and other transportation infrastructure projects, and civil engineering and construction projects for the 2020 Summer Olympics and Paralympics in Tokyo. Such a phenomenon happens only once every several decades. Our aim is to properly embrace this

strong domestic demand and build up a steady track record by focusing our managerial resources on the Machinery business, one of the two pillars of the Group's operations.

Meanwhile, 2015 marks the 140th anniversary of our company, and I am once again reminded how effectively we are applying our mine development technologies, amassed over many years, to meet demand for the abovementioned domestic infrastructure projects. Our broad-ranging machinery-related technologies are being used in a large-scale project for relocating people to higher ground in Rikuzentakata City, Iwate Prefecture, and we continue to identify new potential for our offerings in infrastructure projects, such as using our belt conveyors to transport sand and gravel.

In consideration of these trends, we have positioned three priority fields in which we have particular expertise in the context of infrastructure demand, and will address such demand accordingly. These priority fields are tunnel projects, concrete, and civil engineering and construction worksites (**Column 1**).

Meanwhile, resource development markets overseas are currently languishing. Nevertheless, we will continue addressing firm domestic demand and use our track record and expertise to solidify our positions in overseas resource development and infrastructure projects.

The Materials business, our other operational pillar, provides a stable source of income despite lack of major foreseeable growth in the immediate future. Going forward, we will work to secure stable income by cutting costs and enhancing efficiency while developing new products for the future.

Column 1 Business environment and priority fields

In the infrastructure development market, we have identified three priority fields: tunnel projects, concrete, and civil engineering and construction worksites. Domestic demand for infrastructure development is expected to continue increasing in the future.

A number of transportation projects are in progress or in planning, including disaster recovery roads, new Shinkansen lines, and the Linear Chuo Shinkansen Line. Other major construction projects include the Building National Resilience Plan and facilities for the 2020 Summer Olympics and Paralympics in Tokyo. In the aforementioned three strategic fields, we will steadily address flourishing demand for machinery products in order to strengthen our income foundation.

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



Please describe initiatives in businesses and fields of particular focus going forward.

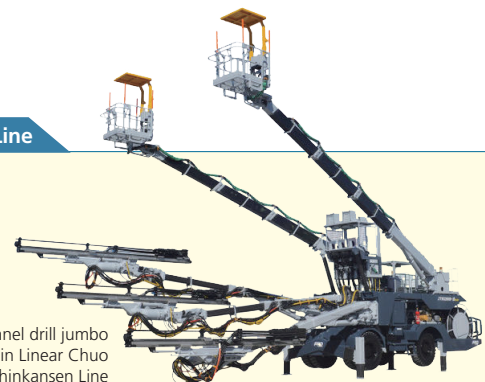
Question 2

Answer 2

Tunnel excavation projects for the Linear Chuo Shinkansen Line are attracting attention as a major source of domestic infrastructure-related demand. Tunnels in mountainous areas, such as Japan's Southern Alps, account for more than half of all tunnel extension projects planned in the nation. These include many long-distance tunnels with high levels of difficulty in locations with complex geological faults and earth coverings. Here, we anticipate solid demand for our tunnel drill jumbos, which occupy a market share of around 80%. Rather than rest on our laurels, however, we will unveil new models fitted with high-performance navigation and other functions and strengthen relationships with general contractors in the Tohoku District, where projects are flourishing. In these ways, we will attract steady orders for our tunnel drill jumbos to be used in Linear Chuo Shinkansen Line projects (**Column 2**).

Column 2 Development of tunnel drill jumbo for Linear Chuo Shinkansen Line

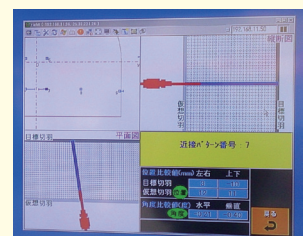
Scheduled to open in 2027, the Linear Chuo Shinkansen Line will consist mostly of tunnels. Mountain tunnels in Japan's Southern Alps and locations in geological fault zones with complex strata will require particularly difficult excavation methods. In response, the Furukawa Company Group developed and launched the JTH3200R-IIIPLUS, a new type of tunnel drill jumbo for Linear Chuo Shinkansen Line excavation projects. In addition to improved striking power of the hydraulic drifter, the core of the machine, we have added our newly developed "Drill Navi" function to enhance navigation of the drilling position, allowing fast, reliable, safe, and accurate drilling work. Information-oriented operation is also possible thanks to a system that records all drilling data. In these tunneling projects, which require high-speed work, the new machine allows more efficient work processes in shorter time periods. In December 2014, we held information meetings and demonstrations for each of Japan's major general contractors to highlight the high-performance capabilities of the new tunnel drill jumbo.



New type of tunnel drill jumbo expected to be used in Linear Chuo Shinkansen Line



Demonstration



High-performance navigation function

Answer 2

Meanwhile, we look forward to healthy demand for shield pumps—another Furukawa strength—in underground tunnel projects in urban areas, where the shield method is mostly employed. We have built a track record and experience in urban tunnel projects, such as the Tokyo Bay Aqua Line, Tsukuba Express, and Bosphorus Strait. We will deploy these strengths to develop new technologies for Linear Chuo Shinkansen Line projects, which involve deep tunnels and will require larger and higher-performance pumps than those currently available.

Our involvement in tunnel projects for the Linear Chuo Shinkansen Line alone will help expedite our own technological innovation and spur the development of new technologies and products—creating a beneficial cycle for the Group. In addition to selling products, there is a growing need for support in such areas as design, execution, installation, and operational management, where we can use our knowledge as a manufacturer to offer problem-solving proposals. With respect to earth-crushing and transportation equipment for the Rikuzentakata City project (large-scale crushing system, long-distance belt conveyor system, suspension bridge), for example, we handled everything from design to operational management—and this track record is already

uncovering new demand in the earth-crushing and transportation field.

While infrastructure-related demand is flourishing in Japan, we will solidify our positions in overseas markets to prepare for expected growth in demand in the future. Here, our Rock Drills Machinery and UNIC Machinery segments will be particularly useful as we address diversifying needs in industrialized nations, emerging nations, and resource development nations. The key point will be to deploy our technical development capabilities, amassed in the domestic infrastructure sector, to offer products that match the attributes of each region.

In the UNIC Machinery segment, which has potential for market expansion, we are enjoying sales growth for our mini crawler cranes in Europe. Similarly, we will seek to tap new applications as we endeavor to address market needs. This will include monitoring customer demand while closely watching the market for used trucks mounted with UNIC cranes. Meanwhile, we have increased the production capacity of our factory in Thailand to meet expected growth in demand, and will make that plant our production base for globally strategic products (**Column 3**).

Column 3

Thailand to become our production base for globally strategic products

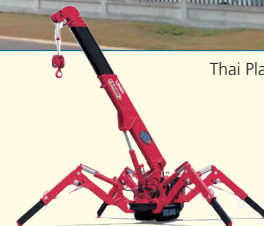
In the UNIC Machinery segment, we have three production bases, in Japan (Sakura City, Chiba Prefecture), China (Taian City, Shandong Province), and Thailand. At present, we place top priority on expanding worldwide sales of our UNIC cranes and mini crawler cranes. To this end, we have improved our three-pronged production system and extended and reinforced facilities with the aim of making Thailand our production base for globally strategic products. Going forward, we will progressively relocate production of export machinery from the Sakura Plant to our facility in Thailand, with the Sakura Plant assuming an important role as the “mother factory” making products for the domestic market.



Thai Plant



Truck-mounted UNIC crane



Mini crawler crane



Also in overseas markets, we need to build a business model covering everything from stand-alone product sales to after-sales services, including maintenance and supply of parts. Going forward, we will further raise the quality and functionality of our products and strengthen our after-sales services, which is a priority, to build a business model that generates high profits for the future.

What are your thoughts with respect to the road the Furukawa Company Group should take and the image it should target?

Question 3



Answer 3

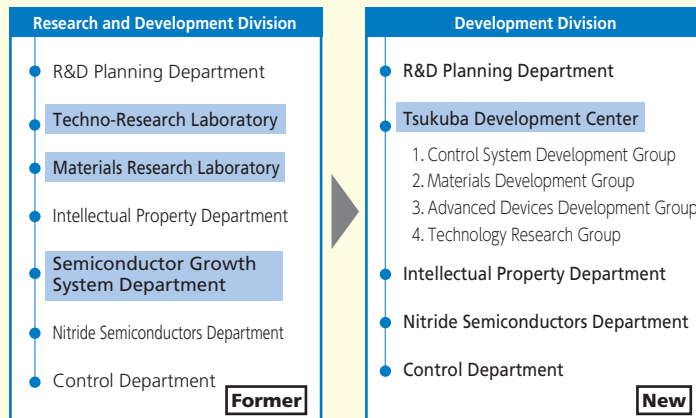
As I mentioned earlier, in 2015 we will celebrate 140 years of history. Technologies introduced by our founder, Ichibee Furukawa, were state-of-the-art technologies at that time. Our subsequent accumulation of such technologies has become the foundation for the Furukawa Company of today. I expect that the ways of the world will change, from supply of stand-alone products to provision of network-capable equipment connected to sensors, control equipment, and other devices. To address this trend, we established the Control System Development Group within our Tsukuba Development Center, a brand-new R&D facility completed in 2014. We are now able to respond swiftly when developing technologies, including control and communications technologies

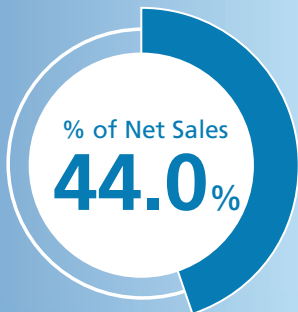
for machine-related products (**Column 4**). We will continue compiling existing technologies and innovating new ones to meet the needs of the times, including for man-machine control systems and support systems. In these ways, we will strive to “remain a company that is always needed by society.” This is road we should take, I believe.

In the current year, we will also formulate a corporate governance code. What do we need in order to steadily increase corporate value? I want to address this question while communicating more closely with stakeholders, especially shareholders and other investors, in order to deepen our mutual understanding.

Column 4 Innovating our R&D system

In the year under review, the Group renewed its R&D system with the opening of the new Tsukuba Development Center. This represented a shift from our previous system, where the Materials and Machinery R&D domains were separated, to a new framework enabling us to focus more closely on core businesses and deliver outcomes that reflect our vision. The result will be faster and more efficient product development. Within the Center, we established the Control System Development Group, which deploys the latest technologies in such areas as sensor-driven data collection and processing, as well as control and communications, to pursue development of proprietary intelligence-driven technologies. Development of such systems will facilitate automation, energy savings, and optimized operation of our machine-based products, and data thus collected can be used to enhance our after-sales services.





Machinery



Industrial Machinery

In fiscal 2015, the Industrial Machinery segment posted a year-on-year increase in revenue, benefiting from a large-scale bridge project for the public sector with a two-year construction period. We also enjoyed higher sales of pumps, plants, and environmental recycling equipment, as well as crushers and other general industrial machinery, mainly for the construction sector. In addition, we booked healthy sales of equipment to facilitate relocation to higher ground in earthquake-affected areas. As a result, the segment posted sales of ¥16,713 million, down 9.8% from the previous fiscal year. Operating income declined 7.6%, to ¥1,711 million.

Going forward, we will work to expand sales of crushing equipment for the gravel and cement sectors, which provide raw materials for concrete, where demand is expected to continue amid full-scale restoration projects and increasing public works business. With respect to infrastructure development, we will target bridge projects while addressing new demand for long-distance belt conveyors, used to transport earth and gravel, which have become popular in high-ground relocation projects. In addition, we will strive to stabilize income by tapping new markets for slurry pumps and deeply penetrate existing markets. We will also focus on swiftly establishing new products that will support our business into the future.



