FURUKAWA

Annual Report 2016

Year ended March 31, 2016

About the Furukawa Company Group

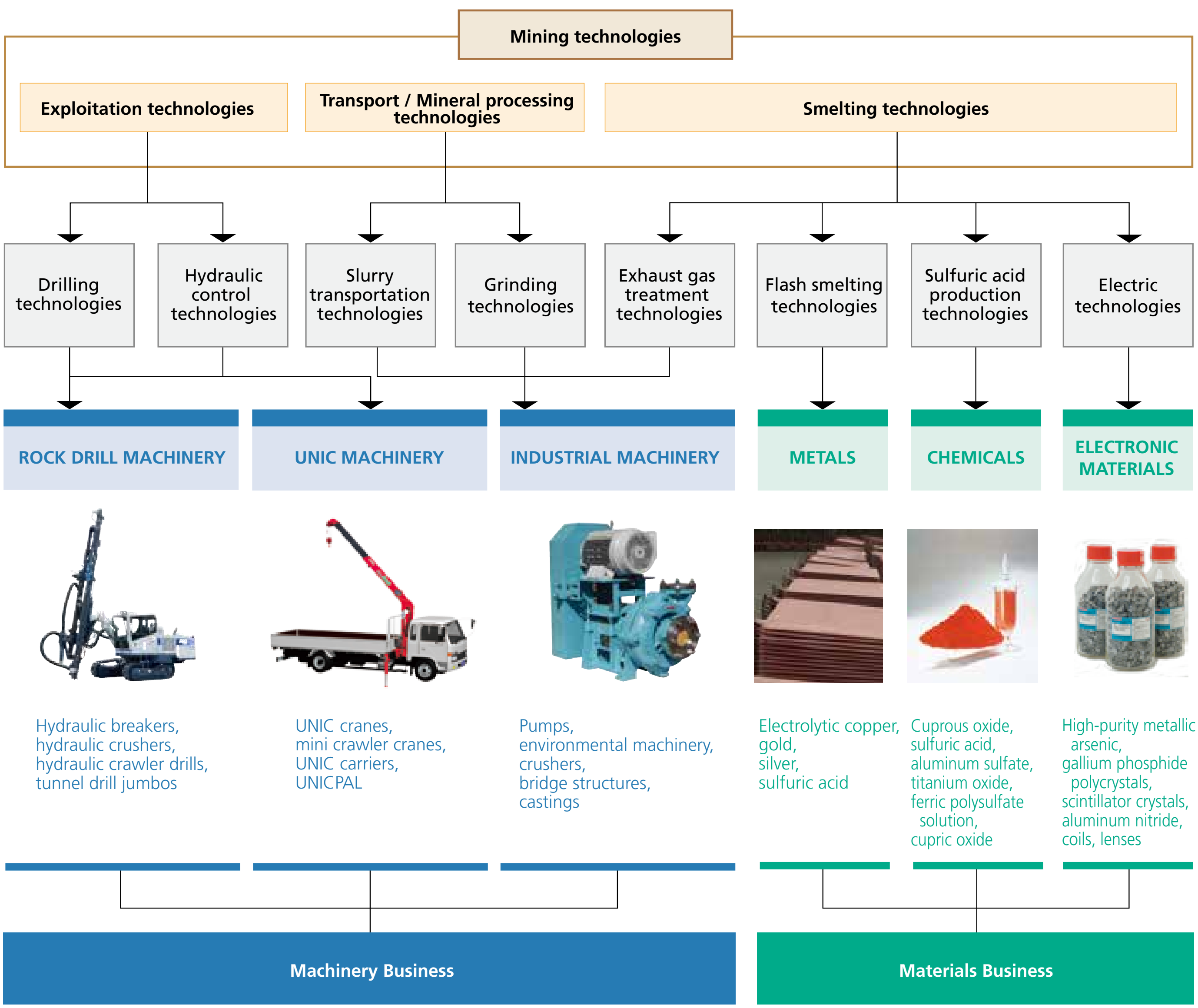
The key to the success of the Furukawa Company Group, which recently celebrated the 140th anniversary of its founding, began with the development of the Ashio Copper Mine by founder Ichibee Furukawa. At the time, the Company introduced world-leading mine development technologies that have become the 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 in multiple markets.

Last year, the Group announced its Vision for 2025, called "FURUKAWA Power & Passion 150." Under this vision, we will strive constantly to "Become a corporate group that leverages its reputation for category leadership and uniqueness to deliver growth" as we approach our 150th anniversary in fiscal 2025.

Ashio Copper Mine (around 1920)

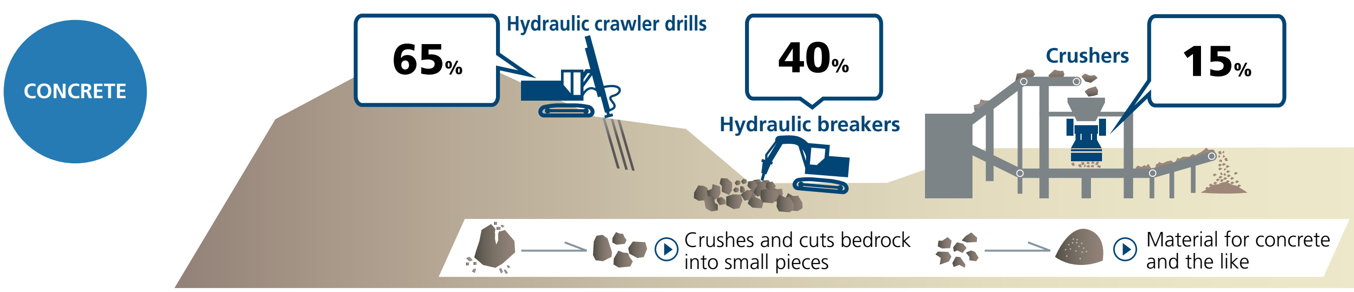
Furukawa's Technological Genealogy



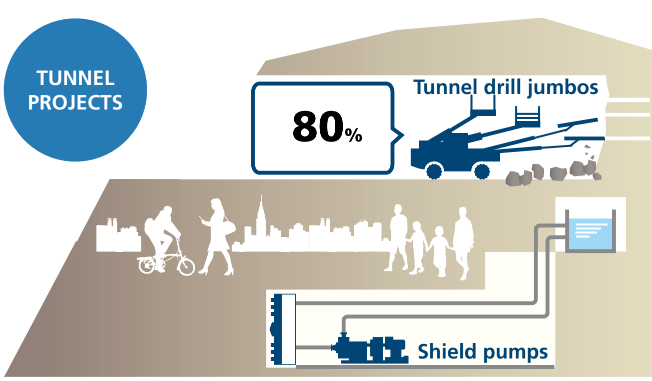
Financial Highlights For the years ended March 31

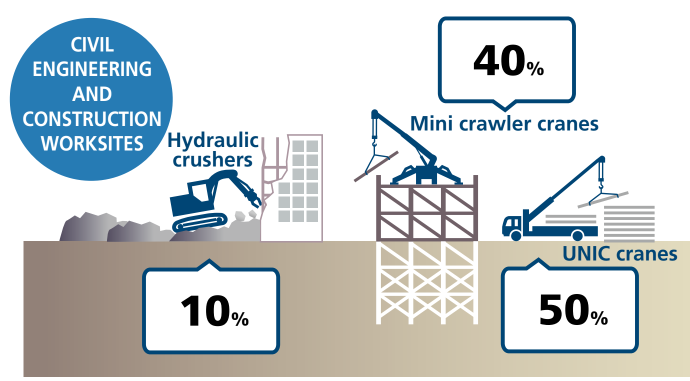
		Millions of yen			
	2016/3	2015/3	2014/3	2013/3	2012/3
For the year:					
Net sales	**¥ 161,799**	¥ 172,544	¥ 163,026	¥ 165,540	¥ 157,566
Operating income	**7,989**	8,925	6,886	3,363	2,155
Profit (Loss) before income taxes	**6,631**	6,160	7,092	5,433	(2,663)
Profit (Loss) attributable to owners of parent	**5,056**	9,793	3,976	2,976	(1,659)
Capital expenditures	**2,869**	2,557	11,430	2,926	3,588
Depreciation and amortization	**3,191**	3,223	2,828	3,015	3,329
Research and development expenses	**2,680**	2,227	2,539	2,559	2,622
At year-end:					
Total assets	**¥ 195,650**	¥ 207,317	¥ 199,408	¥ 186,076	¥ 193,971
Net assets	**68,262**	70,581	56,313	51,507	47,668
Per share amounts:			Yen		
Basic earnings (loss)	**¥ 12.51**	¥ 24.23	¥ 9.84	¥ 7.37	¥ (4.11)
Cash dividends	**5.00**	5.00	3.00	2.00	0.00
Net assets	**164.48**	170.22	135.34	123.99	113.88
Return on equity (ROE) (%)	**7.5**	15.9	7.6	6.2	(3.6)
Equity ratio (%)	**34.0**	33.2	27.4	26.9	23.7

Machinery Business: Priority Fields and Domestic Market Share



To mine for gravel and limestone, which are raw materials for concrete, we supply hydraulic crawlers that are used to drill holes in rock, in which gunpowder is inserted for blasting. We also have hydraulic breakers, which are used to break large rocks into small pieces, and crushers and screens, used at plants to achieve the desired rock sizes. These products contribute to demand for concrete in various areas.





We develop and manufacture tunnel drill jumbos, which are used to create openings for loading gunpowder needed for rock blasting in mountain tunnel projects. We also develop and make shield pumps, which use water to pump excavated earth and sand in underground tunnel projects. Here, our drilling and wastewater treatment technologies, amassed through mine development, come to the fore.

A single UNIC crane can transport and unload building materials and the like. In addition to UNIC cranes, we offer mini crawler cranes, which can operate independently in places inaccessible by truck, and hydraulic crushers that play a major role at demolition sites. Our construction machines feature exceptional functionality, operability, and safety and are also environmentally friendly.

President and Representative Director
Naohisa Miyakawa

Business Conditions and Performance

In fiscal 2016, ended March 31, 2016, the Japanese economy continued recovering moderately, buoyed by improved corporate earnings on the back of fiscal and monetary stimulus measures by the government and the Bank of Japan. However, signs of weakness appeared in the second half of the year, and economic instability in China and other emerging Asian nations, as well as resource-rich countries, 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 and efficiency advanced its operations by accurately grasping market needs.

As a result, consolidated net sales amounted to ¥161,799 million, down 6.2% from the previous year. This was due mainly to revenue declines in the Metals, Industrial Machinery, and UNIC Machinery segments. Despite increased income generated by the Rock Drill Machinery and Real Estate segments, operating income decreased 10.5%, to ¥7,989 million, due mainly to lower income in the UNIC Machinery, Industrial Machinery, and Electronic Materials segments.

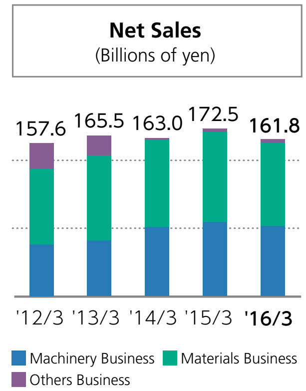
Among other income, we posted a ¥309 million gain on sales of noncurrent assets and ¥391 million in compensation income for reputational damage related to a nuclear accident. Among other expenses, there was a ¥207 million impairment loss. Profit before income taxes rose 7.6%, to ¥6,631 million. In the previous fiscal year, there was a decline in income taxes associated with the forgiveness of debt of a consolidated subsidiary. Due to the absence of such a decline in the year under review, profit attributable to owners of parent fell 48.4%, to ¥5,056 million.

Future Initiatives

The Furukawa Company Group celebrated its 140th anniversary on August 2015. We used the occasion in November 2015 to formulate our vision for the following 10 years ending 2025, when we celebrate 150 years of operations. Under the vision, entitled "FURUKAWA Power & Passion 150," we will strive to "Become a corporate group that leverages its reputation for category leadership and uniqueness to deliver growth." To achieve this, we will target five policies: (1) Increase the value of the Furukawa brand through "marketing-based management," (2) Continuously expand the Machinery business, (3) Strengthen and expand our human resource foundation, (4) Actively promote investments to increase corporate value, and (5) Establish a robust operational foundation. Under these policies, we will target consolidated annual operating income regularly in excess of ¥15,000 million by our 150th anniversary in fiscal 2025.

In the Machinery business, in particular, demand in Japan will remain firm in light of various projects, notably 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 reinforce our income foundation in growing overseas markets centered on infrastructural and resource development. Deploying experience and technologies amassed over the years, we realize our Vision for 2025 with "power" and "passion." In the process, we will build a robust corporate foundation that is resilient to changing business conditions while increasing corporate value.

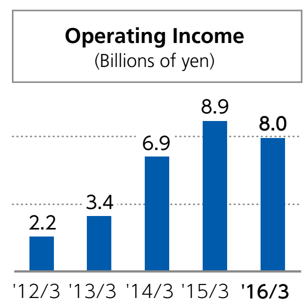


Dividend Policy

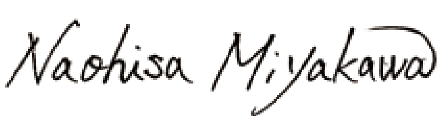
Furukawa places great importance on improving returns of profits to all shareholders while retaining earnings required to finance capital expenditures and research and development expenses necessary to bolster earnings. Our basic policy is to appropriate profits after comprehensive consideration of future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

In fiscal 2016, the Company declared a year-end cash dividend of ¥5.00 per share. In fiscal 2017, we plan to pay a year-end dividend of ¥5.00 per share, with no interim dividend scheduled.

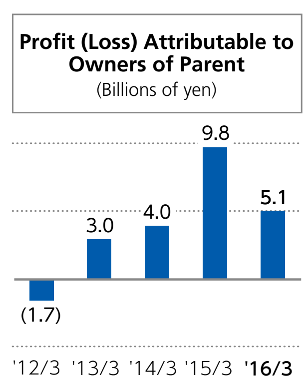
We look forward to the understanding and support of all stakeholders as we tackle the challenges of the future.



August 2016



Naohisa Miyakawa
President and Representative Director



Furukawa Challenges for 2025

Having celebrated 140 years since its foundation on August 8, 2015, the Furukawa Company Group established a new Management Philosophy and Corporate Conduct Charter. To realize our Management Philosophy, in November 2015 we formulated our Vision for 2025, entitled "FURUKAWA Power & Passion 150," to guide the Group toward its 150th anniversary in 2025. With "power" and "passion," we will strive to achieve the targets of the vision in order to meet the expectations of all stakeholders and secure their renewed trust.

FURUKAWA Power & Passion 150

Our Vision for 2025, "FURUKAWA Power & Passion 150," provides the ideal image of the Group in 2025. The aim of the vision is to "Become a corporate group that leverages its reputation for category leadership and uniqueness to deliver growth." "Category leadership and uniqueness" means holding dominant or top market positions in our limited domains of engagement, including businesses, products and services. It also means possessing original technologies and know-how that others cannot imitate. Going forward, we will deepen our focus on niche markets in which we can demonstrate our strengths as we deploy our original technologies to address customer needs and deliver sustained growth.

