Building Foundations for Renewed Growth

Annual Report 2017

Year ended March 31, 2017

FURUKAWA

About the Furukawa Company Group

The key to the success of the Furukawa Company Group, which recently celebrated the 142th anniversary of its founding, began with the development of the Ashio Copper Mine by founder Ichibei 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, to build our two core business domains: the Machinery business and the Materials business. Through both of these businesses, we will continue providing products that the world needs. At the same time, we will strive constantly to achieve the objectives of our Vision for 2025, entitled "FURUKAWA Power & Passion 150," as we approach our 150th anniversary in fiscal 2026.


Ashio Copper Mine (around 1920)

FURUKAWA CO.,LTD.

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.

Action Guidelines

To demonstrate our Management Philosophy, we will practice our Philosophy 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."

FURUKAWA Power & Passion 150

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

(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

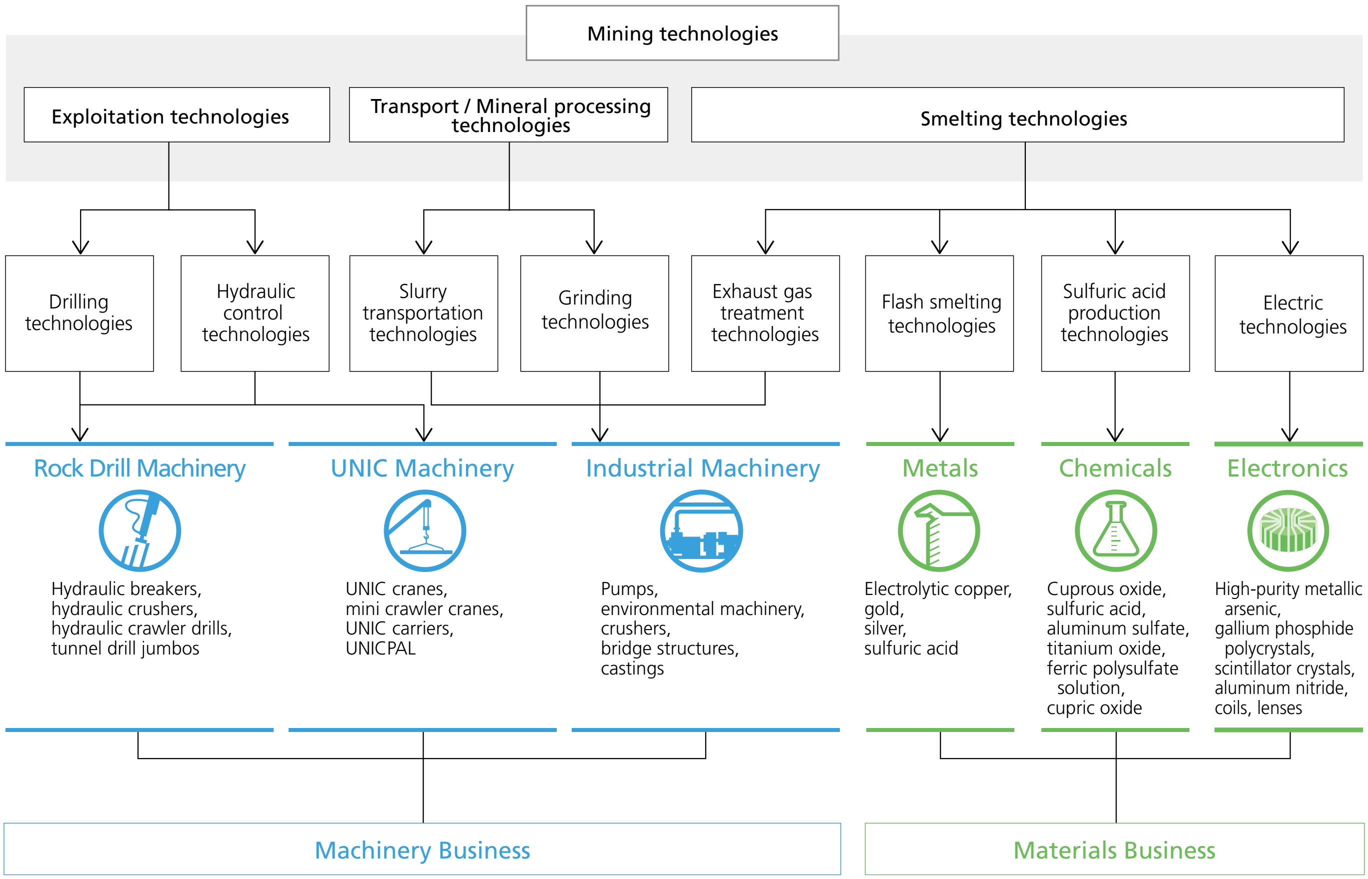
(3) Strengthen and expand our human resource foundation
① Build vibrant human resources and corporate culture for new Furukawa
② Secure, utilize, and develop diverse human resources in Japan and overseas
③ Strengthen priority on sales and marketing personnel

(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

* See Page 4.

Furukawa's Technological Genealogy



Financial Highlights For the years ended March 31

	2017/3	2016/3	2015/3	2014/3	2013/3
		Millions of yen			
For the year:					
Net sales	**149,830**	161,799	172,544	163,026	165,540
Operating income	**6,546**	7,989	8,925	6,886	3,363
Profit before income taxes	**6,711**	6,631	6,160	7,092	5,433
Profit attributable to owners of parent	**4,254**	5,056	9,793	3,976	2,976
Capital expenditures	**5,424**	2,869	2,557	11,430	2,926
Depreciation and amortization	**3,138**	3,191	3,223	2,828	3,015
Research and development expenses	**2,464**	2,680	2,227	2,539	2,559
At year-end:					
Total assets	**208,034**	195,650	207,317	199,408	186,076
Net assets	**79,584**	68,262	70,581	56,313	51,507
Per share amounts:		Yen			
Basic earnings	**10.53**	12.51	24.23	9.84	7.37
Cash dividends	**5.00**	5.00	5.00	3.00	2.00
Net assets	**192.20**	164.48	170.22	135.34	123.99
Return on equity (ROE) (%)	**5.9**	7.5	15.9	7.6	6.2
Equity ratio (%)	**37.3**	34.0	33.2	27.4	26.9

To Our Stakeholders

President and Representative Director
Naohisa Miyakawa

Business Conditions and Performance

In fiscal 2017, ended March 31, 2017, the Japanese economy continued recovering moderately, but improvements in some areas were delayed. Although domestic corporate earnings are gradually recovering, the economic situation overseas requires a cautious approach in the wake of the United Kingdom's decision to exit the European Union and the birth of the Trump administration/election of President Trump in the United States. Under these circumstances, the Furukawa Company Group sought to provide products and services deemed to be valuable by the market, adopting the customer's perspective in an effort to increase the value of the Furukawa brand through "marketing-based management."

For the year, consolidated net sales amounted to ¥149,830 million, down 7.4% from the previous year. This was due to revenue declines in the three Machinery-related segments—Industrial Machinery, Rock Drill Machinery, and UNIC Machinery—as well as the Metals segment. Operating income declined 18.1%, to ¥6,546 million, due mainly to decreased earnings in the Industrial Machinery and Rock Drill Machinery segments.

Among other income, we posted a ¥1,756 million gain on dividend income from Nusa Tenggara Mining Corporation following the sale of mines. Among other expenses, there was a ¥125 million loss on sales and retirement of noncurrent assets, a ¥102 million impairment loss, and a ¥276 million provision for deposition field restoration (to cover costs for strengthening the earthquake resistance of deposition fields, the final disposal sites for mining residues and the like). Accordingly, profit before income taxes rose 1.2%, to ¥6,711 million. Profit attributable to owners of parent declined 15.9%, to ¥4,254 million.

Medium-Term Business Plan

In the approach to its 150th anniversary in fiscal 2026, the Furukawa Company Group formulated its Vision for 2025. 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 realize this vision, we have split the next nine-year period into three phases. For phase 1, covering the three-year period from April 2017 to March 2020, we have taken the first step with the formulation of a medium-term business plan with the slogan, "Building foundations for renewed growth."

While including specific targets, such as consolidated operating income in the ¥8.5 billion range and ROE in the 6–7% range, the ultimate objective of the plan is to realize the "ideal image of the Group when it celebrates its 150th anniversary" further into the future. To this end, we will strive over the next three years to increase the value of the Furukawa brand through the full-scale entrenchment of "marketing-based management."

Positioning the Machinery business as a core domain, we will build foundations for renewed growth according to the basic strategies of each business segment. This will entail not only effectively addressing domestic demand related to construction in the future but also creating new business models, advancing our overseas operations, and other initiatives. In addition, we will strengthen and upgrade our personnel base, make proactive investments to enhance corporate value, reinforce our management foundation, create a product development promotion system, and otherwise establish frameworks for effectively implementing the medium-term business plan.

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 2017, the Company declared a year-end cash dividend of ¥5.00 per share. In fiscal 2018, we plan to pay a year-end dividend of ¥50.00* per share, with no interim dividend scheduled.

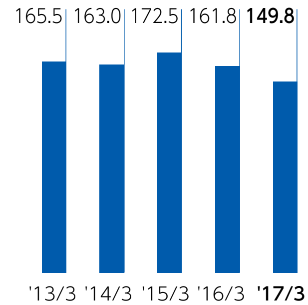
We look forward to the understanding and support of all stakeholders as we tackle the challenges of the future.

August 2017

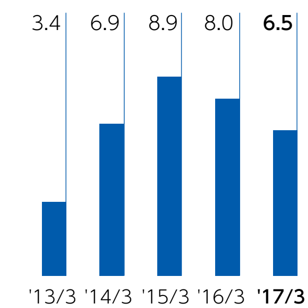
Naohisa Miyakawa

Naohisa Miyakawa
President and Representative Director

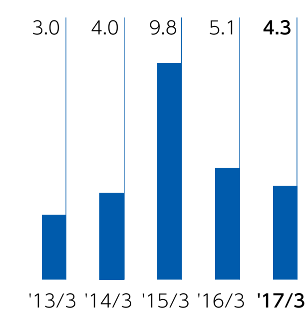
Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Profit Attributable to Owners of Parent
(Billions of yen)



* Effective on October 1, 2017, the Company will implement a 1-for-10 reverse stock split. Accordingly, on June 29, 2017 the Company increased its planned year-end dividend for the fiscal year ending March 2018 by 10 times, from ¥5.00 to ¥50.00 per share.

Achieving Vision for 2025

Positioning and Strategies of Medium-Term Business Plan 2019

In May 2017, the Furukawa Company Group announced its "Medium-Term Business Plan 2019—Building Foundations for Renewed Growth." The new plan is positioned as Phase 1 of the Group's Vision for 2025, "FURUKAWA Power & Passion 150," and the its steady implementation will represent the first step in realizing the vision.

1. Vision for 2025

In 2015, the Group took the opportunity of its 140th anniversary to formulate its Vision for 2025, entitled "FURUKAWA Power & Passion 150." This vision clarifies the ideal image of the Group in fiscal 2026, when it celebrates its 150th anniversary. Seeking category leadership and uniqueness in each of our specialist fields, we will strive to achieve sustainable growth by addressing customers' needs with highly distinctive technologies that are unrivaled in the industry. Under Vision for 2025, we have articulated five policies, including a commitment to **"marketing-based management,"** as we target consolidated annual operating income regularly in excess of ¥15 billion.

"Marketing-based management*"
"Marketing-based management" means incorporating marketing into the core of management to provide products and services recognized as valuable in changing markets, as well as to identify and resolve issues and problems faced by customers, with the aims of deepening ties with customers, achieving sustained growth, and increasing corporate value.

Vision for 2025: FURUKAWA Power & Passion 150

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

Policies for achieving Vision for 2025

Increase the value of the Furukawa brand through "marketing-based management"

- Continuously expand the Machinery business
- Strengthen and expand our human resource foundation
- Actively promote investments to increase corporate value
- Establish a robust corporate foundation

Towards 2025 (150th anniversary of foundation)

Consolidated annual operating income regularly in excess of ¥15 billion

2. Positioning of Medium-Term Business Plan 2019

To realize Vision for 2025, we have divided the next nine-year period into three phases. The new medium-term business plan represents Phase 1, covering the three-year period from April 2017 to March 2020, which is positioned as a period of "Building foundations for renewed growth." We regard it as a period of preparation, during which we will lay solid foundations for expediting growth in Phase 2 and Phase 3.

In the new medium-term business plan, we clarify our business strategies, operating cash flow allocation policy, and capital strategies, as well as our efforts to improve return on equity (ROE). Through constructive dialogue in this way with stakeholders, including shareholders and other investors, we will work hard to deliver sustainable growth and improved corporate value, in addition to further enhancing corporate governance.

Positioning of Medium-Term Business Plan 2019: “Building foundations for renewed growth”

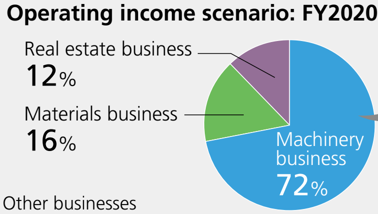
Phase		Phase 1	Phase 2	Phase 3
Time period		FY2018-2020	FY2021-2023	FY2024-2026
Positioning		Build foundations for renewed growth	Expedite growth and further improve profitability	Complete realization of Vision for 2025
Performance indicators	Operating income	¥8.5 billion range	—	Regularly in excess of ¥15 billion
	ROE	6–7% range	—	More than 10%

3. Performance Indicators and Business Policies

In the fiscal year ending March 2020, the final year of the medium-term business plan, we are targeting consolidated operating income of ¥8.5 billion range and ROE of 6–7% range. In order to generate consolidated annual operating income regularly in excess of ¥15 billion—a key performance indicator of Vision for 2025—it is crucially important that we strive to increase the value of the Furukawa brand by deeply entrenching “marketing-based management” throughout the Group. In addition, we must undertake Groupwide mindset reforms with priority on profitability and efficiency, while developing internal structures to facilitate such reforms.