Sludge pump



Crusher

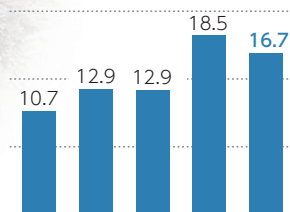


Belt conveyor

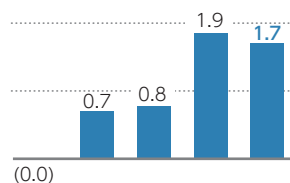


Bridge

Net Sales
(Billions of yen)



Operating Income (Loss)
(Billions of yen)



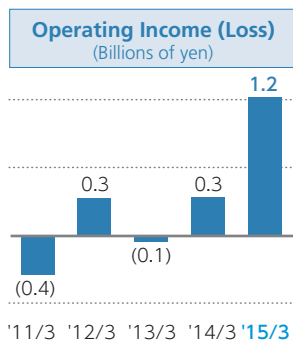
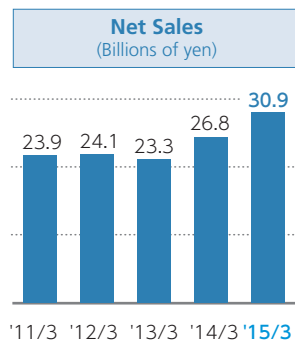
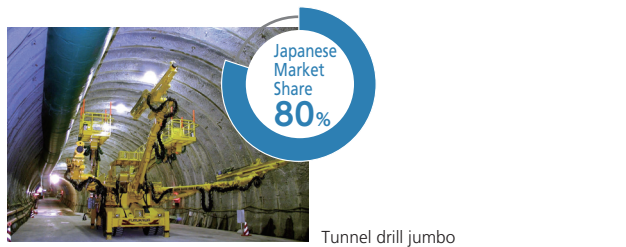
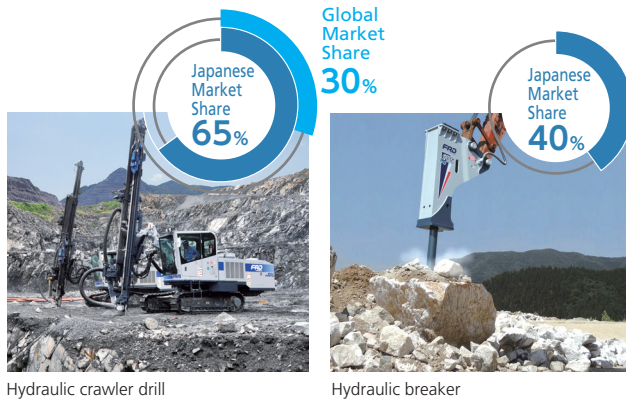
(0.0)

'11/3 '12/3 '13/3 '14/3 '15/3

Rock Drills Machinery

In the Rock Drills Machinery segment, we reported domestic growth in sales of hydraulic breakers and hydraulic crushers due to increased public works projects, as well as demolition work in the Tokyo Metropolitan Area. Shipments of hydraulic crawler drills were also healthy thanks to increased production of gravel and limestone for restoration projects in the Tohoku District, infrastructure projects in the Tokyo Metropolitan Area, and disaster-prevention projects. Taking advantage of a vibrant market for civil engineering tunnel projects, we also increased shipments of tunnel drill jumbos. Overseas, we reported healthy shipments of a new series of hydraulic breakers to the Middle East, as well as increased shipments of hydraulic crawler drills to North America and Africa. As a result, the Rock Drills Machinery segment posted a 15.2% increase in sales, to ¥30,911 million, and a 259.2% jump in operating income, to ¥1,225 million.

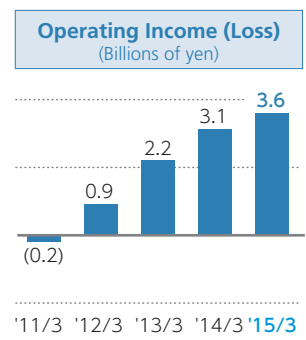
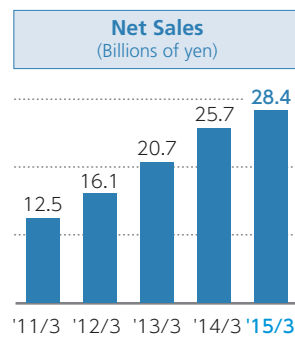
In Japan and abroad, we will work to expand sales of new-model hydraulic breakers. Overseas, we will seek to boost sales of hydraulic crawler drills by stepping up sales and service support for agencies that have become more user-oriented. In Japan, where infrastructure and civil engineering projects continue to flourish, we will roll out products that match customer needs and strengthen our after-sales services. We will focus particular attention on attracting orders for tunnel drill jumbos to be used in tunnel projects for new Shinkansen lines and the Linear Chuo Shinkansen Line.

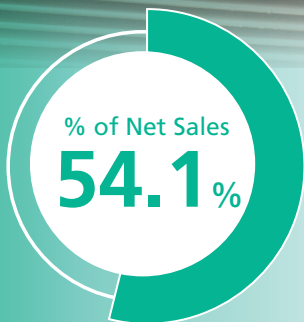
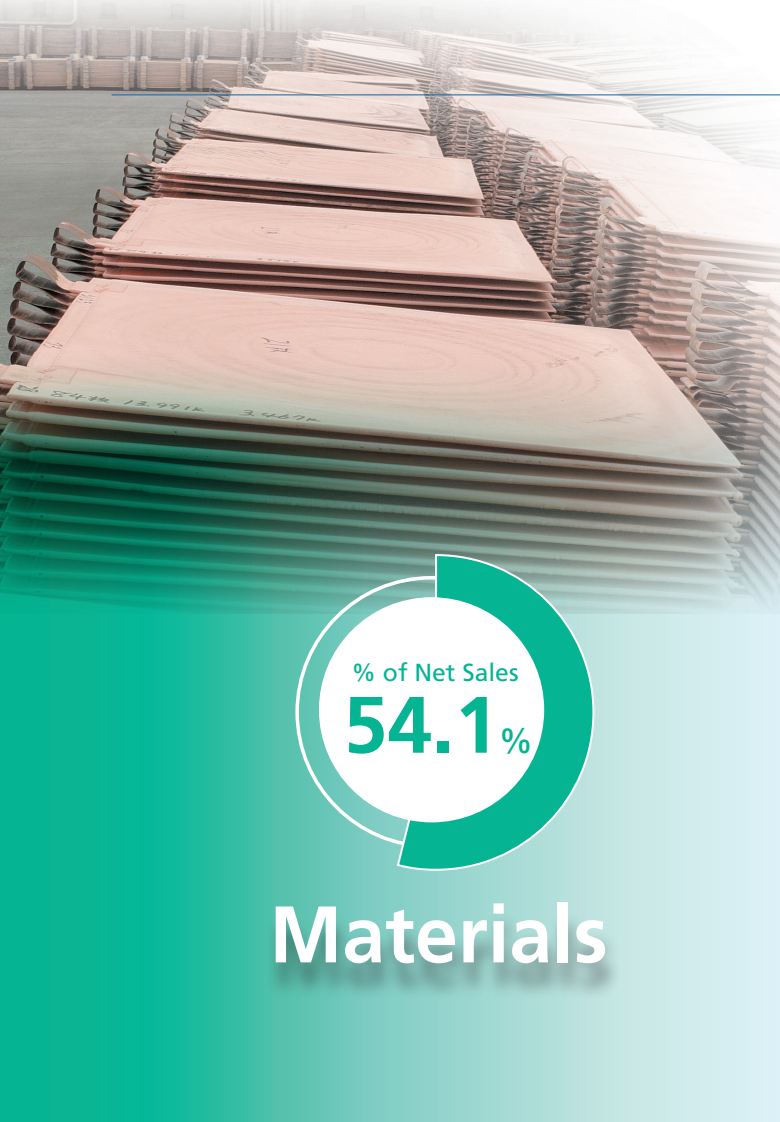


UNIC Machinery

In fiscal 2015, domestic truck registrations grew 9.6% year on year on the back of solid public-sector spending and disaster recovery demand. This enabled us to increase shipments of UNIC cranes and report healthy shipments of vehicle carriers (UNIC carriers). Overseas, we generated higher revenue related to infrastructure projects in Southeast Asia, in addition to North America and Europe as we have in the past. As a result, sales in the UNIC Machinery segment climbed 10.2% year on year, to ¥28,367 million, and operating income rose 15.1%, to ¥3,615 million.

Going forward, we expect domestic sales of trucks to decrease slightly, but we will work to increase the percentage of truck-mounted cranes (UNIC cranes) while targeting higher sales of mini crawler cranes, which are independent of truck-related demand, as well as shipbuilding cranes and forestry cranes. Overseas, we will strengthen alliances with agencies in Southeast Asia, as well as North America and Europe, while cultivating new markets. With respect to our three-pronged global production system, with operations in Japan, China, and Thailand, we will pursue a policy of making high-quality products at appropriate cost to meet demand in various regions throughout the world. Our plant in Thailand, with upgraded production facilities, will serve as our production base for globally strategic products.





Materials

Metals

After starting the year at US\$6,632.00/ton in April 2014, the price of electrolytic copper moved to around US\$7,000 amid economic recovery in the United States and expectations about economic stimulus measures taken in China. Moving into September, however, the price was weakened by the U.S. dollar's appreciation. It subsequently plummeted, due to falling crude prices after the close of calendar 2014, as well as a strong U.S. dollar and fears of a debt crisis in Europe. The price reached its lowest point of US\$5,390.50 at the end of January and finished the year at US\$6,050.50/ton on March 31, 2015. During the year, we enjoyed firm demand for copper among automakers and semiconductor device makers. Demand for electric cable also remained solid, bolstered by redevelopment projects in the Tokyo Metropolitan Area, as well as restoration projects and construction of mega-solar facilities.

In fiscal 2015, the Company's sales of electrolytic copper in volume terms increased 1,708 tons, to 96,675 tons. Despite price declines in overseas markets, sales of electrolytic copper increased year on year, thanks to higher sales volume and the weak yen. Overall sales in the Metals segment rose 3.6%, to ¥81,514 million, and operating income decreased 3.5%, to ¥1,450 million.

The business environment of the Metals segment improved thanks to highly favorable purchasing conditions of raw materials, coupled with the weak yen. However, there are also some concerns, such as increasing costs of environmental measures, as well as rising electricity prices. We must also closely monitor nationalistic tendencies with respect to procuring raw materials.

Revenue from overseas mines in which the Company has mining rights (reported under other income) has weakened due to depressed metal prices, so we will work hard to cut costs.

● Copper Prices and Foreign Exchange Rates

	2011/3	2012/3	2013/3	2014/3	2015/3
LME copper price (average; US\$/ton)	8,139	8,485	7,855	7,104	6,554
JPY rate per US\$ (average for fiscal year)	¥85.71	¥79.07	¥83.10	¥100.24	¥109.93

● Copper Production and Sales Volume*

	2011/3	2012/3	2013/3	2014/3	2015/3
Copper production volume (tons)	89,523	76,896	90,387	87,767	90,447
Copper sales volume (tons)	89,176	82,597	96,789	94,966	96,675

* Furukawa Metals & Resources Co., Ltd.



Electrolytic copper



Hibi Kyodo Smelting Co., Ltd.

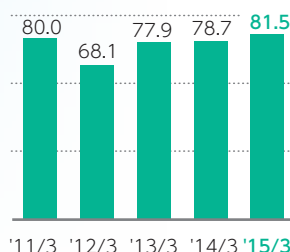


Gibraltar Copper Mine in Canada

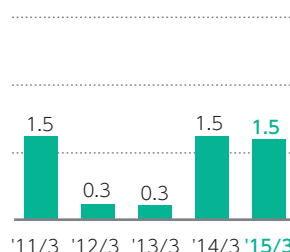


Onahama Smelting and Refining Co., Ltd.

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Electronic Materials

In the year under review, sales of high-purity metallic arsenic, a mainstay product in this segment, continued to struggle due to harmful rumors stemming from the Fukushima nuclear power plant accident. However, we enjoyed increased sales of coils, buoyed by firm sales to automakers. As a result, the Electronic Materials segment posted a 6.7% increase in sales, to ¥5,743 million, and operating income of ¥53 million, compared with an operating loss of ¥124 million in the previous year.

Going forward, our aim is to expand sales of coils, aluminum nitride, and optical components while maintaining solid profits from our mainstay high-purity metallic arsenic and scintillator crystal businesses despite their ongoing challenges. 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.



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

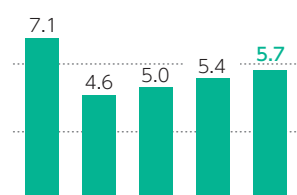


Core coils used in automobile electronic control devices



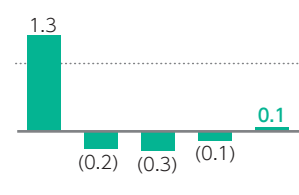
Owing to its excellent thermal conductivity, thermal radiation, and electrical insulation properties, aluminum nitride is a basic material used in semiconductor device fabrication components and substrates.

Net Sales (Billions of yen)



'11/3 '12/3 '13/3 '14/3 '15/3

Operating Income (Loss) (Billions of yen)



'11/3 '12/3 '13/3 '14/3 '15/3

Chemicals

In fiscal 2015, we reported a year-on-year increase in sales, including of ferric polysulfate solution, an inorganic chemical used to purify water at sewage plants. However, shipments of titanium dioxide were weak. As a result, the Chemicals segment posted a 1.4% decrease in sales, to ¥6,014 million, and a 15.2% decline in operating income, to ¥268 million.