To realize our vision, we have articulated five policies. Among these, the most important is our "marketing-based management" approach. Committed to providing products and services that customers truly desire, we use the term "marketing-based management" to express ongoing awareness among all employees of the need to offer value to customers, and incorporation of this into the core of management. We believe this will enable us to devise product development policies from two perspectives:

Vision for 2025: "FURUKAWA Power & Passion 150"

"Become a corporate group that leverages its reputation for category leadership and uniqueness to deliver growth."

—Targeting consolidated annual operating income regularly in excess of ¥15 billion as we approach our 150th anniversary in fiscal 2025.—

Policies for Achieving Vision for 2025

(1) Increase the value of the Furukawa brand through "marketing-based management*"

① Develop products and technologies that match market needs

② Reinforce technological sales capabilities (proposals and solutions) reflecting customer needs

③ Achieve category-leading positions by concentrating on niche products that have competitive advantages and using differentiation strategy

④ Cultivate and create new markets and product categories; build a new business model

* Marketing-based management: Incorporating marketing into the core of management to provide products and services recognized as valuable in changing markets, thus deepening ties with customers, achieving sustained growth, and increasing corporate value.

(2) Continuously expand the Machinery business

① Reinforce profit foundation in growing overseas markets centered on infrastructural and resource development

② Strengthen and enhance stock business

③ Maximize business opportunities by demonstrating comprehensive Group strengths and strengthening engineering capabilities

(3) Strengthen and expand our human resource foundation

① Build vibrant human resources and corporate culture for new Furukawa

② Secure, utilize, and develop diverse human resources in Japan and overseas

③ Strengthen priority on sales and marketing personnel

(4) Actively promote investments to increase corporate value

① Make proactive capital investments necessary for growth

② Expand business through strategic M&As and alliances

(5) Establish a robust corporate foundation

① Increase corporate value by improving profitability and capital efficiency, targeting ROE of more than 10%

② Establish strong financial base

③ Achieve balanced appropriations between investments for growth and return to shareholders

"market-in" determined by market needs and "product-out" determined by our own strengths and technologies. To achieve sustained growth of the Machinery business, in addition to overseas expansion we need to change our current focus from flow business to stock business, including after-sales services and life cycle support. Our aim is to build a strategic business model that combines both flow and stock businesses in order to create a stable profit structure that is less affected against changing external conditions. We are currently formulating a new medium-term business plan that will start in fiscal 2017 in our quest to realize our Vision for 2025.

In order to build a company that is a "cut above" in all areas—including management, product development, manufacturing, sales, and administration—we must break our reliance on our existing corporate culture and attributes while retaining all the good elements. With "power" and "passion," we will strive to realize the ideal image of the new Furukawa Company Group.

Deploying Our Core Competencies

Maintaining our strengths in category leadership and uniqueness

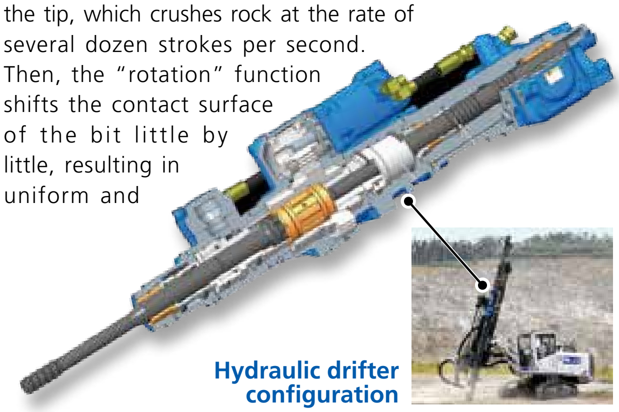
In our Machinery business, we have many products that boast high markets shares. (cf.P1) In particular, the main products of our Rock Drill Machinery segment have overwhelming market shares, and our hydraulic drifter, the core of our rock drill machines, combines our comprehensive strengths amassed as a maker of such machinery. It all began about 100 years ago, when we succeeded in developing the first domestically made hand-held rock drill, which was used in the Ashio Copper Mine and became the cornerstone of our subsequent advancement. Since then, we made various modifications according to onsite requirements and, after repeated trial-and-error testing, we refined the hydraulic drifter that now forms a pillar of our operations. Thanks to this success, we have built a solid position as a world-leading manufacturer of rock drill machines.

Developed Japan's first rock drill machine (for the Ashio Copper Mine)

Hydraulic Drifter: At the Heart of Our Technologies

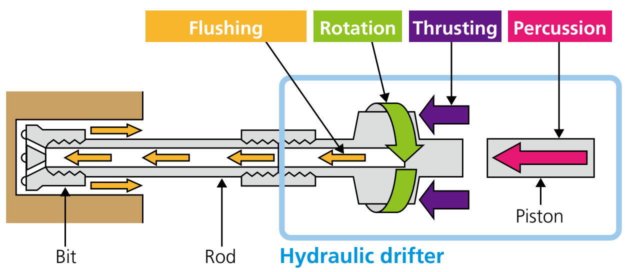
Our tunnel drill jumbos and crawler drills are fitted with hydraulic drifters, which determine the performance of the machines. Our hydraulic drifters represent the heart of our technological expertise and incorporate experience and know-how amassed over many years. They have four key functions—percussion, rotation, thrusting, and flushing—that operate in a mutually balanced manner to enable optimal rock drilling.

The first basic function is "percussion." Shock waves created by piston strikes are transmitted to the bit at the tip, which crushes rock at the rate of several dozen strokes per second. Then, the "rotation" function shifts the contact surface of the bit little by little, resulting in uniform and efficient blows to the rock. The role of the "thrusting" function is to ensure that the bit keeps firm contact with the rock, while the "flushing" function uses water or air to remove crushed rock fragments easily and prevent them from remaining at the bottom of hole (expose the virgin/fresh rock surface). The intensity of the rotation and thrusting functions determines the efficiency of the percussion function. The balanced operation of four functions enables swift drilling, with impact rates of 2,000–5,000 times per minute, rotation speed of 80–200 times per minute, thrust force of 10–20kN, and sufficient flushing capability, depending on rock quality and the like.



Hydraulic drifter configuration

Basic function of hydraulic drifter



Comprehensive Manufacturing Strength Delivers High Performance and Durability

Hydraulic drifters must be highly durable and able to operate in the harshest environments. Extra durability is essential to perform the percussion and rotation functions precisely and at high speeds under conditions of high pressures and temperatures. Our hydraulic drifters contain up to 100 components, each with different functions that include rotation, sliding,

Manufacturing Process

Design

Original technologies based on long experience and know-how are incorporated into the design

Heat Treatment

Steel is heated and cooled (quenched) to control its hardness and strength

Machining

Cutting of the hydraulic drifter's core component is done with 1/1,000mm precision

Assembling

Skilled workers accurately and swiftly assemble components that consist of up to 100 parts and impacting—and each must be resistant to pressure and temperature.

We identify the requirements of each component and select materials that meet those requirements, then identify the optimal combination of factors, including strength, toughness, shape, and dimensional tolerance. We have equipment and control techniques that permit manufacturing to be done with reliable quality. We incorporate our unique technological expertise, which draws on many years of experience and know-how, into the design process, and practically all of our key components are subject to integrated production—covering heat treatment, machining, and assembly—at our Takasaki Works. By performing heat treatment under difficult quality control conditions and machining accuracy of 1/1,000mm, we are able to manufacture high-performance hydraulic drifters.

Across the board, from design to materials selection and manufacturing, we deploy our experience as a user of rock drill machinery in the initial development of the Ashio Copper Mine, as well as technologies amassed over many years as a maker of rock drill machines. The exceptional performance and durability of our hydraulic drifters are the culmination of our experience and technologies. Herein lies our core competence, which underscores our reputation for category leadership and uniqueness.

Tunnel Drill Jumbo Business: Epitome of Marketing-Based Management

Our hydraulic drifters represent our core competence and form the heart of our rock drill machines. Among our rock drill machine lineup, our representative tunnel drill jumbos boast an overwhelming share of the domestic market. Indeed, we practice marketing-based management most profoundly in our tunnel drill jumbos business because it is crucial to realizing our vision.

As a rock drill machine maker, we have been involved in numerous excavation projects in Japan, including for railways, roads, dams, and tunnels. In the 20th century, main projects included the Seikan Tunnel, Kanetsu Tunnel, and Kurobe River No. 4 Hydropower Plant, and today we remain involved in various Shinkansen line projects, as well as tunnel and other restoration projects in the Tohoku District.

Tunnel construction requires exceptional levels of safety, execution, and speed, and it is necessary to select construction methods that address geological changes and match specific cross-sectional dimensions. In order to resolve various construction issues and maximize benefits for construction companies—the users of our machines—we have worked with them to develop original tunnel drill jumbos for each worksite tailored to the construction method adopted. Our history of working hand-in-hand with construction companies from the initial planning stages of a tunnel project and making proposals based on their requirements forms the basis of our prosperity today.

At present, we are working on various fronts in tunnel projects for the Linear Chuo Shinkansen Line, scheduled to start running in 2027. These projects are quite challenging for a number of reasons, including the need for rapid construction, large cross-section drilling over extended tunnel excavation lengths, and concerns about the stability of the cutting face when encountering fracture zones. In response to these challenges, we drew on our experience and foresight to develop a tunnel drill jumbo for Linear Chuo Shinkansen Line excavation projects. In addition to a long boom dimension that can tackle large cross-sections of rock, we fit our machines with hydraulic drifters at the top of their class in terms of striking power, which contributes to high-speed excavation work. On the management side, the tunnel drill jumbo is equipped with a navigation system that supports the machine operator by ensuring better work precision and efficiency, as well as our newly developed "Drill Navi" function that automatically records drilling data for sharing online. In these ways, we are improving work efficiency and addressing the need for IT-driven construction. Our machines are also compatible with the micro-bench construction method, a drilling method suited to Japan's unstable geological structure, thus contributing to safety at a high level. We have already started giving demonstrations of our new-model tunnel drill jumbo to construction companies, and we are using valuable feedback to make further refinements.

To provide more practical support for Linear Chuo Shinkansen Line projects, in April 2016 we opened an office in the Shimoina district of Nagano Prefecture, close to the front lines of construction. In addition to equipment sales, the office will sell components, provide repairs and services, and maintain the machines, thus creating a service infrastructure capable of swift, high-quality responses.

Our tunnel drill jumbos business, which emphasizes close relationships with construction companies, fully embodies our marketing-based management approach. We will broaden this approach to encompass other products and businesses in our quest to build individual business models together with our customers that help realize our Vision for 2025.

Newly developed tunnel drill jumbo

Review of Operations

Machinery

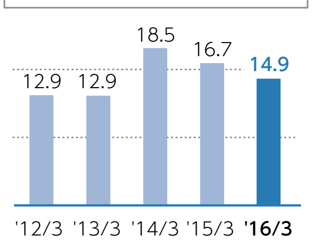

Sludge pump


Crusher

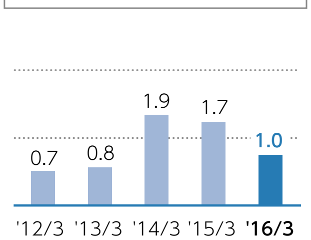

Belt conveyor


Bridge

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Industrial Machinery

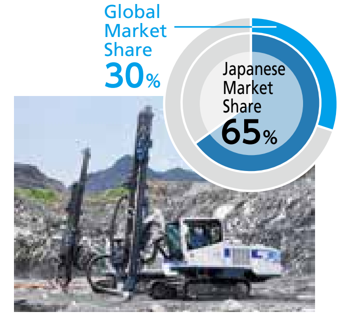
In fiscal 2016, the Industrial Machinery segment posted a year-on-year decline in sales, due to lower revenue from general industrial machinery and bridge projects for the public sector. This was despite healthy sales of pumps. Also, a large-scale earth-moving project for relocating people to higher ground in Rikuzentakata City, Iwate Prefecture, ended in September 2015. By contrast, we received orders for a large-scale belt conveyor project. As a result, the segment posted sales of ¥14,927 million, down 10.7% from the previous fiscal year. Operating income declined 39.3%, to ¥1,038 million.

Going forward, we will step up sales by taking full advantage of our earth-moving technologies using long-distance belt conveyors—which were highly acclaimed in the Rikuzentakata City relocation project—as well as crushing technologies using large-scale crushing equipment. We will also focus on demand from various construction projects, including for disaster prevention, as well as infrastructure renewal projects to replace aging bridges and the like. At the same time, we will establish businesses that will become future income foundations as we target increased domestic market share and entry into Asian markets. The aforementioned large-scale belt conveyor project, for which we received orders, is expected to be the first in Japan to transport earth along expressways currently in service.

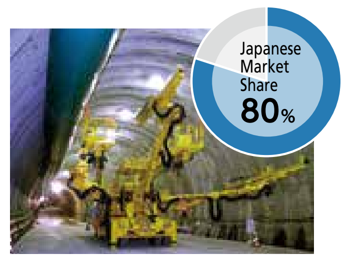
Rock Drill Machinery

In the Rock Drill Machinery segment, we were unable to generate increased sales of hydraulic breakers and hydraulic crushers due to a sharp slowdown in demand for construction machinery, as well as a decline in demolition projects. However, sales related to tunnel drill jumbos were healthy as we approached the peak in tunnel construction for reconstruction roads and service roads in the Tohoku District. Overseas, we enjoyed steady sales of hydraulic breakers in North America and Europe and of hydraulic crawler drills in the Middle East, Africa, and Southeast Asia. As a result, the Rock Drill Machinery segment posted a 2.7% decrease in sales, to ¥30,077 million. Thanks to improved profitability of our overseas business, however, operating income jumped 81.0%, to ¥2,217 million.

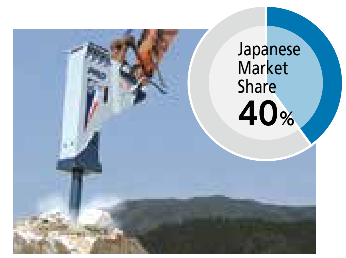
In Japan and abroad, we will work to improve the functions of our new-model hydraulic breakers, upgrade our lineup to reinforce sales, increase market share, and strengthen and upgrade our stock business. In Japan, we will reinforce our product and service capabilities in a comprehensive effort to attract orders for tunnel drill jumbos to be used in tunnel projects for new Shinkansen lines and the Linear Chuo Shinkansen Line. Overseas, we will target sales from infrastructure and resource development projects. We will also promote alliances and collaborations with overseas subsidiaries and so on to secure steady revenue.



