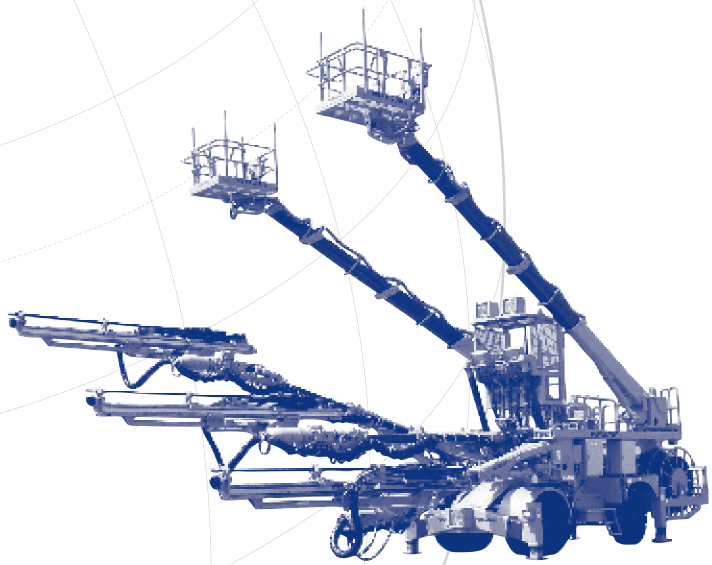
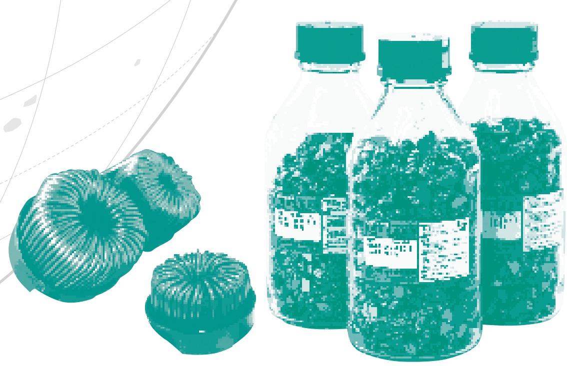
FURUKAWA

ANNUAL REPORT 2012



MACHINERY



MATERIALS

Business Domains of the Furukawa Company Group

Since its establishment in 1875, Furukawa has emerged from its origins in mine development to build a broad range of businesses while constantly addressing the needs of the times. In our businesses, which can be broadly classified into the fields of machinery and materials, we deliver attractive products to diverse markets. Going forward, we will expand our involvement in rapidly growing businesses, while adhering to our basis corporate policies, which are to "promote further overseas development and strengthen the technical capabilities of the Machinery business" and "promote development activities aimed at new product commercialization."

Machinery Business

CONSTRUCTION AND MINING MACHINERY (ROCK DRILLS)

- Hydraulic breakers
- Hydraulic crushers
- Crawler drills
- Tunnel drill jumbos

UNIC MACHINERY

- UNIC cranes
- UNIC carriers
- Mini crawler cranes
- Ocean cranes

INDUSTRIAL MACHINERY

- Slurry pumps, sludge pumps
- Uniaxial screw pumps
- Environmental machinery (Electrostatic precipitators)
- Crushers, grinding mills, briquetting machines
- Steel structures

Construction and Mining Machinery (Rock Drills) / UNIC Machinery

Industrial Machinery

Mines (iron ore, copper, coal, lime, etc.)
Quarries

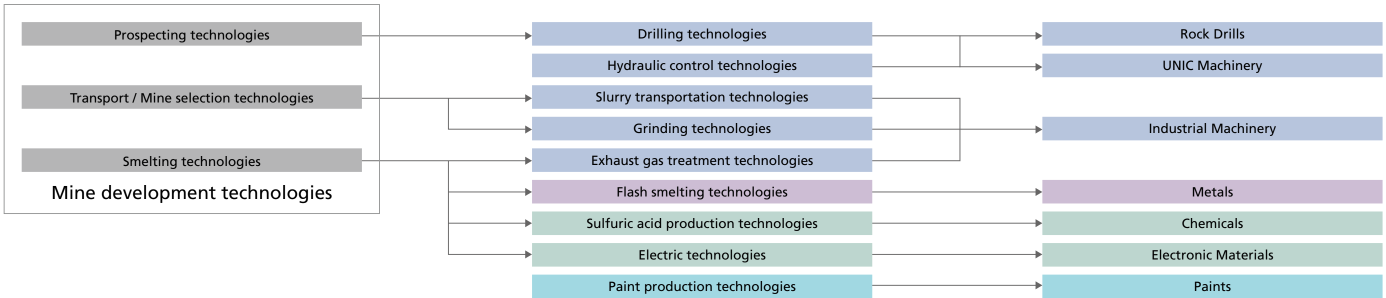
Engineering and construction sites
Tunnel construction
Sewage treatment plants
Bridges
Pedestrian bridges
Logistics
Vehicle transportation

Steel plants
Refineries
Shipyards
Various plants
Incinerators

Resource development | **Infrastructure, engineering, construction** | **Heavy industry**

B U S I N E S S

Furukawa's Technological Genealogy



Materials Business

METALS

- Electrolytic copper

CHEMICALS

- Cuprous oxide
- Cupric oxide
- Sulfuric acid

ELECTRONIC MATERIALS

- High-purity metallic arsenic
- Other crystal products
- Coils

Metals

Chemicals

Electronic Materials

Paper manufacturing plant
Chemicals factory
Paints factory
Copper plating plant

White goods (air conditioners, refrigerators, etc.)
Digital home appliances (TVs, DVD players, etc.)
Communications equipment (mobile phones, etc.)
PCs
LEDs
Electronic goods
Semiconductor devices

Solar power generation
Green car
Smart community
Next-generation medical examination equipment
Radiation meters

Chemicals industry | **Electronics, IT, semiconductor industries** | **Next-generation energy, next-generation equipment**

DOMAINS

Business Conditions and Performance

In fiscal 2012, ended March 31, 2012, the Japanese economy showed signs of a moderate turnaround as restoration and recovery efforts gradually progressed following the Great East Japan Earthquake. A number of problems remained, however, including prolonged deflation and the yen's protracted appreciation, as well as concerns about downturns in overseas economies impacted by the European sovereign debt crisis and other factors.

Facing these challenging conditions, the Furukawa Company Group advanced its overseas operations and otherwise implemented proactive business strategies, centering on its three machinery-based business segments: Industrial Machinery, Construction and Mining Machinery (Rock Drills), and UNIC Machinery. At the same time, we pursued extensive cost reductions and sought to improve earnings through enhanced business efficiency. With respect to revenue, the Industrial Machinery and UNIC Machinery segments posted healthy year-on-year sales increases, thanks mainly to restoration-based demand following the earthquake. Due to suspension of operations after the earthquake and subsequent deterioration in market conditions, however, the Metals segment and Electronic Materials segment reported sales declines. Consolidated net sales for the year totaled ¥157,566 million, down 4.9% from the previous fiscal year.

On the earnings side, the Industrial Machinery, Construction and Mining Machinery (Rock Drills), and UNIC Machinery segments enjoyed year-on-year increases in income on the back of higher sales. However, operating income fell 23.6%, to ¥2,155 million, due to income declines in the Metals segment, impacted by lower sales and the strong yen, and the Electronic Materials segment, also affected by a sales decline. Turning to other income, the Group posted interest and dividend income of ¥865 million and compensation income of ¥632 million. In other expenses, the Group posted a ¥3,267 million write-down of investments in securities and a ¥1,027 million loss on sales of investments in securities. Loss before income taxes and minority interests totaled ¥2,663 million, down from an income of ¥447 million in the previous year. Accordingly, the Group posted a net loss of ¥1,659 million, compared with net income of ¥563 million in the previous year.

Future-Oriented Initiatives

The Group has positioned its operations along two core business lines: machinery (Industrial Machinery, Construction and Mining Machinery (Rock Drills), and UNIC Machinery) and materials (Metals, Electronic Materials and Chemicals).

In our machinery businesses, we have identified overseas sales expansion and further growth in market share as important strategic priorities. To this end, we will respond to domestic demand, which is changing dramatically, as well as overseas demand—which is shifting towards resource-rich countries and emerging nations—by expediting our businesses in essential social domains, notably infrastructure, mining development, and transportation.

In our materials businesses, we will focus on developing new materials and products, especially in the Electronic Materials segment, in order to achieve commercialization at an early stage. In the Metals segment, we will continue emphasizing stable ore procurement while examining investments in mines aimed at securing strategic interests.

In the future, we will concentrate on the strategic areas of machinery and materials, with the aim of further raising profitability and corporate value.