Looking ahead, we will improve the quality of our sulfuric acid products by modernizing our manufacturing facilities while closely monitoring the supply-demand balance in the market. We will also work to expand market share for existing products through active, effective sales activities based on a unified manufacturing sales approach. We will also develop a new earnings foundation by upgrading our lineup of copper-related products.



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

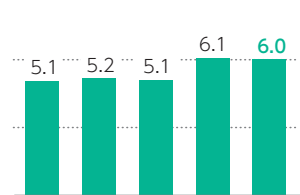


Cupric oxide used for copper plating



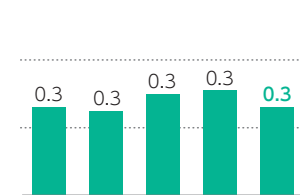
Sulfuric acid tank: Sulfuric acid is an essential basic element for many industries, including chemicals and electronic materials, iron and steel processing, and food processing.

Net Sales (Billions of yen)



'11/3 '12/3 '13/3 '14/3 '15/3

Operating Income (Billions of yen)



'11/3 '12/3 '13/3 '14/3 '15/3

% of Net Sales
1.9%

Real Estate and Others

Real Estate

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

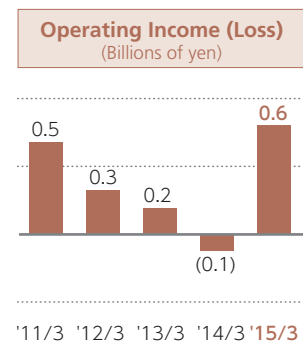
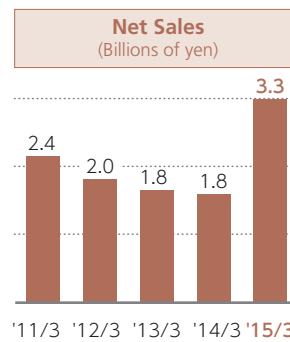
Others

Transportation services, etc.

Real Estate and Others

In the Real Estate segment, revenue from the Muromachi Furu-kawa Mitsui Building (commercial name: COREDO Muromachi 2), completed in February 2014, helped boost sales, which surged 150.3% year on year, to ¥2,536 million. Operating income was ¥776 million, compared with an operating loss of ¥43 million in the previous year.

Total sales in the Real Estate and Others segment, which also includes the transport business, jumped 87.5%, to ¥3,283 million. The segment posted operating income of ¥646 million, compared with an operating loss of ¥103 million in the previous fiscal year.



TOPICS

Miyako Office opened as sales and service base for tunnel drill jumbos

A multitude of tunnel projects are under way in Japan's Tohoku District related to reconstruction roads and service roads. Seeking to strengthen sales and services for tunnel drill jumbos and other tunnel equipment, we opened a representative office in Miyako City, Iwate Prefecture, in June 2014.

Sales of B-Pro (operational monitoring and recording device for hydraulic breakers) launched

In September 2014, we commenced sales of B-Pro, which monitors and records the operational status of hydraulic breakers that are attached to hydraulic shovels. The use of light and sound enables operators to navigate effectively and also record the machine's operational status.

R&D organization modernized with opening of Tsukuba Development Center

In December 2014, the Furukawa Company Group modernized its R&D organization with the opening of the Tsukuba Development Center, which integrates a technology research operation, a comprehensive materials research operation, and a semiconductor device business office. Our aim is to accelerate and enhance the efficiency of product development by working more closely with core business companies and adopting a flexible approach that transcends machinery and materials.

UNIC cranes: Thailand to become production base for globally strategic products

Furukawa UNIC (Thailand) Co., Ltd. is a production and sales subsidiary in Thailand for UNIC cranes and mini crawler cranes. In fiscal 2015, that company built a new facility within its factory site and upgraded related production equipment, with the aim of becoming the Furukawa Company Group's production base for globally strategic products.



Launch of Breast-Use PET PEMGRAPH for the effective early detection of breast cancer

In April 2015, Furukawa Scintitech Corporation, a wholly owned subsidiary, launched Breast-Use PET PEMGRAPH. In addition to increasing the chance of early cancer detection, the new machine is less burdensome on the patient than conventional breast cancer examination equipment.



Management Philosophy

The Furukawa Company Group has a wealth of mine development and other technologies that underpin its social foundation. By advancing these technologies and always embracing a spirit of challenge, we will remain indispensable to society.

Corporate Conduct Charter

To demonstrate our Management Philosophy, we will practice our Corporate Conduct Charter of Innovation, Creativity, and Harmony. These embody the three key words—Luck, Stolidity, and Perseverance*—that best represent the spirit of our founder.

Innovation:

We will work constantly at self-innovation by embracing a future-oriented mindset.

Creativity:

We will seek to create reliable, appealing products that meet market needs.

Harmony:

We will contribute to the development of a society that is in harmony with the environment.

* This means that while humans may place highest importance on “luck,” getting important things done requires “stolidity” and “perseverance.”

The Furukawa Company Group’s Management Philosophy is 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 Action Guidelines, the Corporate Conduct Charter, and the Directors’ 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.

* Corporate Conduct Charter: Formulated on December 20, 2005, the Corporate Conduct Charter clearly outlines the social responsibilities of the Furukawa Company Group as a corporate citizen. In addition to respect for human rights and legal compliance, these responsibilities encompass corporate activities that contribute to society in all fields.

Directors’ and Employees’ Code of Behavior: Formulated on December 20, 2005, the Directors’ and Employees’ Code of Behavior sets out behavioral standards for Group executives and employees aimed at fulfilling basic policies outlined in the Management Philosophy, Action Guidelines, and Corporate Conduct Charter.

Relationships with Stakeholders

In the course of strengthening CSR activities and demonstrating our Management Philosophy, 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. Management Philosophy, Action Guidelines
2. Corporate Conduct Charter
3. Directors’ 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.

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." Fiscal 2015 marked the 12th year of these annual audits. In addition to regular site audits, we sought to increase the safety of day-to-day management by confirming how well our employees understand the targets and objectives of our ongoing environmental and safety efforts, as well as whether or not they are complying fully with relevant environment- and safety-related laws when performing their tasks at factories and elsewhere.

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.

■ 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. We are currently pursuing activities based

on our third medium-term reduction targets (fiscal 2014–2018) as shown below.

Third Medium-Term Reduction Targets (Base year: Fiscal 2013)

Category	Fiscal 2018 (target)
CO ₂ emissions*	3% reduction of fiscal 2013 consumption
Water	2% reduction of fiscal 2013 consumption
Waste discharge	5% reduction of fiscal 2013 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.

Sixth 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 2015, many Group employees and their families took part in the Sixth Ashio Cherry Tree-Planting Drive.



Highest-Level Environmental Rating Received from DBJ

The Development Bank of Japan Inc. (DBJ) assigns DBJ Environmental Ratings to companies receiving financing, and on November 28, 2014, the Furukawa Company Group obtained DBJ's highest-level environmental rating. DBJ developed a screening (rating) system that evaluates companies on the level of their environmental management and applies financing conditions based on such evaluations. The bank was the first in the world to incorporate environmental ratings into a financing menu. The Furukawa Company Group obtained this rating in recognition of its "especially advanced efforts in consideration of the environment." This represents DBJ's high assessment of our various businesses to develop and supply products that help resolve social issues. In addition, we started quantifying CO₂ reduction contribution amounts across all operations in order to better visualize the environmental contribution of our products. This initiative was also highly acclaimed.



The basic corporate governance policies of the Furukawa Company Group are to raise management transparency, continue corporate structural innovations to build an efficient operating system, generate stable income to increase corporate value, and contribute to the interests of shareholders and other stakeholders.

Under these basic policies, each company in the Group will pursue flexible management based on clear asset management and profit/loss responsibilities while maintaining the Group as a united entity. Our aim is to maximize the corporate value of the entire Group by offering products and services that satisfy customers.

System of Corporate Governance

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

To clearly separate management oversight functions from executive functions, accelerate decision-making, and clarify responsibilities, Furukawa has adopted an executive officer system. At present, we have 12 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 six members who engage in auditing Group-wide operations management and the execution of business operations. In order to ensure the efficiency and effectiveness of the audit function, Furukawa continuously works to reinforce cooperation between the Audit Office, auditors, and independent auditors, who together devise audit plans, review audit results, and share other audit-related information.

Compliance and System of Risk Management

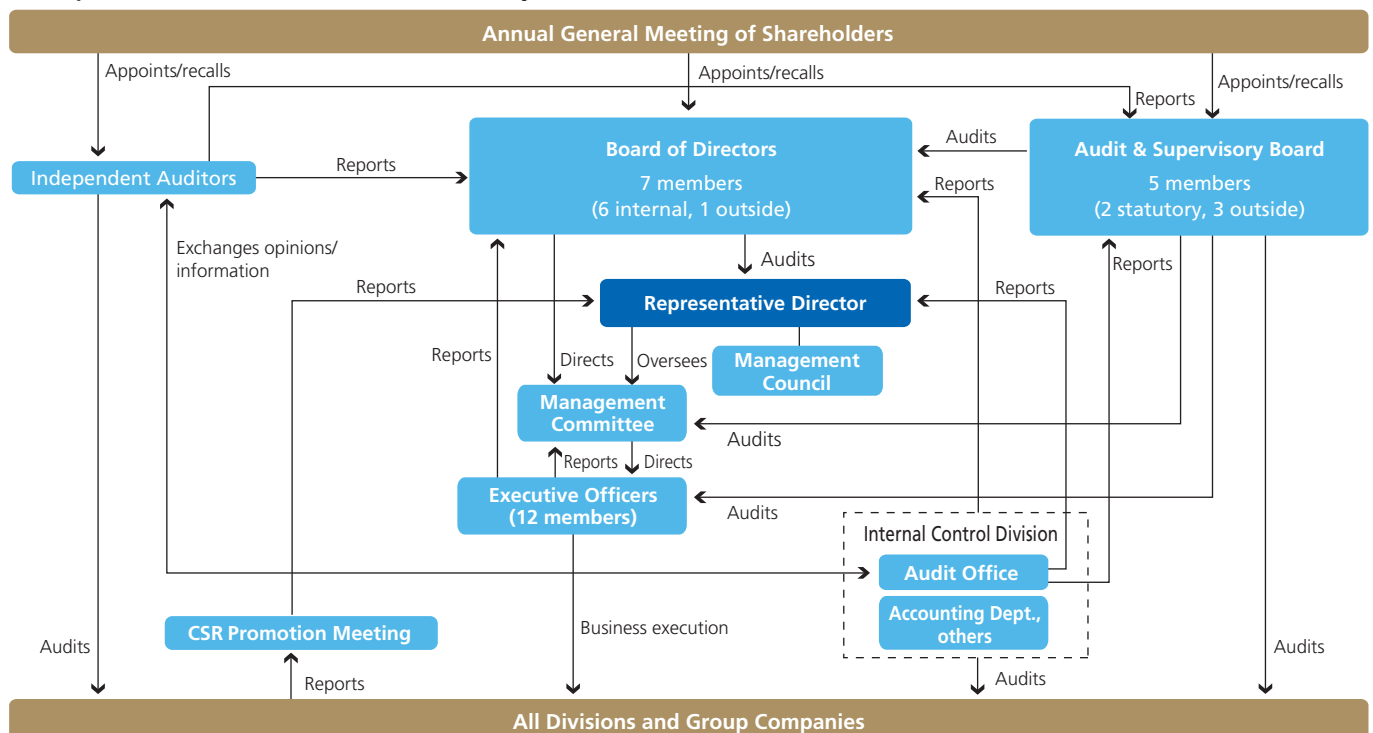
The Furukawa Company Group has formulated a Corporate Conduct Charter and the Directors’ and Employees’ Code of Behavior.