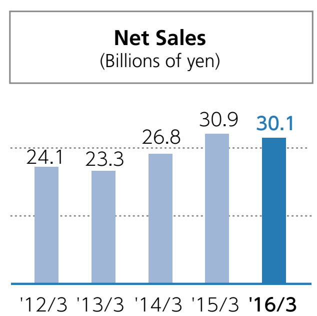
Hydraulic crawler drill

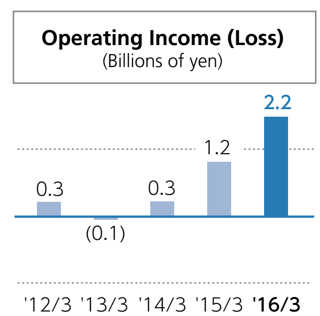


Tunnel drill jumbo



Hydraulic breaker

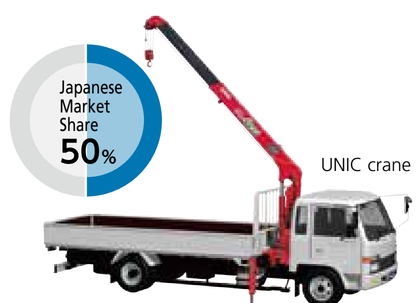




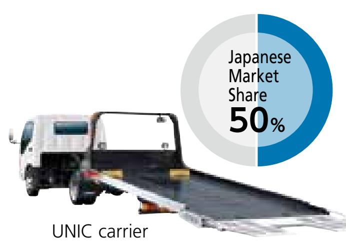
UNIC Machinery

In fiscal 2016, we reported increased shipments of mini crawler cranes and shipbuilding cranes. However, shipments of mainstay UNIC cranes were weak amid soft overall crane demand, despite healthy domestic registrations of trucks on which such cranes are mounted. As a result, sales in the UNIC Machinery segment declined 4.0% year on year, to ¥27,229 million, and operating income fell 27.3%, to ¥2,627 million.

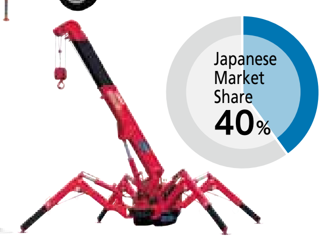
Going forward, we will work to increase sales of UNIC cranes by highlighting the appeal of UNIC-only products, such as joystick radio-controlled models. We will also step up sales of mini crawler cranes, shipbuilding cranes, and forestry cranes. On the production side, we will emphasize the manufacturing of high-quality products at optimal cost to meet demand in various world regions. Here, we will promote our three-pronged global production system, with operations in Japan, Thailand, and China. In particular, we will step up cost-reduction efforts at our plant in Thailand, with upgraded production facilities, which will serve as our production base for items destined for overseas. Meanwhile, we will make proactive capital investments in the Sakura Plant, which will fulfill a "mother factory" role making products for the domestic market.



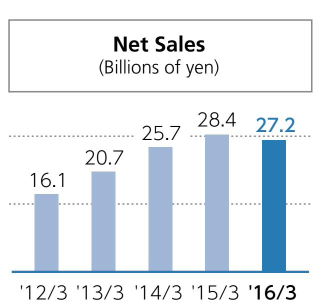
UNIC crane

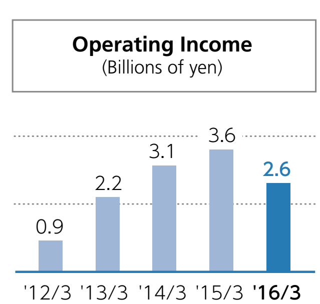


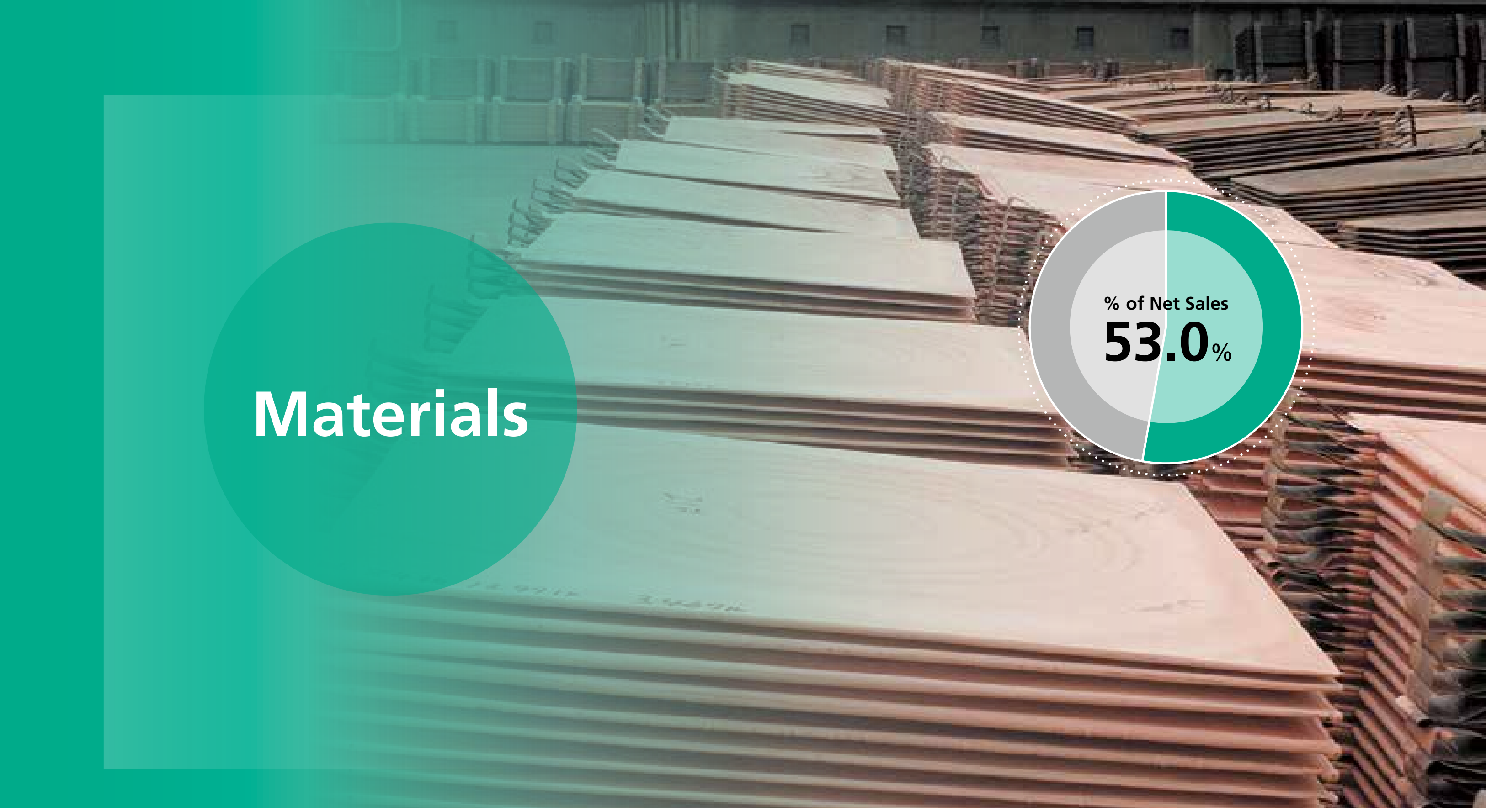
UNIC carrier



Mini crawler crane







Materials

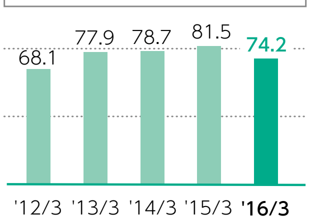

Electrolytic copper


Hibi Kyodo Smelting Co., Ltd.

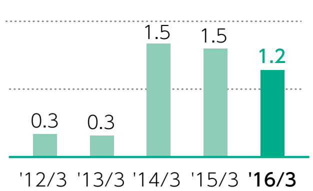

Gibraltar Copper Mine in Canada


Onahama Smelting and Refining Co., Ltd.

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Metals

After starting the year at US$6,019.50/ton in April 2015, the price of electrolytic copper fell to the US$5,000 range following resolution of the Greek debt crisis and weak stock prices around the world. As the Chinese economic slowdown became apparent after the beginning of calendar 2016, the price declined to the US$4,300 range in January, the lowest since May 2009, before finishing the fiscal year at US$4,885.50/ton on March 31, 2016. For the year, we posted a significant decline in sales of electrolytic copper amid softness in demand from the automotive, housing, and home appliance sectors and weak demand for electric cable, as well as falling prices in overseas markets.

In fiscal 2016, the Company's sales of electrolytic copper in volume terms declined 2,347 tons, to 94,327 tons. Overall sales in the Metals segment decreased 9.0%, to ¥74,193 million, and operating income fell 20.3%, to ¥1,155 million.

While purchasing conditions for copper concentrates remain highly favorable, there are also some concerns, such as deteriorating earnings of copper refining companies stemming from the strong yen, as well as increasing costs of environmental measures and rising electricity prices. We must also closely monitor nationalistic tendencies with respect to procuring raw materials.

● Copper Prices and Foreign Exchange Rates

	2012/3	2013/3	2014/3	2015/3	**2016/3**
LME copper price (average; US$/ton)	8,485	7,855	7,104	6,554	**5,215**
JPY rate per US$ (average for fiscal year)	¥79.07	¥83.10	¥100.24	¥109.93	**¥120.13**

● Copper Production and Sales Volume*

	2012/3	2013/3	2014/3	2015/3	**2016/3**
Copper production volume (tons)	76,896	90,387	87,767	90,447	**86,466**
Copper sales volume (tons)	82,597	96,789	94,966	96,675	**94,327**

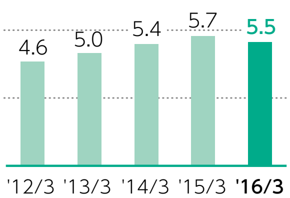
* Furukawa Metals & Resources Co., Ltd.

Electronic Materials

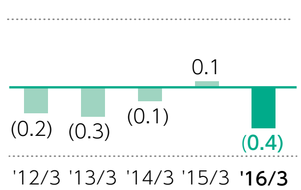
In the year under review, sales of high-purity metallic arsenic, a mainstay product in this segment, continued to struggle due to harmful rumors stemming from the Fukushima nuclear power plant accident, while sales of scintillator crystal products were also weak. Despite an increase in sales of coils, moreover, the profitability of such products fell dramatically due to surging personnel costs at overseas processing subcontractors and foreign exchange fluctuations. As a result, the Electronic Materials segment posted a 4.6% decrease in sales, to ¥5,477 million, and an operating loss of ¥368 million, compared with operating income of ¥53 million in the previous fiscal year.

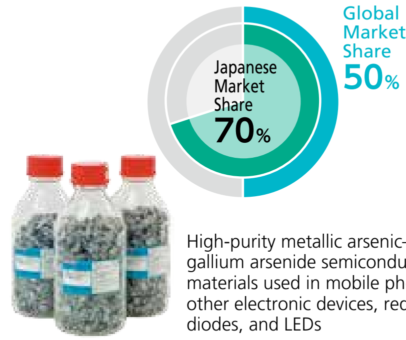
Going forward, our aim is expand sales of coils, aluminum nitride, and optical components while maintaining solid profits from our mainstay high-purity metallic arsenic and crystal businesses despite their ongoing challenges. Although the profitability of the coil business is deteriorating, the market for these products is growing due to advancements in electric-powered automobiles. We plan to grow our coil business into a major pillar supporting the Electronic Materials segment. To this end, we will reassess our production operations and target cost reductions and quality improvements, in order to return the segment to profitability.

Net Sales
(Billions of yen)



Operating Income (Loss)
(Billions of yen)





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

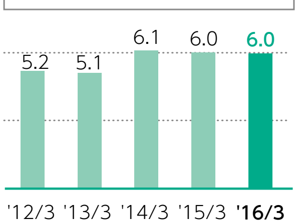
Owing to its excellent thermal conductivity, thermal radiation, and electrical insulation properties, aluminum nitride is a basic material used in semiconductor device fabrication components and substrates.

Chemicals

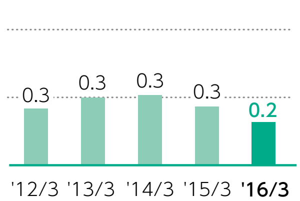
In fiscal 2016, we reported a year-on-year increase in shipments of cuprous oxide amid healthy domestic demand for its use in marine antifouling paint, a mainstay application. However, shipments of titanium oxide were weak. As a result, sales in the Chemicals segment edged down 0.7%, to ¥5,974 million, and operating income declined 26.5%, to ¥197 million.

Looking ahead, we will do our utmost to maintain equipment and operational stability by making capital investments as planned and securing appropriate human resources. We will also foster this business into a new earnings foundation by upgrading our lineup of copper-related products.

Net Sales
(Billions of yen)

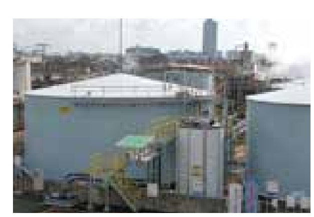


Operating Income
(Billions of yen)



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

Cupric oxide used for copper plating



Sulfuric acid

Real Estate and Others

Real Estate

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

Others

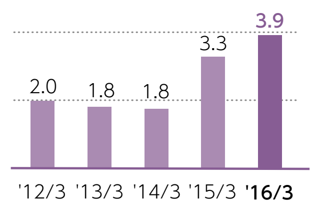
Transportation services, etc.

Real Estate and Others

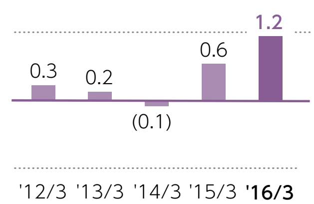
In the Real Estate category, fiscal 2016 saw the full-scale operation of our rental business associated with the Muromachi Furukawa Mitsui Building (commercial name: COREDO Muromachi 2), completed in February 2014. This boosted category sales, which grew 20.1% year on year, to ¥3,045 million. Operating income jumped 64.6%, to ¥1,277 million.

Total sales in the Real Estate and Others segment, which also includes the transport business, rose 19.5%, to ¥3,922 million, and operating income surged 86.4%, to ¥1,204 million.

Net Sales
(Billions of yen)



Operating Income (Loss)
(Billions of yen)



TOPICS

■ Launch of UR–U174C (1.73t hanging mini crawler crane)

On October 8, 2015, the Group began selling a new addition to its lineup—the UR–U174C, a 1.73t hanging mini crawler crane. The new machine can be operated with the lowest grounding pressure in its class. Compared with existing models, it features improved road surface tracking characteristics and bad-road running performance. Aligning our products to match customer needs, we will step up sales to the construction industry—mainly targeting the stone, landscaping, and construction equipment sectors—as well as the rental industry.

Mini crawler crane (working mode)

Mini crawler crane (traveling mode)

■ Opening of FRD Alps Office in Shimoina, Nagano Prefecture

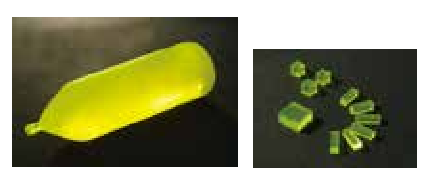
On April 2016, we opened an office in the Shimoina district of Nagano Prefecture. The office will control and coordinate sales and services related to tunnel drill jumbos, concrete sprayers, hydraulic breakers, and other machinery to be used at the front lines of tunnel construction for the Linear Chuo Shinkansen Line. In addition to equipment sales, the office will sell components, provide repairs and services, and maintain the machines. Even at the busiest stage of construction, we will provide a broad-based service infrastructure capable of swift, high-quality responses.