Dividend Policy

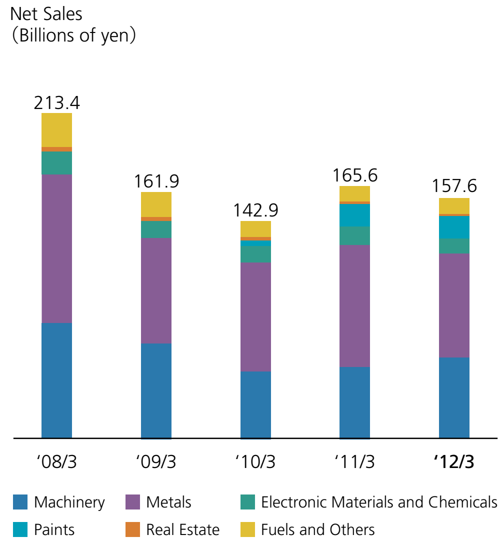
Furukawa places great importance on improving returns of profits to all shareholders while retaining earnings required to finance capital expenditures and research and development expenses necessary to bolster earnings. Our basic policy is to appropriate profits after comprehensive consideration of future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

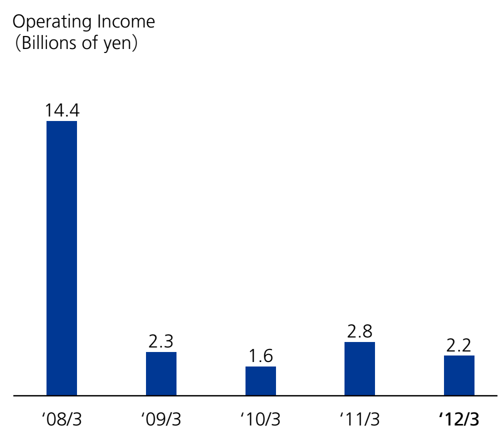
Regrettably, the Company did not declare cash dividends for the year under review. In fiscal 2013, we do not plan to pay an interim dividend and are yet to decide on the year-end dividend.

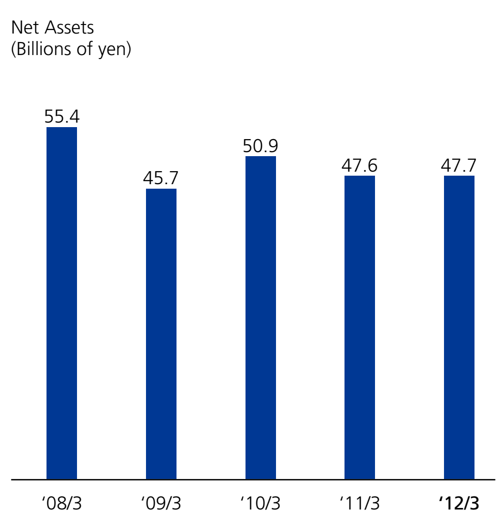
The Furukawa Company Group will continue pursuing its business operations with strategic priority on its two fundamental policies, which are to “promote further overseas development and strengthen the technical capabilities of the Machinery business” and “promote development activities aimed at new product commercialization.” We look forward to the understanding and support of all stakeholders as we embrace the challenges of the future.

August 2012

Nobuyoshi Soma
President and Representative Director







— The Furukawa Company Group's Future Business Strategies —

In today's challenging business environment, the Group is targeting renewed growth by focusing on the expanding Machinery and Materials business domains.

Question 1

Please tell us about business conditions and the Group's business domains.

The world economy and the Group's operating environment have changed considerably since the global financial crisis of 2008. A huge paradigm shift has occurred in the world economy, as emerging nations and resource-rich countries have supplanted advanced nations as the world's key economic growth drivers. Japan and other developed countries are finding it difficult to cast off prolonged sluggish growth caused by market maturation. Meanwhile, products related to next-generation energy sources and energy conservation, such as solar power generation, smart community, and electric vehicles, are successively appearing in the market.

In light of such changes in the operating environment, the Group has decided to concentrate on the Machinery and Materials business domains and to focus on areas enjoying remarkable growth. Specifically, in the Machinery business we will reinforce our technological strengths and make a further push overseas. In the Materials business, we will promote development aimed at the commercialization of new products. We believe that by enhancing our presence in these two business domains, we will be able to gain a firm footing in growth markets.

“In response to recent changes in the world economy and the Group's operating environment, Furukawa will concentrate on the Machinery and Materials business domains with a focus on areas enjoying remarkable growth.”

Question 2

What is the growth strategy for the Machinery business?

In addition to domestic demand generated by reconstruction in the wake of the March 2011 disaster, we recognize that significant Group growth rests with overseas markets, particularly emerging economies and resource-rich countries. Therefore, we will accelerate business development centering on areas of critical social importance in these countries, such as infrastructure, mining development, and transportation.

The rock drills business, which is expanding its activities overseas, has a number of markets in its sights. One example is India, where there is active public investment in infrastructure and mining development. There is also Brazil, which will host the FIFA World Cup in 2014 and the Olympic Games in 2016, as well as other promising South American markets, such as Chile and Peru, which are actively involved in mining development. In addition to establishing subsidiaries in India and South America, we also plan to set up representative offices in Indonesia and South Africa. Through the establishment of bases in these countries, the Group will develop and bring to market strategic products developed to meet local needs. We will also work to achieve further sales growth in emerging economies by taking steps to shorten delivery schedules and reinforce after-sales services.

“Furukawa recognizes that its growth markets lie in India, Central and South America, and resource-rich countries. We will accelerate business development by targeting infrastructure, mining development, and transportation—areas of critical social importance—centering on these countries and regions.”

Question 3

Please tell us about the commercialization of new products in the Materials business.

At present, Furukawa has a number of projects working on the commercialization of new products. One promising example is the development of coil products by the Electronic Materials segment. The Furukawa Company Group is developing its coil business by drawing on in-house core production technologies to manufacture coil products, centering on coils for automotive electronic control devices. Our filter coils for electronic power steering (EPS) applications already hold a dominant market share. We are focusing on the development of coil products for the environmentally friendly vehicle market, which is expected to expand considerably. For example, we have developed a large reactor—a type of coil—for chargers used in plug-in hybrid vehicles, and more recently an SMD coil for injection engine control units. Going forward, we will deploy the Group's reliability and track record in the automotive field to expand and strengthen the coil business as one of the pillars of the Electronic Materials segment.

Two other projects with exciting prospects are the development of gallium nitride (GaN) substrates as next-generation semiconductor materials for power devices, and thermoelectric conversion materials that convert heat into electricity. As materials that make effective use of heat emitted by a vehicle engine, we are receiving more and more inquiries about our thermoelectric conversion materials in conjunction with the tightening of fuel efficiency regulations around the world. Another materials project is the development of a next-generation positron emission mammography (PEM) system using lutetium aluminum garnet (LuAG) scintillator crystals. The system is currently at the clinical trial stage, and we are preparing a pharmaceutical application for regulatory approval. We are also working on the development of radiation detectors that use gadolinium aluminum gallium garnet (GAGG) scintillator crystals.

In these ways, the Group actively cultivates fledgling technologies and products with the aim of commercialization. While more time is required for some projects before they reach fruition, we are confident that many products currently under development will become growth drivers of the future.

"The Group is working on various projects aimed at commercializing new products. Coil products developed by the Electronic Materials segment are but one example of our numerous successful projects. Going forward, we will transform the coil business into one of the pillars of the Electronic Materials segment."

Question 4

What is the position of the Group's Metals segment today, and what plans do you have for this segment?

Metals was the Furukawa Company Group's foundation business. Growing demand for copper from emerging markets in recent years has contributed to the ongoing expansion of our refining business, although the operating environment is far from favorable. Stable procurement of copper ore and fluctuating copper prices are two of the challenges we face today. Previously, Furukawa has invested in copper mines in Indonesia and Canada to secure stable supplies. Taking advantage of the recent hikes in copper prices, we bought a stake in the Gibraltar Copper Mine in Canada in 2010. Further investment in 2011 for expanding mining operations at the Gibraltar and Huckleberry mines illustrates the Group's active investment in the Metals segment. Going forward, we will focus on capital investment in mines and the acquisition of mining rights.

"The Metals segment has actively invested in mines to secure stable supplies of copper ore. Going forward, we will focus on capital investment in mines and the acquisition of mining rights."

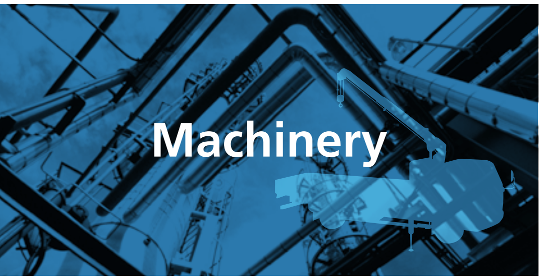
Question 5

What is the Furukawa Company Group's basic strategy for the future?

Many uncertainties still cloud the Group's operating environment. Domestic factors include protracted deflation in Japan and the entrenched high yen, while overseas there is the European sovereign debt crisis and the weaker growth of emerging economies. To ride out these problems and put the Group firmly on a recovery track, Furukawa will implement the measures I have talked about above. We will foster businesses with strong growth potential by wasting no time in developing and commercializing new materials, while in the immediate term the Machinery business will serve as the main earnings foundation.

I would like to take this opportunity to thank all stakeholders for their ongoing understanding and support as we tackle future challenges.

"We will foster businesses with strong growth potential by wasting no time in developing and commercializing new materials, while in the immediate term the Machinery business will serve as the main earnings foundation."