Furthermore, we have adopted a policy of striving for sustained expansion of the Machinery business, earmarked as a core business domain. To this end, we will concentrate managerial resources—human, material, and financial—on the Machinery business and step up efforts to strengthen and expand our human resource foundation, actively promote investments to increase corporate value, and establish a robust corporate foundation.

Operating income scenario: FY2020*



* Other businesses excluded in calculation

Operating income scenario: FY2020

(Millions of yen)

Machinery business	**6,250**
Industrial Machinery	1,250
Rock Drill Machinery	1,600
UNIC Machinery	3,400
Materials business	**1,400**
Metals	700
Electronics	300
Chemicals	400
Real Estate	**1,000**
Others	(40)
Subtotal	8,610
Adjustments	(110)
Total	**8,500**

Assumptions
¥110=US$1.00, ¥115=€1.00
LME copper price: US$6,000/t

4. Segment-Specific Strategies

Machinery Business

We envisage that the Machinery business, our core domain, will account for 72% of consolidated operating income in fiscal year ending March 2020. Domestic demand will remain firm in light of various projects, including the Linear Chuo Shinkansen Line, new Shinkansen lines, the Building National Resilience Plan, regional rejuvenation initiatives, and the 2020 Summer Olympics and Paralympics in Tokyo. In addition to steadily addressing such demand, we will build a foundation for renewed growth based on the fundamental strategies of each business segment.

Industrial Machinery

We will increase our involvement in section plant construction projects and large-scale projects and otherwise expand our contractor businesses with the aim of transitioning from a standalone machinery manufacturer. To achieve this, we will strengthen our engineering capabilities and enhance our business foundation in the domestic market.

Section plant
Part of the processing stage of the overall plant.

Contractor businesses
Civil engineering and construction-related businesses that handle construction, operational management, and the like, by contract agreements and other contracts.

Engineering capabilities
The ability to deploy experiences, technologies, and knowledge derived from sales activities as tools to deliver optimal proposals to customers which are considered a total balance of factors, including function, cost, usage environment, and safety.

Life cycle support (LCS)
Support to provide optimal management services aimed at minimizing machinery holding and operating costs as much as possible across the total life cycle of machinery (selection and delivery, operation and maintenance, large-scale repair and regeneration, disposal and replacement).

Stock business
Business targeting the after-sales market (including sales of maintenance parts, provision of maintenance services, trade-in and sales of used products) and the rental market, as opposed to the "flow business" (product sales), which is easily impacted by economic factors. We will continuously expand and reinforce our stock business, earmarked as one of "Foundations for Renewed Growth," because it generates relatively stable income.

Blast hole drill
A machine that drills holes for blasting purposes and is used for relatively large-scale blasting associated with mines, crushed stones, civil engineering work, and the like. Used within the Group, it is a generic term that covers crawler drills, down-the-hole drills, and rotary drills used on the surface.

Rock Drill Machinery
By strengthening our life cycle support (LCS) capabilities, we will increase income from both our flow business and stock business and reinforce the income foundation for our drill product lineup (blast hole drills and drill jumbos). To achieve this, we will upgrade our domestic service support system and establish overseas sales channels.

UNIC Machinery
Seeking to ensure stable income from domestic sales and expand income from our stock business and overseas sales, we will distinguish our UNIC crane lineup by promoting advanced functions and higher added value, in order to strengthen our competitiveness. At the same time, we will promote our second-hand business, reestablish our overseas sales network, and enhance our sales capabilities.

Materials Business
In the Metals segment, we will work to establish an optimal production and sales system with an emphasis on profitability, in order to improve our earnings foundation. In the Electronics segment, we will shift our focus from mature products to strategic products in an effort to restore Electronics as a strong business segment. In the Chemicals segment, we will work to expand income from existing products and swiftly commercialize and foster newly developed products with the aims of transforming existing businesses and securing steady income from new businesses.

Real Estate
We will strive to secure stable income from the Muromachi Furukawa Mitsui Building (commercial name: COREDO Muromachi 2) and effectively utilize income from other properties owned by the Group with the aim of reinforcing our income foundation.

5. ROE Improvement, Operating Cash Flow Allocation and Capital Strategies

ROE improvement
A key priority of the new medium-term business plan is to step up and entrench efforts to improve ROE. Although ROE is broken down into three elements—return on sales (profitability), total asset turnover (efficiency), and financial leverage—the Group will place particularly high priority on enhancing profitability and efficiency.

ROE Improvement Initiatives

ROE	=	Profitability Return on sales	X	Efficiency Total asset turnover	X	Leverage Financial leverage
FY2020: 6–7% range		Profitability: Improve		Efficiency: Improve		Leverage: Reduce
Strengthen and extend initiatives		• Optimally allocate Group management resources and optimize business portfolio • Reduce costs through productivity improvements • Reduce external procurement costs • Make highly functional, high-value-added, distinctive products • Expand and upgrade stock businesses		• Strength examination of investments and prioritize each investment • Expand cash management service (CMS) coverage • Improve efficiency of working capital (lower inventories, tighten control of accounts receivable) • Sell and/or effectively utilize idle assets • Reassess strategic shareholdings		• Reduce interest-bearing debt

Operating cash flow allocation and capital strategies
We will actively promote investments to increase corporate value while establishing a solid financial base. At the same time, we will allocate operating cash flows with due consideration to shareholder returns.

Capital investments

Over the period of the medium-term business plan, we plan to make cumulative capital investments of around ¥16 billion, of which ¥12 billion will be allocated to our core Machinery business, with the aim of strengthening Groupwide profitability and efficiency.

Capital Investment Plan to Strengthen Manufacturing Capabilities

Capital investment (3-year cumulative senario)

Machinery business	¥12 billion
Materials business	¥ 2 billion
Others	¥ 2 billion
Total	¥16 billion

Industrial Machinery: Maintain, renew, etc.	¥ 2 billion
Rock Drill Machinery: Expand and reform layout of Yoshii Plant, etc.	¥ 4 billion
UNIC Machinery: Reinforce "mother factory" function of Sakura Plant, etc.	¥ 6 billion

Dividends

Our policy is to return profits to shareholders in the form of dividends appropriated from retained earnings. Specific dividend amounts are based on consolidated profits/losses. With the exception of special profit/loss circumstances, we endeavor in principle to pay annual cash dividends of ¥50.00* per share with a consolidated payout ratio of 30% or higher. In this way, we strive for stable, continuous shareholder returns.

Treasury stock purchase and cancellation

With respect to purchase and cancellation of treasury stock, our policy is to properly consider all relevant factors, including share price movements, capital efficiency, and cash flows.

* Effective on October 1, 2017, the Company will implement a 1-for-10 reverse stock split. Accordingly, on June 29, 2017 the Company increased its planned year-end dividend for the fiscal year ending March 2018 by 10 times, from ¥5.00 to ¥50.00 per share.

Optimal Allocation Scenario of Operating Cash Flows

Operating cash flows

(3-year cumulative scenario)

¥25 billion

Capital investment (3-year cumulative scenario) **¥16** billion

- Capital investment focusing on Machinery business (core business)

Dividends (3-year cumulative scenario) **¥ 6** billion

- Endeavor in principle to pay annual cash dividends of ¥50.00 per share with a consolidated payout ratio of 30% or higher
  In this way, we strive for stable, continuous shareholder returns

Interest-bearing debt reduction (3-year cumulative scenario) **¥ 3** billion

- Maintain/strengthen resistance to business performance declines associated with economic and market changes
- Ensure fund procurement capability for strategic investments, such as M&As and alliances

Share buybacks/cancellation

- Consider as appropriate based on stock price movements, capital efficiency, cash flows, etc.

6. Medium-Term Business Plan 2019: Milestone for Realizing Vision for 2025

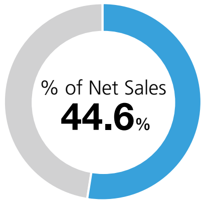
We have positioned the new medium-term business plan as the most important milestone for realizing Vision for 2025. It is also a key transformation period, during which we will shift our management focus to profitability and capital efficiency. In the Machinery business, which is broader in scope than the Materials business, we have appointed a vice president in charge of promoting the medium-term business plan in each of the three segments (Industrial Machinery, Rock Drill Machinery, and UNIC Machinery), and we have set up an LCS Division in the Rock Drill Machinery segment. In these and other ways, we will establish execution and responsibility frameworks to achieve the objectives of the medium-term business plan. To foster mindset and business reforms, moreover, we have set up a "Business Process Reengineering Department," which will spearhead efforts to standardize and enhance administrative efficiency, increase productivity, and reconstruct our business processes.

In our quest to achieve Vision for 2025, we will also consider M&As and alliances with peripheral business companies that can complement and create continuity with our core Machinery business. We will also look at companies that can help us create a completely different segment to serve as the fourth pillar of the Machinery business.

Through these efforts, we will continue striving to give new life to the Group. Medium-Term Business Plan 2019 represents the important first step toward realizing Vision for 2025, and the Group will harness all of its efforts to ensure the plan's success.

Review of Operations

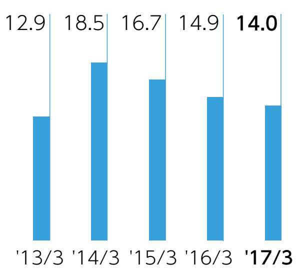
Machinery



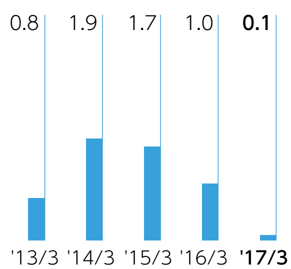
Industrial Machinery

In fiscal 2017, the Industrial Machinery segment posted a year-on-year decline in sales, due mainly to the completion in September 2015 of a large-scale earth-moving project for relocating people to higher ground in Rikuzentakata City, Iwate Prefecture. This was despite increased sales related to a belt conveyor project for the Tokyo Gaikan Expressway (outer ring road). During the period, we took measures to address malfunctions with electrostatic precipitators, which negatively affected earnings. As a result, the segment posted sales of ¥14,042 million, down 5.9% from the previous fiscal year. Operating income fell 90.0%, to ¥104 million.

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Going forward, we will strengthen our services related to pumps and industrial machinery by expanding our stock business and improving our consulting capabilities. We will also strive to win orders for steel structures and bridges. With respect to belt conveyor and bridge projects for the Tokyo Gaikan Expressway, for which we have received orders, we will work extensively to ensure safety and control costs in order to secure profits.

Japanese Market Share
60%

Sludge pump

Belt conveyor

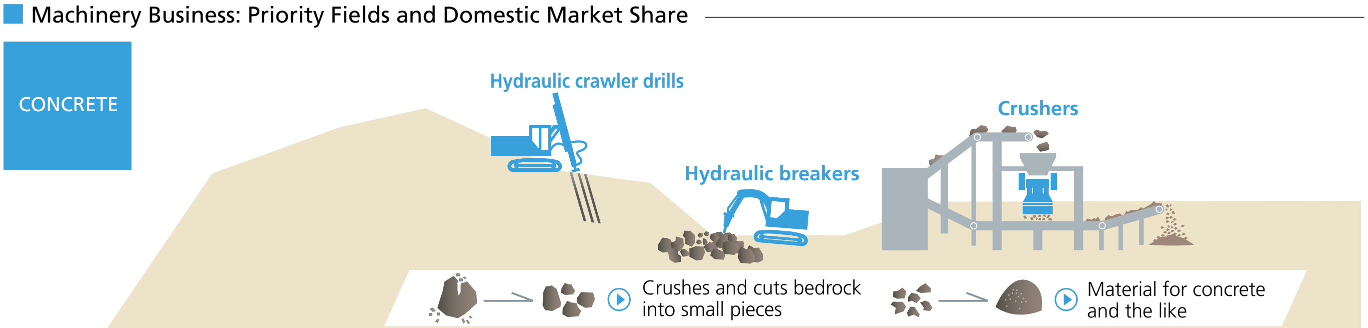
Bridge

Rock Drill Machinery

In the Rock Drill Machinery segment, domestic sales remained mostly unchanged from the previous year in the wake of a steady recovery in construction spending. Overseas, however, shipments of hydraulic breakers and hydraulic crawler drills were generally weak, reflecting a significant decline in construction demand, mainly in resource-rich countries, amid weak crude oil prices and uncertainty over the economic outlook. As a result, the Rock Drill Machinery segment posted a 10.3% decline in sales, to ¥26,979 million, and a 59.5% fall in operating income, to ¥897 million.

Looking ahead, in Japan we will strengthen our lineup of hydraulic breakers and hydraulic crushers to meet healthy construction demand, and will make a full-scale launch of hydraulic crawler drills compliant with exhaust gas regulations in order to boost sales. With respect to new Shinkansen lines and the Linear Chuo Shinkansen Line, which are progressing well, we will strengthen our service structure to capture orders for tunnel drill jumbos. Overseas, we will actively sell hydraulic crawler drills and hydraulic breakers, mainly in Southeast Asia and India, where infrastructure

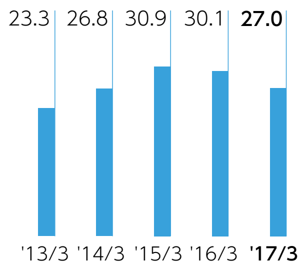
Machinery Business: Priority Fields and Domestic Market Share



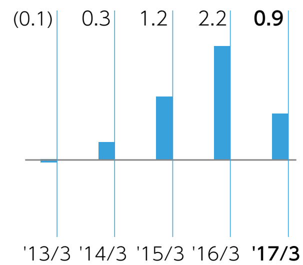
To mine for gravel and limestone, which are raw materials for concrete, we supply hydraulic crawler drills that are used to drill holes in rock, in which gunpowder is inserted for blasting. We also have hydraulic breakers, which are used to break large rocks into small pieces, and crushers and screens,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

demand is strong, as well as the United States, where investments in aging infrastructure are anticipated. We will also continue promoting increased sales of drill jumbos for tunnel and mining projects.