FRD Alps Office opened

Tunnel drill jumbo

■ Radiation detector using GAGG scintillator crystals adopted for use in monitoring posts

A radiation detector using Furukawa's gadolinium aluminum gallium garnet (GAGG) scintillator crystals was adopted for use in the monitoring posts installed around the Fukushima area, which detect levels of radiation in the environment, decontaminated soil, etc. GAGG scintillator crystals have a high-sensitivity and are non-hygroscopic, which means they have little or no tendency to absorb moisture in the air. As well, the detector is able to measure radiation levels at temperatures as low as -20°C. As the number of inquiries regarding the use of GAGG scintillator crystals is increasing not only for radiation detectors but also for medical and space applications, we will continue to work aggressively to open up new avenues for their use.



Gadolinium aluminum gallium garnet (GAGG) scintillator crystals

Monitoring post

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 Stakeholders

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

Environmental Protection and Social Contribution Activities

The protection of the environment is one of the most important management issues at the Furukawa Company Group. Our fundamental policy is that each employee should strive to perform all corporate activities in harmony with the environment, consider the improvement of the environment, and contribute to the development of a sustainable society.

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

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

Environmental Management

Environmental Management System

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

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

Environment and Safety Audits

The Furukawa Company Group conducts regular annual "Environment and Safety Audits." The aim of such audits is to emphasize "preventative measures" rather than "correctional measures." Fiscal 2016 marked the 13th year of these annual audits. In addition to regular site audits, we sought to formulate future policies and responses regarding matters previously pointed out for which response measures were not properly taken.

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.

At the Ashio Honzan Refinery

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 to the right.

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

Category	Fiscal 2018 target
CO_2 emissions*	3%
Water	2%
Waste discharge	5%

* Forms of electricity used: Gasoline, kerosene, diesel oil, heavy oil, LPG, city gas, and electricity

Highest-Level Environmental Rating Received from DBJ for Second Consecutive Year

The Development Bank of Japan Inc. (DBJ) assigns DBJ Environmental Ratings to companies receiving financing, and 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 diligent initiatives based on environmental impact analyses of each manufacturing process, including use of recycled raw materials in the electronic materials business and use of waste heat in the chemicals business. It was the second consecutive year for the Group to receive the top rating.

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.

● Seventh Ashio Cherry Tree-Planting Drive

As part of an independent forestation initiative, in March 2009 the Furukawa Company Group formed the Ashio Cherry Blossom Planting Group with the aim of planting 1,000 cherry blossom seedlings on land owned by Furukawa in Ashio-machi, 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 2016, many Group employees and their families took part in the Seventh Ashio Cherry Tree-Planting Drive.

Corporate Governance

The basic corporate governance policies of the Furukawa Company Group are to raise management transparency, continue corporate structural innovations to build an efficient management 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

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. It has six full-time members and two outside directors.

To clearly separate management oversight functions from executive functions, accelerate decision-making, and clarify responsibilities, Furukawa has adopted an executive officer system. Executive officers, who are responsible for execution of business according to business plans decided at Board of Directors' meetings, give progress reports to the Board of Directors and the Management Committee. At present, we have 11 executive officers, two 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 execution of business operations of Furukawa and its core companies, and provides a consideration and direction. Decisions made by the Management Council on important issues with large-scale financial amounts 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 a company auditor, with an Audit & Supervisory Board composed of two full-time members and two outside members. Pursuant to an audit policy formulated by the Audit & Supervisory Board, members 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 Internal Audit Department, the organization in charge of internal auditing. The Internal Audit Department is composed of six members who engage in auditing of Group-wide activity management and the execution of business operations.

The Internal Audit Department, Audit & Supervisory Board, and Accounting Auditors exchange information from time to time and interact with each other in an effort to reinforce Group-wide governance.

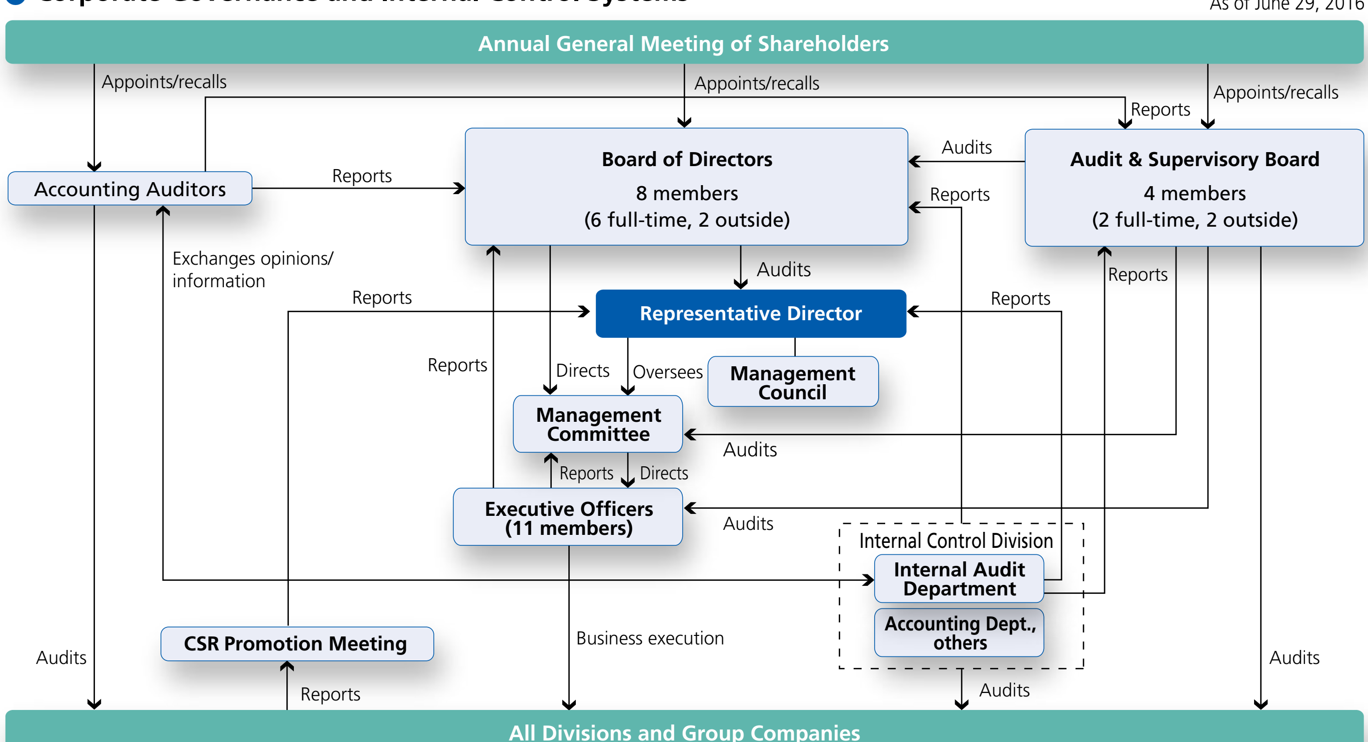
Compliance and System of Risk Management

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 executives and employees 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 29, 2016



Consolidated Six-Year Financial Summary

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

	Millions of yen					
	2016/3	2015/3	2014/3	2013/3	2012/3	2011/3
For the year:						
Net sales	**¥ 161,799**	¥ 172,544	¥ 163,026	¥ 165,540	¥ 157,566	¥ 165,638
Cost of sales	**136,447**	146,657	139,777	144,225	138,097	146,364
Gross profit	**25,352**	25,887	23,249	21,315	19,469	19,274
Selling, general and administrative expenses	**17,363**	16,962	16,363	17,952	17,314	16,453
Operating income	**7,989**	8,925	6,886	3,363	2,155	2,821
Profit (Loss) before income taxes	**6,631**	6,160	7,092	5,433	(2,663)	447
Profit (Loss) attributable to owners of parent	**5,056**	9,793	3,976	2,976	(1,659)	563
Cash flows from operating activities	**7,652**	10,241	1,983	5,491	4,978	3,743
Cash flows from investing activities	**(2,855)**	(10,892)	(3,129)	(2,253)	(3,153)	(1,644)
Cash flows from financing activities	**(8,166)**	3,318	(4,562)	252	(3,782)	(5,703)
Capital expenditures	**2,869**	2,557	11,430	2,926	3,588	2,112
Depreciation and amortization	**3,191**	3,223	2,828	3,015	3,329	3,290
Research and development expenses	**2,680**	2,227	2,539	2,559	2,622	2,225
At year-end:						
Total assets	**¥ 195,650**	¥ 207,317	¥ 199,408	¥ 186,076	¥ 193,971	¥ 196,234
Current assets	**76,315**	80,564	76,838	79,508	81,497	80,199
Current liabilities	**59,750**	63,870	73,976	74,439	74,807	70,456
Total equity	**66,459**	68,783	54,695	50,111	46,022	45,849
Net assets	**68,262**	70,581	56,313	51,507	47,668	47,622
Interest-bearing liabilities	**76,241**	82,054	77,220	80,635	85,796	89,265
Per share amounts:	Yen					
Basic earnings (loss)	**¥ 12.51**	¥ 24.23	¥ 9.84	¥ 7.37	¥ (4.11)	¥ 1.39
Cash dividends	**5.00**	5.00	3.00	2.00	0.00	0.00
Net assets	**164.48**	170.22	135.34	123.99	113.88	113.45
Profitability:	%					
Cost of sales margin (%)	**84.3**	85.0	85.7	87.1	87.6	88.4
Gross margin (%)	**15.7**	15.0	14.3	12.9	12.4	11.6
SG&A expense margin (%)	**10.7**	9.8	10.0	10.8	11.0	9.9
Operating margin (%)	**4.9**	5.2	4.2	2.0	1.4	1.7
Return on sales (%)	**3.1**	5.7	2.4	1.8	(1.1)	0.3
Efficiency and soundness:						
Return on equity (ROE) (%) (Note 1)	**7.5**	15.9	7.6	6.2	(3.6)	1.2
Return on assets (ROA) (%) (Note 2)	**2.5**	4.8	2.1	1.6	(0.9)	0.3
Debt-to-equity (D/E) ratio (Times) (Note 3)	**1.1**	1.2	1.4	1.6	1.9	1.9
Equity ratio (%) (Note 4)	**34.0**	33.2	27.4	26.9	23.7	23.4
Investment indicators:						
Dividend payout ratio (%) (Note 5)	**40.0**	20.6	30.5	27.2	—	—
Dividends on equity (DOE) ratio (%) (Note 6)	**2.9**	3.2	2.2	1.6	—	—
Price book value ratio (PBR) (Times) (Note 7)	**1.0**	1.2	1.4	0.9	0.7	0.8
Stock price at fiscal year-end (Yen)	**166**	212	186	109	80	86

Notes: 1. Return on equity (ROE) = Profit (Loss) attributable to owners of parent / Average total equity × 100

2. Return on assets (ROA) = Profit (Loss) attributable to owners of parent / 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 / Profit attributable to owners of parent × 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 2016, ended March 31, 2016, consolidated net sales totaled ¥161,799 million, down 6.2% compared with the previous fiscal year. The Industrial Machinery segment posted a 10.7% decrease in sales, to ¥14,927 million, due to completion in mid-September 2015 of soil transportation work in projects to facilitate relocation to higher ground in earthquake-affected areas. The UNIC Machinery segment recorded a 4.0% decrease in sales, ¥27,229 million, due to weak shipments of its mainstay UNIC cranes amid soft demand. The Metals segment posted a 9.0% decline in sales, to ¥74,193 million, due mainly to falling market prices of electrolytic copper. By contrast, sales in the Real Estate segment rose 20.1%, to ¥3,045 million, owing to the full-scale contribution of rental business from the Muromachi Furukawa Mitsui Building, which was completed in February 2014.

Cost of sales declined 7.0%, to ¥136,447 million, and the cost of sales margin edged down 0.7 percentage point, to 84.3%.

Selling, general and administrative (SG&A) expenses rose 2.4%, to ¥17,363 million.

As a result, operating income was down 10.5% from the previous fiscal year, to ¥7,989 million. Main contributors to earnings were the Rock Drill Machinery segment, with an 81.0% surge in operating income, to ¥2,217 million, thanks to improved overseas earnings, and the Real Estate segment with a 64.6% jump in operating income, to ¥1,277 million, thanks to full-scale contribution of rental business from the Muromachi Furukawa Mitsui Building. However, the Electronic Materials segment posted an operating loss of ¥368 million, from operating income of ¥53 million in the previous year, due to the declining profitability of coil products; the UNIC Machinery segment reported a 27.3% decrease in operating income, to ¥2,627 million; and the Industrial Machinery segment posted a 39.3% fall in operating income, to ¥1,038 million. Accordingly, the operating margin was down 0.3 percentage point, to 4.9%.

Among other income, we made a ¥309 million gain on sales of noncurrent assets and received ¥391 million in compensation income for harmful rumors stemming from the Fukushima nuclear power plant accident. Among other expenses, there was a ¥207 million impairment loss. As a result, profit before income taxes increased 7.6%, to ¥6,631 million. In the previous fiscal year, the forgiveness of debt of a consolidated subsidiary led to a decline in tax expenses. Due to the absence of such a decline in the year under review, total income taxes amounted to ¥1,467 million. As a result, loss attributable to non-controlling interests was ¥108 million, and profit attributable to owners of parent declined 48.4%, to ¥5,056 million.

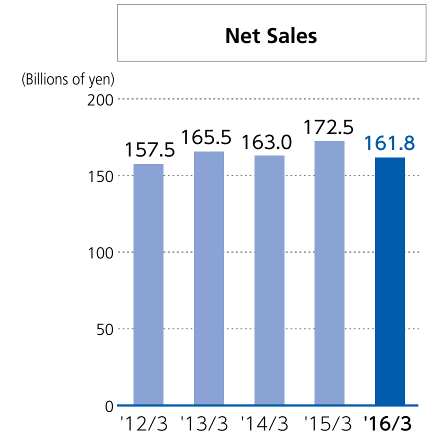
Return on equity (ROE) fell 8.4 percentage points, to 7.5%, and basic earnings per share declined from ¥24.23 to ¥12.51.

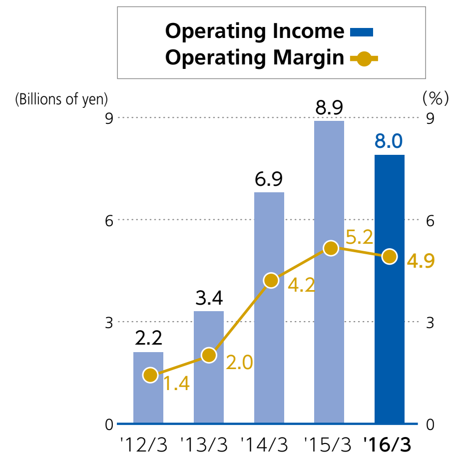
Financial Position

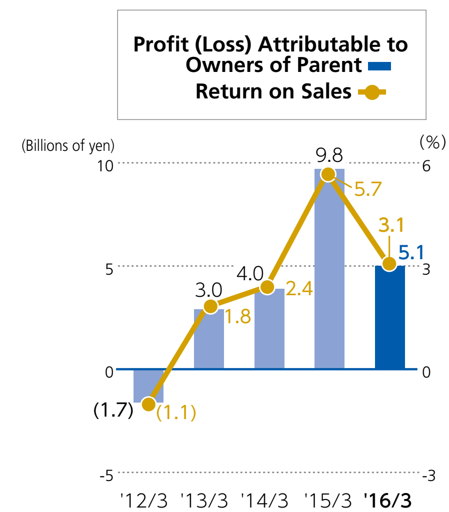
At March 31, 2016, total assets amounted to ¥195,650 million, down 5.6% from a year earlier. The decline stemmed mainly from a decrease in investment securities due to falling prices of our shareholdings.