Industrial Machinery

Furukawa Industrial Machinery Systems Co., Ltd.
Pumps, environmental machinery, crushers, plants, steel structures, castings

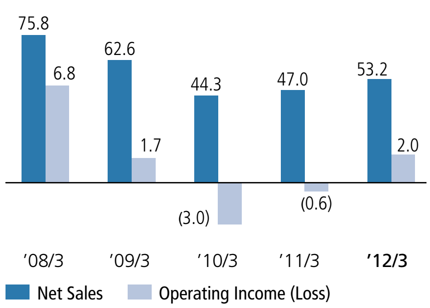
Construction and Mining Machinery (Rock Drills)

Furukawa Rock Drill Co., Ltd.
Rock drills (hydraulic breakers, hydraulic crawler drills, tunnel drill jumbos, etc.)

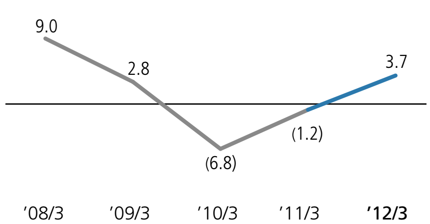
UNIC Machinery

Furukawa UNIC Corporation
UNIC cranes, mini crawler cranes, UNICPAL, UNIC carriers

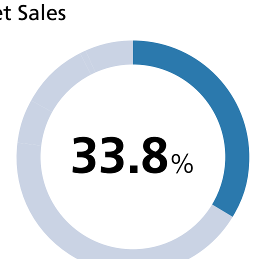
Net Sales / Operating Income (Loss) (Billions of yen)



Operating Margin (%)

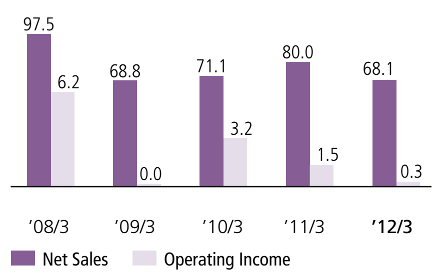


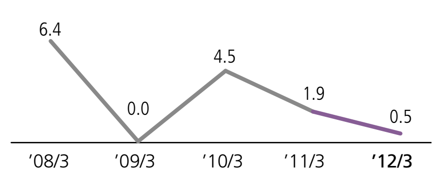
% of Net Sales

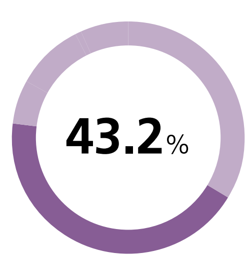


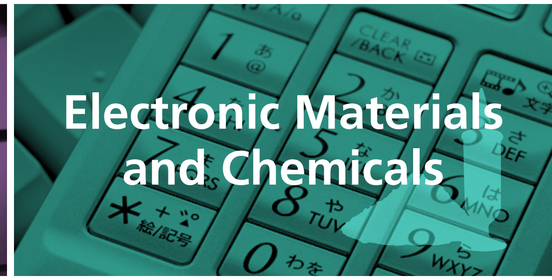
Metals

Furukawa Metals & Resources Co., Ltd.
Electrolytic copper, gold, silver, sulfuric acid







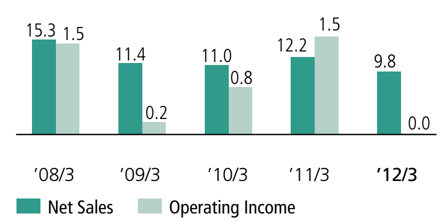


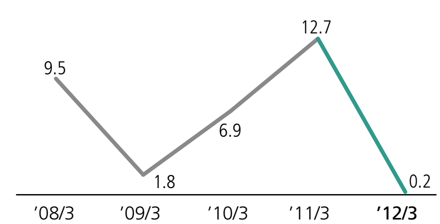
Electronic Materials

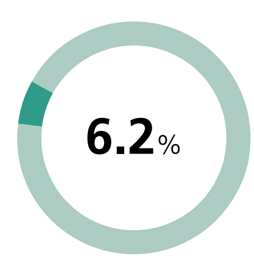
Furukawa Denshi Co., Ltd.
High-purity metallic arsenic, gallium phosphide polycrystals, X-ray scintillator crystals, aluminum nitride ceramics, coils, lenses

Chemicals

Furukawa Chemicals Co., Ltd.
Cuprous oxide, sulfuric acid, aluminum sulfate, titanium dioxide, ferric polysulfate solution, cupric oxide







Paints *

Tohpe Corporation

Kinds of paints, acrylic rubber, glue

* Tohpe Corporation became a consolidated subsidiary in Dec. 2009.

Real Estate

Furukawa Co., Ltd.

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

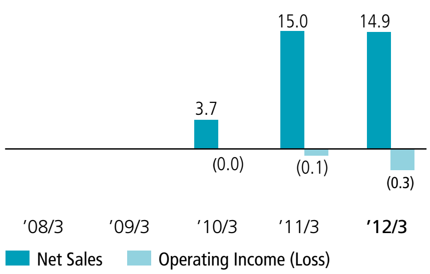
Fuels

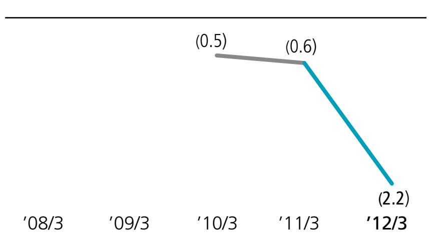
Furukawa Commerce Co., Ltd.

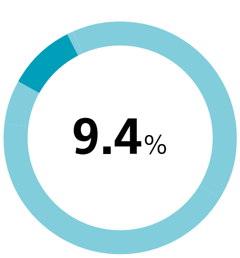
Heavy oil, gasoline, diesel, kerosene, lubricating oil, LPG, coke

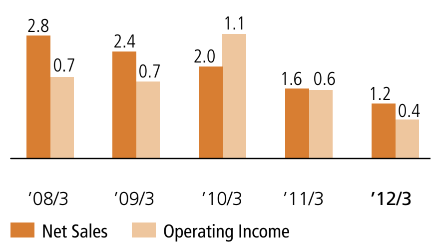
Others

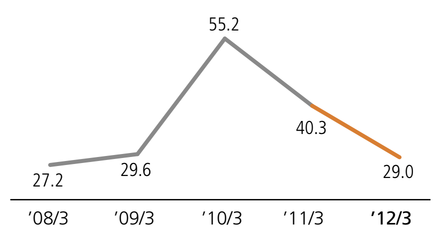
Transportation service by trucks and domestic shipping

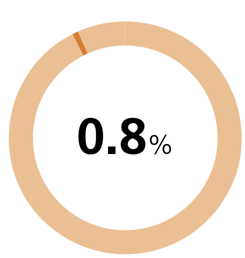


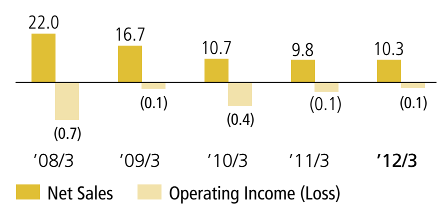


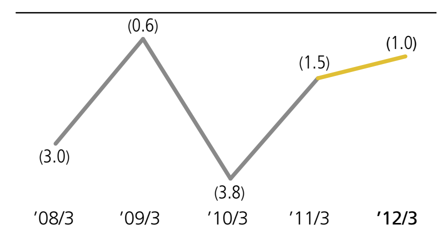


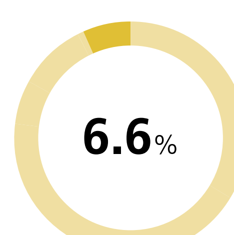












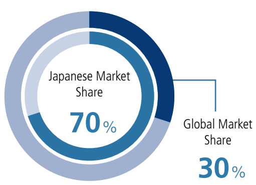
Supporting Urban
Development through

"Machinery"

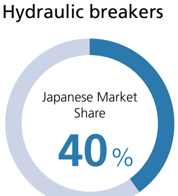
Machinery

Construction and Mining Machinery (Rock Drills)

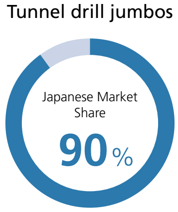
Hydraulic crawler drills



Hydraulic breakers

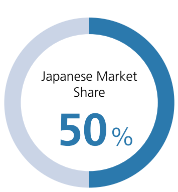


Tunnel drill jumbos

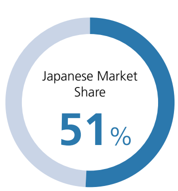


UNIC Machinery

Truck-mounted cranes (UNIC cranes)



Vehicle carriers (UNIC carriers)



Industrial Machinery

Performance and Strategies

In fiscal 2012, the industrial machinery business benefited from healthy sales of pumps and steel structures, while the environmental and general machinery business saw the launch of new products, such as electrostatic precipitators used in tunnel construction. Due also to solid demand for machinery needed for water treatment and remediation and other disaster recovery work, the Industrial Machinery segment enjoyed a year-on-year increase in revenue. The segment posted sales of ¥12,949 million, up 21.5% from the previous fiscal year, and operating income of ¥708 million, compared with an operating loss of ¥30 million in the previous year.

In the public sector, we look forward to ongoing demand for machinery used in disaster recovery and infrastructure construction, including sewage treatment plants, bridges, roads, ports, and decontamination. Going forward, we will focus on addressing demand related to these sectors.