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 26, 2015



Consolidated Six-Year Financial Summary

SIX-YEAR CONSOLIDATED FINANCIAL SUMMARY

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

		Millions of yen				
	2015/3	2014/3	2013/3	2012/3	2011/3	2010/3
For the year:						
Net sales	¥ 172,544	¥ 163,026	¥ 165,540	¥ 157,566	¥ 165,638	¥ 142,925
Cost of sales	146,657	139,777	144,225	138,097	146,364	127,302
Gross profit	25,887	23,249	21,315	19,469	19,274	15,623
Selling, general and administrative expenses	16,962	16,363	17,952	17,314	16,453	14,025
Operating income	8,925	6,886	3,363	2,155	2,821	1,598
Income (loss) before income taxes and minority interests	6,160	7,092	5,433	(2,663)	447	886
Net income (loss)	9,793	3,976	2,976	(1,659)	563	585
Cash flows from operating activities	10,241	1,983	5,491	4,978	3,743	9,083
Cash flows from investing activities	(10,892)	(3,129)	(2,253)	(3,153)	(1,644)	(3,643)
Cash flows from financing activities	3,318	(4,562)	252	(3,782)	(5,703)	(4,769)
Capital expenditures	2,557	11,430	2,926	3,588	2,112	2,545
Depreciation and amortization	3,223	2,828	3,015	3,329	3,290	3,244
Research and development expenses	2,227	2,539	2,559	2,622	2,225	1,862
At year-end:						
Total assets	¥ 207,317	¥ 199,408	¥ 186,076	¥ 193,971	¥ 196,234	¥ 204,774
Current assets	80,564	76,838	79,508	81,497	80,199	82,617
Current liabilities	63,870	73,976	74,439	74,807	70,456	73,733
Total equity	68,783	54,695	50,111	46,022	45,849	48,886
Net assets	70,581	56,313	51,507	47,668	47,622	50,855
Interest-bearing liabilities	82,054	77,220	80,635	85,796	89,265	94,714
Per share amounts:						
Net income (loss)	¥ 24.23	¥ 9.84	¥ 7.37	¥ (4.11)	¥ 1.39	¥ 1.45
Cash dividends	5.00	3.00	2.00	0.00	0.00	0.00
Net assets	170.22	135.34	123.99	113.88	113.45	120.96
Profitability:						
Cost of sales margin (%)	85.0	85.7	87.1	87.6	88.4	89.1
Gross margin (%)	15.0	14.3	12.9	12.4	11.6	10.9
SG&A expense margin (%)	9.8	10.0	10.8	11.0	9.9	9.8
Operating margin (%)	5.2	4.2	2.0	1.4	1.7	1.1
Return on sales (%)	5.7	2.4	1.8	(1.1)	0.3	0.4
Efficiency and soundness:						
Return on equity (ROE) (%) (Note 1)	15.9	7.6	6.2	(3.6)	1.2	1.3
Return on assets (ROA) (%) (Note 2)	4.8	2.1	1.6	(0.9)	0.3	0.3
Debt-to-equity (D/E) ratio (Times) (Note 3)	1.2	1.4	1.6	1.9	1.9	1.9
Equity ratio (%) (Note 4)	33.2	27.4	26.9	23.7	23.4	23.9
Investment indicators:						
Dividend payout ratio (%) (Note 5)	20.6	30.5	27.2	—	—	—
Dividends on equity (DOE) ratio (%) (Note 6)	3.2	2.2	1.6	—	—	—
Price book value ratio (PBR) (Times) (Note 7)	1.2	1.4	0.9	0.7	0.8	0.9
Stock price at fiscal year-end (Yen)	212	186	109	80	86	114

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 2015, ended March 31, 2015, consolidated net sales totaled ¥172,544 million, up 5.8% compared with the previous fiscal year. The Industrial Machinery segment posted a 9.8% decrease in sales, to ¥16,713 million, due to completion of large-scale disaster recovery projects. However, the Rock Drills Machinery segment reported a 15.2% rise in sales, to ¥30,911 million, thanks mainly to robust demand in Japan and a healthy performance overseas, and the UNIC Machinery segment recorded a 10.2% increase in sales, to ¥28,367 million, benefiting from steady public works spending and solid reconstruction demand, as well as a rise in domestic truck registrations. The Metals segment posted a 3.6% increase in sales, to ¥81,514 million, thanks mainly to a rise in sales of electrolytic copper in volume terms, as well as foreign exchange factors. Sales in the Real Estate segment surged 150.3%, to ¥2,536 million, owing to an increase in rental revenue from the Muromachi Furukawa Mitsui Building, which was completed in February 2014.

Cost of sales increased 4.9%, to ¥146,657 million, and the cost of sales margin edged down 0.7 percentage point, to 85.0%.

Selling, general and administrative (SG&A) expenses rose 3.7%, to ¥16,962 million.

As a result, operating income jumped 29.6% from the previous fiscal year, to ¥8,925 million. Main contributors to earnings were the Rock Drills Machinery segment, with a 259.2% jump in operating income, to ¥1,225 million; the UNIC Machinery segment, with operating income rising 15.1%, to ¥3,615 million; and the Real Estate segment with operating income of ¥776 million, compared with an operating loss of ¥43 million in the previous year. Accordingly, the operating margin rose 1.0 percentage point, to 5.2%.

Among other income, we received ¥819 million in compensation income for damages resulting from the Fukushima nuclear power plant accident, ¥645 million in gain on business withdrawal from operations at Port Kembla Copper Pty. Ltd., a consolidated subsidiary in Australia, and a ¥530 million gain on transfer of business associated with the after-sales service business for multilevel parking systems. Among other expenses, there was a ¥2,409 million provision for deposition field restoration (cost of earthquake-proofing our deposition field, which is the final disposal facility for residue and the like from our mine). Moreover, the withdrawal from the Port Kembla Copper Pty. Ltd. business led to the forfeiture of receivables in Port Kembla Copper Pty. Ltd. held by Furukawa Company and its consolidated subsidiaries, resulting in deferred income taxes of ¥5,018 million.

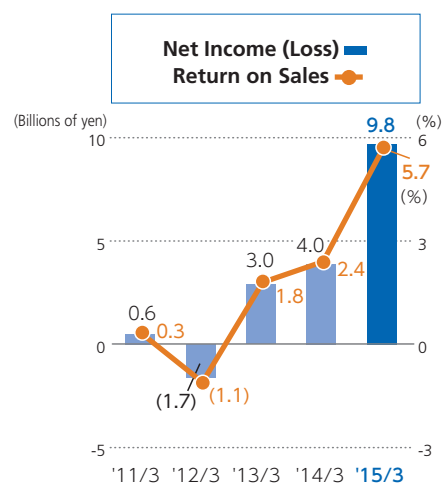
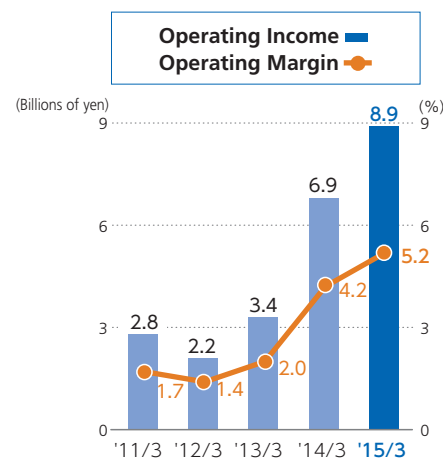
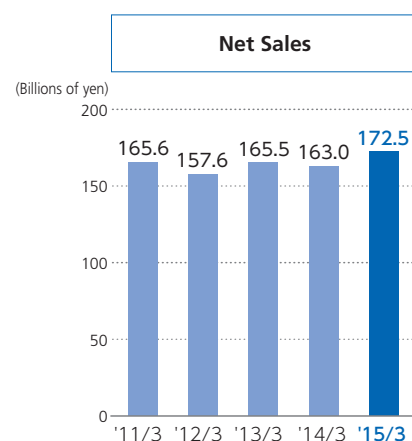
Total income taxes, therefore, amounted to ¥3,755 million. As a result, net income for the year jumped 146.3%, to ¥9,793 million.

Return on equity (ROE) improved significantly, up 8.3 percentage points, to 15.9%, and net income per share grew from ¥9.84 to ¥24.23.

Financial Position

At March 31, 2015, total assets amounted to ¥207,317 million, up 4.0% from a year earlier. The increase stemmed mainly from a rise in retained earnings and an increase in investment securities thanks to rising prices of our shareholdings.

Total liabilities declined 4.4%, to ¥136,736 million. This was due mainly to a decrease in deferred income taxes stemming from a decline in the effective income tax rate. The fiscal year-end balance of interest-bearing liabilities (debt) rose 6.3%, to ¥82,054 million.



Net assets at fiscal year-end stood at ¥70,581 million, up 25.3% from a year earlier. This was mainly due to an increase in shareholders' equity boosted by higher retained earnings. Consequently, total equity amounted to ¥68,783 million, and the equity ratio rose 5.8 percentage points, to 33.2%. The debt-to-equity (D/E) ratio declined from 1.4 to 1.2 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 ¥2,227 million, down 12.3% from the previous year. Of this total, ¥100 million was allocated to the Industrial Machinery segment, ¥773 million to the Rock Drills Machinery segment, ¥304 million to the UNIC Machinery segment, ¥952 million to the Electronic Materials segment, and ¥96 million to the Chemicals segment.

Capital expenditures (including purchase of intangible fixed assets) amounted to ¥2,557 million. Of this total, ¥597 million was allocated to the Industrial Machinery segment, ¥270 million to the Rock Drills Machinery segment, ¥802 million to the UNIC Machinery segment, ¥96 million to the Metals segment, ¥287 million to the Electronic Materials segment, and ¥214 million to the Chemicals segment, aimed primarily at improvements in production efficiency. In addition, ¥102 million was allocated to the Real Estate segment, mainly for maintenance of buildings, and ¥186 million went to the Others segment, mainly for vehicles to be used in the transportation sector. Funds for these expenditures are sourced from internal funds and borrowings. Depreciation and amortization increased 14.0%, to ¥3,223 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, 2016, the Group plans to invest a total of ¥2.9 billion, mainly for the purchase of new facilities and repair of existing ones. We expect to procure these funds via borrowings and/or internal funds.

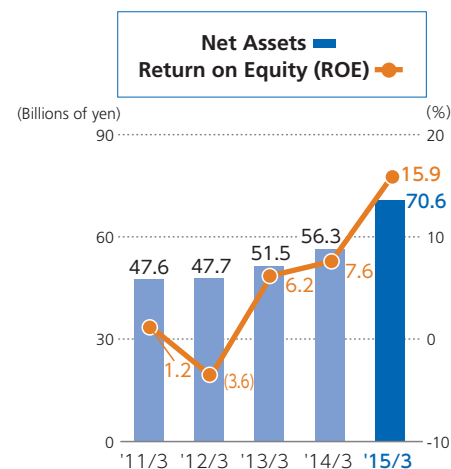
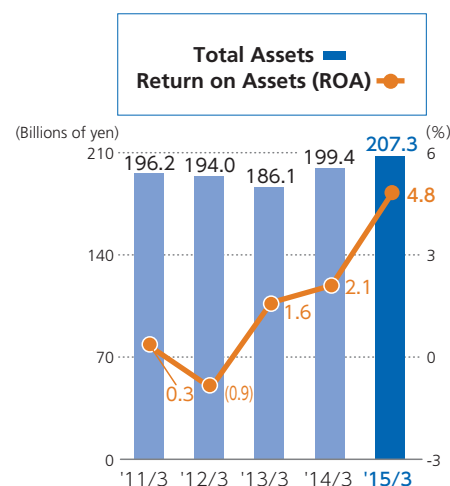
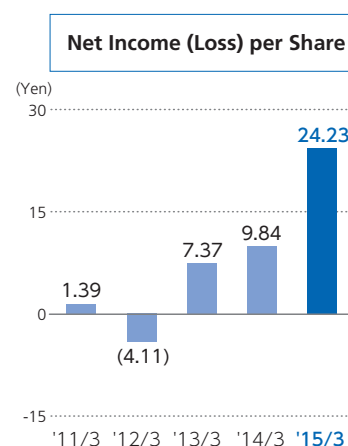
Cash Flows

In the year under review, net cash provided by operating activities amounted to ¥10,241 million, up 416.4% from the previous year. The main factor was income before income taxes and minority interests.

Net cash used in investing activities totaled ¥10,892 million, up 248.1% from the previous year. The primary factor was purchases of property, plant and equipment.

Net cash provided by financing activities was ¥3,318 million, compared with net cash used in financing activities of ¥4,562 million in the previous year. This was mainly due to proceeds from long-term debt.

As a result, cash and cash equivalents at the end of the fiscal year totaled ¥15,716 million, up ¥2,982 million, or 23.4%, 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 2015, the Company has declared a year-end dividend of ¥5.00 per share, up ¥2.00 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.

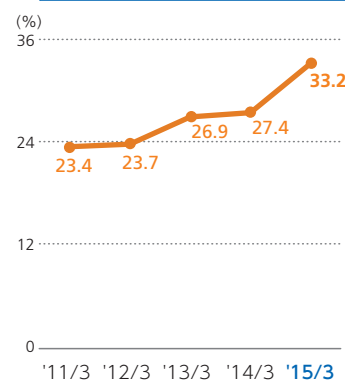
(2) Investment Securities and Land

Historically, the Furukawa Company Group has maintained relatively high balances of marketable securities and land. As of March 31, 2015, the carrying value of investment securities as stated in the balance sheets was ¥28,376 million, while land stood at ¥55,300 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.