Total liabilities declined 6.8%, to ¥127,388 million. This was due mainly to decreases in long-term debt and accrued payables. The fiscal year-end balance of interest-bearing liabilities (debt) was down 7.1%, to ¥76,241 million.

Net assets at fiscal year-end stood at ¥68,262 million, down 3.3% from a year earlier. This was mainly due to decrease in unrealized holding gain on securities, net of income taxes. Consequently, total equity amounted to ¥66,459 million, and the equity ratio rose 0.8 percentage point, to 34.0%. The debt-to-equity (D/E) ratio declined from 1.2 to 1.1 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 ¥2,680 million, up 20.3% from the previous year. Of this total, ¥77 million was allocated to the Industrial Machinery segment, ¥811 million to the Rock Drill Machinery segment, ¥350 million to the UNIC Machinery segment, ¥1,268 million to the Electronic Materials segment, and ¥172 million to the Chemicals segment.

Capital expenditures (including purchase of intangible fixed assets) amounted to ¥2,869 million. Of this total, ¥360 million was allocated to the Industrial Machinery segment, ¥424 million to the Rock Drill Machinery segment, ¥602 million to the UNIC Machinery segment, ¥291 million to the Metals segment, ¥383 million to the Electronic Materials segment, and ¥329 million to the Chemicals segment, aimed primarily at improvements in production efficiency. In addition, ¥192 million was allocated to the Real Estate segment, mainly for maintenance of buildings, and ¥285 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 edged down 1.0%, to ¥3,191 million.

The Group's capital expenditure budget is based on comprehensive consideration of various factors, including demand forecasts, production plans, and investment benefits. From the year ending March 31, 2017, the Group plans to invest a total of ¥10,700 million, mainly for the purchase of new facilities and repair of existing ones. We expect to procure these funds via borrowings and/or internal funds.

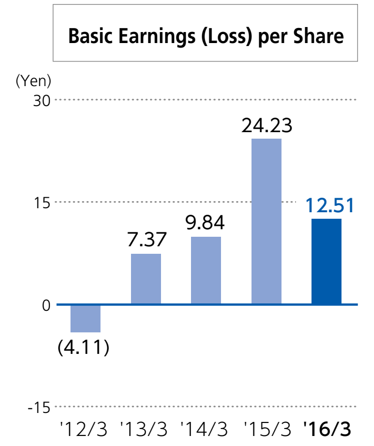
Cash Flows

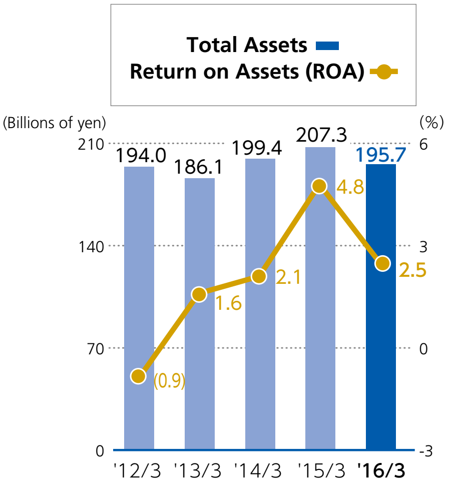
In the year under review, net cash provided by operating activities amounted to ¥7,652 million. Main factors included profit before income taxes and an increase in payables—trade.

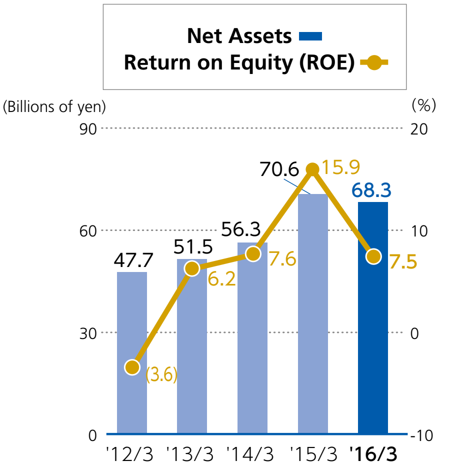
Net cash used in investing activities totaled ¥2,855 million. The primary factor was purchases of property, plant and equipment.

Net cash used in financing activities was ¥8,166 million. This was mainly due to repayments of long-term debt.

As a result, cash and cash equivalents at the end of the fiscal year totaled ¥12,163 million, down ¥3,553 million, or 22.6%, 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 2016, the Company has declared a year-end dividend of ¥5.00 per share. 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) Foreign Exchange Fluctuations

The Furukawa Company Group engages in production and sales activities in Japan and overseas, and therefore 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. While the Group utilizes foreign exchange contracts and other methods to mitigate this risk, its operating results and financial position may be adversely affected by movements in exchange rates.

(2) Fluctuations in Nonferrous Metals Markets

International prices of electrolytic copper, a mainstay product of the Group, and other nonferrous metals are decided by the London Metals Exchange (LME) in U.S. dollars to reflect international market conditions. Such prices fluctuate according to the international supply-demand balance, speculative transactions, international political and economic circumstances, and the like. The Group utilizes forward delivery transactions and other hedging techniques to minimize the impact of fluctuating LME prices. However, movements in such prices may adversely affect the Group's operating results and financial position.

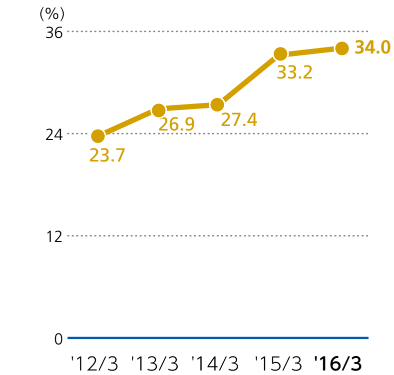
(3) Interest Rates

The Group's fiscal year-end balance of interest-bearing liabilities (debt) was ¥76,241 million, equivalent to 39.0% of total assets. Any increase in debt-related costs arising from changes in interest rates may adversely affect the Group's operating results and financial position.

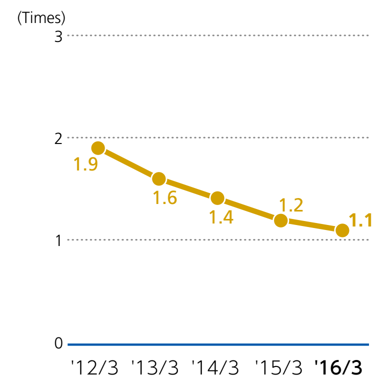
(4) Investment Securities and Land

Historically, the Furukawa Company Group has maintained relatively high balances of marketable securities and land. As of March 31, 2016, the carrying value of investment

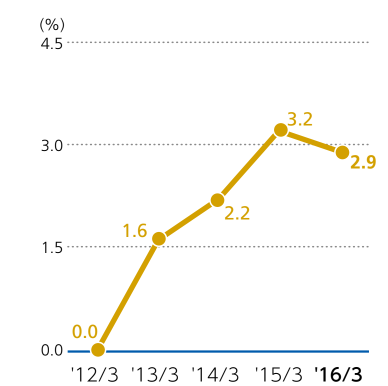
Equity Ratio



Debt-to-Equity (D/E) Ratio



Dividends on Equity (DOE) Ratio



securities as stated in the balance sheets was ¥21,620 million, while land stood at ¥55,129 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.

(5) 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 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.

(6) Earthquakes and Other Natural Disasters

Earthquakes and other natural disasters, as well as major accidents, could cause substantial damage to the Group's production facilities and procurement sources, leading to failure of its production equipment and distribution network. Such an event may prevent the Group from supplying products in a reliable manner, which could affect its operating results and financial position.

(7) 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.

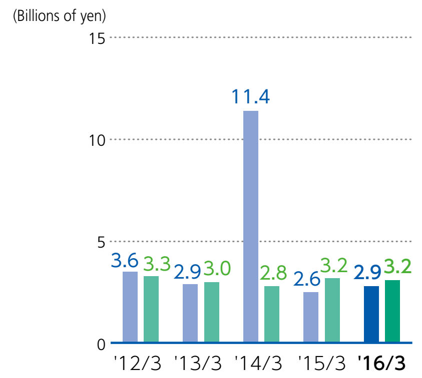
(8) Official Regulations

The Furukawa Company Group engages in business in Japan and overseas and thus is subject to legal regulations of various nations, including rules related to licensing, taxation, the environment, labor, antitrust, and security. The Group takes care to faithfully comply with such official regulations, but the formulation of new regulations or amendments to existing ones may lead to increased costs and affect the Group's business continuity, which could affect its operating results and financial position.

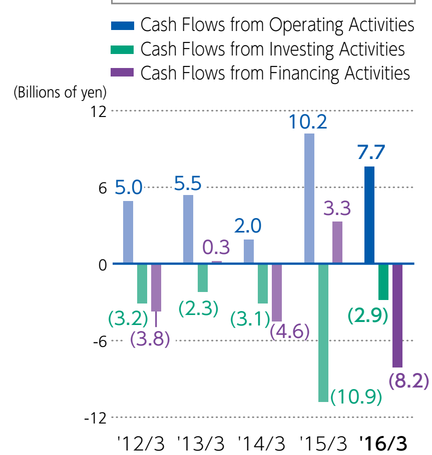
(9) Country Risk

The Furukawa Company Group conducts its production, procurement, and sales activities on a global basis in order to expand its sales network, strengthen cost-competitiveness, and reduce currency risk. Any number of local events could hamper the Group's smooth business operations. These include local political unrest, sharp economic slowdown, trade sanctions, cultural and legal differences, special labor-management relations, and terrorism. Such events could affect the Group's operating results and financial position.

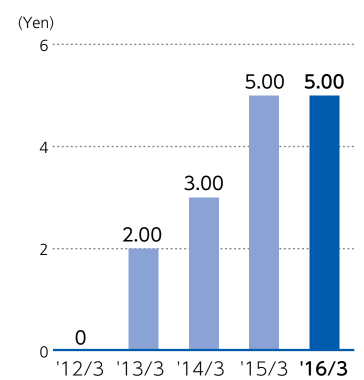
Capital Expenditures / Depreciation and Amortization



Cash Flows



Cash Dividends per Share



Financial Section

Consolidated Balance Sheets

Furukawa Co., Ltd. and consolidated subsidiaries
As of March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
ASSETS	**2016**	2015	**2016**
Current Assets:			
Cash and cash equivalents	**¥ 12,163**	¥ 15,716	**$ 107,637**
Receivables—trade	**24,702**	24,758	**218,602**
Finished products	**13,910**	14,441	**123,097**
Work in process	**7,985**	8,274	**70,664**
Raw materials and supplies	**11,987**	11,152	**106,080**
Deferred tax assets (Note 14)	**1,370**	1,563	**12,124**
Other current assets	**4,428**	4,868	**39,185**
Allowance for doubtful accounts	**(230)**	(208)	**(2,035)**
Total current assets	**76,315**	80,564	**675,354**
Property, Plant and Equipment, at Cost (Notes 6 and 19)**:**			
Land and timberlands	**56,980**	57,155	**504,247**
Buildings and structures	**52,338**	52,033	**463,168**
Machinery and equipment	**40,629**	39,488	**359,549**
Lease assets (Note 10)	**1,537**	1,571	**13,602**
Construction in progress	**242**	368	**2,142**
	151,726	150,615	**1,342,708**
Accumulated depreciation	**(66,412)**	(64,438)	**(587,717)**
Property, plant and equipment, net	**85,314**	86,177	**754,991**
Investments and Other Assets:			
Investment securities (Notes 5 and 6)	**23,971**	30,727	**212,133**
Investments in affiliates	**3,663**	4,271	**32,416**
Long-term loans receivable	**3,739**	3,106	**33,088**
Deferred tax assets (Note 14)	**1,616**	1,459	**14,301**
Other assets	**1,617**	1,728	**14,310**
Allowance for doubtful accounts	**(585)**	(715)	**(5,177)**
Total investments and other assets	**34,021**	40,576	**301,071**
Total assets	**¥ 195,650**	¥ 207,317	**$ 1,731,416**

LIABILITIES AND NET ASSETS	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 4) 2016
Current Liabilities:			
Short-term debt (Note 6)	¥ **12,656**	¥ 12,658	$ **112,000**
Current portion of long-term debt (Note 6)	**15,181**	15,751	**134,345**
Lease obligations (Note 6)	**259**	284	**2,292**
Payables—trade	**14,012**	12,099	**124,000**
Electronically recorded obligations	**7,877**	8,483	**69,708**
Income taxes payable	**361**	876	**3,195**
Deferred tax liabilities (Note 14)	**1**	0	**9**
Provision for environmental measures	**9**	—	**80**
Provision for deposition field restoration	**—**	876	**—**
Other current liabilities	**9,394**	12,843	**83,132**
Total current liabilities	**59,750**	63,870	**528,761**
Long-Term Liabilities:			
Long-term debt (Note 6)	**48,405**	53,645	**428,363**
Lease obligations (Note 6)	**526**	478	**4,655**
Provision for environmental measures	**134**	147	**1,186**
Provision for deposition field restoration	**1,526**	1,532	**13,504**
Liability for retirement benefits (Notes 13)	**8,326**	6,875	**73,681**
Deferred tax liabilities (Note 14)	**4,125**	5,377	**36,504**
Deferred tax liabilities on surplus on the revaluation of land (Note 14)	**1,831**	2,017	**16,204**
Asset retirement obligations	**214**	209	**1,894**
Other long-term liabilities	**2,551**	2,586	**22,575**
Total long-term liabilities	**67,638**	72,866	**598,566**
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	**249,628**
Retained earnings	**33,467**	30,258	**296,169**
Treasury stock, at cost:			
2016—398,486 shares	**(63)**	(58)	**(558)**
2015—373,806 shares	**—**	—	**—**
Total shareholders' equity	**61,612**	58,408	**545,239**
Accumulated other comprehensive income:			
Unrealized holding gain on securities, net of income taxes	**4,514**	9,427	**39,948**
Deferred gain (loss) on hedges	**157**	(235)	**1,389**
Surplus on the revaluation of land, net of income taxes	**3,583**	3,655	**31,708**
Translation adjustments	**543**	1,263	**4,805**
Retirement benefits liability adjustments	**(3,950)**	(3,735)	**(34,956)**
Total accumulated other comprehensive income	**4,847**	10,375	**42,894**
Subscription rights to shares	**—**	53	**—**
Non-controlling interests (Note 3)	**1,803**	1,745	**15,956**
Total net assets	**68,262**	70,581	**604,089**
Total liabilities and net assets	¥ **195,650**	¥ 207,317	$ **1,731,416**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	**2016**
Net Sales	**¥ 161,799**	¥ 172,544	**$ 1,431,850**
Cost of Sales (Note 16)	**(136,447)**	(146,657)	**(1,207,496)**
Gross profit	**25,352**	25,887	**224,354**
Selling, General and Administrative Expenses (Note 9)	**(17,363)**	(16,962)	**(153,655)**
Operating income	**7,989**	8,925	**70,699**
Other Income (Expenses):			
Interest and dividend income	**642**	536	**5,681**
Equity in earnings (losses) of affiliates	**(142)**	(921)	**(1,257)**
Interest expense	**(807)**	(913)	**(7,142)**
Other income (expenses), net (Note 17)	**(1,051)**	(1,467)	**(9,300)**
Profit before income taxes	**6,631**	6,160	**58,681**
Income Taxes (Note 14)**:**			
Current	**(1,162)**	(1,263)	**(10,283)**
Deferred	**(305)**	5,018	**(2,699)**
Total income taxes	**(1,467)**	3,755	**(12,982)**
Profit	**5,164**	9,915	**45,699**
Profit Attributable to Non-controlling Interests	**(108)**	(122)	**(956)**
Profit Attributable to Owners of Parent	**¥ 5,056**	¥ 9,793	**$ 44,743**