In the private sector, we will reinforce sales centered on the key themes of "environment," "recycling," and "energy conservation and CO_2 reduction." Fiscal 2013 marks the third year since we shifted from a product-specific to an industry-specific sales approach. We will boost sales activities across the board, reinforce solution-based sales, and launch new products in a drive to generate new demand.

Overseas, we will promote business expansion by strengthening sales targeting Japanese businesses, including water treatment plant manufacturers, and companies engaged in the resource development and new energy sectors.

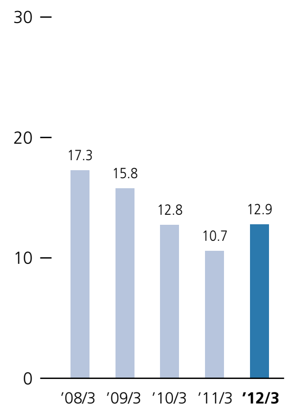
Our mud pumps have a proud track record in wastewater treatment plants.

New type of uniaxial screw pump featuring improved compactness

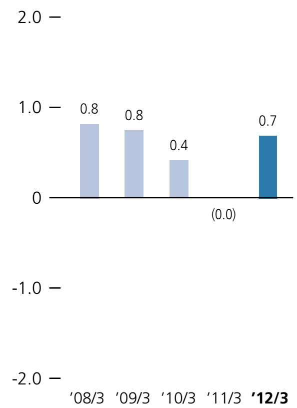
Electrostatic precipitator operating in tunnel construction project

Industrial Machinery

Net Sales
(Billions of yen)



Operating Income (Loss)
(Billions of yen)



Construction and Mining Machinery (Rock Drills)

Performance and Strategies

In the domestic rock drills business, revenue increased considerably on the back of demand for hydraulic breakers, hydraulic crushers, and hydraulic crawlers used in disaster recovery and reconstruction. Overseas, we reinforced our sales and service system and expanded our sales network by establishing local subsidiaries in India and Panama and opening representative offices in Indonesia and South Africa. As a result, the Construction and Mining Machinery (Rock Drills) segment posted a 1.1% increase in sales, to ¥24,144 million, and operating income of ¥334 million, compared with a ¥350 million operating loss in the previous year.

In Japan, we will step up sales of products needed for disaster recovery work, including drills used for demolition and port construction. In China, we will work to increase sales of new large hydraulic breakers and locally produced small hydraulic breakers. In other overseas markets, we will focus our sales capabilities on emerging markets, including Central and South America, India, Indonesia, and South Africa, in an effort to boost sales in those regions. On the production side, we will strive to achieve improved cost competitiveness, such as by increasing the overseas procurement ratio for materials.

UNIC Machinery

Performance and Strategies

In the first half of fiscal 2012, the production activities and sales of domestic truck manufacturers slumped due to the impact of the March 2011 disaster. Thanks to their recovery in the second half of the term, however, truck registrations increased 15% compared with the previous corresponding period. This recovery, together with demand generated by reconstruction projects, contributed to significant growth in domestic sales of UNIC cranes. Accordingly, sales in the UNIC Machinery segment climbed 29.0% year on year, to ¥16,106 million. Operating income amounted to ¥928 million, compared with an operating loss of ¥187 million in the previous year.

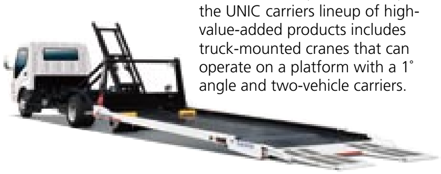
Going forward, we will establish a sales structure that is not susceptible to fluctuations in domestic truck sales. To this end, we will institute immediate delivery of mini crawler cranes and continue measures aimed at boosting sales of ocean cranes and folding-type cranes. Overseas, we will strengthen our sales and service infrastructure in Russia, including by establishing a local subsidiary in this key sales region. To mitigate the impact of the high Japanese yen, we will make use of plants in China and Thailand to supply parts to Japan, while upgrading local production systems.

Used at mines, quarries, civil engineering, and construction sites in Japan and overseas, Furukawa's hydraulic crawler drills boast the top market share in the world.

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

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

Truck-mounted cranes (UNIC cranes)-the U-can ECO series of low-noise, fuel-efficient truck-mounted cranes is steadily penetrating the market.

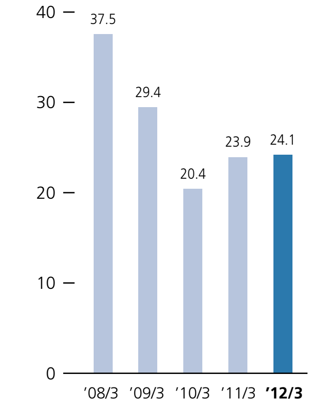


Vehicle carriers (UNIC carriers)-the UNIC carriers lineup of high-value-added products includes truck-mounted cranes that can operate on a platform with a 1˚ angle and two-vehicle carriers.

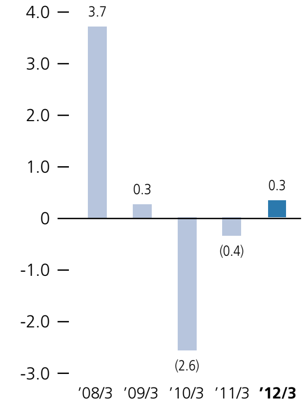
Our exceptional mini crawler cranes have won high acclaim for their compactness and operating efficiency, especially in Europe.

Construction and Mining Machinery (Rock Drills)

Net Sales
(Billions of yen)

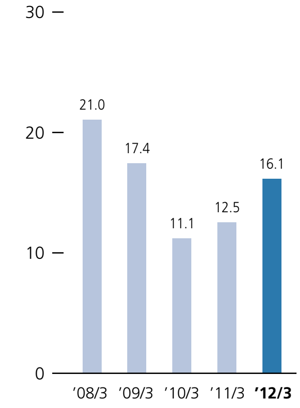


Operating Income (Loss)
(Billions of yen)

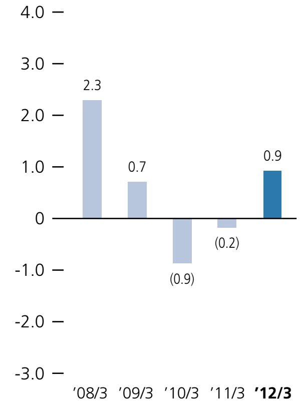


UNIC Machinery

Net Sales
(Billions of yen)



Operating Income (Loss)
(Billions of yen)



Supporting Social Infrastructure through

"Copper"

Metals

Metals

Performance and Strategies

After starting the year at US$9,336.00/ton in April 2011, the price of electrolytic copper suddenly declined due to the lower rating given to U.S. government bonds and cautionary sentiment surrounding the European sovereign debt crisis and concerns that Greece might default on debt repayment. By the end of September 2011, the price had fallen to US$7,131.50/ton. Subsequently, the price fluctuated against the backdrop of the European sovereign debt crisis, but rose to ¥8,448.00/ton as of March 31, 2011. This was due to an announcement in the new year that the European Central Bank would leave interest rates unchanged and an announcement by the U.S. Federal Reserve Board that it would continue its zero benchmark interest-rate policy. In Japan, the price of electrolytic copper declined from ¥830,000/ton in April 2011 to ¥760,000/ton by fiscal year-end.

For the year, the Metals segment posted a 14.8% decrease in sales, to ¥68,114 million, and a 79.4% fall in operating income, to ¥308 million. The main factor behind these results was a decline in sales of electrolytic copper at the Onahama Smelter and Refinery, a joint refining vendor, stemming from the temporary suspension of production due to the Great East Japan Earthquake.

Current purchasing conditions remain severe, although the situation is expected to improve in several years owing to changes in the supply–demand balance for ore.

Overseas mines in which the Company has mining rights make a valuable contribution to revenue (under other income). Therefore, we will seek to expand existing mines and secure new mining rights, with the aims of ensuring reliable copper ore procurement and stabilizing profits.

Copper prices and foreign exchange rates

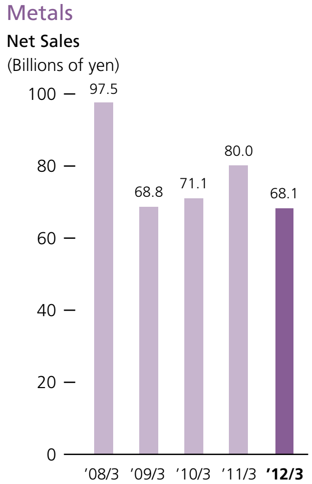
	2008/3	2009/3	2010/3	2011/3	**2012/3**
LME copper price (average; US$ / ton)	7,584	5,864	6,101	8,139	**8,485**
JPY rate per US$ (average for fiscal year)	¥114.28	¥100.54	¥92.85	¥85.71	**¥79.07**

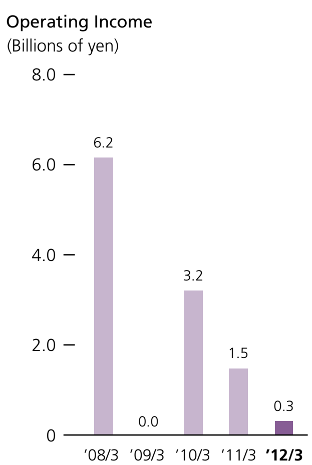
Copper production and sales volume*

	2008/3	2009/3	2010/3	2011/3	**2012/3**
Copper production volume (tons)	95,355	90,023	84,455	89,523	**76,896**
Copper sales volume (tons)	95,808	88,989	89,456	89,176	**82,597**

*Furukawa Metals & Resources Co., Ltd.