Net Sales
(Billions of yen)



Operating Income (Loss)
(Billions of yen)



Hydraulic crawler drill

Global Market Share
30%

Japanese Market Share
65%

Japanese Market Share
80%

Tunnel drill jumbo

Japanese Market Share
40%

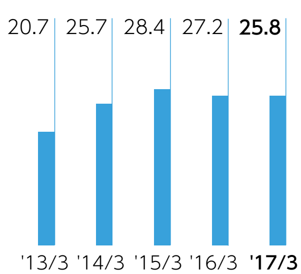
Hydraulic breaker

UNIC Machinery

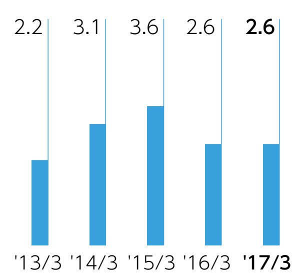
In fiscal 2017, we reported a decrease in shipments of UNIC cranes amid weakness in domestic registrations of trucks on which such cranes are mounted, as well as a fall in demand for large-scale rentals. As a result, sales in the UNIC Machinery segment declined 5.3% year on year, to ¥25,783 million, and operating income was down 1.8%, to ¥2,579 million.

Going forward, we will work to increase sales of UNIC cranes by bolstering sales of fully remodeled machines, as well as mini crawler cranes, ocean cranes, and forestry cranes. For overseas markets, we will work to capture steady unit sales, mainly in Europe, North America, and Southeast Asia. We will also promote our three-pronged global production system, with operations in Japan, Thailand, and China. Under this system, we will continue making proactive capital investments in the Sakura Plant, which will fulfill a "mother factory" role, while promoting production with emphasis on optimal costs and high quality according to demands in various world regions.

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Japanese Market Share
50%

UNIC crane

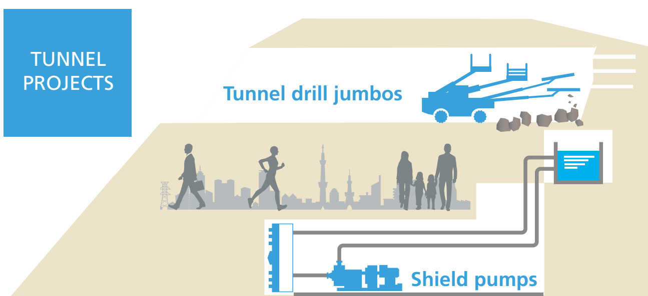
Japanese Market Share
50%

UNIC carrier

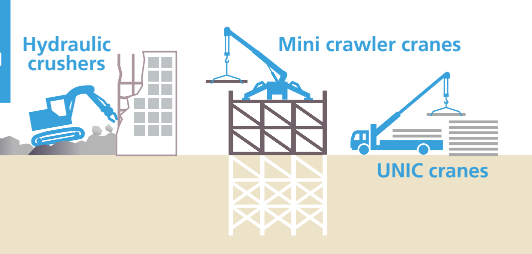
Japanese Market Share
40%

Mini crawler crane

TUNNEL PROJECTS



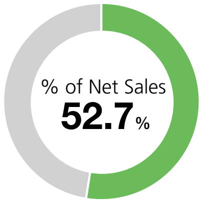
CIVIL ENGINEERING AND CONSTRUCTION WORKSITES



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.

Materials

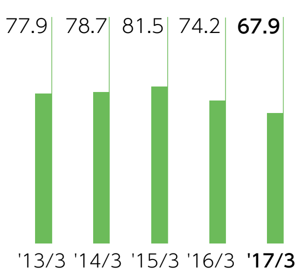


Metals

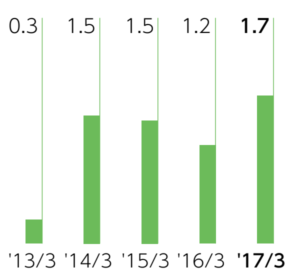
After starting the fiscal year at US$4,880/ton in April 2016, the price of electrolytic copper decreased following the United Kingdom's decision to exit the European Union in June, but increased in November as a result of the U.S. presidential election. After January 2017, it recovered to the US$6,000/ton range, before finishing the fiscal year at US$5,849/ton on March 31, 2017. During the year, demand for copper for use in automobiles and semiconductor devices grew steadily, but demand for electrolytic copper for mainstay construction use was sluggish.

In fiscal 2017, the Company's sales of electrolytic copper in volume terms declined 3,033 tons, to 91,294 tons. Overall sales in the Metals segment decreased 8.5%, to ¥67,854 million, and operating income jumped 50.5%, to ¥1,738 million.

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Purchasing conditions are expected to weaken gradually due to a tightening supply–demand situation for copper concentrates, while generating income from smelting will also be difficult. Nevertheless, we will continue establishing optimal production and sales systems with emphasis on profitability in order to improve our earnings structure.


Electrolytic copper


Hibi Kyodo Smelting Co., Ltd.


Gibraltar Copper Mine in Canada


Onahama Smelting and Refining Co., Ltd.

Copper Prices and Foreign Exchange Rates

	2013/3	2014/3	2015/3	2016/3	2017/3
LME copper price (average; US$/ton)	7,855	7,104	6,554	5,215	**5,154**
JPY rate per US$ (average for fiscal year)	83.10	100.24	109.93	120.13	**108.42**

Copper Production and Sales Volume*

	2013/3	2014/3	2015/3	2016/3	2017/3
Copper production volume (tons)	90,387	87,767	90,447	86,466	**84,062**
Copper sales volume (tons)	96,789	94,966	96,675	94,327	**91,294**

* Furukawa Metals & Resources Co., Ltd.

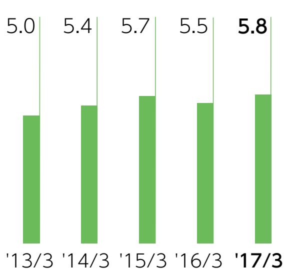
Electronics

In the fiscal year under review, sales of high-purity metallic arsenic, a mainstay product in this segment, continued to struggle due to harmful rumors stemming from the Fukushima nuclear power plant accident. However, we enjoyed increased sales of scintillator crystal products and optical components, as well as improved profitability of coil products. As a result, the Electronics segment posted a 6.2% increase in sales, to ¥5,817 million, and operating income of ¥18 million, compared with an operating loss of ¥368 million in the previous fiscal year.

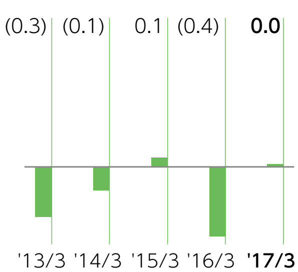
Going forward, our aim is capture steady income from mature products, notably high-purity metallic arsenic and scintillator crystals, despite their ongoing challenges. We will also reassess our production base for coil, a strategic product, to ensure production stability and quality improvement.

In addition, we will aim to enhance our earnings structure by reinforcing the product appeal of our aluminum nitride and optical components.

Net Sales
(Billions of yen)



Operating Income (Loss)
(Billions of yen)



Global Market Share
50%

Japanese Market Share
70%

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

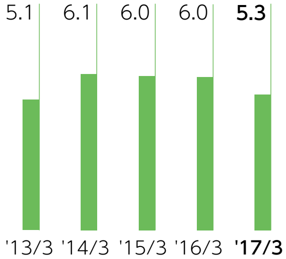
Owing to its excellent thermal conductivity, thermal radiation, and electrical insulation properties, aluminum nitride is a basic material used in semiconductor device fabrication components and substrates.

Chemicals

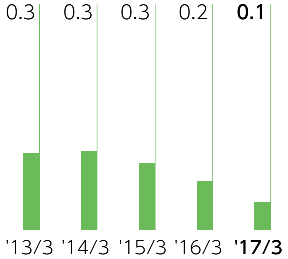
In fiscal 2017, we reported a year-on-year decrease in sales of cuprous oxide due to a major decrease in demand for its use in marine antifouling paint, a mainstay application. As a result, sales in the Chemicals segment declined 11.3%, to ¥5,298 million, and operating income fell 41.6%, to ¥115 million.

Looking ahead, we will do our utmost to maintain equipment and operational stability in order to improve profitability. 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)



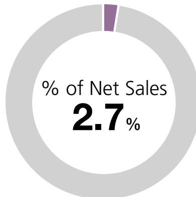
Japanese (Production) Market Share
45%

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 production plant

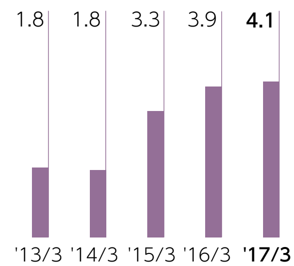
Real Estate and Others

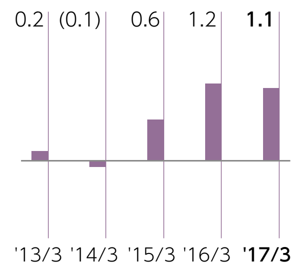


Real Estate and Others

In the Real Estate category, fiscal 2017 saw the smooth operation of our rental business associated with the Muromachi Furukawa Mitsui Building (commercial name: COREDO Muromachi 2). Accordingly, category sales grew 1.0% year on year, to ¥3,074 million, and operating income edged down 0.9%, to ¥1,266 million.

Total sales in the Real Estate and Others segment, which also includes the transport business, rose 3.4%, to ¥4,057 million, and operating income declined 5.4%, to ¥1,139 million.





TOPICS

Full-scale mass production of coil products started

In the Electronics segment, we began full-scale mass production of automotive coils, which are growing in demand due to the proliferation of electronic controls in automobiles. Coil products are used in large numbers in electric vehicle battery chargers, electric power steering, engine control units, and the like, with sales volume continuing to increase. We recently relocated part of the processing function, previously outsourced to China, to a mass production facility in the Philippines, allowing further increases in production volume and cost improvements.


Philippines' Plant


Coil products

Joint development of aluminum hot chamber die casting machine with superior resistance to molten aluminum damage

During the year, we developed an aluminum casting machine, called "Aluminum Hot Chamber Die Casting Machine" (provisional name), in collaboration with Hishinuma Machinery Co., Ltd. The machine features "Tokenite," a special steel that suppresses elution of iron into molten aluminum. Because Tokenite is highly resistant to iron erosion caused by aluminum molten metal, it increases the lifetime of consumable parts, making it possible to develop new methods for aluminum casting. It also enables increases in purity of aluminum cast parts, and is expected to facilitate advances in thinning and strengthening of aluminum die cast parts for automobiles.


Aluminum hot chamber die casting machine developed jointly with Hishinuma Machinery Co., Ltd.

Full model change for medium-sized truck-mounted cranes (UNIC Cranes)

In November 2016, we started selling the URG 370 Series of fully remodeled medium-sized truck-mounted cranes (UNIC cranes). In this full model change, basic performance has been upgraded with the addition of features included as standard on all models, namely a "digital purity load meter," which prevents breakage and overturn of cranes due to overload, and two functions that enhance safety: an "automatic winding stop device" and a "boom-outrigger warning alarm device." In terms of environmental performance, we further enhanced the U-Can ECO Series, which received the industry's first energy-saving grand prize, to further increase energy efficiency and environmental protection.


UNIC crane, "G-FORCE"


Radio remote control

Corporate Social Responsibility

In addition to business activities developed through full-scale manufacturing and systems built to date, the Furukawa Company Group engages in a variety of other activities, including environmental protection, social contribution, and human resource development. All of these activities conform to our Management Philosophy, Action Guidelines, Corporate Conduct Charter, and Directors' and Employees' Code of Behavior. We will continue fulfilling our corporate social responsibility (CSR) while reinforcing our governance and compliance systems.

The Furukawa Company Group's Management Philosophy is embodied in its CSR activities.

Since commencing operations in the copper mining business in1875, 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.

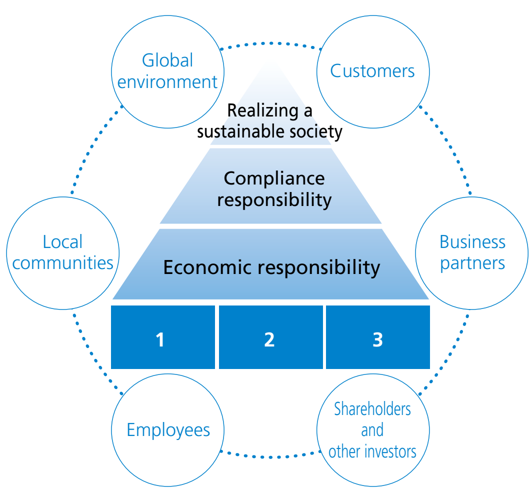
Through compliance, corporate governance, risk management, and other activities, we strive to raise operational transparency and further strengthen our manufacturing capabilities for the future. We will also help create a sustainable, environmentally friendly society while deepening communication with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

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

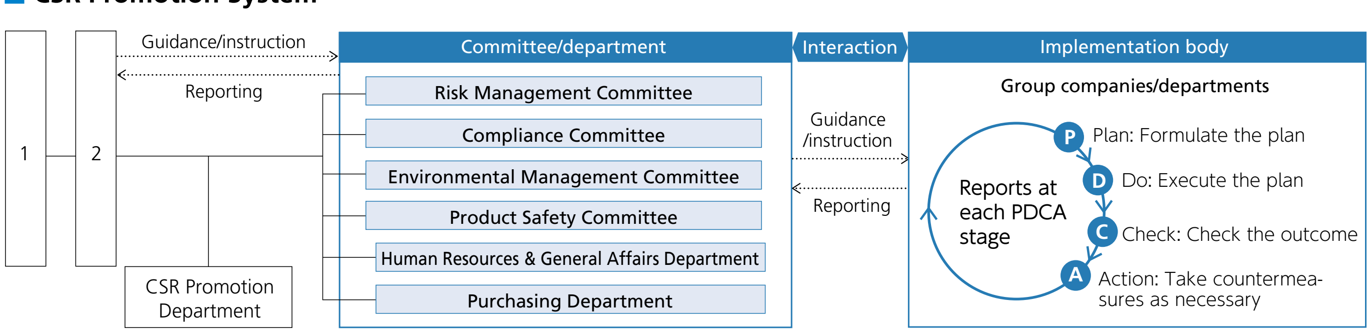


1. Management Philosophy, Action Guidelines
2. Corporate Conduct Charter
3. Directors' and Employees' Code of Behavior

■ 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.