	Yen		U.S. dollars (Note 4)
Basic Earnings per Share:			
Basic	**¥ 12.51**	¥ 24.23	**$ 0.11**
Diluted	**—**	23.84	**—**
Net Assets per Share	**164.48**	170.22	**1.46**

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, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	**2016**
Profit	**¥ 5,164**	¥ 9,915	**$ 45,699**
Other Comprehensive Income (Loss):			
Unrealized holding gain (loss) on securities, net of income taxes	**(4,918)**	3,545	**(43,522)**
Deferred gain (loss) on hedges	**393**	(251)	**3,478**
Surplus on the revaluation of land	**103**	206	**912**
Translation adjustments	**(281)**	2,090	**(2,487)**
Retirement benefits liability adjustments	**(215)**	96	**(1,903)**
Share of other comprehensive income (loss) of associates accounted for using equity method	**(470)**	178	**(4,159)**
Total other comprehensive (loss) income (Note 8)	**(5,388)**	5,864	**(47,681)**
Comprehensive Income (Loss)	**(224)**	15,779	**(1,982)**
Comprehensive Income (Loss) Attributable to:			
Owners of parent	**(298)**	15,606	**(2,637)**
Non-controlling interests	**74**	173	**655**

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, 2016 and 2015

For the year ended March 31, 2016

		Millions of yen			
		Shareholders' equity			
	Number of shares of common stock (thousands)	Common stock	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at beginning of year	404,456	¥ 28,208	¥ 30,258	¥ (58)	¥ 58,408
Cumulative effects of changes in accounting principle	—	—	—	—	—
Restated balance at beginning of year	404,456	28,208	30,258	(58)	58,408
Cash dividends paid	—	—	**(2,020)**	—	**(2,020)**
Profit attributable to owners of parent	—	—	**5,056**	—	**5,056**
Purchase of treasury stock	—	—	—	**(5)**	**(5)**
Reversal of surplus on the revaluation of land	—	—	**173**	—	**173**
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	**(0)**	—	**(0)**
Net change during the year	—	—	—	—	—
Balance at end of year	**404,456**	**¥ 28,208**	**¥ 33,467**	**¥ (63)**	**¥ 61,612**

For the year ended March 31, 2016

	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	Non-controlling interests	Total net assets
Balance at beginning of year	¥ 9,427	¥ (235)	¥ 3,655	¥ 1,263	¥ (3,735)	¥ 10,375	¥ 53	¥ 1,745	¥70,581
Cumulative effects of changes in accounting principle	—	—	—	—	—	—	—	—	—
Restated balance at beginning of year	9,427	(235)	3,655	1,263	(3,735)	10,375	53	1,745	70,581
Cash dividends paid	—	—	—	—	—	—	—	—	**(2,020)**
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	**5,056**
Purchase of treasury stock	—	—	—	—	—	—	—	—	**(5)**
Reversal of surplus on the revaluation of land	—	—	—	—	—	—	—	—	**173**
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	—	—	**(0)**
Net change during the year	**(4,913)**	**392**	**(72)**	**(720)**	**(215)**	**(5,528)**	**(53)**	**58**	**(5,523)**
Balance at end of year	**¥ 4,514**	**¥ 157**	**¥ 3,583**	**¥ 543**	**¥ (3,950)**	**¥ 4,847**	**¥ —**	**¥ 1,803**	**¥68,262**

For the year ended March 31, 2015

		Millions of yen			
		Shareholders' equity			
	Number of shares of common stock (thousands)	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	—	—	(296)	—	(296)
Restated balance at beginning of year	404,456	28,208	21,621	(48)	49,781
Cash dividends paid	—	—	(1,212)	—	(1,212)
Profit attributable to owners of parent	—	—	9,793	—	9,793
Purchase of treasury stock	—	—	—	(10)	(10)
Reversal of surplus on the revaluation of land	—	—	56	—	56
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—
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 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	Non-controlling 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	—	—	—	—	—	—	—	—	(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)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	9,793
Purchase of treasury stock	—	—	—	—	—	—	—	—	(10)
Reversal of surplus on the revaluation of land	—	—	—	—	—	—	—	—	56
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	—	—	—
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, 2016

	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	$ 249,628	$ 267,770	$ (513)	$ 516,885
Cumulative effects of changes in accounting principle	—	—	—	—
Restated balance at beginning of year	249,628	267,770	(513)	516,885
Cash dividends paid	—	**(17,876)**	—	**(17,876)**
Profit attributable to owners of parent	—	**44,743**	—	**44,743**
Purchase of treasury stock	—	—	**(45)**	**(45)**
Reversal of surplus on the revaluation of land	—	**1,532**	—	**1,532**
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	**(0)**	—	**(0)**
Net change during the year	—	—	—	—
Balance at end of year	**$ 249,628**	**$ 296,169**	**$ (558)**	**$ 545,239**

The accompanying notes are an integral part of these statements.

For the year ended March 31, 2016

	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	Non-controlling interests	Total net assets
Balance at beginning of year	$ 83,425	$ (2,080)	$ 32,345	$ 11,177	$ (33,053)	$ 91,814	$ 469	$15,442	$624,611
Cumulative effects of changes in accounting principle	—	—	—	—	—	—	—	—	—
Restated balance at beginning of year	83,425	(2,080)	32,345	11,177	(33,053)	91,814	469	15,442	624,611
Cash dividends paid	—	—	—	—	—	—	—	—	**(17,876)**
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	**44,743**
Purchase of treasury stock	—	—	—	—	—	—	—	—	**(45)**
Reversal of surplus on the revaluation of land	—	—	—	—	—	—	—	—	**1,532**
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	—	—	**(0)**
Net change during the year	**(43,477)**	**3,469**	**(637)**	**(6,372)**	**(1,903)**	**(48,920)**	**(469)**	**514**	**(48,876)**
Balance at end of year	**$ 39,948**	**$ 1,389**	**$ 31,708**	**$ 4,805**	**$ (34,956)**	**$ 42,894**	**$ —**	**$15,956**	**$604,089**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Operating Activities:			
Profit before income taxes	¥ **6,631**	¥ 6,160	$ **58,681**
Foreign exchange (gains) losses	**196**	(271)	**1,735**
Depreciation and amortization	**3,191**	3,223	**28,238**
Equity in losses of affiliates	**142**	921	**1,257**
Impairment loss	**207**	71	**1,832**
Increase in net defined benefit liability	**1,321**	1,251	**11,690**
Gain on sales of property, plant and equipment	**(230)**	(116)	**(2,035)**
Compensation income	**(391)**	(819)	**(3,460)**
Gain on transfer of business	**—**	(530)	**—**
Increase (Decrease) in provision for deposition field restoration	**(883)**	2,409	**(7,814)**
Interest and dividend income	**(642)**	(536)	**(5,681)**
Interest expense	**807**	913	**7,142**
Changes in operating assets and liabilities:			
Receivables—trade	**(576)**	2,329	**(5,097)**
Inventories	**(396)**	(188)	**(3,504)**
Payables—trade	**2,409**	(1,716)	**21,318**
Other	**(3,423)**	891	**(30,293)**
Subtotal	**8,363**	13,992	**74,009**
Interest and dividends received	**626**	529	**5,540**
Interest paid	**(816)**	(933)	**(7,221)**
Income taxes paid	**(2,258)**	(4,166)	**(19,982)**
Income taxes refunded	**1,346**	—	**11,911**
Compensation received	**391**	819	**3,460**
Net cash provided by operating activities	**7,652**	10,241	**67,717**
Investing Activities:			
Purchases of property, plant and equipment	**(2,575)**	(10,007)	**(22,787)**
Proceeds from sales of property, plant and equipment	**478**	274	**4,230**
Purchases of investment securities	**(6)**	(1,065)	**(53)**
Increase in long-term loans receivables	**(789)**	(698)	**(6,982)**
Proceeds from transfer of business	**—**	548	**—**
Other	**37**	56	**327**
Net cash used in investing activities	**(2,855)**	(10,892)	**(25,265)**
Financing Activities:			
Proceeds from long-term debt	**10,000**	22,785	**88,496**
Repayment of long-term debt	**(15,746)**	(17,861)	**(139,345)**
Proceeds from short-term debt	**6,324**	14,226	**55,965**
Repayment of short-term debt	**(6,326)**	(14,316)	**(55,982)**
Cash dividends paid	**(2,014)**	(1,209)	**(17,823)**
Repayment of finance lease obligations	**(318)**	(304)	**(2,814)**
Other	**(86)**	(3)	**(762)**
Net cash provided by (used in) financing activities	**(8,166)**	3,318	**(72,265)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(184)**	315	**(1,629)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(3,553)**	2,982	**(31,442)**
Cash and Cash Equivalents at Beginning of Year	**15,716**	12,734	**139,079**
Cash and Cash Equivalents at End of Year	¥ **12,163**	¥ 15,716	$ **107,637**

The accompanying notes are an integral part of these statements.

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2016 and 2015

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, 2016. The consolidated financial statements included the accounts of the Company and 37 subsidiaries as of March 31, 2016.

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, 2016 and 2015. 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	2 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) Retirement Benefits

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

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

Prior service cost is being amortized as incurred by the straight-line method over periods (mainly 15 years), which are shorter than the average remaining years of service of the employees.

(10) Surplus on the Revaluation of Land

Pursuant to the "Law Concerning the Revaluation of Land," land used for the Company's business operations was revalued on March 31, 2002. The income tax effect of the difference between the book value and the revalued amount has been presented under liabilities as "Deferred tax liabilities on surplus on the revaluation of land" and the remaining balance has been presented under net assets as "Surplus on the revaluation of land, net of income taxes" in the accompanying consolidated balance sheets. Revaluation of land was determined based on the official notice prices published by the Commissioner of the National Tax Authorities in accordance with Paragraph 4, Article 2 of the "Enforcement Ordinance Concerning Land Revaluation," with relevant adjustments. The carrying value of the land after revaluation exceeded its fair value by ¥1,793 million ($15,867 thousand) and ¥1,855 million as of March 31, 2016 and 2015, respectively.

(11) Income Taxes

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

(12) Amounts per Share

Basic earnings per share is computed based on the profit 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 non-controlling interests and the number of common stock outstanding at the year-end.

(13) Foreign Currency Translation

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

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding non-controlling 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 non-controlling interests in the consolidated financial statements.

(14) Hedging Activities

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

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

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

(15) Shareholders' Equity

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

3. Accounting Changes

The Company adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of September 13, 2013), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 of September 13, 2013) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 of September 13, 2013) effective from April 1, 2015. As a result, under these revised accounting standards, the accounting treatment for any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary was revised. In addition, the presentation method of profit attributable to owners of parent was amended, the reference to "minority interests" was changed to "non-controlling interests."

The cumulative impact of the retroactive application of the new accounting policies over all past periods at April 1, 2015 was reflected in capital surplus and retained earnings.

The effect of this change on retained earnings and net assets per share as of March 31, 2016 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 ¥113=US$1.00, the exchange rate prevailing on March 31, 2016. 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, 2016 and 2015 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2016			**2016**		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Listed stocks	**¥ 18,677**	**¥ 12,434**	**¥ 6,243**	**$ 165,283**	**$ 110,035**	**$ 55,248**
Government bonds	**—**	**—**	**—**	**—**	**—**	**—**
Corporate bonds	**—**	**—**	**—**	**—**	**—**	**—**
	18,677	**12,434**	**6,243**	**165,283**	**110,035**	**55,248**
Securities whose carrying value does not exceed their acquisition cost:						
Listed stocks	**2,944**	**3,455**	**(511)**	**26,053**	**30,575**	**(4,522)**
Government bonds	**—**	**—**	**—**	**—**	**—**	**—**
Corporate bonds	**—**	**—**	**—**	**—**	**—**	**—**
	2,944	**3,455**	**(511)**	**26,053**	**30,575**	**(4,522)**
Total	**¥ 21,621**	**¥ 15,889**	**¥ 5,732**	**$ 191,336**	**$ 140,610**	**$ 50,726**

	Millions of yen		
	2015		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Listed stocks	¥ 25,058	¥ 12,295	¥ 12,763
Government bonds	—	—	—
Corporate bonds	—	—	—
	25,058	12,295	12,763
Securities whose carrying value does not exceed their acquisition cost:			
Listed stocks	3,319	3,588	(269)
Government bonds	—	—	—
Corporate bonds	—	—	—
	3,319	3,588	(269)
Total	¥ 28,377	¥ 15,883	¥ 12,494

Gain on sales of securities classified as other securities with aggregate gains for the years ended March 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Sales proceeds	**¥ 0**	¥ 3	**$ 0**
Aggregate gains	**0**	1	**0**
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 0.5% as of March 31, 2016 and 2015, respectively.

Long-term debt as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Loans, principally from banks, insurance companies and government agencies, most of which are secured, due 2017 to 2031	**¥ 63,586**	¥ 69,396	**$ 562,708**
	63,586	69,396	**562,708**
Current portion of long-term debt	**(15,181)**	(15,751)	**(134,345)**
	¥ 48,405	¥ 53,645	**$ 428,363**

The average interest rates applicable to the above debt amounting to ¥63,586 million ($562,708 thousand) and ¥69,396 million were 0.8% and 0.8% as of March 31, 2016 and 2015, respectively.

The aggregate annual maturities of long-term debt subsequent to March 31, 2016 are as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31,	**2016**	
2017	**¥ 15,181**	**$ 134,345**
2018	**13,110**	**116,018**
2019	**26,430**	**233,893**
2020	**6,318**	**55,912**
2021	**1,827**	**16,168**
2022 and thereafter	**720**	**6,372**
	¥ 63,586	**$ 562,708**

Lease obligations as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Lease obligations due 2016 to 2021	**¥ 785**	¥ 762	**$ 6,947**
	785	762	**6,947**
Current portion of lease obligations	**(259)**	(284)	**(2,292)**
	¥ 526	¥ 478	**$ 4,655**

The aggregate annual maturities of lease obligations subsequent to March 31, 2016 are as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31,	**2016**	
2017	**¥ 259**	**$ 2,292**
2018	**188**	**1,664**
2019	**150**	**1,327**
2020	**121**	**1,071**
2021	**67**	**593**
	¥ 785	**$ 6,947**

The Company and certain consolidated subsidiaries have entered into overdraft and loan commitment agreements amounting to ¥35,092 million ($310,549 thousand) with 23 banks and ¥35,092 million with 23 banks as of March 31, 2016 and 2015, respectively. The borrowings outstanding and the unused balances under these credit facilities amounted to ¥12,656 million ($112,000 thousand) and ¥22,436 million ($198,549 thousand), respectively, as of March 31, 2016, and amounted to ¥12,656 million and ¥22,436 million, respectively, as of March 31, 2015.