Metals






Electrolytic copper


Hibi Kyodo Smelting Co., Ltd.


Gibraltar Copper Mine in Canada

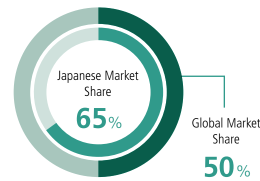

Onahama Smelter and Refining Co., Ltd.

Supporting Affluent
Lifestyles through

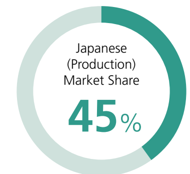
"Materials"

Electronic Materials and Chemicals

High-purity metallic arsenic



Cuprous oxide



Electronic Materials

Performance and Strategies

In the year under review, damage caused to part of the Iwaki Plant by the Great East Japan Earthquake led to suspension of operations. This key facility had resumed operations by the middle of April. However, sales of high-purity metallic arsenic and scintillator crystals—mainstay products in this segment—declined due to harmful rumors stemming from the protracted situation at the Fukushima Nuclear Power Plant, as well as a slump in the semiconductor market in the second half of the year. Meanwhile, we enjoyed an increase in sales of core coils for use in automobiles, although total sales of this product fell significantly. As a result, the Electronic Materials segment posted a 35.4% decrease in sales, to ¥4,616 million. The segment recorded an operating loss of ¥234 million, compared with operating income of ¥1,280 million in the previous year.

Going forward, our aim is to develop electric reactors into a mainstay product in this segment. Electric reactors are a type of coil that we developed for chargers used in plug-in hybrid vehicles and electric vehicles. We plan to launch new products in this promising market. We will also continue focusing on the development of new products slated for commercialization projects.

Chemicals

Performance and Strategies

During the year, sales of cuprous oxide declined due to the cessation of exports to unprofitable overseas paint manufacturers. However, expansion of our production facilities for cupric oxide for plating—a new product—contributed to increased sales. As a result, the Chemicals segment reported a 2.2% increase in sales, to ¥5,187 million, and a 6.7% decline in operating income, to ¥251 million.

Going forward, we expect domestic demand for cuprous oxide to continue declining. For this reason, we will focus on sales aimed at overseas plants of Japanese paint manufacturers. With respect to cupric oxide for plating, we will gather information on customer trends and work to expand sales to overseas plants and other channels.

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

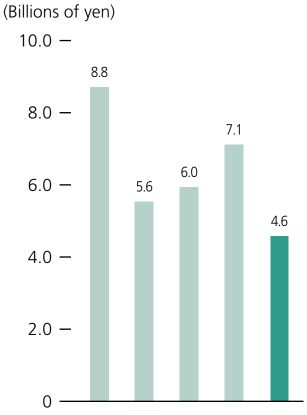
High-purity metallic arsenic-high-purity gallium arsenate semiconductor materials used in mobile phones and other electronic devices, red laser diodes, and LEDs

Sales of cupric oxide for plating have increased thanks to completion of a new plant.

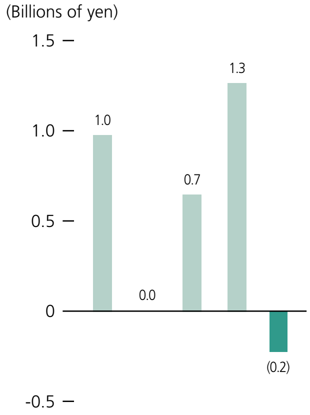
Cuprous oxide is used as an antifouling agent in paints applied to the bottoms of ships.

Electronic Materials

Net Sales
(Billions of yen)

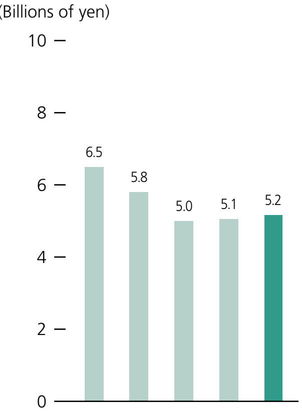


Operating Income (Loss)
(Billions of yen)

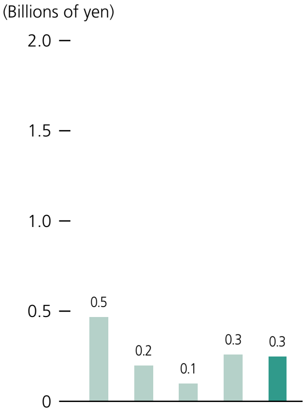


Chemicals

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



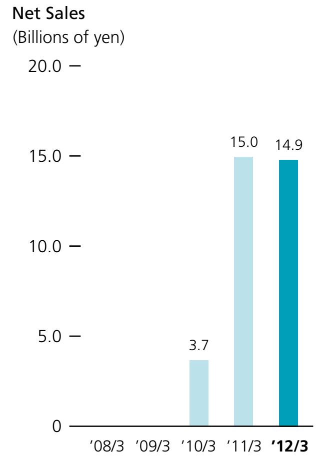
Supporting Living Spaces through

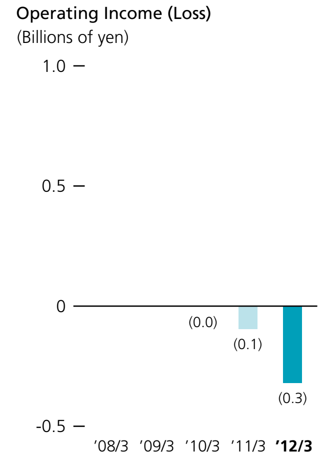
"Paints"

Paints

We established the Paints segment in December 2009, when equity-method affiliate Tohpe Corporation was transformed into a consolidated subsidiary of the Furukawa Company Group. During the year under review, we increased sales of environmentally friendly powder coatings. However, a decline in road sign painting projects and the impact of the Great East Japan Earthquake resulted in a revenue decline. As a result, the Paints segment recorded sales of ¥14,874 million, down 1.1%, and an operating loss of ¥329 million, compared with the previous year's operating loss of ¥93 million.

Going forward, we plan to return this segment to profitability as soon as possible by reinforcing sales of high-value-added products, centering on environmentally friendly paints.





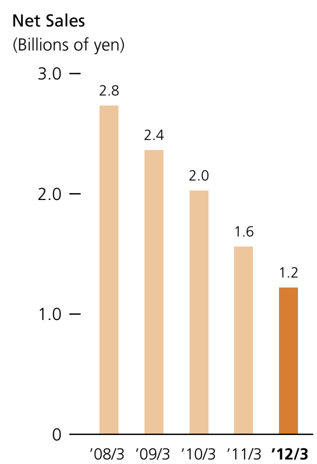
Supporting Business through

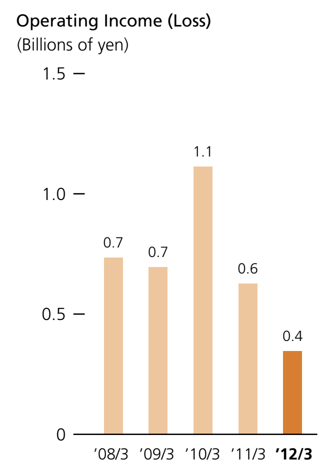
"Real Estate"

Real Estate

Revenue in the Real Estate segment declined due to rising vacancy rates among office buildings in Osaka, our key center for real estate leasing activities. As a result, the Real Estate segment posted a 21.9% decrease in sales, to ¥1,233 million, and a 43.8% fall in operating income, to ¥357 million.

The Nihonbashi-Muromachi Eastern District Redevelopment Project is progressing well, with completion scheduled for January 2014.





Supporting Business through

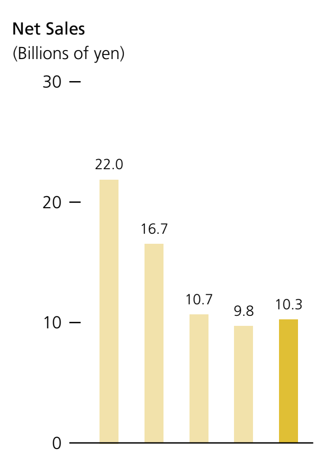
"Services"

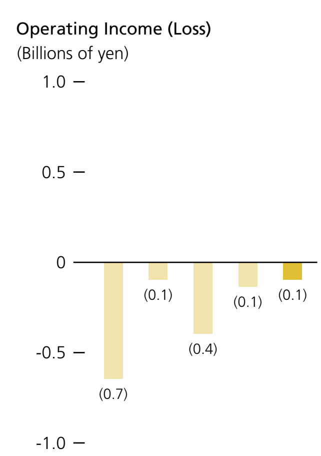
Fuels and Others

In the fuels category, there was a decline in sales volume, but surging crude oil prices boosted overall revenue. This business posted a 6.3% increase in sales, to ¥9,576 million, and an operating loss of ¥14 million, compared with an operating loss of ¥57 million in the previous fiscal year.