■ CSR Promotion System



1. President and Representative Director
2. CSR Promotion Meeting

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 top personnel from each production base 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 convey and ensure the enforcement of decisions made by the Environmental Management Committee, help improve the competency of environmental protection supervisors at each Group company, prevent accidents and disasters by sharing information, and verify revisions to environment-related regulations.

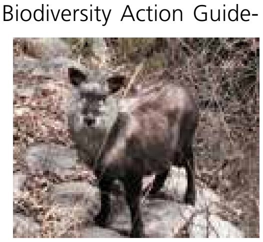
Environment and Safety Audits

The Furukawa Company Group conducts regular annual "Environment and Safety Audits." The aim of such audits is to emphasize "preventative measures" rather than "correctional measures." In addition to regular site audits, in fiscal 2017 we conducted audits to confirm compliance status related to legally required inspections of important machinery and equipment operating in our factories. Our aim here was to identify, acknowledge, and eliminate weaknesses in the business strategies and processes undertaken by each Group company in our quest to realize Vision for 2025, as well as to help formulate strategies to create winning opportunities and avoid the worst risks that stem from our weaknesses.

In the event of a major disaster or ongoing disasters, we undertake proper discussion with the onsite manager to determine the cause, then formulate measures to prevent a recurrence. In these and other ways, we work continuously to ensure safety in the workplace.

Biodiversity Action Guidelines

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



Japanese serow (Ashio Town, Nikko City)

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

Category	Fiscal 2018 target*2
CO_2 emissions*1	3%
Water	2%
Waste discharge	5%

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

*2 Reduction targets for fiscal 2018, with fiscal 2013 as base year

● Highest-Level Environmental Rating Received from DBJ for Third 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 on November 30, 2016. We earned this rating in recognition of our "especially advanced efforts in consideration of the environment," not only for environmental activities but also for our long-term management vision, "FURUKAWA Power & Passion 150," in which we have identified eight key issues among broad-ranging social problems, as well as aspirational CSR initiatives undertaken through the PDCA cycle by committees addressing various issues. It was the third 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.

● Eighth Ashio Cherry Tree-Planting Drive

As part of an independent forestation initiative, 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 the Ashio area, and held its first tree-planting ceremony in March 2009. The tree-planting activity has been held annually since then, and in March 2017 many Group employees and their families took part in the Eighth Ashio Cherry Tree-Planting Drive. Cherry blossoms planted at the second tree-planting ceremony were in full bloom, raising expectations among participants.

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 three 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 meetings of the Board of Directors', give progress reports to the Board of Directors and the Management Committee. At present, we have 16 executive officers, three 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 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 and others, audit business sites and subsidiaries, and monitor the performance of duties carried out by directors and others. 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 five members who engage in auditing of Group-wide activity management and the execution of business operations.

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

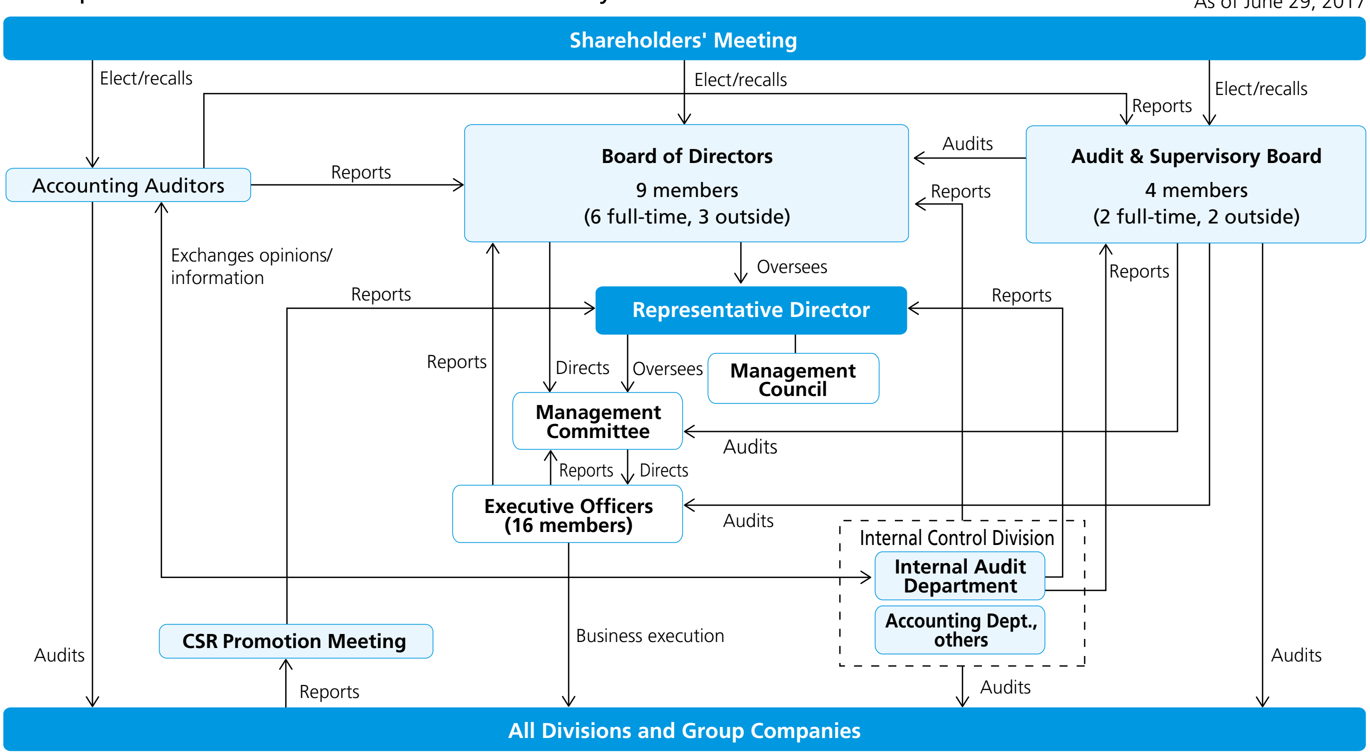
Compliance and System of Risk Management

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, 2017



Consolidated Six-Year Financial Summary

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

	Millions of yen					
	2017/3	2016/3	2015/3	2014/3	2013/3	2012/3
For the year:						
Net sales	**¥ 149,830**	¥ 161,799	¥ 172,544	¥ 163,026	¥ 165,540	¥ 157,566
Cost of sales	**126,207**	136,447	146,657	139,777	144,225	138,097
Gross profit	**23,623**	25,352	25,887	23,249	21,315	19,469
Selling, general and administrative expenses	**17,077**	17,363	16,962	16,363	17,952	17,314
Operating income	**6,546**	7,989	8,925	6,886	3,363	2,155
Profit (Loss) before income taxes	**6,711**	6,631	6,160	7,092	5,433	(2,663)
Profit (Loss) attributable to owners of parent	**4,254**	5,056	9,793	3,976	2,976	(1,659)
Cash flows from operating activities	**9,819**	7,652	10,241	1,983	5,491	4,978
Cash flows from investing activities	**(3,585)**	(2,855)	(10,892)	(3,129)	(2,253)	(3,153)
Cash flows from financing activities	**(5,030)**	(8,166)	3,318	(4,562)	252	(3,782)
Capital expenditures	**5,424**	2,869	2,557	11,430	2,926	3,588
Depreciation and amortization	**3,138**	3,191	3,223	2,828	3,015	3,329
Research and development expenses	**2,464**	2,680	2,227	2,539	2,559	2,622
At year-end:						
Total assets	**¥ 208,034**	¥ 195,650	¥ 207,317	¥ 199,408	¥ 186,076	¥ 193,971
Current assets	**79,579**	76,315	80,564	76,838	79,508	81,497
Current liabilities	**59,790**	59,750	63,870	73,976	74,439	74,807
Total equity	**77,658**	66,459	68,783	54,694	50,110	46,022
Net assets	**79,584**	68,262	70,581	56,313	51,507	47,668
Interest-bearing liabilities	**73,507**	76,241	82,053	77,219	80,634	85,795
Per share amounts:		Yen				
Basic earnings (loss)	**¥ 10.53**	¥ 12.51	¥ 24.23	¥ 9.84	¥ 7.37	¥ (4.11)
Cash dividends	**5.00**	5.00	5.00	3.00	2.00	0.00
Net assets	**192.20**	164.48	170.22	135.34	123.99	113.88
Profitability:		%				
Cost of sales margin (%)	**84.2**	84.3	85.0	85.7	87.1	87.6
Gross margin (%)	**15.8**	15.7	15.0	14.3	12.9	12.4
SG&A expense margin (%)	**11.4**	10.7	9.8	10.0	10.8	11.0
Operating margin (%)	**4.4**	4.9	5.2	4.2	2.0	1.4
Return on sales (%)	**2.8**	3.1	5.7	2.4	1.8	(1.1)
Efficiency and soundness:						
Return on equity (ROE) (%) (Note 1)	**5.9**	7.5	15.9	7.6	6.2	(3.6)
Return on assets (ROA) (%) (Note 2)	**2.1**	2.5	4.8	2.1	1.6	(0.9)
Debt-to-equity (D/E) ratio (Times) (Note 3)	**0.9**	1.1	1.2	1.4	1.6	1.9
Equity ratio (%) (Note 4)	**37.3**	34.0	33.2	27.4	26.9	23.7
Investment indicators:						
Dividend payout ratio (%) (Note 5)	**47.5**	40.0	20.6	30.5	27.2	—
Dividends on equity (DOE) ratio (%) (Note 6)	**2.7**	2.9	3.2	2.2	1.6	—
Price book value ratio (PBR) (Times) (Note 7)	**1.1**	1.0	1.2	1.4	0.9	0.7
Stock price at fiscal year-end (Yen)	**205**	166	212	186	109	80

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 2017, ended March 31, 2017, consolidated net sales totaled ¥149,830 million, down 7.4% compared with the previous fiscal year. The Industrial Machinery segment posted a 5.9% decrease in sales, to ¥14,042 million, due mainly to the completion in September 2015 of a large-scale earth-moving project for relocating people to higher ground in Rikuzentakata City. This was despite increased sales related to a belt conveyor project for the Tokyo Gaikan Expressway (outer ring road). The Rock Drill Machinery segment reported a 10.3% decline in sales, to ¥26,979 million, due mainly to general weakness in overseas shipments of hydraulic breakers and hydraulic crawler drills, reflecting a significant decline in construction demand, mainly in resource-rich countries, amid weak crude oil prices and uncertainty over the economic outlook. This was despite growth in overseas sales of tunnel drill jumbos. The UNIC Machinery segment recorded a 5.3% decrease in sales, to ¥25,783 million, amid weakness in domestic registrations of trucks on which UNIC cranes are mounted, as well as a fall in demand for large-scale rentals. The Metals segment posted a 8.5% decline in sales, to ¥67,854 million, due largely to the yen's appreciation.

Cost of sales declined 7.5%, to ¥126,207 million, and the cost of sales margin edged down 0.1 percentage point, to 84.2%.

Selling, general and administrative (SG&A) expenses declined 1.6%, to ¥17,077 million.

As a result, operating income fell 18.1% from the previous fiscal year, to ¥6,546 million. Main reasons for the decline were a 59.5% decrease in operating income in the Rock Drill Machinery segment, to ¥897 million, and a 90.0% drop in operating income in the Industrial Machinery segment, to ¥104 million. Accordingly, the operating margin was down 0.5 percentage point, to 4.4%.

Among other income, we posted a ¥1,756 million gain on dividend income from Nusa Tenggara Mining Corporation following the sale of mines. Among other expenses, there was a ¥125 million loss on sales and retirement of noncurrent assets, a ¥102 million impairment loss, and a ¥276 million provision for deposition field restoration (to cover costs for strengthening the earthquake resistance of deposition fields, the final disposal sites for mining residues and the like). Accordingly, profit before income taxes rose 1.2%, to ¥6,711 million. Income taxes (the sum of inhabitants' tax, enterprise tax, and corporate tax) totaled ¥2,297 million. As a result, Profit attributable to owners of parent declined 15.9%, to ¥4,254 million.

Return on equity (ROE) was down 1.6 percentage points, to 5.9%, and basic earnings per share declined from ¥12.51 to ¥10.53.

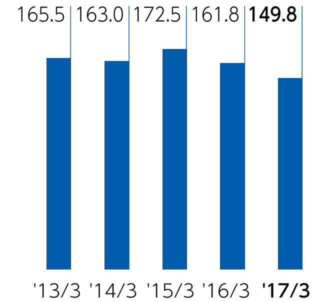
Financial Position

At March 31, 2017, total assets amounted to ¥208,034 million, down 6.3% from a year earlier. The decline stemmed mainly from an increase in investment securities due to rising prices of our shareholdings.

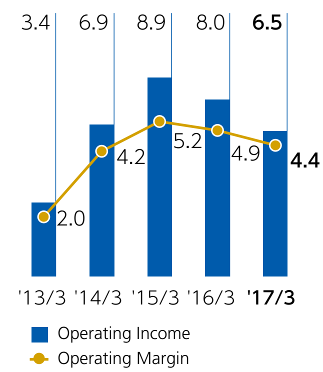
Despite a 3.6% decrease in interest-bearing liabilities (debt), to ¥73,507 million, total liabilities edged up 0.8%, to ¥128,450 million. This was due mainly to an increase in payables—trade.

Net assets at fiscal year-end stood at ¥79,584 million, up 16.6% from a year earlier. This was mainly due to an increase in unrealized holding gain on securities, net of income taxes. Consequently, total equity amounted to ¥77,658 million, and the equity ratio rose 3.3 percentage points, to 37.3%. The debt-to-equity (D/E) ratio declined from 1.1 to 0.9 times.