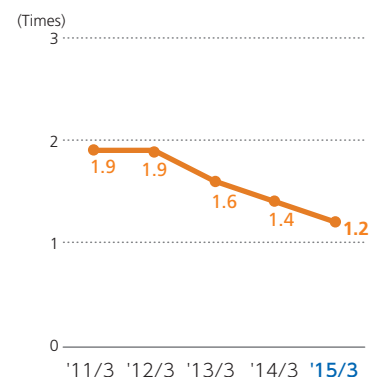
(3) Retirement Benefit Obligation

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

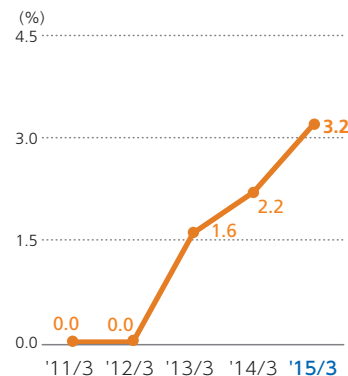
Equity Ratio



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

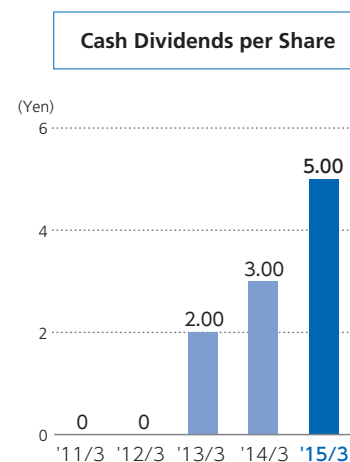
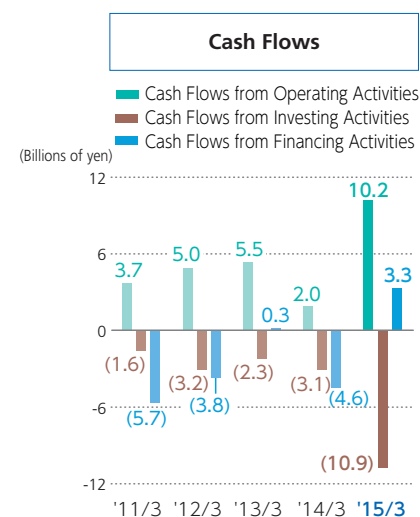
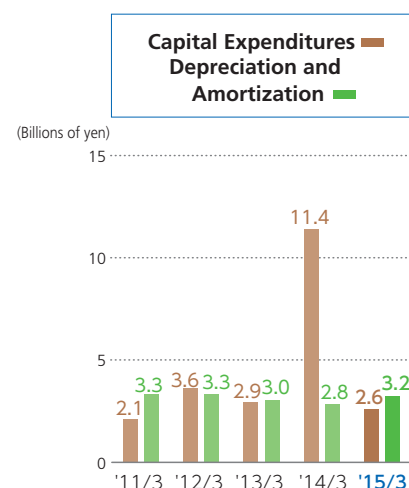
The Furukawa Company Group's operating results and financial position are at risk in the event of a suspension in operations and delays in production and/or shipments due to damage to manufacturing bases and facilities from earthquakes and other natural disasters.

(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	22
Consolidated Statements of Operations	24
Consolidated Statements of Comprehensive Income	25
Consolidated Statements of Changes in Net Assets	26
Consolidated Statements of Cash Flows	28
Notes to Consolidated Financial Statements	29
Independent Auditor's Report	53

Consolidated Balance Sheets

Furukawa Co., Ltd. and consolidated subsidiaries
As of March 31, 2015 and 2014

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015	2014	2015
Current Assets:			
Cash and cash equivalents	¥ 15,716	¥ 12,734	\$ 130,967
Receivables—trade	24,758	26,698	206,317
Finished products	14,441	12,604	120,342
Work in process	8,274	7,220	68,950
Raw materials and supplies	11,152	13,244	92,933
Deferred tax assets (Note 14)	1,563	885	13,025
Other current assets	4,868	3,656	40,566
Allowance for doubtful accounts	(208)	(203)	(1,733)
Total current assets	80,564	76,838	671,367
Property, Plant and Equipment, at Cost (Notes 6 and 19):			
Land and timberlands	57,155	57,256	476,291
Buildings and structures	52,033	51,525	433,608
Machinery and equipment	39,488	48,407	329,067
Lease assets (Note 10)	1,571	1,671	13,092
Construction in progress	368	240	3,067
	150,615	159,099	1,255,125
Accumulated depreciation	(64,438)	(71,900)	(536,983)
Property, plant and equipment, net	86,177	87,199	718,142
Investments and Other Assets:			
Goodwill	—	48	—
Investment securities (Notes 5 and 6)	30,727	25,092	256,058
Investments in affiliates	4,271	5,034	35,592
Long-term loans receivable	3,106	2,328	25,883
Deferred tax assets (Note 14)	1,459	1,857	12,158
Other assets	1,728	1,644	14,400
Allowance for doubtful accounts	(715)	(632)	(5,958)
Total investments and other assets	40,576	35,371	338,133
Total assets	¥ 207,317	¥ 199,408	\$ 1,727,642

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015	2014	2015
Current Liabilities:			
Short-term debt (Note 6)	¥ 12,658	¥ 12,748	\$ 105,483
Current portion of long-term debt (Note 6)	15,751	17,861	131,258
Lease obligations (Note 6)	284	311	2,367
Payables—trade	12,099	21,556	100,825
Electronically recorded obligations	8,483	—	70,692
Income taxes payable	876	2,422	7,300
Deferred tax liabilities (Note 14)	0	2	0
Provision for deposition field restoration	876	—	7,300
Other current liabilities	12,843	19,076	107,025
Total current liabilities	63,870	73,976	532,250
Long-Term Liabilities:			
Long-term debt (Note 6)	53,645	46,611	447,042
Lease obligations (Note 6)	478	692	3,983
Provision for environmental measures	147	149	1,225
Provision for deposition field restoration	1,532	—	12,767
Liability for retirement benefits (Notes 3 and 13)	6,875	5,672	57,292
Deferred tax liabilities (Note 14)	5,377	8,902	44,808
Deferred tax liabilities on surplus on the revaluation of land (Note 14)	2,017	2,253	16,808
Asset retirement obligations	209	205	1,742
Other long-term liabilities	2,586	4,635	21,550
Total long-term liabilities	72,866	69,119	607,217
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	235,066
Retained earnings	30,258	21,917	252,150
Treasury stock, at cost:			
2015—373,806 shares			
	(58)	(48)	(483)
2014—329,062 shares			
	—	—	—
Total shareholders' equity	58,408	50,077	486,733
Accumulated other comprehensive income:			
Unrealized holding gain (loss) on securities, net of income taxes	9,427	5,882	78,558
Deferred gain (loss) on hedges	(235)	15	(1,958)
Surplus on the revaluation of land, net of income taxes	3,655	3,504	30,458
Translation adjustments	1,263	(953)	10,525
Retirement benefits liability adjustments	(3,735)	(3,831)	(31,125)
Total accumulated other comprehensive income	10,375	4,617	86,458
Subscription rights to shares	53	53	442
Minority interests	1,745	1,566	14,542
Total net assets	70,581	56,313	588,175
Total liabilities and net assets	¥ 207,317	¥ 199,408	\$ 1,727,642

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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015	2014	2015
Net Sales	¥ 172,544	¥ 163,026	\$ 1,437,867
Cost of Sales (Note 16)	(146,657)	(139,777)	(1,222,142)
Gross profit	25,887	23,249	215,725
Selling, General and Administrative Expenses (Note 9)	(16,962)	(16,363)	(141,350)
Operating income	8,925	6,886	74,375
Other Income (Expenses):			
Interest and dividend income	536	413	4,467
Equity in earnings (losses) of affiliates	(921)	(137)	(7,675)
Interest expense	(913)	(1,078)	(7,608)
Other income (expenses), net (Note 17)	(1,467)	1,008	(12,226)
Income (Loss) before income taxes and minority interests	6,160	7,092	51,333
Income Taxes (Note 14):			
Current	(1,263)	(3,067)	(10,525)
Deferred	5,018	134	41,817
Total income taxes	3,755	(2,933)	31,292
Income (Loss) Before Minority Interests	9,915	4,159	82,625
Minority Interests	(122)	(183)	(1,017)
Net income (loss)	¥ 9,793	¥ 3,976	\$ 81,608
		Yen	U.S. dollars (Note 4)
Net Income (Loss) per Share:			
Basic	¥ 24.23	¥ 9.84	\$ 0.20
Diluted	23.84	9.59	0.20
Net Assets per Share	170.22	135.34	1.42

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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015	2014	2015
Income (Loss) Before Minority Interests	¥ 9,915	¥ 4,159	\$ 82,625
Other Comprehensive Income (Loss):			
Unrealized holding gain (loss) on securities, net of income taxes	3,545	3,161	29,542
Deferred gain (loss) on hedges	(251)	407	(2,092)
Surplus on the revaluation of land	206	—	1,717
Translation adjustments	2,090	1,383	17,417
Retirement benefits liability adjustments	96	—	800
Share of other comprehensive income (loss) of associates accounted for using equity method	178	351	1,483
Total other comprehensive income (Note 8)	5,864	5,302	48,867
Comprehensive Income (Loss)	15,779	9,461	131,492
Comprehensive Income (Loss) Attributable to:			
Shareholders of Furukawa Co., Ltd.	15,606	9,225	130,050
Minority interests	173	236	1,442

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, 2015 and 2014

For the year ended March 31, 2015

	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	¥ 21,917	¥ (48)	¥ 50,077
Cumulative effects of changes in accounting principle (Note 3)	—	—	(296)	—	(296)
Restated balance at beginning of year	404,456	28,208	21,621	(48)	49,781
Cash dividends paid	—	—	(1,212)	—	(1,212)
Net income (loss) for the year	—	—	9,793	—	9,793
Purchase of treasury stock	—	—	—	(10)	(10)
Reversal of surplus on the revaluation of land	—	—	56	—	56
Net change during the year	—	—	—	—	—
Balance at end of year	404,456	¥ 28,208	30,258	¥ (58)	¥ 58,408

For the year ended March 31, 2015

	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	¥ 5,882	¥ 15	¥ 3,504	¥ (953)	¥ (3,831)	¥ 4,617	¥ 53	¥ 1,566	¥ 56,313	
Cumulative effects of changes in accounting principle (Note 3)	—	—	—	—	—	—	—	—	(296)	
Restated balance at beginning of year	5,882	15	3,504	(953)	(3,831)	4,617	53	1,566	56,017	
Cash dividends paid	—	—	—	—	—	—	—	—	(1,212)	
Net income (loss) for the year	—	—	—	—	—	—	—	—	9,793	
Purchase of treasury stock	—	—	—	—	—	—	—	—	(10)	
Reversal of surplus on the revaluation of land	—	—	—	—	—	—	—	—	56	
Net change during the year	3,545	(250)	151	2,216	96	5,758	—	179	5,937	
Balance at end of year	¥ 9,427	¥ (235)	¥ 3,655	¥ 1,263	¥ (3,735)	¥ 10,375	¥ 53	¥ 1,745	¥ 70,581	

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
Cumulative effects of changes in accounting principle (Note 3)	—	—	—	—	—
Restated 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
Cumulative effects of changes in accounting principle (Note 3)	—	—	—	—	—	—	—	—	—
Restated 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, 2015

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	\$ 235,066	\$ 182,642	\$ (400)	\$ 417,308
Cumulative effects of changes in accounting principle (Note 3)	—	(2,467)	—	(2,467)
Restated balance at beginning of year	235,066	180,175	(400)	414,841
Cash dividends paid	—	(10,100)	—	(10,100)
Net income (loss) for the year	—	81,608	—	81,608
Purchase of treasury stock	—	—	(83)	(83)
Reversal of surplus on the revaluation of land	—	467	—	467
Net change during the year	—	—	—	—
Balance at end of year	\$ 235,066	\$ 252,150	\$ (483)	\$ 486,733

The accompanying notes are an integral part of these statements.