In the Others category, consisting primarily of the transport business, we reported a 2.4% decline in sales, to ¥767 million, and an operating loss of ¥94 million, from an operating loss of ¥92 million in the previous fiscal year.

Sales in the Fuels and Others segment increased 5.6%, to ¥10,343 million, and operating loss was ¥107 million, from an operating loss of ¥149 million in the previous fiscal year.





The Furukawa Company Group's Research and Development Division consists of seven entities: Nitride Semiconductors Department, Semiconductor Growth System Department, Materials Research Laboratory, Techno-Research Laboratory, R&D Planning Department, Intellectual Property Department, and Control Department.

The Division plays a key role in supporting initiatives aimed at providing "Technology for Our Future." As well as engaging in research and development activities on new materials and machinery products and on processing equipment in the interdisciplinary field of materials and machinery, the Division uses simulation and other technologies to support the product development initiatives of each Group company.

The Research and Development Division is reinforcing initiatives geared toward realizing Furukawa's guiding principle, which is to "promote development activities aimed at new product commercialization."

GaN Substrates (Nitride Semiconductors Department)

The Nitride Semiconductors Department develops and manufactures GaN substrates used in the fabrication of GaN devices, which are next-generation semiconductor materials that transcend the limits of silicon semiconductors. Following the successful development of two-inch and four-inch GaN substrates, the Company is currently working to develop mass production technology and technology for enhancing the quality of these GaN substrates. We have also been promoting sales of GaN substrates to manufacturers of laser diodes, light-emitting devices (LEDs), and electronic devices.

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

LuAG and GAGG Scintillator Crystals (Materials Research Laboratory)

Scintillator crystals are crystals that absorb and emit radioactive energy. The Company is developing scintillator crystals for medical diagnostic imaging systems and for radiation detectors that measure radiation levels. A PEM system (next-generation breast cancer screening system) using LuAG scintillator crystals developed under a collaborative project with a tertiary research organization is currently undergoing clinical trials. Following the successful development of LuAG Scintillator crystals, the Company used GAGG scintillator crystals to develop a high-sensitivity radiation detector by applying the superior gamma-wave detection properties of these crystals. We expedited the development and launch of this detector, called Gamma Spotter, to meet a surge in demand for radiation detectors following the recent nuclear power plant accident in Japan. In addition, we are currently developing a non-destructive radiation detector specifically for fish in response to calls for a non-destructive means of measuring radiation levels.

Second PEM system prototype

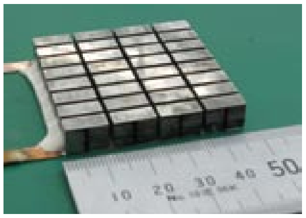
LuAG scintillator crystals

GaGG Scintillator crystals

Gamma Spotter

Thermoelectric Conversion Materials (Materials Research Laboratory)

Furukawa is developing thermoelectric conversion materials that use thermal energy to convert heat into electricity. For example, these materials can use heat emitted by a vehicle engine. So far, we have sampled a thermoelectric conversion element and module. Thermoelectric conversion materials can be applied to exhaust heat and may contribute to enhanced fuel efficiency by using heat emitted by a vehicle's engine to charge its battery. The Company has been receiving increasing inquiries in conjunction with the scheduled tightening of global fuel efficiency regulations. While addressing such inquiries, we will move steadily towards commercialization.



Thermoelectric conversion element module

ZLS (R&D Planning Department)

We recently launched a lighting / security zone positioning system (ZPS), called LAN Star, to meet demand for an energy-saving system the delivers enhanced security. Deploying our ZPS, which uses ultrasound waves to take measurements, LAN Star combines sensors that detect human movement with an LED projector and a Web camera.

LAN Star

Environmental Protection and Social Contribution Activities

The protection of the environment is one of the most important management issues at the Furukawa Company Group. Our fundamental policy is that each employee should strive to perform all corporate activities in harmony with the environment, consider the improvement of the environment, and contribute to the development of a sustainable society. We are aware of the important role we play in giving back to the community as a good corporate citizen.

Environmental Management

Environmental Management System

The senior decision-making body for environmental protection activities is the Central Committee for Environmental Management, in which the senior managing directors and managing directors participate. In addition, we have the Environmental Management Subcommittee, which makes proposals related to environmental protection activities and studies policies and guidelines to address revisions of environment-related regulations.

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

Environment and Safety Audits

The Furukawa Company Group conducts annual "Environment and Safety Audits." In fiscal 2012, these audits gave priority to the theme of complete compliance with regulations. Checks were made to ensure that regulations required for the safe operation of each factory and site were clearly documented and fully understood by all employees. Under a system introduced in the previous fiscal year, meanwhile, each factory and site was checked for legal compliance with the relevant rules using 100 new workplace audit items, as well as a new environmental safety checklist and basic checklist covering labor health and safety activities. Going forward, we will target the upgrading of control systems related to environmental safety and labor safety while making the Group's internal networks more robust.

The year under review marked the fifth time that the Group conducted "cross audits," in which each plant is audited by an environmental protection supervisor from another plant. We introduced the cross-auditing system with the objective of improving the competence of auditors and the level of auditing undertaken at the Group's worksites. In fiscal 2012, the success of this system was apparent in reciprocal learning and reciprocal education on wide-ranging know-how, as well as in the increase in auditors' knowledge and the expansion of personal networks.

Environmental Protection Activities

The Furukawa Company Group's energy-saving activities center on achieving medium-term targets for energy and resource consumption set every five years.

The results for the first set of targets (covering fiscal 2005–2009) and the targets for the next five years (fiscal 2010–fiscal 2014) are shown below.

Second Medium-Term Reduction Targets (Base year: Fiscal 2006)

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

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

Environmentally Friendly Products

The Furukawa Company Group actively engages in the development of both people-friendly and environmentally friendly products as part of its contribution to the creation of a sustainable society.

High-Efficiency Slurry Pump

The adoption of an energy-enhancing impeller with a new design in our SPL e-Performance high-efficiency slurry pump has improved maximum pumping efficiency by 20% compared with the previous model. What is more, the force of the shaft, which affects the amount of power usage, has been reduced by a maximum of 19%. As a result, the capacity of the motor can be reduced in accordance with the conditions of use, contributing to significant energy savings. Owing to Furukawa's proprietary liner design, the space between the impeller and the front and back liner can be easily adjusted. The effect is a lengthening of the impeller replacement cycle without decreasing slurry throughput efficiency, which also contributes to a reduction in the amount of waste generated at replacement time.

High-Sensitivity Radiation Detector, Gamma Spotter

Furukawa recently launched a portable high-sensitivity radiation detector called Gamma Spotter. We developed the detector using the Group's proprietary scintillator crystals—materials that exhibit fluorescence when excited by ionizing radiation. Because the GAGG scintillator crystals used in the radiation detector are not deliquescent (the property of absorbing moisture in the air and dissolving in it), the detector has excellent thermal resistance, cold resistance, and shock resistance. These properties make the Gamma Spotter suitable for measuring radioactivity outside and in the rain. Using one of the detector's three measurement modes, readings can be taken once every 0.5 second (real-time), once every 10 seconds to show the average reading for the past minute (average), and average readings at certain intervals (timer). The Gamma Spotter is compact, lightweight, and easy to operate. These advantages combined with its excellent portability enhance onsite workability and reduce operator radiation exposure.

Social Contribution Activities

The Furukawa Company Group seeks to live in harmony with local communities through stewardship and maintenance of forests owned by Furukawa and involvement in afforestation programs. We also participate in factory neighborhood cleanup activities and preservation of the "*Nikko-Suginamiki*" ("Avenue of cedars in Nikko"), as well as accept internships and host factory visits. Other activities include fund-raising activities, arranging blood-donor drives, sponsorship of community events, helping preserve biodiversity, holding original environmental activities, and loaning our land for free to local environmental associations.

Third Ashio Cherry Tree-Planting Drive

In March 2009, the newly formed Ashio Cherry Blossom Planting Group got together to begin planting 1,000 cherry blossom seedlings on land owned by Furukawa in Ashio-machi in Tochigi Prefecture. The annual tree-planting activity scheduled for March 2011 was cancelled due to the Great East Japan Earthquake. Consequently, in March 2012, 67 Group members—made up of Furukawa employees and their families—took part in the Third Ashio Cherry Tree-Planting Drive.

Corporate Governance

The basic policy of the Furukawa Company Group is to contribute to society, our shareholders, and other stakeholders by building an efficient management structure that will yield stable profits and increased corporate value through greater management transparency and continuous innovation in our corporate structure. This policy binds the Group's businesses together to ensure Group integrity, while enabling them to manage their individual operations under a flexible management structure with a clear focus on asset management and accountability for gain and loss. At the same time, Group businesses leverage collective strengths to maximize corporate value by providing products and services that achieve customer satisfaction.

System of Corporate Governance

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

To clearly separate management oversight functions from executive functions, accelerate decision-making, and clarify responsibilities, Furukawa has adopted an executive officer system. At present, we have 16 executive officers, six of whom concurrently hold positions as directors.