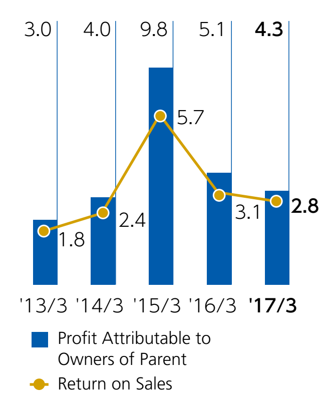
Net Sales
(Billions of yen)



Operating Income
(Billions of yen)
Operating Margin
(%)



Profit Attributable to Owners of Parent
(Billions of yen)
Return on Sales
(%)



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 ¥2,464 million, down 8.1% from the previous fiscal year. Of this total, ¥250 million was allocated to the Industrial Machinery segment, ¥881 million to the Rock Drill Machinery segment, ¥395 million to the UNIC Machinery segment, ¥740 million to the Electronics segment, and ¥194 million to the Chemicals segment.

Capital expenditures (including purchase of intangible fixed assets) amounted to ¥5,424 million. Of this total, ¥207 million was allocated to the Industrial Machinery segment, ¥595 million to the Rock Drill Machinery segment, ¥3,524 million to the UNIC Machinery segment, ¥162 million to the Metals segment, ¥97 million to the Electronics segment, and ¥152 million to the Chemicals segment, aimed primarily at improvements in production efficiency. In addition, ¥114 million was allocated to the Real Estate segment, mainly for maintenance of buildings, and ¥570 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 1.7%, to ¥3,138 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, 2018, the Group plans to invest a total of ¥7,500 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

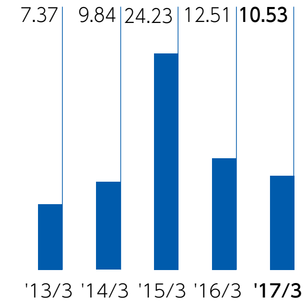
In the year under review, net cash provided by operating activities amounted to ¥9,819 million, up 28.3% from the previous fiscal year. Main factors included profit before income taxes and interest and dividend income.

Net cash used in investing activities totaled ¥3,585 million, up 25.6% from the previous year. The primary factor was purchases of property, plant and equipment.

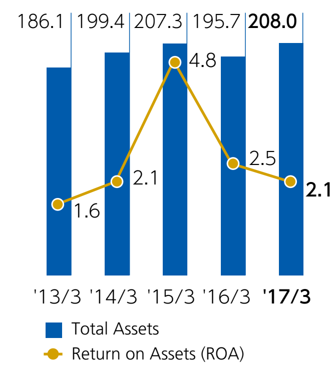
Net cash used in financing activities was ¥5,030 million, down 38.4%. This was mainly due to repayment of long-term debt.

As a result, cash and cash equivalents at the end of the fiscal year totaled ¥13,225 million, up ¥1,062 million, or 8.7%, from a year earlier.

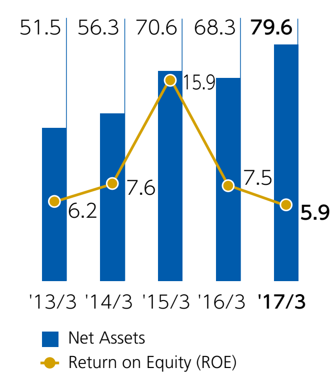
Basic Earnings per Share
(Yen)



Total Assets
(Billions of yen)
Return on Assets (ROA)
(%)



Net Assets
(Billions of yen)
Return on Equity (ROE)
(%)



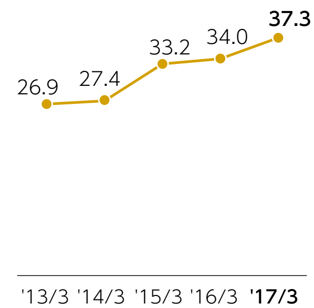
Capital Strategies

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.

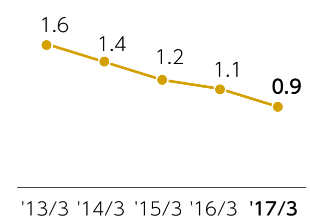
The decision-making body for appropriations from retained earnings is the Annual General Meeting of Shareholders. The Articles of Incorporation states that "subject to resolution of the Board of Directors, interim dividends may be paid, with September 30 of each year as the date of record."

For fiscal 2017, 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.

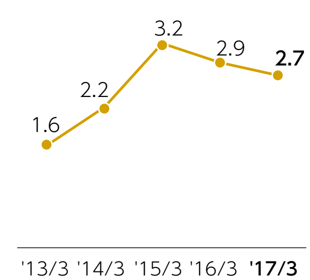
Equity Ratio
(%)



Debt-to-Equity (D/E) Ratio
(Times)



Dividends on Equity (DOE) Ratio
(%)



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 ¥73,507 million, equivalent to 35.3% 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, 2017, the carrying value of investment securities as stated in the balance sheets was ¥30,588 million, while land stood at ¥54,987 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.

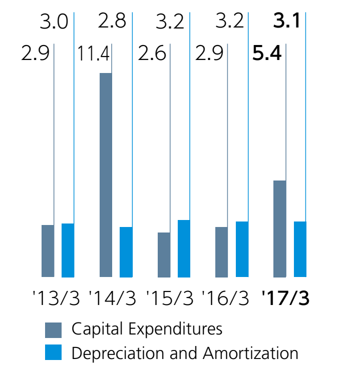
(8) Official Regulations

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.

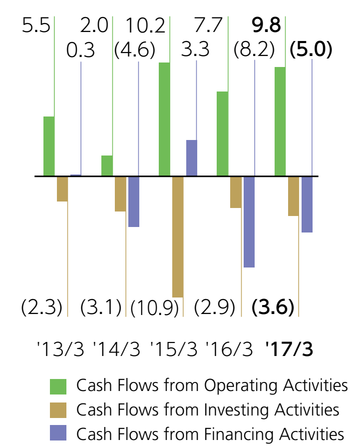
(9) Country Risk

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.

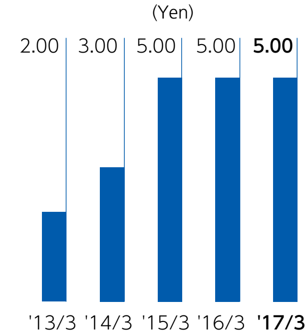
Capital Expenditures
(Billions of yen)
Depreciation and Amortization
(Billions of yen)



Cash Flows
(Billions of yen)



Cash Dividends per Share
(Yen)



Financial Section

Consolidated Balance Sheets

Furukawa Co., Ltd. and consolidated subsidiaries
As of March 31, 2017 and 2016

	Millions of yen				Thousands of U.S. dollars (Note 3)	
ASSETS		**2017**		2016		**2017**
Current Assets:						
Cash and cash equivalents	**¥**	**13,225**	¥	12,163	**$**	**117,870**
Receivables—trade		**26,755**		24,702		**238,458**
Finished products		**13,802**		13,910		**123,012**
Work in process		**7,690**		7,985		**68,538**
Raw materials and supplies		**11,616**		11,987		**103,529**
Deferred tax assets (Note 13)		**662**		1,370		**5,900**
Other current assets		**6,032**		4,428		**53,762**
Allowance for doubtful accounts		**(203)**		(230)		**(1,809)**
Total current assets		**79,579**		76,315		**709,260**
Property, Plant and Equipment, at Cost (Notes 5 and 18)**:**						
Land and timberlands		**56,839**		56,980		**506,586**
Buildings and structures		**55,486**		52,338		**494,528**
Machinery and equipment		**41,827**		40,629		**372,790**
Lease assets (Note 9)		**1,438**		1,537		**12,816**
Construction in progress		**347**		242		**3,093**
		155,937		151,726		**1,389,813**
Accumulated depreciation		**(68,560)**		(66,412)		**(611,052)**
Property, plant and equipment, net		**87,377**		85,314		**778,761**
Investments and Other Assets:						
Investment securities (Notes 4 and 5)		**32,343**		23,971		**288,262**
Investments in affiliates		**3,228**		3,663		**28,770**
Long-term loans receivables		**4,021**		3,739		**35,838**
Deferred tax assets (Note 13)		**522**		1,616		**4,652**
Other assets		**1,550**		1,617		**13,815**
Allowance for doubtful accounts		**(586)**		(585)		**(5,223)**
Total investments and other assets		**41,078**		34,021		**366,114**
Total assets	**¥**	**208,034**	¥	195,650	**$**	**1,854,135**

LIABILITIES AND NET ASSETS		Millions of yen 2017		2016		Thousands of U.S. dollars (Note 3) 2017
Current Liabilities:						
Short-term debt (Note 5)	¥	**9,656**	¥	12,656	$	**86,061**
Current portion of long-term debt (Note 5)		**13,384**		15,181		**119,287**
Lease obligations (Note 5)		**249**		259		**2,219**
Payables—trade		**15,065**		14,012		**134,269**
Electronically recorded obligations		**7,917**		7,877		**70,561**
Income taxes payable		**710**		361		**6,328**
Deferred tax liabilities (Note 13)		**0**		1		**0**
Provision for environmental measures		**—**		9		**—**
Provision for deposition field restoration		**1,212**		—		**10,802**
Other current liabilities		**11,597**		9,394		**103,360**
Total current liabilities		**59,790**		59,750		**532,887**
Long-Term Liabilities:						
Long-term debt (Note 5)		**50,468**		48,405		**449,804**
Lease obligations (Note 5)		**578**		526		**5,152**
Provision for environmental measures		**132**		134		**1,176**
Provision for deposition field restoration		**534**		1,526		**4,759**
Liability for retirement benefits (Note 12)		**6,533**		8,326		**58,226**
Deferred tax liabilities (Note 13)		**5,843**		4,125		**52,077**
Deferred tax liabilities on surplus on the revaluation of land (Note 13)		**1,811**		1,831		**16,141**
Asset retirement obligations		**218**		214		**1,943**
Other long-term liabilities		**2,543**		2,551		**22,665**
Total long-term liabilities		**68,660**		67,638		**611,943**
Net Assets (Note 6)**:**						
Shareholders' equity:						
Common stock without par value:						
Authorized—800,000,000 shares						
Issued—404,455,680 shares		**28,208**		28,208		**251,408**
Retained earnings		**35,748**		33,467		**318,610**
Treasury stock, at cost:						
2017—412,928 shares		**(66)**		(63)		**(588)**
2016—398,486 shares		**—**		—		**—**
Total shareholders' equity		**63,890**		61,612		**569,430**
Accumulated other comprehensive income:						
Unrealized holding gain on securities, net of income taxes		**11,758**		4,514		**104,794**
Deferred gain (loss) on hedges		**106**		157		**945**
Surplus on the revaluation of land, net of income taxes		**3,536**		3,583		**31,515**
Translation adjustments		**160**		543		**1,426**
Retirement benefits liability adjustments		**(1,792)**		(3,950)		**(15,971)**
Total accumulated other comprehensive income		**13,768**		4,847		**122,709**
Non-controlling interests		**1,926**		1,803		**17,166**
Total net assets		**79,584**		68,262		**709,305**
Total liabilities and net assets	¥	**208,034**	¥	195,650	$	**1,854,135**

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, 2017 and 2016

	Millions of yen				Thousands of U.S. dollars (Note 3)	
		2017		2016		2017
Net Sales	¥	149,830	¥	161,799	$	1,335,383
Cost of Sales (Note 15)		(126,207)		(136,447)		(1,124,839)
Gross profit		23,623		25,352		210,544
Selling, General and Administrative Expenses (Note 8)		(17,077)		(17,363)		(152,202)
Operating income		6,546		7,989		58,342
Other Income (Expenses):						
Interest and dividend income		2,446		642		21,800
Equity in earnings (losses) of affiliates		(421)		(142)		(3,752)
Interest expense		(669)		(807)		(5,963)
Other income (expenses), net (Note 16)		(1,191)		(1,051)		(10,614)
Profit before income taxes		6,711		6,631		59,813
Income Taxes (Note 13)**:**						
Current		(1,294)		(1,162)		(11,533)
Deferred		(1,003)		(305)		(8,940)
Total income taxes		(2,297)		(1,467)		(20,473)
Profit		4,414		5,164		39,340
Profit Attributable to Non-controlling Interests		(160)		(108)		(1,426)
Profit Attributable to Owners of Parent	¥	4,254	¥	5,056	$	37,914

	Yen				U.S. dollars (Note 3)	
Profit Attributable to Owners of Parent per Share	¥	10.53	¥	12.51	$	0.09
Net Assets per Share		192.20		164.48		1.71

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, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	**2017**
Profit	**¥ 4,414**	¥ 5,164	**$ 39,340**
Other Comprehensive Income (Loss):			
Unrealized holding gain (loss) on securities, net of income taxes	**7,249**	(4,918)	**64,608**
Deferred gain (loss) on hedges	**(59)**	393	**(526)**
Surplus on the revaluation of land, net of income taxes	**—**	103	**—**
Translation adjustments	**(393)**	(281)	**(3,503)**
Retirement benefits liability adjustments	**2,158**	(215)	**19,234**
Share of other comprehensive income (loss) of associates accounted for using equity method	**(13)**	(470)	**(116)**
Total other comprehensive income (loss) (Note 7)	**8,942**	(5,388)	**79,697**
Comprehensive Income (Loss)	**13,356**	(224)	**119,037**
Comprehensive Income (Loss) Attributable to:			
Owners of parent	**13,222**	(298)	**117,843**
Non-controlling interests	**134**	74	**1,194**

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, 2017 and 2016

For the year ended March 31, 2017	Number of shares of common stock (thousands)	Millions of yen Shareholders' equity Common stock	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at beginning of year	404,456	¥ 28,208	¥ 33,467	¥ (63)	¥ 61,612
Cash dividends paid	—	—	**(2,020)**	—	**(2,020)**
Profit attributable to owners of parent	—	—	**4,254**	—	**4,254**
Purchase of treasury stock	—	—	—	**(3)**	**(3)**
Reversal of surplus on the revaluation of land	—	—	**47**	—	**47**
Net change during the year	—	—	—	—	—
Balance at end of year	**404,456**	**¥ 28,208**	**¥ 35,748**	**¥ (66)**	**¥ 63,890**

For the year ended March 31, 2017	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 12)	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at beginning of year	¥ 4,514	¥ 157	¥ 3,583	¥ 543	¥ (3,950)	¥ 4,847	¥ —	¥ 1,803	¥68,262
Cash dividends paid	—	—	—	—	—	—	—	—	**(2,020)**
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	**4,254**
Purchase of treasury stock	—	—	—	—	—	—	—	—	**(3)**
Reversal of surplus on the revaluation of land	—	—	—	—	—	—	—	—	**47**
Net change during the year	**7,244**	**(51)**	**(47)**	**(383)**	**2,158**	**8,921**	—	**123**	**9,044**
Balance at end of year	**¥ 11,758**	**¥ 106**	**¥ 3,536**	**¥ 160**	**¥ (1,792)**	**¥ 13,768**	**¥ —**	**¥ 1,926**	**¥79,584**

For the year ended March 31, 2016	Number of shares of common stock (thousands)	Millions of yen Shareholders' equity Common stock	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at beginning of year	404,456	¥ 28,208	¥ 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 12)	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
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, 2017	Thousands of U.S. dollars (Note 3)			
	Shareholders' equity			
	Common stock	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at beginning of year	$ 251,408	$ 298,280	$ (562)	$ 549,126
Cash dividends paid	—	**(18,004)**	—	**(18,004)**
Profit attributable to owners of parent	—	**37,914**	—	**37,914**
Purchase of treasury stock	—	—	**(26)**	**(26)**
Reversal of surplus on the revaluation of land	—	**420**	—	**420**
Net change during the year	—	—	—	—
Balance at end of year	**$ 251,408**	**$ 318,610**	**$ (588)**	**$ 569,430**

The accompanying notes are an integral part of these statements.