For the year ended March 31, 2015

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	\$ 49,017	\$ 125	\$ 29,200	\$ (7,942)	\$ (31,925)	\$ 38,475	\$ 442	\$ 13,050	\$469,275
Cumulative effects of changes in accounting principle (Note 3)	—	—	—	—	—	—	—	—	(2,467)
Restated balance at beginning of year	49,017	125	29,200	(7,942)	(31,925)	38,475	442	13,050	466,808
Cash dividends paid	—	—	—	—	—	—	—	—	(10,100)
Net income (loss) for the year	—	—	—	—	—	—	—	—	81,608
Purchase of treasury stock	—	—	—	—	—	—	—	—	(83)
Reversal of surplus on the revaluation of land	—	—	—	—	—	—	—	—	467
Net change during the year	29,541	(2,083)	1,258	18,467	800	47,983	—	1,492	49,475
Balance at end of year	\$ 78,558	\$ (1,958)	\$ 30,458	\$ 10,525	\$ (31,125)	\$ 86,458	\$ 442	\$ 14,542	\$558,175

Consolidated Statements of Cash Flows

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015	2014	2015
Operating Activities:			
Income (Loss) before income taxes and minority interests	¥ 6,160	¥ 7,092	\$ 51,333
Foreign exchange (gains) losses	(271)	(236)	(2,258)
Depreciation and amortization	3,223	2,828	26,858
Equity in losses (earnings) of affiliates	921	137	7,675
Increase (Decrease) in accrued employees' retirement benefits	—	(4,499)	—
Increase (Decrease) in net defined benefit liability	1,251	5,672	10,425
Compensation income	(819)	(1,094)	(6,825)
Gain on transfer of business	(530)	—	(4,417)
Increase (Decrease) in provision for deposition field restoration	2,409	—	20,075
Interest and dividend income	(536)	(413)	(4,467)
Interest expense	913	1,078	7,608
Changes in operating assets and liabilities:			
Receivables—trade	2,329	(2,632)	19,408
Inventories	(188)	(28)	(1,567)
Payables—trade	(1,716)	(4,146)	(14,300)
Other	846	(539)	7,052
Subtotal	13,992	3,220	116,600
Interest and dividends received	529	403	4,408
Interest paid	(933)	(1,090)	(7,775)
Income taxes paid	(4,166)	(1,644)	(34,716)
Compensation received	819	1,094	6,825
Net cash provided by operating activities	10,241	1,983	85,342
Investing Activities:			
Decrease in time deposits	—	304	—
Purchases of property, plant and equipment	(10,007)	(2,668)	(83,392)
Proceeds from sales of property, plant and equipment	274	837	2,283
Purchases of investment securities	(1,065)	(1,704)	(8,875)
Increase in long-term loans receivables	(698)	(566)	(5,817)
Proceeds from transfer of business	548	—	4,567
Other	56	668	467
Net cash used in investing activities	(10,892)	(3,129)	(90,767)
Financing Activities:			
Proceeds from long-term debt	22,785	20,280	189,875
Repayment of long-term debt	(17,861)	(25,705)	(148,842)
Proceeds from short-term debt	14,226	5,722	118,550
Repayment of short-term debt	(14,316)	(3,712)	(119,300)
Cash dividends paid	(1,209)	(804)	(10,075)
Repayment of finance lease obligations	(304)	(329)	(2,533)
Other	(3)	(14)	(25)
Net cash provided by (used in) financing activities	3,318	(4,562)	27,650
Effect of Exchange Rate Changes on Cash and Cash Equivalents	315	479	2,625
Net Increase (Decrease) in Cash and Cash Equivalents	2,982	(5,229)	24,850
Cash and Cash Equivalents at Beginning of Year	12,734	17,963	106,117
Cash and Cash Equivalents at End of Year	¥ 15,716	¥ 12,734	\$ 130,967

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, 2015 and 2014

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 37 subsidiaries and 11 affiliates as of March 31, 2015. The consolidated financial statements included the accounts of the Company and 37 subsidiaries as of March 31, 2015.

Compared with the previous year, the number of subsidiaries increased by 2 subsidiaries due to establishment.

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, 2015 and 2014. 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 Deposition Field Restoration

Provision for deposition field restoration is provided to cover the stabilization costs with respect to the earthquake protection.

(7) 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."

(8) 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.

(9) Amortization of Goodwill

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

(10) 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.

(11) 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 ¥1,855 million (\$15,458 thousand) and ¥1,849 million as of March 31, 2015 and 2014, respectively.

(12) 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 that 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.

(13) 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.

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.

(14) 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.

(15) 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.

(16) 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 Section 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 of May 17, 2012) and the main clause of Section 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of March 26, 2015) effective from April 1, 2014. As a result, the methods for calculating the retirement benefit obligation and service cost have been revised in the following respects: the method for attributing projected benefits to each period has been changed from the straight-line method to the benefit formula method, and the method for determining the discount rate has been changed to use a single weighted-average discount rate

reflecting the expected timing and amount of benefit payments.

The cumulative effect of changing the method for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at April 1, 2014, in accordance with the transitional treatment provided in Paragraph 37 of Accounting Standard for Retirement Benefits.

As a result, the liability for retirement benefits increased by ¥460 million (\$3,833 thousand) and retained earnings decreased by ¥296 million (\$2,467 thousand) at April 1, 2014. The effect of this change on operating income and income before minority interests for the current fiscal year is insignificant.

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 ¥120=US\$1.00, the exchange rate prevailing on March 31, 2015. 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, 2015 and 2014 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2015			2015		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Listed stocks	¥ 25,058	¥ 12,295	¥ 12,763	\$ 208,817	\$ 102,458	\$ 106,359
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
	25,058	12,295	12,763	208,817	102,458	106,359
Securities whose carrying value does not exceed their acquisition cost:						
Listed stocks	3,319	3,588	(269)	27,658	29,900	(2,242)
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
	3,319	3,588	(269)	27,658	29,900	(2,242)
Total	¥ 28,377	¥ 15,883	¥ 12,494	\$ 236,475	\$ 132,358	\$ 104,117

	Millions of yen		
	2014		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Listed stocks	¥ 21,598	¥ 13,555	¥ 8,043
Government bonds	—	—	—
Corporate bonds	—	—	—
	21,598	13,555	8,043
Securities whose carrying value does not exceed their acquisition cost:			
Listed stocks	1,116	1,266	(150)
Government bonds	—	—	—
Corporate bonds	—	—	—
	1,116	1,266	(150)
Total	¥ 22,714	¥ 14,821	¥ 7,893

Gain on sales of securities classified as other securities with aggregate gains for the years ended March 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Sales proceeds	¥ 3	¥ 548	\$ 25
Aggregate gains	1	42	8
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 0.5% and 0.6% as of March 31, 2015 and 2014.

Long-term debt as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Loans, principally from banks, insurance companies and government agencies, most of which are secured, due 2016 to 2030	¥ 69,396	¥ 64,472	\$ 578,300
	69,396	64,472	578,300
Current portion of long-term debt	(15,751)	(17,861)	(131,258)
	¥ 53,645	¥ 46,611	\$ 447,042

The average interest rates applicable to the above debt amounting to ¥69,396 million (\$578,300 thousand) and ¥64,472 million were 0.8% and 1.0% as of March 31, 2015 and 2014, respectively.

The aggregate annual maturities of long-term debt subsequent to March 31, 2015 are as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
	2015	
2016	¥ 15,751	\$ 131,258
2017	14,175	118,125
2018	10,870	90,583
2019	23,752	197,934
2020	3,621	30,175
2021 and thereafter	1,227	10,225
	¥ 69,396	\$ 578,300

Lease obligations as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Lease obligations due 2015 to 2021	¥ 762	¥ 1,003	\$ 6,350
	762	1,003	6,350
Current portion of lease obligations	(284)	(311)	(2,367)
	¥ 478	¥ 692	\$ 3,983

The aggregate annual maturities of lease obligations subsequent to March 31, 2015 are as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
	2015	
2016	¥ 284	\$ 2,367
2017	197	1,650
2018	127	1,058
2019	88	725
2020 and thereafter	66	550
	¥ 762	\$ 6,350

The Company and certain consolidated subsidiaries have entered into overdraft and loan commitment agreements amounting to ¥35,092 million (\$292,433 thousand) with 23 banks and ¥31,460 million with 24 banks as of March 31, 2015 and 2014, respectively. The borrowings outstanding and

the unused balances under these credit facilities amounted to ¥12,656 million (\$105,467 thousand) and ¥22,436 million (\$186,967 thousand), respectively, as of March 31, 2015 and amounted to ¥12,656 million and ¥18,804 million, respectively, as of March 31, 2014.

Assets pledged as collateral and liabilities with collateral pledged as of March 31, 2015 and 2014 were as follows:

(a) Assets pledged as collateral

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Investment securities	¥ —	¥ 493	\$ —
Property, plant and equipment, net	1,656	1,351	13,800
	¥ 1,656	¥ 1,844	\$ 13,800

(b) Liabilities with collateral pledged

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Long-term debt (including current portion)	¥ 932	¥ 791	\$ 7,767

7. Net Assets

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

	Thousands of shares			As of March 31, 2015
	As of March 31, 2014	Increase	Decrease	
Shares issued:				
Common stock	404,455	—	—	404,455
Total	404,455	—	—	404,455
Treasury stock:				
Common stock (Note)	329	45	—	374
Total	329	45	—	374

Note: The increase of 45 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

Attribution	Details of subscription rights to shares (*)	Type of shares to be issued upon exercise of rights	Thousands of shares			Millions of yen	
			Number of shares subject to be issued upon exercise of rights			Balance as of March 31, 2015	
			As of March 31, 2014	Increase	Decrease		As of March 31, 2015
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, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrealized holding gain (loss) on securities:			
Amounts arising during the year	¥ 4,600	¥ 4,125	\$ 38,333
Reclassification adjustments for gains and losses included in net income	—	(42)	—
Amounts before tax effect	4,600	4,083	38,333
Tax effect	(1,055)	(922)	(8,791)
Unrealized holding gain (loss) on securities	3,545	3,161	29,542
Deferred gain (loss) on hedges:			
Amounts arising during the year	(2,201)	(755)	(18,342)
Adjustment on the acquisition cost of assets	1,853	1,323	15,442
Amounts before tax effect	(348)	568	(2,900)
Tax effect	97	(161)	808
Deferred gain (loss) on hedges	(251)	407	(2,092)
Surplus on the revaluation of land, net of income taxes:			
Tax effect	206	—	1,717
Translation adjustments:			
Amounts arising during the year	2,090	1,383	17,417
Retirement benefits liability adjustments:			
Amounts arising during the year	(557)	—	(4,642)
Reclassification adjustments for gains and losses included in net income	1,037	—	8,642
Amounts before tax effect	480	—	4,000
Tax effect	(384)	—	(3,200)
Retirement benefits liability adjustments	96	—	800
Share of other comprehensive income (loss) of associates accounted for using equity method:			
Amounts arising during the year	250	451	2,083
Reclassification adjustments for gains and losses included in net income	(72)	(100)	(600)
Share of other comprehensive income (loss) of associates accounted for using equity method	178	351	1,483
Total other comprehensive income	¥ 5,864	¥ 5,302	\$ 48,867

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, 2015 and 2014 amounted to ¥2,227 million (\$18,558 thousand) and ¥2,539 million, respectively.