Assets pledged as collateral and liabilities with collateral pledged as of March 31, 2016 and 2015 were as follows:

(a) Assets pledged as collateral

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Investment securities	**¥ 237**	¥ —	**$ 2,097**
Property, plant and equipment, net	**1,510**	1,656	**13,363**
	¥ 1,747	¥ 1,656	**$ 15,460**

(b) Liabilities with collateral pledged

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Long-term debt (including current portion)	**¥ 1,010**	¥ 932	**$ 8,938**

7. Net Assets

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

	Thousands of shares			
	As of March 31, 2015	Increase	Decrease	As of March 31, 2016
Shares issued:				
Common stock	404,455	—	—	404,455
Total	404,455	—	—	404,455
Treasury stock:				
Common stock (Note)	374	24	—	398
Total	374	24	—	398

Note: The increase of 24 thousand shares of equity in treasury stock was due to the purchase of shares of less than a standard unit.

(2) Subscription rights to shares

			Thousands of shares				Millions of yen
			Number of shares subject to be issued upon exercise of rights				
Attribution	Details of subscription rights to shares	Type of shares to be issued upon exercise of rights	As of March 31, 2015	Increase	Decrease	As of March 31, 2016	Balance as of March 31, 2016
Parent company	Subscription rights to shares due 2016	Common stock	100,000	—	—	100,000	¥ —
Total			100,000	—	—	100,000	—

8. Other Comprehensive Income

Reclassification adjustment and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unrealized holding gain (loss) on securities:			
Amounts arising during the year	**¥ (6,762)**	¥ 4,600	**$ (59,841)**
Reclassification adjustments for gains and losses included in profit	**—**	—	**—**
Amounts before tax effect	**(6,762)**	4,600	**(59,841)**
Tax effect	**1,844**	(1,055)	**16,319**
Unrealized holding gain (loss) on securities	**(4,918)**	3,545	**(43,522)**
Deferred gain (loss) on hedges:			
Amounts arising during the year	**1,153**	(2,201)	**10,204**
Adjustment on the acquisition cost of assets	**(601)**	1,853	**(5,319)**
Amounts before tax effect	**552**	(348)	**4,885**
Tax effect	**(159)**	97	**(1,407)**
Deferred gain (loss) on hedges	**393**	(251)	**3,478**
Surplus on the revaluation of land, net of income taxes:			
Tax effect	**103**	206	**912**
Translation adjustments:			
Amounts arising during the year	**(281)**	2,090	**(2,487)**
Retirement benefits liability adjustments:			
Amounts arising during the year	**(1,190)**	(557)	**(10,531)**
Reclassification adjustments for gains and losses included in profit	**1,057**	1,037	**9,354**
Amounts before tax effect	**(133)**	480	**(1,177)**
Tax effect	**(82)**	(384)	**(726)**
Retirement benefits liability adjustments	**(215)**	96	**(1,903)**
Share of other comprehensive income (loss) of associates accounted for using equity method:			
Amounts arising during the year	**(423)**	250	**(3,743)**
Reclassification adjustments for gains and losses included in profit	**(47)**	(72)	**(416)**
Share of other comprehensive income (loss) of associates accounted for using equity method	**(470)**	178	**(4,159)**
Total other comprehensive income (loss)	**¥ (5,388)**	¥ 5,864	**$ (47,681)**

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, 2016 and 2015 amounted to ¥2,680 million ($23,717 thousand) and ¥2,227 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 and equipment) 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, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Acquisition costs	**¥ —**	¥ 332	**$ —**
Accumulated depreciation	**—**	318	**—**
Net carrying value	**¥ —**	¥ 14	**$ —**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥14 million ($124 thousand) and ¥148 million for the years ended March 31, 2016 and 2015, 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, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Within one year	**¥ —**	¥ 14	**$ —**
Over one year	**—**	—	**—**
	¥ —	¥ 14	**$ —**

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 the commodity price of inventories. Information regarding the method of hedge accounting, hedging instruments, hedged items, hedging policy and the assessment of effectiveness of hedging activities is found in "(14) Hedging Activities" in "2. Summary of Significant Accounting Policies."

(3) Risk management for financial instruments

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

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

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

(b) Monitoring of market 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 place, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in "12. Derivative Transactions" are not necessarily indicative of the actual market risk involved in derivative transactions.

2. Estimated fair value of financial instruments

Carrying value of financial instruments on the consolidated balance sheets as of March 31, 2016 and 2015 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		
	2016			2016		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets:						
(1) Cash and cash equivalents	**¥ 12,163**	**¥ 12,163**	**¥ —**	**$ 107,637**	**$ 107,637**	**$ —**
(2) Receivables—trade	**24,702**	**24,702**	**—**	**218,602**	**218,602**	**—**
(3) Investment securities	**21,621**	**21,621**	**—**	**191,336**	**191,336**	**—**
Total assets	**58,486**	**58,486**	**—**	**517,575**	**517,575**	**—**
Liabilities:						
(1) Payables—trade	**¥ 14,012**	**¥ 14,012**	**¥ —**	**$ 124,000**	**$ 124,000**	**$ —**
(2) Electronically recorded obligations	**7,877**	**7,877**	**—**	**69,708**	**69,708**	**—**
(3) Short-term debt (*1)	**12,656**	**12,656**	**—**	**112,000**	**112,000**	**—**
(4) Long-term debt (*1)	**63,585**	**63,906**	**321**	**562,699**	**565,540**	**2,841**
Total liabilities	**98,130**	**98,451**	**321**	**868,407**	**871,248**	**2,841**
Derivatives (*2)	**¥ 248**	**¥ 248**	**¥ —**	**$ 2,195**	**$ 2,195**	**$ —**

	Millions of yen		
	2015		
	Carrying value	Estimated fair value	Difference
Assets:			
(1) Cash and cash equivalents	¥ 15,716	¥ 15,716	¥ —
(2) Receivables—trade	24,758	24,758	—
(3) Investment securities	28,377	28,377	—
Total assets	68,851	68,851	—
Liabilities:			
(1) Payables—trade	¥ 12,099	¥ 12,099	¥ —
(2) Electronically recorded obligations	8,483	8,483	—
(3) Short-term debt (*1)	12,658	12,658	—
(4) Long-term debt (*1)	69,395	69,395	160
Total liabilities	102,635	102,635	160
Derivatives (*2)	¥ (304)	¥ (304)	¥ —

(*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, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unlisted stocks	**¥ 6,014**	¥ 6,621	**$ 53,221**

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, 2016 and 2015 are as follows:
For the year ended March 31, 2016

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	**¥ 12,048**	**¥ —**	**¥ —**	**¥ —**
Receivables—trade	**24,702**	**—**	**—**	**—**
Investment securities:				
Other securities with maturity:				
(1) Bonds (Municipal bonds)	**—**	**—**	**—**	**—**
(2) Bonds (Corporate bonds)	**—**	**—**	**—**	**—**
Total	**¥ 36,750**	**¥ —**	**¥ —**	**¥ —**

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	¥ —	¥ —	¥ —
Receivables—trade	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, 2016

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	**$ 106,619**	**$ —**	**$ —**	**$ —**
Receivables—trade	**218,602**	**—**	**—**	**—**
Investment securities:				
Other securities with maturity:				
(1) Bonds (Municipal bonds)	**—**	**—**	**—**	**—**
(2) Bonds (Corporate bonds)	**—**	**—**	**—**	**—**
Total	**$ 325,221**	**$ —**	**$ —**	**$ —**

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 as of March 31, 2016 and 2015 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, 2016		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	Accounts receivable	**¥ 248**	**—**	**¥ 17**
	EUR	Accounts receivable	**56**	**—**	**2**
	U.S. dollars	Accounts payable	**6,820**	**—**	**268**
Allocation method	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	Accounts receivable	**¥ 311**	**—**	**(*)**
	EUR	Accounts receivable	**349**	**—**	**(*)**
	Buy:				
	U.S. dollars	Accounts payable	**¥ 2,681**	**—**	**(*)**

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	—	(*)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2016		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	Accounts receivable	**$ 2,195**	**—**	**$ 150**
	EUR	Accounts receivable	**496**	**—**	**18**
	U.S. dollars	Accounts payable	**60,354**	**—**	**2,372**
Allocation method	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	Accounts receivable	**$ 2,752**	**—**	**(*)**
	EUR	Accounts receivable	**3,088**	**—**	**(*)**
	Buy:				
	U.S. dollars	Accounts payable	**$ 23,726**	**—**	**(*)**

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, 2016 Contract amounts	Maturing after one year	Fair value
Special accounting procedure for interest rate swap	Receive/floating and pay/fixed	Long-term debt	**¥ 26,304**	**¥ 20,791**	**(*)**

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	(*)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2016 Contract amounts	Maturing after one year	Fair value
Special accounting procedure for interest rate swap	Receive/floating and pay/fixed	Long-term debt	**$ 232,779**	**$ 183,991**	**(*)**

(*) 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, 2016 Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell:				
	Copper	Raw material	**¥ —**	**¥ —**	**¥ —**
	Buy:				
	Copper	Raw material	**526**	**67**	**(39)**

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	—	—	—

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2016 Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell:				
	Copper	Raw material	**$ —**	**$ —**	**$ —**
	Buy:				
	Copper	Raw material	**4,655**	**593**	**(345)**

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

(*) Since some of the short position trades are dependent on copper price at the time when copper will be received, contract amount and the fair value as of March 31, 2016 and 2015 does not exist and is not disclosed.

13. Retirement Benefit Plans

For the year ended March 31, 2016

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, 2016 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2016	**2016**
Retirement benefit obligation at April 1, 2015	**¥ 17,937**	**$ 158,735**
Service cost	**872**	**7,717**
Interest cost	**206**	**1,823**
Actuarial loss	**1,523**	**13,478**
Retirement benefits paid	**(873)**	**(7,726)**
Exchange translation adjustment	**(3)**	**(27)**
Other	**—**	**—**
Retirement benefit obligation at March 31, 2016	**¥ 19,662**	**$ 174,000**

The changes in plan assets during the year ended March 31, 2016 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2016	**2016**
Plan assets at April 1, 2015	**¥ 11,063**	**$ 97,902**
Expected return on plan assets	**80**	**708**
Actual loss	**473**	**4,186**
Contributions by the Company	**572**	**5,062**
Retirement benefits paid	**(851)**	**(7,531)**
Exchange translation adjustment	**0**	**0**
Others	**—**	**—**
Plan assets at March 31, 2016	**¥ 11,337**	**$ 100,327**

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2016 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen	Thousands of U.S. dollars
	2016	**2016**
Funded retirement benefit obligation	**¥ 19,063**	**$ 168,699**
Plan assets at fair value	**(11,337)**	**(100,327)**
	7,726	**68,372**
Unfunded retirement benefit obligation	**600**	**5,309**
Net liability for retirement benefits in the balance sheet	**8,326**	**73,681**
Liability for retirement benefits	**8,326**	**73,681**
Net liability for retirement benefits in the balance sheet	**¥ 8,326**	**$ 73,681**

The components of retirement benefit expense for the year ended March 31, 2016 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2016	**2016**
Service cost	**¥ 872**	**$ 7,717**
Interest cost	**206**	**1,823**
Expected return on plan assets	**(80)**	**(708)**
Amortization of prior service cost	**26**	**230**
Amortization of actuarial loss	**1,031**	**9,124**
Retirement benefit expense	**¥ 2,055**	**$ 18,186**

Note: Retirement benefit expense 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, 2016 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2016	**2016**
Prior service cost	**¥ 26**	**$ 230**
Actuarial loss	**(159)**	**(1,407)**
Total	**¥ (133)**	**$ (1,177)**

Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2016 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2016	**2016**
Unrecognized prior service cost	**¥ 143**	**$ 1,265**
Unrecognized actuarial loss	**5,122**	**45,328**
Total	**¥ 5,265**	**$ 46,593**

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2016 are as follows:

	2016
Bonds	**22%**
Stocks	**64%**
Cash on hand and in banks	**2%**
Other	**12%**
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 0.3%
Expected rates of return on plan assets	mainly 2.0%
Expected rates of salary increase	3.7%–5.3%

Defined contribution plan
The amount which a consolidated subsidiary has contributed or is obligated to contribute to the plan for the fiscal year is ¥12 million ($106 thousand).

The changes in the retirement benefit obligation during the year ended March 31, 2015 are as follows:

	Millions of yen
	2015
Retirement benefit obligation at April 1, 2014	¥ 16,192
Cumulative effects of changes in accounting principle	460
Restated balance at April 1, 2014	16,652
Service cost	855
Interest cost	259
Actuarial loss	723
Retirement benefits paid	(816)
Exchange translation adjustment	258
Other	6
Retirement benefit obligation at March 31, 2015	¥ 17,937

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

	Millions of yen
	2015
Plan assets at April 1, 2014	¥ 10,520
Expected return on plan assets	180
Actual loss	269
Contributions by the Company	451
Retirement benefits paid	(553)
Exchange translation adjustment	196
Others	—
Plan assets at March 31, 2015	¥ 11,063

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:

	Millions of yen
	2015
Funded retirement benefit obligation	¥ 17,343
Plan assets at fair value	(11,063)
	6,280
Unfunded retirement benefit obligation	595
Net liability for retirement benefits in the balance sheet	6,875
Liability for retirement benefits	6,875
Net liability for retirement benefits in the balance sheet	¥ 6,875

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

	Millions of yen 2015
Service cost	¥ 855
Interest cost	259
Expected return on plan assets	(180)
Amortization of prior service cost	28
Amortization of actuarial loss	1,009
Retirement benefit expense	¥ 1,971

Note:
Retirement benefit expense 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 2015
Prior service cost	¥ 28
Actuarial loss	453
Total	¥ 481

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:

	Millions of yen 2015
Unrecognized prior service cost	¥ 169
Unrecognized actuarial loss	4,964
Total	¥ 5,133

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.