For the year ended March 31, 2017	Thousands of U.S. dollars (Note 3)								
	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 12)	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at beginning of year	$ 40,232	$ 1,399	$ 31,934	$ 4,840	$ (35,205)	$ 43,200	$ —	$16,070	$608,396
Cash dividends paid	—	—	—	—	—	—	—	—	**(18,004)**
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	**37,914**
Purchase of treasury stock	—	—	—	—	—	—	—	—	**(26)**
Reversal of surplus on the revaluation of land	—	—	—	—	—	—	—	—	**420**
Net change during the year	**64,562**	**(454)**	**(419)**	**(3,414)**	**19,234**	**79,509**	—	**1,096**	**80,605**
Balance at end of year	**$ 104,794**	**$ 945**	**$ 31,515**	**$ 1,426**	**$ (15,971)**	**$122,709**	**$ —**	**$17,166**	**$709,305**

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, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	**2017**
Operating Activities:			
Profit before income taxes	**¥ 6,711**	¥ 6,631	**$ 59,813**
Foreign exchange (gains) losses	**105**	196	**936**
Depreciation and amortization	**3,138**	3,191	**27,967**
Equity in losses of affiliates	**421**	142	**3,752**
Impairment loss	**102**	207	**909**
Increase in net defined benefit liability	**1,212**	1,321	**10,802**
Gain (Loss) on sales of property, plant and equipment	**107**	(230)	**954**
Compensation income	**—**	(391)	**—**
Increase (Decrease) in provision for deposition field restoration	**220**	(883)	**1,961**
Interest and dividend income	**(2,446)**	(642)	**(21,800)**
Interest expense	**669**	807	**5,963**
Changes in operating assets and liabilities:			
Receivables—trade	**(2,253)**	(576)	**(20,080)**
Inventories	**348**	(396)	**3,102**
Payables—trade	**1,360**	2,409	**12,121**
Other	**(401)**	(3,423)	**(3,575)**
Subtotal	**9,293**	8,363	**82,825**
Interest and dividends received	**2,436**	626	**21,711**
Interest paid	**(699)**	(816)	**(6,230)**
Income taxes paid	**(1,853)**	(2,258)	**(16,515)**
Income taxes refunded	**642**	1,346	**5,722**
Compensation received	**—**	391	**—**
Net cash provided by operating activities	**9,819**	7,652	**87,513**
Investing Activities:			
Purchases of property, plant and equipment	**(3,812)**	(2,575)	**(33,975)**
Proceeds from sales of property, plant and equipment	**52**	478	**463**
Proceeds from liquidation of investment securities	**599**	—	**5,339**
Increase in long-term loans receivables	**(825)**	(789)	**(7,353)**
Collection of long-term loans receivables	**501**	2	**4,465**
Other	**(100)**	29	**(891)**
Net cash used in investing activities	**(3,585)**	(2,855)	**(31,952)**
Financing Activities:			
Proceeds from long-term debt	**15,600**	10,000	**139,037**
Repayment of long-term debt	**(15,314)**	(15,746)	**(136,488)**
Proceeds from short-term debt	**5,627**	6,324	**50,152**
Repayment of short-term debt	**(8,627)**	(6,326)	**(76,889)**
Cash dividends paid	**(2,018)**	(2,014)	**(17,986)**
Repayment of finance lease obligations	**(284)**	(318)	**(2,531)**
Other	**(14)**	(86)	**(125)**
Net cash used in financing activities	**(5,030)**	(8,166)	**(44,830)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(142)**	(184)	**(1,266)**
Net Increase (Decrease) in Cash and Cash Equivalents	**1,062**	(3,553)	**9,465**
Cash and Cash Equivalents at Beginning of Year	**12,163**	15,716	**108,405**
Cash and Cash Equivalents at End of Year	**¥ 13,225**	¥ 12,163	**$ 117,870**

The accompanying notes are an integral part of these statements.

1. Basis of Presentation

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

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

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

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The Company had 35 subsidiaries and 11 affiliates as of March 31, 2017 (37 subsidiaries and 11 affiliates as of March 31, 2016). The consolidated financial statements included the accounts of the Company and 35 subsidiaries as of March 31, 2017 (37 subsidiaries as of March 31, 2016).

Compared with the previous year, the number of subsidiaries decreased by 2 subsidiaries due to liquidation.

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

Certain foreign subsidiaries have been included on the basis of a fiscal year ended on December 31, but prior to the parent company's fiscal year ended 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, 2017 and 2016. 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.

(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 ¥1,739 million ($15,499 thousand) and ¥1,793 million as of March 31, 2017 and 2016 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

Profit attributable to owners of parent 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. 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 ¥112.20=US$1.00, the exchange rate prevailing on March 31, 2017. 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.

4. Investment Securities

The aggregate acquisition cost, carrying value and unrealized gain or loss pertaining to the marketable other securities as of March 31, 2017 and 2016 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2017			**2017**		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Listed stocks	**¥ 30,037**	**¥ 15,338**	**¥ 14,699**	**$ 267,709**	**$ 136,702**	**$ 131,007**
Government bonds	**—**	**—**	**—**	**—**	**—**	**—**
Corporate bonds	**—**	**—**	**—**	**—**	**—**	**—**
	30,037	**15,338**	**14,699**	**267,709**	**136,702**	**131,007**
Securities whose carrying value does not exceed their acquisition cost:						
Listed stocks	**551**	**608**	**(57)**	**4,911**	**5,419**	**(508)**
Government bonds	**—**	**—**	**—**	**—**	**—**	**—**
Corporate bonds	**—**	**—**	**—**	**—**	**—**	**—**
	551	**608**	**(57)**	**4,911**	**5,419**	**(508)**
Total	**¥ 30,588**	**¥ 15,946**	**¥ 14,642**	**$ 272,620**	**$ 142,121**	**$ 130,499**

	Millions of yen		
	2016		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Listed stocks	¥ 18,677	¥ 12,434	¥ 6,243
Government bonds	—	—	—
Corporate bonds	—	—	—
	18,677	12,434	6,243
Securities whose carrying value does not exceed their acquisition cost:			
Listed stocks	2,944	3,455	(511)
Government bonds	—	—	—
Corporate bonds	—	—	—
	2,944	3,455	(511)
Total	¥ 21,621	¥ 15,889	¥ 5,732

Gain on sales of securities classified as other securities with aggregate gains for the years ended March 31, 2017 and 2016 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Sales proceeds	**¥ 1**	¥ 0	**$ 9**
Aggregate gains	**1**	0	**9**
Aggregate losses	**—**	—	**—**

5. 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 rates of 0.3% and 0.5% as of March 31, 2017 and 2016, respectively.

Long-term debt as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Loans, principally from banks, insurance companies and government agencies, most of which are secured, due 2017 to 2032	**¥ 63,852**	¥ 63,586	**$ 569,091**
	63,852	63,586	**569,091**
Current portion of long-term debt	**(13,384)**	(15,181)	**(119,287)**
	¥ 50,468	¥ 48,405	**$ 449,804**

The average interest rates applicable to the above debt amounting to ¥63,852 million ($569,091 thousand) and ¥63,586 million were 0.7% and 0.8% as of March 31, 2017 and 2016, respectively.

The aggregate annual maturities of long-term debt subsequent to March 31, 2017 are as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31,	**2017**	
2018	**¥ 13,384**	**$ 119,287**
2019	**26,714**	**238,092**
2020	**6,621**	**59,011**
2021	**2,130**	**18,984**
2022	**1,218**	**10,856**
2023 and thereafter	**13,785**	**122,861**
	¥ 63,852	**$ 569,091**

Lease obligations as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Lease obligations due 2017 to 2024	**¥ 827**	¥ 785	**$ 7,371**
	827	785	**7,371**
Current portion of lease obligations	**(249)**	(259)	**(2,219)**
	¥ 578	¥ 526	**$ 5,152**

The aggregate annual maturities of lease obligations subsequent to March 31, 2017 are as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31,	2017	
2018	¥ 249	$ 2,219
2019	210	1,872
2020	184	1,640
2021	95	847
2022	68	606
2023 and thereafter	21	187
	¥ 827	$ 7,371

The Company and certain consolidated subsidiaries have entered into overdraft and loan commitment agreements amounting to ¥35,014 million ($312,068 thousand) with 23 banks and ¥35,092 million with 23 banks as of March 31, 2017 and 2016, respectively. The borrowings outstanding and the unused balances under these credit facilities amounted to ¥9,656 million ($86,061 thousand) and ¥25,358 million ($226,007 thousand), respectively, as of March 31, 2017, and amounted to ¥12,656 million and ¥22,436 million, respectively, as of March 31, 2016.

Assets pledged as collateral and liabilities with collateral pledged as of March 31, 2017 and 2016 were as follows:
(a) Assets pledged as collateral

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Investment securities	¥ —	¥ 237	$ —
Property, plant and equipment, net	1,489	1,510	13,271
	¥ 1,489	¥ 1,747	$ 13,271

(b) Liabilities with collateral pledged

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Long-term debt (including current portion)	¥ 997	¥ 1,010	$ 8,886

6. Net Assets

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

	Thousands of shares			
	As of March 31, 2016	Increase	Decrease	As of March 31, 2017
Shares issued:				
Common stock	404,455	—	—	404,455
Total	404,455	—	—	404,455
Treasury stock:				
Common stock (Note)	398	15	—	413
Total	398	15	—	413

Note: The increase of 15 thousand shares of equity in treasury stock was due to the purchase of shares of less than a standard unit.

7. Other Comprehensive Income

Reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Unrealized holding gain (loss) on securities, net of income taxes:			
Amounts arising during the year	**¥ 8,912**	¥ (6,762)	**$ 79,430**
Reclassification adjustments for gains and losses included in profit	**(1)**	—	**(9)**
Amounts before tax effect	**8,911**	(6,762)	**79,421**
Tax effect	**(1,662)**	1,844	**(14,813)**
Unrealized holding gain (loss) on securities, net of income taxes	**7,249**	(4,918)	**64,608**
Deferred gain (loss) on hedges:			
Amounts arising during the year	**466**	1,153	**4,153**
Adjustment on the acquisition cost of assets	**(561)**	(601)	**(5,000)**
Amounts before tax effect	**(95)**	552	**(847)**
Tax effect	**36**	(159)	**321**
Deferred gain (loss) on hedges	**(59)**	393	**(526)**
Surplus on the revaluation of land, net of income taxes:			
Tax effect	**—**	103	**—**
Translation adjustments:			
Amounts arising during the year	**(393)**	(281)	**(3,503)**
Retirement benefits liability adjustments:			
Amounts arising during the year	**2,244**	(1,190)	**20,000**
Reclassification adjustments for gains and losses included in profit	**783**	1,057	**6,979**
Amounts before tax effect	**3,027**	(133)	**26,979**
Tax effect	**(869)**	(82)	**(7,745)**
Retirement benefits liability adjustments	**2,158**	(215)	**19,234**
Share of other comprehensive income (loss) of associates accounted for using equity method:			
Amounts arising during the year	**(44)**	(427)	**(392)**
Reclassification adjustments for gains and losses included in profit	**31**	(47)	**276**
Share of other comprehensive income (loss) of associates accounted for using equity method	**(13)**	(470)	**(116)**
Total other comprehensive income (loss)	**¥ 8,942**	¥ (5,388)	**$ 79,697**

8. 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, 2017 and 2016 amounted to ¥2,464 million ($21,961 thousand) and ¥2,680 million, respectively.

9. Leases

Leases' accounting

Finance lease transactions that do not involve transfer of ownership

1. Leased asset quality

   Tangible assets

   Mainly machinery and equipment

2. Depreciation method of leased assets

   Refer to "(8) Property, Plant and Equipment and Depreciation" in "2. Summary of Significant Accounting Policies."

10. 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 purposes.