10. Leases

Leases' accounting

Finance lease transactions that do not involve transfer of ownership

1. Leased asset quality

Tangible assets

Production installations (Machinery) in the machinery segment

2. Depreciation method of leased assets

Refer to "(8) 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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Acquisition costs	¥ 332	¥ 1,361	\$ 2,767
Accumulated depreciation	318	1,198	2,650
Net carrying value	¥ 14	¥ 163	\$ 117

Lease payments relating to finance leases accounted for as operating leases amounted to ¥148 million (\$1,233 thousand) and ¥262 million for the years ended March 31, 2015 and 2014, 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, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Within one year	¥ 14	¥ 149	\$ 117
Over one year	—	14	—
	¥ 14	¥ 163	\$ 117

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, electronically recorded obligations 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 “(15) 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 risk (the risk 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 price, 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, 2015 and 2014 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		
	2015			2015		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets						
(1) Cash and cash equivalents	¥ 15,716	¥ 15,716	¥ —	\$ 130,967	\$ 130,967	\$ —
(2) Receivables—trade	24,758	24,758	—	206,317	206,317	—
(3) Investment securities	28,377	28,377	—	236,475	236,475	—
Total assets	68,851	68,851	—	573,759	573,759	—
Liabilities						
(1) Payables—trade	¥ 12,099	¥ 12,099	¥ —	\$ 100,825	\$ 100,825	\$ —
(2) Electronically recorded obligations	8,483	8,483	—	70,692	70,692	—
(3) Short-term debt (*1)	12,658	12,658	—	105,483	105,483	—
(4) Long-term debt (*1)	69,395	69,555	160	578,292	579,625	1,333
Total liabilities	102,635	102,795	160	855,292	856,625	1,333
Derivatives (*2)	¥ (304)	¥ (304)	¥ —	\$ 2,533	\$ 2,533	\$ —

Millions of yen
2014

Carrying value Estimated fair value Difference

	Carrying value	Estimated fair value	Difference
Assets			
(1) Cash and cash equivalents	¥ 12,734	¥ 12,734	¥ —
(2) Receivables—trade	26,698	26,698	—
(3) Investment securities	22,714	22,714	—
Total assets	62,146	62,146	—
Liabilities			
(1) Payables—trade	¥ 21,556	¥ 21,556	¥ —
(2) Electronically recorded obligations	—	—	—
(3) Short-term debt (*1)	12,748	12,748	—
(4) Long-term debt (*1)	64,472	64,665	193
Total liabilities	98,776	98,969	193
Derivatives (*2)	¥ (44)	¥ (44)	¥ —

(*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) Receivables—trade*

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) *Payables—trade, (2) Electronically recorded obligations, (3) Short-term debt*

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

(4) *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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unlisted stocks	¥ 6,621	¥ 7,413	\$ 55,175

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, 2015 and 2014 are as follows:

For the year ended March 31, 2015

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	¥ 15,638	¥ —	¥ —	¥ —
Trade notes and accounts receivable	24,758	—	—	—
Investment securities				
Other securities with maturity				
(1) Bonds (Municipal bonds)	—	—	—	—
(2) Bonds (Corporate bonds)	—	—	—	—
Total	¥ 40,396	¥ —	¥ —	¥ —

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, 2015

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	\$ 130,317	\$ —	\$ —	\$ —
Trade notes and accounts receivable	206,317	—	—	—
Investment securities				
Other securities with maturity				
(1) Bonds (Municipal bonds)	—	—	—	—
(2) Bonds (Corporate bonds)	—	—	—	—
Total	\$ 336,634	\$ —	\$ —	\$ —

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, 2015 and 2014 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, 2015		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward foreign exchange contracts				
	Sell				
	U.S. dollars	Accounts receivable	¥ 1	—	¥ (0)
	EUR	Accounts receivable	75	—	4
	U.S. dollars	Accounts payable	5,277	—	(57)
Allocation method	Forward foreign exchange contracts				
	Sell				
	U.S. dollars	Accounts receivable	¥ 436	—	(*)
	EUR	Accounts receivable	344	—	(*)
	Buy				
	U.S. dollars	Accounts payable	¥ 6,267	—	(*)

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	—	(*)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2015		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward foreign exchange contracts				
	Sell				
	U.S. dollars	Accounts receivable	\$ 8	—	\$ (0)
	EUR	Accounts receivable	625	—	33
	U.S. dollars	Accounts payable	43,975	—	(475)
Allocation method	Forward foreign exchange contracts				
	Sell				
	U.S. dollars	Accounts receivable	\$ 3,633	—	(*)
	EUR	Accounts receivable	2,867	—	(*)
	Buy				
	U.S. dollars	Accounts payable	\$ 52,225	—	(*)

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, 2015		
			Contract amounts	Maturing after one year	Fair value
Special accounting procedure for interest rate swap	Receive/floating and pay/fixed	Long-term debt	¥ 32,237	¥ 26,304	(*)

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	(*)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2015		
			Contract amounts	Maturing after one year	Fair value
Special accounting procedure for interest rate swap	Receive/floating and pay/fixed	Long-term debt	\$ 268,642	\$ 219,200	(*)

(*) 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, 2015		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell				
	Copper	Raw material	¥ 3,024	—	¥ (251)
	Buy				
	Copper	Raw material	—	—	—

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	—	—	—

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2015		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell				
	Copper	Raw material	\$ 25,200	—	\$ (2,092)
	Buy				
	Copper	Raw material	—	—	—

Note: The fair values of forward commodity exchange 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, 2015 and 2014 does not exist and is not disclosed.

13. Retirement Benefit Plans

For the year ended March 31, 2015

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, 2015 are as follows:

	Thousands of U.S. dollars	
	2015	2015
Retirement benefit obligation at April 1, 2014	¥ 16,192	\$ 134,933
Cumulative effects of changes in accounting principle	460	3,834
Restated balance at April 1, 2014	16,652	138,767
Service cost	855	7,125
Interest cost	259	2,158
Actuarial loss	723	6,025
Retirement benefit paid	(816)	(6,800)
Exchange translation adjustment	258	2,150
Other	6	50
Retirement benefit obligation at March 31, 2015	¥ 17,937	\$ 149,475

The changes in plan assets during the year ended March 31, 2015 are as follows:

	Thousands of U.S. dollars	
	2015	2015
Plan assets at April 1, 2014	¥ 10,520	\$ 87,667
Expected return on plan assets	180	1,500
Actual loss	269	2,242
Contributions by the Company	451	3,758
Retirement benefits paid	(553)	(4,608)
Exchange translation adjustment	196	1,633
Others	—	—
Plan assets at March 31, 2015	¥ 11,063	\$ 92,192

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2015 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Thousands of U.S. dollars	
	2015	2015
Funded retirement benefit obligation	¥ 17,343	\$ 144,525
Plan assets at fair value	(11,063)	(92,192)
	6,280	52,333
Unfunded retirement benefit obligation	595	4,959
Net liability for retirement benefits in the balance sheet	6,875	57,292

Liability for retirement benefits	6,875	57,292
Net liability for retirement benefits in the balance sheet	¥ 6,875	\$ 57,292

The components of retirement benefit expense for the year ended March 31, 2015 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	2015
Service cost	¥ 855	\$ 7,125
Interest cost	259	2,158
Expected return on plan assets	(180)	(1,500)
Amortization of prior service cost	28	233
Amortization of actuarial loss	1,009	8,409
Retirement benefit expense	¥ 1,971	\$ 16,425

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."

Prior service cost and actuarial loss included in other comprehensive income (before tax effect) as of March 31, 2015 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	2015
Prior service cost	¥ 28	\$ 233
Actuarial loss	453	3,775
Total	¥ 481	\$ 4,008

Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2015 are as follows:

	2015	2015
Unrecognized prior service cost	¥ 169	\$ 1,408
Unrecognized actuarial loss	4,964	41,367
Total	¥ 5,133	\$ 42,775

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2015 are as follows:

	2015
Bonds	22%
Stocks	62%
Cash on hand and in banks	5%
Other	11%
Total	100%

Note:

51% 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 0.8%
Expected rates of return on plan assets	mainly 2.0%
Expected rates of salary increase	3.2%–5.1%

Defined contribution plan

The amount which a consolidated subsidiary has contributed or is obligated to contribute to the plan for the fiscal year is ¥11 million (\$92 thousand).

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

	Millions of yen
	2014
Retirement benefit obligation at April 1, 2013	¥ 15,373
Service cost	746
Interest cost	288
Actuarial loss	175
Retirement benefit paid	(850)
Exchange translation adjustment	360
Other	100
Retirement benefit obligation at March 31, 2014	¥ 16,192

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

	Millions of yen
	2014
Plan assets at April 1, 2013	¥ 8,609
Expected return on plan assets	146
Actual loss	1,429
Contributions by the Company	477
Retirement benefits paid	359
Exchange translation adjustment	212
Others	¥ 6
Plan assets at March 31, 2014	¥ 10,520

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
	2014
Funded retirement benefit obligation	¥ 15,593
Plan assets at fair value	(10,520)
	5,073
Unfunded retirement benefit obligation	599
Net liability for retirement benefits in the balance sheet	5,672
Liability for retirement benefits	5,672
Net liability for retirement benefits in the balance sheet	¥ 5,672

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

	Millions of yen
	2014
Service cost	¥ 746
Interest cost	288
Expected return on plan assets	(146)
Amortization of prior service cost	28
Amortization of actuarial loss	1,134
Retirement benefit expense	¥ 2,050

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	
	2014	
Unrecognized prior service cost	¥	196
Unrecognized actuarial loss		5,417
Total	¥	5,613

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%
Expected rates of salary increase	3.2%–5.1%

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.

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, 2015 and 2014 were summarized as follows :

	2015	2014
Statutory tax rate	35.6%	38.0%
Non-deductible expenses for tax purposes	0.6	0.7
Non-taxable dividends and other income	(1.0)	(0.9)
Inhabitants per capital tax	1.3	1.1
Equity in earnings and losses of affiliates	5.3	0.7
Amortization of goodwill and negative goodwill	0.2	0.1
Changes in valuation allowance	(100.3)	4.6
Different tax rates applied to subsidiaries	0.7	(0.4)
Decrease in differed tax liability due to the revision of statutory income tax rate	(4.3)	0.1
Other	1.0	(2.6)
Effective tax rate	(60.9)%	41.4%

Deferred tax assets and liabilities as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Liability for retirement benefits	¥ 7,616	¥ 8,056	\$ 63,467
Impairment loss on property, plant and equipment	—	2,123	—
Investment securities	1,855	2,262	15,458
Net operating loss carryforwards	8,657	11,569	72,142
Land	1,972	2,177	16,433
Provision for deposition field restoration	765	—	6,375
Other	1,418	1,086	11,817
Total gross deferred tax assets	22,283	27,273	185,692
Valuation allowance	(9,522)	(17,457)	(79,350)
Total deferred tax assets	12,761	9,816	106,342
Deferred tax liabilities:			
Statutory reserves provided for tax purposes	(1,344)	(1,247)	(11,200)
Gain from establishment of trust for retirement benefit plans	(3,189)	(3,515)	(26,575)
Land	(7,399)	(8,158)	(61,658)
Unrealized holding gain (loss) on securities	(3,056)	(2,001)	(25,467)
Capitalized interest of a foreign subsidiary	—	(807)	—
Other	(128)	(250)	(1,067)
Total deferred tax liabilities	(15,116)	(15,978)	(125,967)
Net deferred tax liabilities	¥ (2,355)	¥ (6,162)	\$ (19,625)
Deferred tax liabilities on surplus on the revaluation of land	¥ (2,017)	¥ (2,253)	\$ (16,808)

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) was promulgated on March 31, 2015. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 35.6% to 33.1% and 32.3% for the temporary differences expected to be realized or settled in the year beginning April 1, 2015 and for the temporary differences expected to be realized or settled from April 1, 2016, respectively. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax liabilities, after offsetting deferred tax assets by ¥416 million (\$3,467 thousand), deferred income tax by ¥263 million (\$2,192 thousand), deferred gain (loss) on hedges by ¥5 million (\$42 thousand), retirement benefits liability adjustments by ¥143 million (\$1,192 thousand), respectively, and increase unrealized holding gain on securities by ¥300 million (\$2,500 thousand). Also, deferred tax liability on surplus on the revaluation of land decreased by ¥206 million (\$1,717 thousand) and surplus on the revaluation of land increased by the same amount.