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

Furukawa uses an auditor system, with a Board of Auditors composed of two statutory auditors and three outside auditors. Pursuant to an audit policy formulated by the Board of Auditors, auditors attend meetings of the Board of Directors, the Management Council, the Management Committee, and other important management meetings. In addition, they receive business reports from directors, audit business sites and subsidiaries, and monitor the performance of duties carried out by directors. The audit function is further reinforced by the Audit Office, an organization in charge of internal auditing. The Audit Office is composed of five members who engage in auditing Groupwide operations management and the execution of business operations. In order to ensure the efficiency and effectiveness of the audit function, Furukawa continuously works to reinforce cooperation between the Audit Office, auditors, and independent auditors, who together devise audit plans, review audit results, and share other audit-related information.

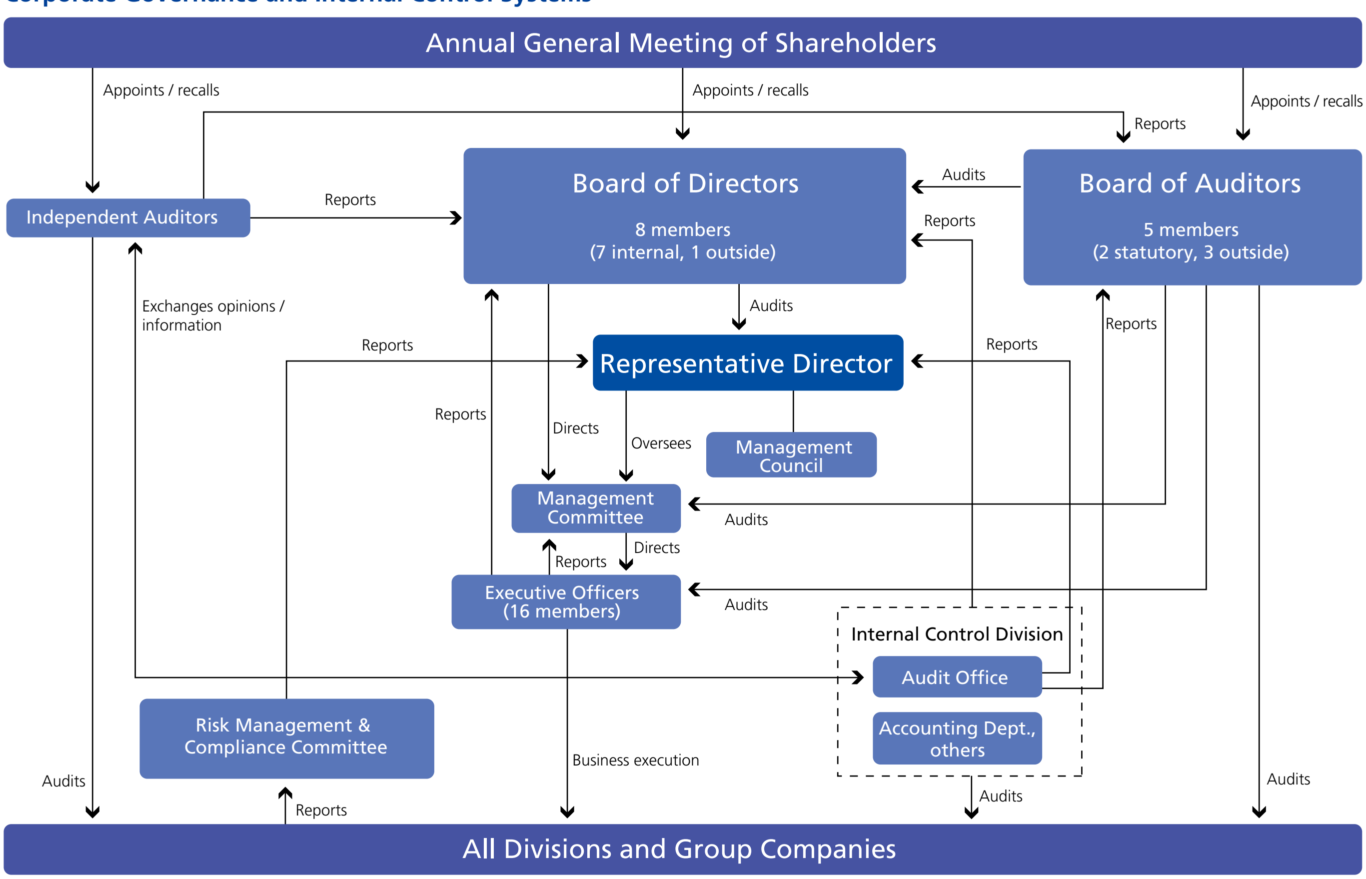
Compliance and System of Risk Management

The Furukawa Company Group has formulated a Corporate Conduct Charter and an Employees' Code of Behavior. Every effort is made to ensure that all members of the Group are fully aware of and practice the principles contained in each.

Furukawa also recognizes effective risk management as an important aspect of its business activities. In addition to identifying and assessing potential risk and formulating preventive and response measures as well as remedial initiatives, the Group has established the Risk Management & Compliance Committee for the purpose of formulating the Group's basic policies toward risk management and compliance. Through these means, Furukawa is committed to developing a comprehensive structure capable of addressing all relevant issues.

Corporate Governance and Internal Control Systems

As of June 28, 2012



Consolidated Six-Year Financial Summary

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

	Millions of yen					
	2012/3	2011/3	2010/3	2009/3	2008/3	2007/3
For the year:						
Net sales	**¥ 157,566**	¥ 165,638	¥ 142,925	¥ 161,858	¥ 213,426	¥ 200,749
Cost of sales	**138,097**	146,364	127,302	143,651	181,522	167,507
Gross profit	**19,469**	19,274	15,623	18,207	31,904	33,242
Selling, general and administrative expenses	**17,314**	16,453	14,025	15,904	17,497	16,343
Operating income	**2,155**	2,821	1,598	2,303	14,407	16,899
Income (loss) before income taxes and minority interests	**(2,663)**	447	886	(2,618)	12,484	11,127
Net income (loss)	**(1,659)**	563	585	(5,917)	8,595	17,554
Cash flows from operating activities	**4,978**	3,743	9,083	5,112	12,823	12,648
Cash flows from investing activities	**(3,153)**	(1,644)	(3,643)	(11,539)	(855)	(4,367)
Cash flows from financing activities	**(3,782)**	(5,703)	(4,769)	12,116	(13,835)	(8,910)
Capital expenditures	**3,028**	1,933	2,936	16,507	4,374	3,905
Depreciation and amortization	**3,329**	3,290	3,244	3,145	2,993	2,626
Research and development expenses	**2,622**	2,225	1,862	1,752	1,941	1,888
At year-end:						
Total assets	**¥ 193,971**	¥ 196,234	¥ 204,774	¥ 188,361	¥ 199,383	¥ 217,027
Current assets	**81,497**	80,199	82,617	77,509	88,888	94,865
Current liabilities	**74,807**	70,456	73,733	64,276	80,487	89,293
Total equity	**46,022**	45,849	48,885	44,585	54,301	56,246
Net assets	**47,668**	47,622	50,855	45,742	55,431	52,136
Interest-bearing liabilities	**85,796**	89,265	94,714	92,475	77,907	89,389
Per share amounts:			Yen			
Net income (loss): Basic	**¥ (4.11)**	¥ 1.39	¥ 1.45	¥ (14.64)	¥ 21.26	¥ 43.42
Net income (loss): Diluted	**—**	—	—	—	—	—
Cash dividends	**0.00**	0.00	0.00	4.00	6.00	5.00
Net assets	**113.88**	113.45	120.96	110.31	134.33	139.13
Profitability:						
Cost of sales margin (%)	**87.6**	88.4	89.1	88.8	85.1	83.4
Gross margin (%)	**12.4**	11.6	10.9	11.2	14.9	16.6
SG&A expense margin (%)	**11.0**	9.9	9.8	9.8	8.2	8.1
Operating margin (%)	**1.4**	1.7	1.1	1.4	6.8	8.4
Return on sales (%)	**(1.1)**	0.3	0.4	(3.7)	4.0	8.7
Efficiency and soundness:						
Return on equity (%) (Note 1)	**(3.6)**	1.2	1.3	(12.0)	15.5	35.3
Return on assets (%) (Note 2)	**(0.9)**	0.3	0.3	(3.1)	4.1	8.2
Debt-to-equity (D/E) ratio (times) (Note 3)	**1.9**	1.9	1.9	2.1	1.4	1.6
Equity ratio (%) (Note 4)	**23.7**	23.4	23.9	23.7	27.2	25.9
Investment indicators:						
Dividend payout ratio (%) (Note 5)	**—**	—	—	—	28.2	11.5
Dividends on equity (DOE) ratio (%) (Note 6)	**—**	—	—	3.2	4.5	4.3
Price book value ratio (PBR) (times) (Note 7)	**0.7**	0.8	0.9	0.7	1.4	2.1
Stock price at fiscal year-end	**80**	86	114	82	183	293

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

Revenue and Expenses

In the fiscal year ended March 31, 2012, consolidated net sales totaled ¥157,566 million, down 4.9% compared with the previous fiscal year.