(2) Types of financial instruments and related risk

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

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 dates 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 creditworthiness 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 "11. 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, 2017 and 2016 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		
	2017			**2017**		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets:						
(1) Cash and cash equivalents	**¥ 13,225**	**¥ 13,225**	**¥ —**	**$ 117,870**	**$ 117,870**	**$ —**
(2) Receivables—trade	**26,755**	**26,755**	**—**	**238,458**	**238,458**	**—**
(3) Investment securities	**30,587**	**30,587**	**—**	**272,611**	**272,611**	**—**
Total assets	**70,567**	**70,567**	**—**	**628,939**	**628,939**	**—**
Liabilities:						
(1) Payables—trade	**¥ 15,065**	**¥ 15,065**	**¥ —**	**$ 134,269**	**$ 134,269**	**$ —**
(2) Electronically recorded obligations	**7,917**	**7,917**	**—**	**70,561**	**70,561**	**—**
(3) Short-term debt (*1)	**9,656**	**9,656**	**—**	**86,061**	**86,061**	**—**
(4) Long-term debt (*1)	**63,852**	**64,003**	**151**	**569,091**	**570,437**	**1,346**
Total liabilities	**96,490**	**96,641**	**151**	**859,982**	**861,328**	**1,346**
Derivatives (*2)	**¥ 153**	**¥ 153**	**¥ —**	**$ 1,364**	**$ 1,364**	**$ —**

	Millions of yen		
	2016		
	Carrying value	Estimated fair value	Difference
Assets:			
(1) Cash and cash equivalents	¥ 12,163	¥ 12,163	¥ —
(2) Receivables—trade	24,702	24,702	—
(3) Investment securities	21,621	21,621	—
Total assets	58,486	58,486	—
Liabilities:			
(1) Payables—trade	¥ 14,012	¥ 14,012	¥ —
(2) Electronically recorded obligations	7,877	7,877	—
(3) Short-term debt (*1)	12,656	12,656	—
(4) Long-term debt (*1)	63,585	63,906	321
Total liabilities	98,130	98,451	321
Derivatives (*2)	¥ 248	¥ 248	¥ —

(*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 "4. 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 "11. 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, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Unlisted stocks	**¥ 4,984**	¥ 6,014	**$ 44,421**

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, 2017 and 2016 are as follows:
For the year ended March 31, 2017

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 deposits	**¥ 13,110**	**¥ —**	**¥ —**	**¥ —**
Receivables—trade	**26,755**	**—**	**—**	**—**
Investment securities:				
Other securities with maturity:				
(1) Bonds (Municipal bonds)	**—**	**—**	**—**	**—**
(2) Bonds (Corporate bonds)	**—**	**—**	**—**	**—**
Total	**¥ 39,865**	**¥ —**	**¥ —**	**¥ —**

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 deposits	¥ 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, 2017

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 deposits	**$ 116,845**	**$ —**	**$ —**	**$ —**
Receivables—trade	**238,458**	**—**	**—**	**—**
Investment securities:				
Other securities with maturity:				
(1) Bonds (Municipal bonds)	**—**	**—**	**—**	**—**
(2) Bonds (Corporate bonds)	**—**	**—**	**—**	**—**
Total	**$ 355,303**	**$ —**	**$ —**	**$ —**

4. The redemption schedule for long-term debt is disclosed in "5. Short-Term Debt, Long-Term Debt and Lease Obligations."

11. Derivative Transactions

The notional amounts and estimated fair value of the derivative instruments outstanding as of March 31, 2017 and 2016 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, 2017		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	Accounts receivables	**¥ 1,178**	**—**	**¥ (12)**
	EUR	Accounts receivables	**264**	**—**	**1**
	U.S. dollars	Accounts payables	**7,679**	**—**	**123**
Allocation method	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	Accounts receivables	**¥ 206**	**—**	**(*)**
	EUR	Accounts receivables	**115**	**—**	**(*)**
	Buy:				
	U.S. dollars	Accounts payables	**¥ —**	**—**	**(*)**

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 receivables	¥ 248	—	¥ 17
	EUR	Accounts receivables	56	—	2
	U.S. dollars	Accounts payables	6,820	—	268
Allocation method	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	Accounts receivables	¥ 311	—	(*)
	EUR	Accounts receivables	349	—	(*)
	Buy:				
	U.S. dollars	Accounts payables	¥ 2,681	—	(*)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2017		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	Accounts receivables	**$ 10,499**	**—**	**$ (107)**
	EUR	Accounts receivables	**2,353**	**—**	**9**
	U.S. dollars	Accounts payables	**68,440**	**—**	**1,123**
Allocation method	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	Accounts receivables	**$ 1,836**	**—**	**(*)**
	EUR	Accounts receivables	**1,025**	**—**	**(*)**
	Buy:				
	U.S. dollars	Accounts payables	**$ —**	**—**	**(*)**

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 transactions

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2017		
			Contract amounts	Maturing after one year	Fair value
Special accounting procedure for interest rate swap	Receive/floating and pay/fixed	Long-term debt	**¥ 20,775**	**¥ 16,379**	**(*)**

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	(*)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2017		
			Contract amounts	Maturing after one year	Fair value
Special accounting procedure for interest rate swap	Receive/floating and pay/fixed	Long-term debt	**$ 185,160**	**$ 145,980**	**(*)**

(*) 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, 2017		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell:				
	Copper	Raw material	**¥ —**	**¥ —**	**¥ —**
	Buy:				
	Copper	Raw material	**912**	**—**	**43**

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)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2017		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell:				
	Copper	Raw material	**$ —**	**$ —**	**$ —**
	Buy:				
	Copper	Raw material	**8,128**	**—**	**383**

Note: The fair values of forward product 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, 2017 and 2016 does not exist and is not disclosed.

12. Retirement Benefit Plans

For the year ended March 31, 2017

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, 2017 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	
Retirement benefit obligation at April 1, 2016	**¥ 19,662**	**$ 175,241**
Service cost	**961**	**8,564**
Interest cost	**127**	**1,132**
Actuarial loss	**(338)**	**(3,012)**
Retirement benefits paid	**(514)**	**(4,581)**
Exchange translation adjustment	**(71)**	**(633)**
Other	**—**	**—**
Retirement benefit obligation at March 31, 2017	**¥ 19,827**	**$ 176,711**

The changes in plan assets during the year ended March 31, 2017 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	
Plan assets at April 1, 2016	**¥ 11,337**	**$ 101,043**
Expected return on plan assets	**278**	**2,478**
Actual loss	**1,806**	**16,096**
Contributions by the Company	**463**	**4,127**
Retirement benefits paid	**(529)**	**(4,715)**
Exchange translation adjustment	**(61)**	**(544)**
Others	**—**	**—**
Plan assets at March 31, 2017	**¥ 13,294**	**$ 118,485**

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2017 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen	Thousands of U.S. dollars
	2017	
Funded retirement benefit obligation	**¥ 19,194**	**$ 171,070**
Plan assets at fair value	**(13,294)**	**(118,485)**
	5,900	**52,585**
Unfunded retirement benefit obligation	**633**	**5,641**
Net liability for retirement benefits in the balance sheet	**6,533**	**58,226**
Liability for retirement benefits	**6,533**	**58,226**
Net liability for retirement benefits in the balance sheet	**¥ 6,533**	**$ 58,226**

The components of retirement benefit expense for the year ended March 31, 2017 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	
Service cost	¥ 961	$ 8,566
Interest cost	127	1,132
Expected return on plan assets	(278)	(2,478)
Amortization of prior service cost	19	169
Amortization of actuarial loss	764	6,809
Retirement benefit expense	¥ 1,593	$ 14,198

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, 2017 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	
Prior service cost	¥ 19	$ 169
Actuarial loss	3,008	26,810
Total	¥ 3,027	$ 26,979

Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2017 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	
Unrecognized prior service cost	¥ 124	$ 1,105
Unrecognized actuarial loss	2,114	18,842
Total	¥ 2,238	$ 19,947

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2017 are as follows:

	2017
Bonds	21%
Stocks	66%
Cash on hand and in banks	1%
Other	12%
Total	100%

Note: 55% 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 0.4%
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 ($107 thousand).

The changes in the retirement benefit obligation during the year ended March 31, 2016 are as follows:

	Millions of yen
	2016
Retirement benefit obligation at April 1, 2015	¥ 17,937
Service cost	872
Interest cost	206
Actuarial loss	1,523
Retirement benefits paid	(873)
Exchange translation adjustment	(3)
Other	—
Retirement benefit obligation at March 31, 2016	¥ 19,662

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

	Millions of yen
	2016
Plan assets at April 1, 2015	¥ 11,063
Expected return on plan assets	80
Actual loss	473
Contributions by the Company	572
Retirement benefits paid	(851)
Exchange translation adjustment	0
Others	—
Plan assets at March 31, 2016	¥ 11,337

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
	2016
Funded retirement benefit obligation	¥ 19,063
Plan assets at fair value	(11,337)
	7,726
Unfunded retirement benefit obligation	600
Net liability for retirement benefits in the balance sheet	8,326
Liability for retirement benefits	8,326
Net liability for retirement benefits in the balance sheet	¥ 8,326

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

	Millions of yen 2016
Service cost	¥ 872
Interest cost	206
Expected return on plan assets	(80)
Amortization of prior service cost	26
Amortization of actuarial loss	1,031
Retirement benefit expense	¥ 2,055

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 2016
Prior service cost	¥ 26
Actuarial loss	(159)
Total	¥ (133)

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 2016
Unrecognized prior service cost	¥ 143
Unrecognized actuarial loss	5,122
Total	¥ 5,265

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.

13. 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, 2017 and 2016 were summarized as follows:

	2017	2016
Statutory tax rate	**30.9%**	33.1%
Non-deductible expenses for tax purposes	**0.5**	0.6
Non-taxable dividends and other income	**(2.6)**	(0.6)
Tax deduction such as R&D expenses	**(3.3)**	(2.3)
Inhabitants' per capita tax	**1.2**	1.2
Equity in earnings and losses of affiliates	**1.9**	0.7
Changes in valuation allowance	**3.2**	(6.6)
Different tax rates applied to subsidiaries	**1.8**	1.9
Decrease in differed tax liability due to the revision of statutory income tax rate	**1.1**	(4.4)
Other	**(0.5)**	(1.5)
Effective tax rate	**34.2%**	22.1%

Deferred tax assets and liabilities as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Deferred tax assets:			
Liability for retirement benefits	**¥ 6,917**	¥ 7,533	**$ 61,649**
Investment securities	**1,102**	2,168	**9,822**
Net operating loss carryforwards	**6,063**	7,199	**54,037**
Land	**1,869**	1,866	**16,658**
Provision for deposition field restoration	**536**	471	**4,777**
Other	**1,009**	989	**8,992**
Total gross deferred tax assets	**17,496**	20,226	**155,935**
Valuation allowance	**(7,771)**	(8,658)	**(69,260)**
Total deferred tax assets	**9,725**	11,568	**86,675**
Deferred tax liabilities:			
Statutory reserves provided for tax purposes	**(1,264)**	(1,272)	**(11,266)**
Gain from establishment of trust for retirement benefit plans	**(3,020)**	(3,020)	**(26,916)**
Land	**(7,003)**	(7,021)	**(62,415)**
Unrealized holding gain on securities	**(2,874)**	(1,212)	**(25,615)**
Other	**(223)**	(183)	**(1,988)**
Total deferred tax liabilities	**(14,384)**	(12,708)	**(128,200)**
Net deferred tax liabilities	**¥ (4,659)**	¥ (1,140)	**$ (41,525)**
Deferred tax liabilities on surplus on the revaluation of land	**¥ (1,811)**	¥ (1,831)	**$ (16,141)**

Associated with the enactment on November 18, 2016 of the "Act for Partial Amendment of the Partial Amendment of the Consumption Tax Act and Others for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security" (Act No. 85 of 2016) and of the "Act for Partial Amendment of the Partial Amendment of the Local Tax Act and Local Allocation Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security" (Act No. 86 of 2016), the effective date of raising the consumption tax rate to 10% has been postponed from April 1, 2017 to October 1, 2019, and the abolition of the local corporation special tax, the accompanying restoration of the corporate enterprise tax, and changes in statutory tax rates of the local corporation tax and the corporate inhabitants' tax have been postponed from fiscal years beginning on or after April 1, 2017 to fiscal years beginning on or after October 1, 2019.

Although there was no change in the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities, as tax rates shifted between national tax and local tax, deferred tax assets decreased by ¥73 million ($651 thousand) after offsetting deferred tax liabilities, deferred income tax increased by ¥73 million ($651 thousand) and deferred gain (loss) on hedges increased by ¥0 million ($0 thousand).

14. Contingent Liabilities

Contingent liabilities as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Notes receivable discounted and endorsed	**¥ 107**	¥ 154	**$ 954**
Loans guaranteed	**4,506**	962	**40,160**
Repurchase obligation of the securitization of receivables	**850**	1,484	**7,576**

15. Write-Down of Inventories

The amount of write-down of inventories included in cost of sales for the year ended March 31, 2017 totaled ¥(5) million ($(45) thousand). For the year ended March 31, 2016, the Company reversed write-down in the amount of ¥60 million and credited it to cost of sales.