15. Contingent Liabilities

Contingent liabilities as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Notes receivable discounted and endorsed	¥ 254	¥ 367	\$ 2,117
Loans guaranteed	1,941	2,838	16,175
Repurchase obligation of the securitization of receivables	2,059	—	17,158

16. Write-Down of Inventories

The amount of write-down of inventories, included in cost of sales for the year ended March 31, 2015, totaled ¥165 million (\$1,375 thousand). For the year ended March 31, 2014, the Company reversed write-down in the amount of ¥21 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, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Gain on sales of disused articles	¥ 181	¥ 237	\$ 1,508
Subsidy income	132	—	1,100
Gain on foreign exchange	—	600	—
Compensation income	819	1,095	6,825
Gain on business withdrawal	645	—	5,375
Gain on transfer of business	530	—	4,417
Payments for idle mines	(560)	(565)	(4,667)
Loss on foreign exchange	(545)	—	(4,542)
Provision for deposition field restoration	(2,409)	—	(20,075)
Other, net	(260)	(359)	(2,167)
	¥ (1,467)	¥ 1,008	\$ 12,226

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, Rock Drills Machinery, 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, industrial machinery, steel structures and heat-resistant and wear-resistant castings

(b) Rock Drills Machinery

Manufacture and sale rock drills such as hydraulics breakers, hydraulics crushers, boring drills, tunnel and mining drill jumbos, and environmental machinery

(c) UNIC Machinery

Manufacture and sale UNIC cranes, mini crawler cranes, ocean cranes and 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, crystals, cores and coils, aluminum nitride ceramics, optical components and gallium nitrides

(f) Chemicals

Manufacture and sale cuprous oxide, ferric polysulfate solution, aluminum sulfate, sulfuric acid, cuprous dioxide and copper dioxide, and sale titanium dioxide

(g) Real Estate

Trade, intermediate and lease of real estate

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, 2015 and 2014 was as follows:

Year ended March 31, 2015

	Millions of yen				
	Industrial Machinery	Rock Drills Machinery	UNIC Machinery	Metals	Electronic Materials
Sales and operating income (loss):					
Outside customers	¥ 16,713	¥ 30,911	¥ 28,367	¥ 81,514	¥ 5,743
Intersegment	2,875	9	97	364	5
Total	19,588	30,920	28,464	81,878	5,748
Operating income (loss)	¥ 1,711	¥ 1,225	¥ 3,615	¥ 1,450	¥ 53
Others:					
Segment assets	¥ 18,466	¥ 31,432	¥ 22,542	¥ 27,644	¥ 7,484
Depreciation	326	615	530	347	304
Amortization of goodwill and negative goodwill	—	—	10	—	—
Investments in equity-method affiliates	—	—	57	3,658	375
Increase in tangible fixed assets and intangible fixed assets	227	353	776	122	637

Year ended March 31, 2015

	Millions of yen				
	Chemicals	Real Estate	Others	Adjustments	Consolidated
Sales and operating income (loss):					
Outside customers	¥ 6,014	¥ 2,536	¥ 746	¥ —	¥ 172,544
Intersegment	51	138	1,644	(5,183)	—
Total	6,065	2,674	2,390	(5,183)	172,544
Operating income (loss)	¥ 268	¥ 776	¥ (130)	¥ (43)	¥ 8,925
Others:					
Segment assets	¥ 15,876	¥ 32,519	¥ 3,729	¥ 47,625	¥ 207,317
Depreciation	205	592	65	17	3,001
Amortization of goodwill and negative goodwill	—	—	—	—	10
Investments in equity-method affiliates	—	—	135	—	4,225
Increase in tangible fixed assets and intangible fixed assets	183	7,273	42	434	10,047

Year ended March 31, 2014

	Millions of yen				
	Industrial Machinery	Rock Drills Machinery	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	¥ 40,435	¥ 199,408
Depreciation	213	252	72	8	2,615
Amortization of goodwill and negative goodwill	—	—	—	—	24
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, 2015

	Thousands of U.S. dollars				
	Industrial Machinery	Rock Drills Machinery	UNIC Machinery	Metals	Electronic Materials
Sales and operating income (loss):					
Outside customers	\$ 139,275	\$ 257,592	\$ 236,392	\$ 679,283	\$ 47,858
Intersegment	23,958	75	808	3,033	42
Total	163,233	257,667	237,200	682,317	47,900
Operating income (loss)	\$ 14,258	\$ 10,208	\$ 30,125	\$ 12,083	\$ 442
Others:					
Segment assets	\$ 153,883	\$ 261,933	\$ 187,850	\$ 230,367	\$ 62,367
Depreciation	2,717	5,125	4,417	2,892	2,533
Amortization of goodwill and negative goodwill	—	—	83	—	—
Investments in equity-method affiliates	—	—	475	30,483	3,125
Increase in tangible fixed assets and intangible fixed assets	1,892	2,942	6,467	1,017	5,308

Year ended March 31, 2015

Thousands of U.S. dollars

	Chemicals	Real Estate	Others	Adjustments	Consolidated
Sales and operating income (loss):					
Outside customers	\$ 50,117	\$ 21,133	\$ 6,217	\$ —	\$ 1,437,867
Intersegment	425	1,150	13,701	(43,192)	—
Total	50,542	22,283	19,917	(43,192)	1,437,867
Operating income (loss)	\$ 2,233	\$ 6,467	\$ (1,083)	\$ (358)	\$ 74,375
Others:					
Segment assets	\$ 132,300	\$ 270,992	\$ 31,075	\$ 396,875	\$ 1,727,642
Depreciation	1,708	4,933	541	142	25,008
Amortization of goodwill and negative goodwill	—	—	—	—	83
Investments in equity-method affiliates	—	—	1,125	—	35,208
Increase in tangible fixed assets and intangible fixed assets	1,525	60,608	349	3,617	83,725

(Related information)

Years ended March 31, 2015 and 2014

1. Information regarding products and services

Year ended March 31, 2015

	Millions of yen		
	Copper	Others	Total
Sales for outside customers	¥ 70,950	¥ 101,594	¥ 172,544

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, 2015

	Thousands of U.S. dollars		
	Copper	Others	Total
Sales for outside customers	\$ 591,250	\$ 846,617	\$ 1,437,867

2. Geographic segment information

(1) Net sales

Year ended March 31, 2015

	Millions of yen			
	Japan	Asia	Others	Total
	¥ 130,833	¥ 24,771	¥ 16,940	¥ 172,544

Year ended March 31, 2014

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

Year ended March 31, 2015

	Thousands of U.S. dollars			
	Japan	Asia	Others	Total
	\$ 1,090,275	\$ 206,425	\$ 141,167	\$ 1,437,867

(2) Property, plant and equipment

The geographic segment information for the years ended March 31, 2015 and 2014 has not been presented, because the total assets in Japan exceed 90% of consolidated totals.

3. Information regarding main customers

Year ended March 31, 2015

Name of customer	Millions of yen	
	Sales volume	Related segment
Furukawa Electric Co., Ltd.	¥28,836	Metals

Year ended March 31, 2014

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

Year ended March 31, 2015

Name of customer	Thousands of U.S. dollars	
	Sales volume	Related segment
Furukawa Electric Co., Ltd.	\$240,300	Metals

4. Impairment loss on property, plant and equipment

Year ended March 31, 2015	Millions of yen										
	Industrial Machinery	Rock Drills Machinery	UNIC Machinery	Metals	Electronic Materials	Chemicals	Real Estate	Others	Adjustments	Consolidated	
Impairment loss on property, plant and equipment	—	—	—	—	—	—	¥ 3	¥ 68	—	¥ 71	

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

Year ended March 31, 2015	Thousands of U.S. dollars										
	Industrial Machinery	Rock Drills Machinery	UNIC Machinery	Metals	Electronic Materials	Chemicals	Real Estate	Others	Adjustments	Consolidated	
Impairment loss on property, plant and equipment	—	—	—	—	—	—	\$ 25	\$ 567	—	\$ 592	

5. Amortization of goodwill and unamortized goodwill in reportable segments

Year ended March 31, 2015	Millions of yen										
	Industrial Machinery	Rock Drills Machinery	UNIC Machinery	Metals	Electronic Materials	Chemicals	Real Estate	Others	Adjustments	Consolidated	
Balance as of March 31, 2015	—	—	—	—	—	—	—	—	—	—	

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

Year ended March 31, 2015	Thousands of U.S. dollars										
	Industrial Machinery	Rock Drills Machinery	UNIC Machinery	Metals	Electronic Materials	Chemicals	Real Estate	Others	Adjustments	Consolidated	
Balance as of March 31, 2015	—	—	—	—	—	—	—	—	—	—	

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, 2015, rental income was ¥976 million (\$8,133 thousand), gain on sales of rental properties was ¥104 million (\$867 thousand), loss on disposal was ¥1 million (\$8 thousand) and impairment loss on rental properties was ¥71 million (\$592 thousand).

For the year ended March 31, 2014, rental income was ¥132 million, gain on sales of rental properties was ¥42 million and impairment loss on rental properties was ¥177 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, 2015 and 2014 are as follows:

Year ended March 31, 2015

Carrying value			Fair value
As of March 31, 2014	Net change	As of March 31, 2015	As of March 31, 2015
Millions of yen			
¥ 36,473	¥ (715)	¥ 35,758	¥ 35,234

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, 2015

Carrying value			Fair value
As of March 31, 2014	Net change	As of March 31, 2015	As of March 31, 2015
Thousands of U.S. dollars			
\$ 303,942	\$ (5,958)	\$ 297,983	\$ 293,617

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, 2015 mainly consists of increases related to acquisition of land and buildings in the amount of ¥91 million (\$758 thousand) and decreases mainly due to amortization in the amount of ¥505 million (\$4,208 thousand), change of use in the amount of ¥217 million (\$1,808 thousand), impairment loss on rental properties in the amount of ¥71 million (\$592 thousand) and sales of land in the amount of ¥37 million (\$308 thousand). 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 and decreases mainly due to amortization in the amount of ¥222 million and impairment loss on rental properties in the amount of ¥177 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 26, 2015:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥5.00 = \$0.042 per share)	¥ 2,020	\$ 16,833
Transfer to legal reserve	202	1,683
	¥ 2,222	\$ 18,516



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

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, 2015, and the consolidated statements of income, 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 its consolidated subsidiaries as at March 31, 2015, 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 26, 2015
Tokyo, Japan

Corporate Data

(As of March 31, 2015)

Directors and Auditors

(As of June 26, 2015)

Chairman and Representative Director	Nobuyoshi Soma
President and Representative Director	Naohisa Miyakawa
Senior Managing Director	Toshio Matsumoto
Outside Director	Masao Yoshida
Director	Minoru Iwata
Director	Shigeo Matsudo
Director	Kiyohito Mitsumura
Audit & Supervisory Board Member	Yoshihito Emoto
Audit & Supervisory Board Member	Saburo Saruhashi
Outside Audit & Supervisory Board Member	Nobuyuki Tomotsune
Outside Audit & Supervisory Board Member	Ryoji Hatsuse
Outside Audit & Supervisory Board Member	Tetsuro Ueno

Executive Officers

(As of June 27, 2015)

Vice President Executive Officer	Manabu Zama
Senior Managing Executive Officer	Susumu Nakamura
Senior Executive Officer	Osamu Watanabe
Senior Executive Officer	Shigeo Matsudo
Senior Executive Officer	Kiyohito Mitsumura
Executive Officer	Yoshinari Kuno
Executive Officer	Kazuo Inoue
Executive Officer	Hiroyuki Abe
Executive Officer	Kiyoshi Sano
Executive Officer	Tatsuki Nazuka
Executive Officer	Masahiro Ogino
Executive Officer	Takeshi Miyajima

Forward-Looking Statements

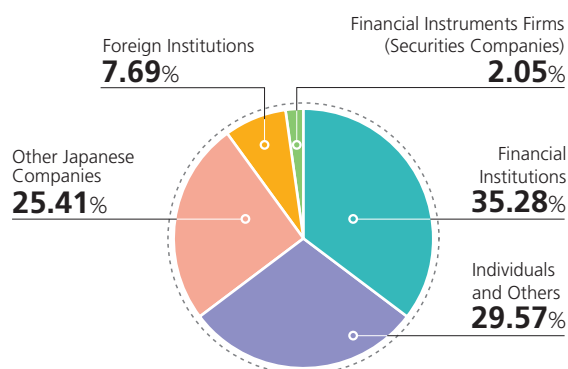
This annual report contains statements about the Company's plans, strategies, performance outlooks, and the like, and includes forward-looking statements that are not historical facts. Such statements reflect expectations, estimates, forecasts, projections, and plans based on information currently available 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.

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:	27,880
Stock Exchange Listing:	Tokyo
Securities Code Number:	5715
Employees:	2,456 (Consolidated)
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)	33,875	8.37
The Master Trust Bank of Japan, Ltd. (trust account)	26,247	6.48
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



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.

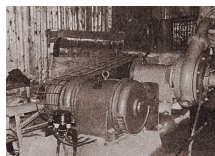
1990 • Bought an American breaker sales and manufacturing company.



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.



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.

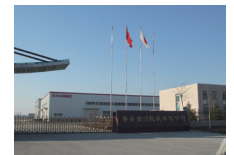
• Established the Tsukuba Development Center, which integrates a technology research operation.



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



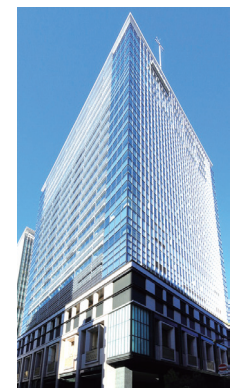
This is an affiliate company for the construction and mining machinery business established in Utrecht, Holland, which distributes rock drills and other products.



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



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.

"140 Years" Corporate Profile Videos Released

This year, we updated our corporate profile videos to mark the 140th anniversary of our founding. Consisting of four chapters, the videos enable viewers to gain a quick understanding of Furukawa's roots, social interactions, and product range. Please go to the "Investor Relations" section of our English website, click on "Welcome to the Furukawa Planet" icon, and scroll down to the videos.

• The entire four-part compilation can also be viewed via YouTube:

<https://www.youtube.com/watch?v=U9vi3JBMEDI>



FURUKAWA CO.,LTD.

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