14. Income Taxes

The reconciliation between the effective tax rates reflected in the consolidated statements of income and the statutory tax rates for the years ended March 31, 2016 and 2015 were summarized as follows :

	2016	2015
Statutory tax rate	**33.1%**	35.6%
Non-deductible expenses for tax purposes	**0.6**	0.6
Non-taxable dividends and other income	**(0.6)**	(1.0)
Tax deduction such as R&D expenses	**(2.3)**	(0.0)
Inhabitants' per capital tax	**1.2**	1.3
Equity in earnings and losses of affiliates	**0.7**	5.3
Amortization of goodwill and negative goodwill	**—**	0.2
Changes in valuation allowance	**(6.6)**	(100.3)
Different tax rates applied to subsidiaries	**1.9**	0.7
Decrease in differed tax liability due to the revision of statutory income tax rate	**(4.4)**	(4.3)
Other	**(1.5)**	1.0
Effective tax rate	**22.1%**	(60.9)%

Deferred tax assets and liabilities as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax assets:			
Liability for retirement benefits	**¥ 7,533**	¥ 7,616	**$ 66,664**
Investment securities	**2,168**	1,855	**19,186**
Net operating loss carryforwards	**7,199**	8,657	**63,708**
Land	**1,866**	1,972	**16,513**
Provision for deposition field restoration	**471**	765	**4,168**
Other	**989**	1,418	**8,752**
Total gross deferred tax assets	**20,226**	22,283	**178,991**
Valuation allowance	**(8,658)**	(9,522)	**(76,619)**
Total deferred tax assets	**11,568**	12,761	**102,372**
Deferred tax liabilities:			
Statutory reserves provided for tax purposes	**(1,272)**	(1,344)	**(11,257)**
Gain from establishment of trust for retirement benefit plans	**(3,020)**	(3,189)	**(26,726)**
Land	**(7,021)**	(7,399)	**(62,133)**
Unrealized holding gain on securities	**(1,212)**	(3,056)	**(10,726)**
Other	**(183)**	(128)	**(1,618)**
Total deferred tax liabilities	**(12,708)**	(15,116)	**(112,460)**
Net deferred tax liabilities	**¥ (1,140)**	¥ (2,355)	**$ (10,088)**
Deferred tax liabilities on surplus on the revaluation of land	**¥ (1,831)**	¥ (2,017)	**$ (16,204)**

The "Act to partially revise the Income Tax Act and Others" (Act No.15 of 2016) and the "Act to partially revise the Local Tax Act and Others" (Act No.13 of 2016) were enacted on March 31, 2016. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 32.3% to 30.9% and 30.6% for the temporary differences expected to be realized or settled in the year beginning April 1, 2016 and 2017, and for the temporary differences expected to be realized or settled from April 1, 2018, 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 ¥290 million ($2,566 thousand), deferred income tax by ¥294 million ($2,602 thousand) and retirement benefits liability adjustments by ¥74 million ($655 thousand), respectively, and increase deferred gains (losses) on hedges by ¥2 million ($18 thousand) and unrealized holding gain on securities, net of income taxes by ¥68 million ($602 thousand). Also, deferred tax liabilities on surplus on the revaluation of land decreased by ¥103 million ($912 thousand) and surplus on the revaluation of land, net of income taxes increased by the same amount.

15. Contingent Liabilities

Contingent liabilities as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Notes receivable discounted and endorsed	**¥ 154**	¥ 254	**$ 1,363**
Loans guaranteed	**962**	1,941	**8,513**
Repurchase obligation of the securitization of receivables	**1,484**	2,059	**13,133**

16. Write-Down of Inventories

The amount of write-down of inventories, included in cost of sales for the year ended March 31, 2016 totaled ¥60 million ($531 thousand). For the year ended March 31, 2015, the Company reversed write-down in the amount of ¥165 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, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Gain on sales of disused articles	**¥ 61**	¥ 181	**$ 540**
Subsidy income	**1**	132	**9**
Gain on sales of noncurrent assets	**309**	154	**2,735**
Compensation income	**391**	819	**3,460**
Gain on business withdrawal	**—**	645	**—**
Gain on transfer of business	**—**	530	**—**
Payments for idle mines	**(601)**	(560)	**(5,319)**
Loss on foreign exchange	**(797)**	(545)	**(7,053)**
Provision for deposition field restoration	**—**	(2,409)	**—**
Loss on sales and retirement of noncurrent assets	**(79)**	(74)	**(699)**
Impairment loss	**(207)**	(71)	**(1,832)**
Other, net	**(129)**	(269)	**(1,141)**
	¥ (1,051)	¥ (1,467)	**$ (9,300)**

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 Drill 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 Drill Machinery
Manufacture and sale rock drill machines 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, 2016 and 2015 was as follows:

Year ended March 31, 2016	Millions of yen				
	Industrial Machinery	Rock Drill Machinery	UNIC Machinery	Metals	Electronic Materials
Sales and operating income (loss):					
Outside customers	¥14,927	¥30,077	¥27,229	¥74,193	¥ 5,477
Intersegment	2,742	5	92	370	72
Total	17,669	30,082	27,321	74,563	5,549
Operating income (loss)	¥ 1,038	¥ 2,217	¥ 2,627	¥ 1,155	¥ (368)
Others:					
Segment assets	¥19,609	¥30,976	¥21,695	¥27,645	¥ 7,492
Depreciation	346	599	565	312	294
Amortization of goodwill and negative goodwill	—	—	—	—	—
Investments in equity-method affiliates	—	—	65	3,235	267
Increase in tangible fixed assets and intangible fixed assets	855	328	421	140	450

Year ended March 31, 2016	Millions of yen				
	Chemicals	Real Estate	Others	Adjustments	Consolidated
Sales and operating income (loss):					
Outside customers	¥ 5,974	¥ 3,045	¥ 877	¥ —	¥161,799
Intersegment	58	135	1,606	(5,080)	—
Total	6,032	3,180	2,483	(5,080)	161,799
Operating income (loss)	¥ 197	¥ 1,277	¥ (73)	¥ (81)	¥ 7,989
Others:					
Segment assets	¥ 16,056	¥31,995	¥ 3,514	¥36,668	¥195,650
Depreciation	193	588	66	18	2,981
Amortization of goodwill and negative goodwill	—	—	—	—	—
Investments in equity-method affiliates	—	—	51	—	3,618
Increase in tangible fixed assets and intangible fixed assets	183	93	81	40	2,591

Year ended March 31, 2015	Millions of yen				
	Industrial Machinery	Rock Drill 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, 2016	Thousands of U.S. dollars				
	Industrial Machinery	Rock Drill Machinery	UNIC Machinery	Metals	Electronic Materials
Sales and operating income (loss):					
Outside customers	**$ 132,097**	**$ 266,168**	**$ 240,965**	**$ 656,575**	**$ 48,469**
Intersegment	**24,266**	**44**	**814**	**3,274**	**637**
Total	**156,363**	**266,212**	**241,779**	**659,849**	**49,106**
Operating income (loss)	**$ 9,186**	**$ 19,619**	**$ 23,248**	**$ 10,221**	**$ (3,257)**
Others:					
Segment assets	**$ 173,531**	**$ 274,124**	**$ 191,991**	**$ 244,646**	**$ 66,301**
Depreciation	**3,062**	**5,301**	**5,000**	**2,761**	**2,602**
Amortization of goodwill and negative goodwill	**—**	**—**	**—**	**—**	**—**
Investments in equity-method affiliates	**—**	**—**	**575**	**28,629**	**2,363**
Increase in tangible fixed assets and intangible fixed assets	**7,566**	**2,903**	**3,726**	**1,239**	**3,982**

Year ended March 31, 2016	Thousands of U.S. dollars				
	Chemicals	Real Estate	Others	Adjustments	Consolidated
Sales and operating income (loss):					
Outside customers	**$ 52,868**	**$ 26,947**	**$ 7,761**	**$ —**	**$1,431,850**
Intersegment	**513**	**1,195**	**14,212**	**(44,955)**	**—**
Total	**53,381**	**28,142**	**21,973**	**(44,955)**	**1,431,850**
Operating income (loss)	**$ 1,743**	**$ 11,301**	**$ (646)**	**$ (716)**	**$ 70,699**
Others:					
Segment assets	**$ 142,088**	**$283,142**	**$ 31,097**	**$324,496**	**$1,731,416**
Depreciation	**1,708**	**5,204**	**584**	**159**	**26,381**
Amortization of goodwill and negative goodwill	**—**	**—**	**—**	**—**	**—**
Investments in equity-method affiliates	**—**	**—**	**451**	**—**	**32,018**
Increase in tangible fixed assets and intangible fixed assets	**1,619**	**823**	**717**	**354**	**22,929**

(Related information)
Years ended March 31, 2016 and 2015
1. Information regarding products and services

Year ended March 31, 2016

	Millions of yen		
	Copper	Others	Total
Sales for outside customers	**¥ 60,687**	**¥ 101,112**	**¥ 161,799**

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, 2016

	Thousands of U.S. dollars		
	Copper	Others	Total
Sales for outside customers	**$ 537,053**	**$ 894,797**	**$ 1,431,850**

2. Geographic segment information
(1) Net sales

Year ended March 31, 2016

Millions of yen			
Japan	Asia	Others	Total
¥ 123,038	**¥ 21,739**	**¥ 17,022**	**¥ 161,799**

Year ended March 31, 2015

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

Year ended March 31, 2016

Thousands of U.S. dollars			
Japan	Asia	Others	Total
$ 1,088,832	**$ 192,381**	**$ 150,637**	**$ 1,431,850**

(2) Property, plant and equipment
The geographic segment information for the years ended March 31, 2016 and 2015 has not been presented, because the total assets in Japan exceed 90% of consolidated totals.

3. Information regarding main customers

Year ended March 31, 2016

	Millions of yen	
Name of customer	Sales volume	Related segment
Furukawa Electric Co., Ltd.	**¥23,321**	**Metals**

Year ended March 31, 2015

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

Year ended March 31, 2016

	Thousands of U.S. dollars	
Name of customer	Sales volume	Related segment
Furukawa Electric Co., Ltd.	**$206,381**	**Metals**

4. Impairment loss on property, plant and equipment

	Millions of yen									
Year ended March 31, 2016	Industrial Machinery	Rock Drill Machinery	UNIC Machinery	Metals	Electronic Materials	Chemicals	Real Estate	Others	Adjustments	Consolidated
Impairment loss on property, plant and equipment	**—**	**—**	**—**	**—**	**—**	**—**	**¥ 5**	**¥ 202**	**—**	**¥ 207**

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

	Thousands of U.S. dollars									
Year ended March 31, 2016	Industrial Machinery	Rock Drill Machinery	UNIC Machinery	Metals	Electronic Materials	Chemicals	Real Estate	Others	Adjustments	Consolidated
Impairment loss on property, plant and equipment	**—**	**—**	**—**	**—**	**—**	**—**	**$ 44**	**$ 1,738**	**—**	**$ 1,832**

5. Amortization of goodwill and unamortized goodwill in reportable segments

	Millions of yen									
Year ended March 31, 2016	Industrial Machinery	Rock Drill Machinery	UNIC Machinery	Metals	Electronic Materials	Chemicals	Real Estate	Others	Adjustments	Consolidated
Balance as of March 31, 2016	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**

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

	Thousands of U.S. dollars									
Year ended March 31, 2016	Industrial Machinery	Rock Drill Machinery	UNIC Machinery	Metals	Electronic Materials	Chemicals	Real Estate	Others	Adjustments	Consolidated
Balance as of March 31, 2016	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**

6. Gain on negative goodwill in reportable 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, 2016, rental income was ¥1,477 million ($13,071 thousand), gain on sales of rental properties was ¥300 million ($2,655 thousand), loss on disposal was ¥19 million ($168 thousand) and impairment loss on rental properties was ¥207 million ($1,832 thousand).

For the year ended March 31, 2015, rental income was ¥976 million, gain on sales of rental properties was ¥104 million, loss on disposal was ¥1 million and impairment loss on rental properties was ¥71 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, 2016 and 2015 are as follows:

Year ended March 31, 2016

Carrying value			Fair value
As of March 31, 2015	Net change	As of March 31, 2016	As of March 31, 2016
	Millions of yen		
¥ 35,758	**¥ (608)**	**¥ 35,150**	**¥ 32,897**

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, 2016

Carrying value			Fair value
As of March 31, 2015	Net change	As of March 31, 2016	As of March 31, 2016
	Thousands of U.S. dollars		
$ 316,442	**$ (5,380)**	**$ 311,062**	**$ 291,124**

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, 2016 mainly consists of increases related to acquisition of land and buildings in the amount of ¥193 million ($1,708 thousand) and decreases mainly due to amortization in the amount of ¥496 million ($4,389 thousand), impairment loss on rental properties in the amount of ¥207 million ($1,832 thousand) and sales of land and buildings in the amount of ¥160 million ($1,416 thousand). 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 and decreases mainly due to amortization in the amount of ¥505 million, change of use in the amount of ¥217 million, impairment loss on rental properties in the amount of ¥71 million and sales of land in the amount of ¥37 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 29, 2016:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥5.00 = $0.044 per share)	¥ 2,020	$ 17,876
Transfer to legal reserve	202	1,788
	¥ 2,222	$ 19,664

Building a better working world

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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, 2016, 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, 2016, 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 29, 2016
Tokyo, Japan

Corporate Data

(As of March 31, 2016)

Directors and Auditors

(As of June 29, 2016)

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

Executive Officers

(As of June 29, 2016)

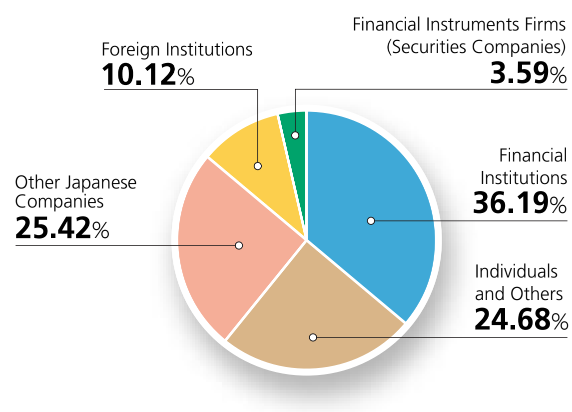
Senior Executive Officer	Shigeo Matsudo
Senior Executive Officer	Kiyohito Mitsumura
Senior Executive Officer	Kazuo Inoue
Executive Officer	Yoshinari Kuno
Executive Officer	Hiroyuki Abe
Executive Officer	Kiyoshi Sano
Executive Officer	Tatsuki Nazuka
Executive Officer	Masahiro Ogino
Executive Officer	Takeshi Miyajima
Executive Officer	Osamu Miyazaki
Executive Officer	Katsuhira Kawashita

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:	2,521 (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)	31,876	7.88
The Master Trust Bank of Japan, Ltd. (trust account)	26,085	6.44
Asahi Mutual Life Insurance Co.	23,734	5.86
Seiwa Sogo Tatemono Co., Ltd.	15,034	3.71
The Yokohama Rubber Company, Limited	13,411	3.31
Sompo Japan Insurance Inc.	10,756	2.65
Fujitsu Limited	9,617	2.37
Furukawa Electric Co., Ltd.	8,777	2.17
Fuji Electric Co., Ltd.	8,620	2.13
Chuo Real Estate Co., Ltd.	6,877	1.70

Composition of Shareholders



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

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

Corporate History

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

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

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

1914 Manufactured the first rock drill in Japan.

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

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

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

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

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

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

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

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

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

1990 Bought an American breaker sales and manufacturing company.


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


The first domestic rock drill was developed (for the Ashio Copper Mine).


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.

- Coil processing company established in Philippines.
- 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.


An affiliated company in the electronic materials business makes coils in Bulacan Province, Philippines.

"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.
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