16. Other Income (Expenses)—Other, Net

Other income (expenses)—other, net for the years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Gain on sales of noncurrent assets	**¥ 17**	¥ 309	**$ 152**
Compensation income	**—**	391	**—**
Payments for idle mines	**(564)**	(601)	**(5,027)**
Loss on foreign exchange	**(8)**	(797)	**(71)**
Provision for deposition field restoration	**(276)**	—	**(2,460)**
Loss on sales and retirement of noncurrent assets	**(125)**	(79)	**(1,114)**
Impairment loss	**(102)**	(207)	**(909)**
Other, net	**(133)**	(67)	**(1,185)**
	¥ (1,191)	¥ (1,051)	**$ (10,614)**

17. 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 sell environmental machinery, pumps, industrial machinery, steel structures and heat-resistant and wear-resistant castings

(b) Rock Drill Machinery
Manufacture and sell rock drill machines such as hydraulics breakers, hydraulics crushers, boring drills, tunnel and mining drill jumbos, and environmental machinery

(c) UNIC Machinery
Manufacture and sell UNIC cranes, mini crawler cranes, ocean cranes and UNIC carriers

(d) Metals
After buying ore, sell electrolytic copper, gold, silver and sulfuric acid which is smelted on consignment by joint smelting company

(e) Electronic Materials
Manufacture and sell high-purity metallic arsenic, crystals, cores and coils, aluminum nitride ceramics, optical components and gallium nitrides

(f) Chemicals
Manufacture and sell cuprous oxide, ferric polysulfate solution, aluminum sulfate, sulfuric acid, cuprous dioxide and copper dioxide, and sell titanium dioxide

(g) Real Estate
Trade, intermediate and lease of real estate

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

Segment information of the Furukawa Group for the years ended March 31, 2017 and 2016 was as follows:

Year ended March 31, 2017	Millions of yen				
	Industrial Machinery	Rock Drill Machinery	UNIC Machinery	Metals	Electronic Materials
Sales and operating income (loss):					
Outside customers	**¥ 14,042**	**¥ 26,979**	**¥ 25,783**	**¥ 67,854**	**¥ 5,817**
Intersegment	**2,874**	**78**	**145**	**204**	**6**
Total	**16,916**	**27,057**	**25,928**	**68,058**	**5,823**
Operating income (loss)	**¥ 104**	**¥ 897**	**¥ 2,579**	**¥ 1,738**	**¥ 18**
Others:					
Segment assets	**¥ 20,170**	**¥ 31,044**	**¥ 24,556**	**¥ 28,218**	**¥ 7,274**
Depreciation	**328**	**575**	**569**	**245**	**317**
Investments in equity-method affiliates	**—**	**—**	**70**	**2,911**	**196**
Increase in tangible fixed assets and intangible fixed assets	**257**	**467**	**2,161**	**136**	**108**

Year ended March 31, 2017	Millions of yen				
	Chemicals	Real Estate	Others	Adjustments	Consolidated
Sales and operating income (loss):					
Outside customers	**¥ 5,298**	**¥ 3,074**	**¥ 983**	**¥ —**	**¥149,830**
Intersegment	**53**	**135**	**1,459**	**(4,954)**	**—**
Total	**5,351**	**3,209**	**2,442**	**(4,954)**	**149,830**
Operating income (loss)	**¥ 115**	**¥ 1,266**	**¥ (127)**	**¥ (44)**	**¥ 6,546**
Others:					
Segment assets	**¥ 15,947**	**¥ 31,510**	**¥ 3,404**	**¥ 45,911**	**¥208,034**
Depreciation	**211**	**591**	**81**	**46**	**2,963**
Investments in equity-method affiliates	**—**	**—**	**6**	**—**	**3,183**
Increase in tangible fixed assets and intangible fixed assets	**315**	**152**	**102**	**145**	**3,843**

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, 2017	Thousands of U.S. dollars				
	Industrial Machinery	Rock Drill Machinery	UNIC Machinery	Metals	Electronic Materials
Sales and operating income (loss):					
Outside customers	**$ 125,151**	**$ 240,455**	**$ 229,795**	**$ 604,759**	**$ 51,845**
Intersegment	**25,615**	**695**	**1,292**	**1,819**	**53**
Total	**150,766**	**241,150**	**231,087**	**606,578**	**51,898**
Operating income (loss)	**$ 927**	**$ 7,995**	**$ 22,986**	**$ 15,490**	**$ 160**
Others:					
Segment assets	**$ 179,768**	**$ 276,684**	**$ 218,859**	**$ 251,497**	**$ 64,831**
Depreciation	**2,923**	**5,125**	**5,071**	**2,184**	**2,825**
Investments in equity-method affiliates	**—**	**—**	**624**	**25,945**	**1,747**
Increase in tangible fixed assets and intangible fixed assets	**2,291**	**4,162**	**19,260**	**1,212**	**963**

Year ended March 31, 2017	Thousands of U.S. dollars				
	Chemicals	Real Estate	Others	Adjustments	Consolidated
Sales and operating income (loss):					
Outside customers	**$ 47,219**	**$ 27,398**	**$ 8,761**	**$ —**	**$1,335,383**
Intersegment	**472**	**1,203**	**13,004**	**(44,153)**	**—**
Total	**47,691**	**28,601**	**21,765**	**(44,153)**	**1,335,383**
Operating income (loss)	**$ 1,025**	**$ 11,283**	**$ (1,132)**	**$ (392)**	**$ 58,342**
Others:					
Segment assets	**$ 142,130**	**$ 280,838**	**$ 30,339**	**$ 409,189**	**$1,854,135**
Depreciation	**1,881**	**5,267**	**722**	**410**	**26,408**
Investments in equity-method affiliates	**—**	**—**	**53**	**—**	**28,369**
Increase in tangible fixed assets and intangible fixed assets	**2,807**	**1,355**	**909**	**1,292**	**34,251**

(Related information)

Years ended March 31, 2017 and 2016

1. Information regarding products and services

Year ended March 31, 2017

	Millions of yen			
	Copper	UNIC cranes	Others	Total
Sales for outside customers	**¥ 52,261**	**¥ 17,266**	**¥ 80,303**	**¥ 149,830**

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, 2017

	Thousands of U.S. dollars			
	Copper	UNIC cranes	Others	Total
Sales for outside customers	**$ 465,784**	**$ 153,886**	**$ 715,713**	**$ 1,335,383**

2. Geographic segment information

(1) Net sales

Year ended March 31, 2017

Millions of yen			
Japan	Asia	Others	Total
¥ 116,151	**¥ 19,412**	**¥ 14,267**	**¥ 149,830**

Year ended March 31, 2016

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

Year ended March 31, 2017

Thousands of U.S. dollars			
Japan	Asia	Others	Total
$ 1,035,214	**$ 173,012**	**$ 127,157**	**$ 1,335,383**

(2) Property, plant and equipment

The geographic segment information for the years ended March 31, 2017 and 2016 has not been presented, because the total assets in Japan exceed 90% of consolidated totals.

3. Information regarding main customers

Year ended March 31, 2017

	Millions of yen	
Name of customer	Sales volume	Related segment
Furukawa Electric Co., Ltd.	**¥20,051**	**Metals**

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, 2017

	Thousands of U.S. dollars	
Name of customer	Sales volume	Related segment
Furukawa Electric Co., Ltd.	**$178,708**	**Metals**

4. Impairment loss on property, plant and equipment

Year ended March 31, 2017	Industrial Machinery	Rock Drill Machinery	UNIC Machinery	Metals	Electronic Materials	Chemicals	Real Estate	Others	Adjustments	Consolidated
	Millions of yen									
Impairment loss on property, plant and equipment	**—**	**¥ 43**	**—**	**—**	**—**	**—**	**¥ 1**	**¥ 58**	**—**	**¥ 102**

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

Year ended March 31, 2017	Industrial Machinery	Rock Drill Machinery	UNIC Machinery	Metals	Electronic Materials	Chemicals	Real Estate	Others	Adjustments	Consolidated
	Thousands of U.S. dollars									
Impairment loss on property, plant and equipment	**—**	**$ 383**	**—**	**—**	**—**	**—**	**$ 9**	**$ 517**	**—**	**$ 909**

5. Amortization of goodwill and unamortized goodwill in reportable segments
Not applicable.

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

18. 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, 2017, rental income was ¥1,460 million ($13,012 thousand), gain on sales of rental properties was ¥5 million ($45 thousand), loss on retirement was ¥5 million ($45 thousand) and impairment loss on rental properties was ¥102 million ($909 thousand).

For the year ended March 31, 2016, rental income was ¥1,477 million, gain on sales of rental properties was ¥300 million, loss on retirement was ¥19 million and impairment loss on rental properties was ¥207 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, 2017 and 2016 are as follows:

Year ended March 31, 2017

Carrying value			Fair value
As of March 31, 2016	Net change	As of March 31, 2017	As of March 31, 2017
	Millions of yen		
¥ 35,150	**¥ 59**	**¥ 35,209**	**¥ 34,473**

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, 2017

Carrying value			Fair value
As of March 31, 2016	Net change	As of March 31, 2017	As of March 31, 2017
	Thousands of U.S. dollars		
$ 313,280	**$ 526**	**$ 313,806**	**$ 307,246**

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, 2017 mainly consists of increases related to change of use in the amount of ¥565 million ($5,036 thousand) and acquisition of land and buildings in the amount of ¥114 million ($1,016 thousand) and decreases mainly due to amortization in the amount of ¥501 million ($4,465 thousand), impairment loss on rental properties in the amount of ¥102 million ($909 thousand) and sales of land and buildings in the amount of ¥20 million ($178 thousand). 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 and decreases mainly due to amortization in the amount of ¥496 million, impairment loss on rental properties in the amount of ¥207 million and sales of land and buildings in the amount of ¥160 million.
3. The fair value is mainly estimated in accordance with appraisal standards for valuing real estate.

19. Subsequent Event

Changes in the number of shares per share unit and consolidation of shares

At the Board of Directors' meeting held on May 24, 2017, a resolution was made to present proposals on consolidation of shares and to partly amend the articles of incorporation regarding the changes in the number of shares per unit and total number of authorized shares to the 150th ordinary general meeting of shareholders to be held on June 29, 2017. Both proposals were passed at the shareholders' meeting.

(1) Purpose

Domestic stock exchanges published the "Action Plan for Consolidating Trading Units," aiming all domestic listed companies complete the transition to a single trading unit of 100 shares by October 1, 2018.

The Company, respecting this intention as a listed company on the Tokyo Stock Exchanges, will change the number of shares per unit of the Company from 1,000 shares to 100 shares, consolidate 10 shares of the Company's stock to one share to maintain the price level per trading unit of the Company's share after the change in the number of shares per unit and reduce the Company's total number of authorized shares from 800 million shares to 80 million shares.

(2) Details of consolidation of shares

a. Class of stock to be consolidated: Common stock

b. Consolidation ratio: Consolidate every 10 shares to one share on October 1, 2017 for shares held by shareholders listed in the Register of Shareholders as of the end of the day on September 30, 2017 (practically September 29, 2017)

c. Decrease in number of shares due to consolidation:

Number of outstanding shares before consolidation (as of March 31, 2017)	404,455,680 shares
Decrease in number of shares after consolidation	364,010,112 shares
Number of outstanding shares after consolidation	40,445,568 shares

Note: "Decrease in number of shares after consolidation" and "Number of outstanding shares after consolidation" are theoretical values calculated based on "number of outstanding shares before consolidation" and the consolidation ratio.

d. Handling of fractional shares:

If a fraction of less than one share is created due to the consolidation of shares, such fractional shares will be sold together in accordance with Article 235 of the Companies Act, and the proceeds will be distributed to shareholders who held the fractional shares in proportion to the number of fractional shares held.

(3) Scheduled effective date of these changes

October 1, 2017

(4) Impact on profit attributable to owners of parent and net assets per share

Profit attributable to owners of parent and net assets per share for the years ended March 31, 2017 and 2016 assuming that consolidation of shares had been carried out at the beginning of the year ended March 31, 2016, are as follows:

	March 31	
	2017	2016
Net assets per share of common stock	**¥ 1,922.04**	¥ 1,644.81
	($17.13)	
Profit attributable to owners of parent per share of common stock	**¥ 105.29**	¥ 125.13
	($0.94)	

Note: Only the information on profit attributable to owners of parent per share of common stock is provided and information on diluted profit attributable to owners of parent per share of common stock to reflect the diluting effect is not provided, because there were no dilutive potential common stocks for the year ended March 31, 2017.

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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, 2017, 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, 2017, 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 3.

Ernst & Young ShinNihon LLC

June 29, 2017

Tokyo, Japan

Corporate Data

(As of March 31, 2017)

Directors and Auditors

(As of June 29, 2017)

President and Representative Director	Naohisa Miyakawa
Senior Managing Director	Toshio Matsumoto
Managing Director	Minoru Iwata
Managing Director	Shigeo Matsudo
Outside Director	Masao Yoshida
Outside Independent Director	Nobuyuki Tomotsune
Outside Independent Director	Tatsuya Tejima
Director	Kiyohito Mitsumura
Director	Masahiro Ogino
Audit & Supervisory Board Member	Saburo Saruhashi
Audit & Supervisory Board Member	Kazuo Inoue
Outside Audit & Supervisory Board Member	Tetsuro Ueno
Outside Audit & Supervisory Board Member	Masayuki Yamashita

Executive Officers

(As of June 29, 2017)

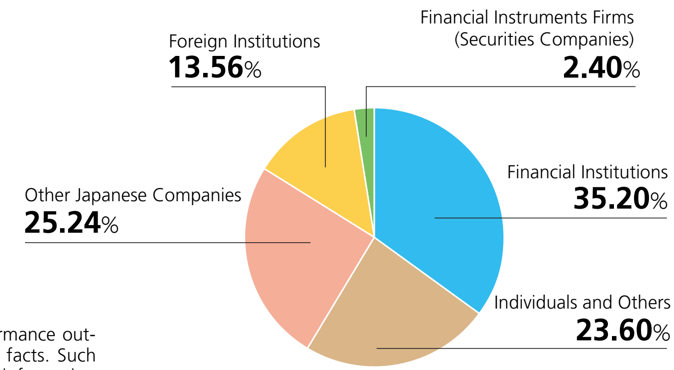
Senior Managing Executive Officer	Shigeo Matsudo
Senior Executive Officer	Kiyohito Mitsumura
Senior Executive Officer	Masahiro Ogino
Senior Executive Officer	Hiroyuki Abe
Executive Officer	Katsuhira Kawashita
Executive Officer	Kenichi Kurita
Executive Officer	Atsushi Otani
Executive Officer	Minoru Nakatogawa
Executive Officer	Tatsuyuki Muramatsu
Executive Officer	Masanori Saito
Executive Officer	Kiyoshi Sano
Executive Officer	Tatsuki Nazuka
Executive Officer	Osamu Miyazaki
Executive Officer	Hiroyuki Sakai
Executive Officer	Atsushi Takano
Executive Officer	Takeshi Miyajima

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:	22,685
Stock Exchange Listing:	Tokyo
Securities Code Number:	5715
Employees:	2,616 (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 (%)
The Master Trust Bank of Japan, Ltd. (trust account)	26,540	6.56
Asahi Mutual Life Insurance Co.	23,734	5.86
Japan Trustee Services Bank, Ltd. (trust account)	23,104	5.71
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 sales 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 the 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.

FURUKAWA Power & Passion 150

The "Power & Passion" symbol expresses the "power and speed" and the "passion and enthusiasm" aspects of our business approach. The perfect red circle conveys the connections and bonds we have with customers, and "150" represents the 150th anniversary of our founding in 2025, which is the year for achieving our vision.

FURUKAWA CO.,LTD.
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