Within this amount, sales of the Industrial Machinery segment increased 21.5% year on year, to ¥12,949 million, and sales of the UNIC Machinery segment rose 29.0%, to ¥16,106 million. Both segments made a solid contribution to revenue, benefiting from steady restoration-related demand following the Great East Japan Earthquake. However, sales of the Metals segment decreased 14.8%, to ¥68,114 million, due to declining sales of electrolytic copper stemming from the temporary closure of Onahama Smelter and Refinery, a major refining vendor of the Company, following the earthquake. In addition, sales of the Electronic Materials segment fell 35.4%, to ¥4,616 million, impacted by the accident at the Fukushima Nuclear Power Plant and sluggish conditions in the semiconductor devices market.

Cost of sales declined 5.6%, to ¥138,097 million, owing to rigorous cost-reduction efforts, and the cost of sales margin was down 0.7 percentage point, to 87.6%.

Selling, general and administrative (SG&A) expenses rose 5.2%, to ¥17,314 million.

As a result, operating income declined 23.6% from the previous fiscal year, to ¥2,155 million. Contributing to earnings were the Industrial Machinery segment, which reported operating income of ¥708 million (from an operating loss of ¥30 million in the previous year); the Construction and Mining Machinery (Rock Drills) segment, with operating income of ¥334 million (operating loss of ¥350 million in the previous year); and the UNIC Machinery segment, with operating income of ¥928 million (operating loss of ¥187 million in the previous year). However, the Metals segment posted a 79.4% decline in operating income, to ¥308 million, due to the fall in revenue and the strong yen, and the Electronic Materials segment reported an operating loss of ¥234 million (compared with operating income of ¥1,280 million in the previous year). Accordingly, the operating margin decreased 0.3 percentage point, to 1.4%.

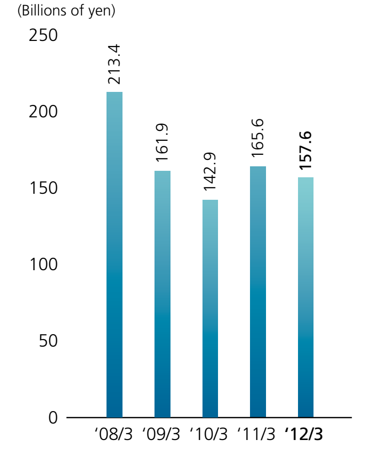
Among other income, the Group posted ¥865 million in interest and dividend income and ¥632 million in compensation income. By contrast, other expenses included a ¥3,267 million write-down of investments in securities and a ¥1,027 million loss on sales of investments in securities.

As a result, the Group reported a loss before income taxes and minority interests of ¥2,663 million. Total income taxes subtraction—the sum of inhabitants' tax, enterprise tax, and corporate income tax adjustments—amounted to ¥870 million. Minority interests amounted to ¥134 million. Accordingly, the Group posted a net loss of ¥1,659 million, compared with net income of ¥563 million in the previous year.

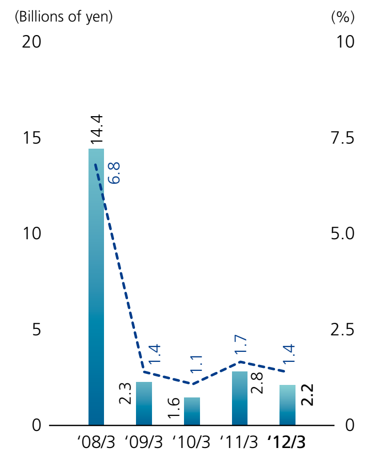
Financial Position

At March 31, 2012, total assets stood at ¥193,971 million, down 1.2% from a year earlier. Within this amount, current assets rose 1.6%, to ¥81,497 million, due mainly to an increase in notes and accounts receivable. Investments and other assets declined 9.8%, to ¥27,388 million, due largely to a decrease in investments in securities caused by falling prices of listed shares.

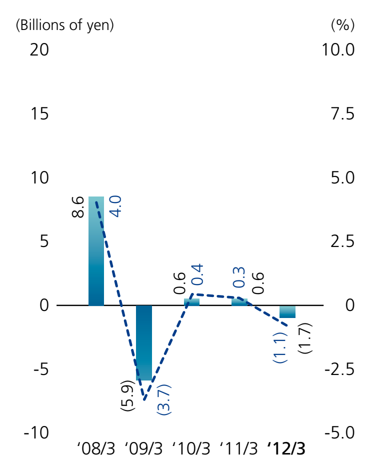
Net Sales



Operating Income
Operating Margin



Net Income (Loss)
Return on Sales



Total liabilities were down 1.6%, to ¥146,303 million. This was due primarily to a decline in long-term liabilities stemming from a decrease in long-term debt, which contrasted with an increase in current liabilities caused by a rise in notes and accounts payable. As a result, the fiscal year-end balance of interest-bearing liabilities (corporate bonds and debt) declined 3.9%, to ¥85,796 million.

Net assets at fiscal year-end stood at ¥47,668 million, up 0.1% from a year earlier. This was mainly due to an increase in net unrealized holding gain on securities, net of income taxes. Consequently, the equity ratio edged up 0.3 percentage point, to 23.7%, and the debt-to-equity (D/E) ratio was unchanged, at 1.9 times.

R&D and Capital Expenditures

The Furukawa Company Group is actively engaged in R&D on new materials and high-value-added products that meet diversified market needs. In the year under review, total research and development expenses amounted to ¥2,622 million, up 17.8% from the previous year. Of this total, ¥71 million was allocated to the Industrial Machinery segment, ¥632 million to the Construction and Mining Machinery (Rock Drills) segment, ¥231 million to the UNIC Machinery segment, ¥1,362 million to the Electronic Materials segment, ¥90 million to the Chemicals segment, and ¥233 million to the Paints segment.

Capital expenditures (increase in tangible fixed assets and intangible fixed assets) amounted to ¥3,028 million. Of this total, ¥264 million was allocated to the Chemicals segment, ¥225 million to the Metals segment, ¥217 million was allocated to the Paints segment, ¥204 million to the UNIC Machinery segment, ¥170 million to the Industrial Machinery segment, ¥158 million to the Construction and Mining Machinery (Rock Drills) segment, and ¥69 million to the Electronic Materials segment, aimed primarily at improvements in production efficiency. In addition, ¥1,428 million was allocated to the Real Estate segment, mainly for the Nihonbashi-Muromachi Eastern District Redevelopment Project, and ¥27 million went to the Fuels and Others segment for the purchase of vehicles for use in the transportation business. All funds required for capital expenditures were derived from internal funds and borrowings. Depreciation and amortization rose 1.2%, to ¥3,329 million.

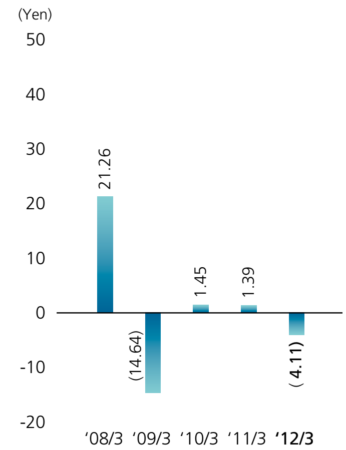
The Group's capital expenditure budget is based on comprehensive consideration of various factors, including demand forecasts, production plans, and investment benefits. In the year ending March 31, 2013, the Group plans to invest a total of ¥3.0 billion, mainly for the purchase of new facilities and repair of existing ones. We expect to procure these funds via borrowings and/or internal funds.

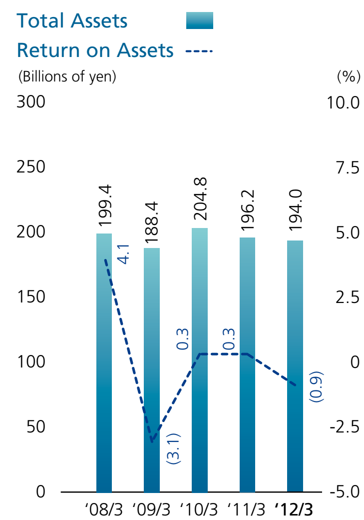
Cash Flows

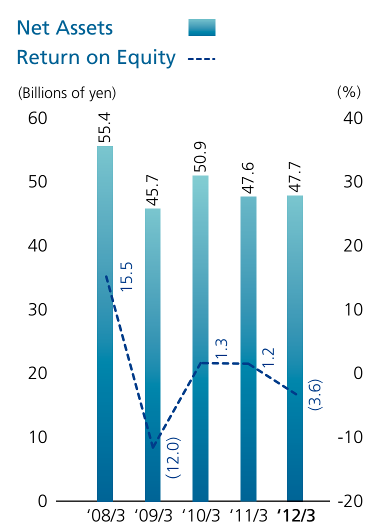
In the year under review, net cash provided by operating activities amounted to ¥4,978 million, up ¥1,235 million from the previous year. The main factor was an increase in payables—trade.

Net cash used in investing activities totaled ¥3,153 million, up ¥1,509 million from the previous year. The primary reason was purchases of property, plant and equipment.

Net Income (Loss) per Share







Net cash used in financing activities was ¥3,782 million, down ¥1,921 million from the previous year. This was due mainly to repayment of long-term debt.

As a result, cash and cash equivalents at the end of the fiscal year totaled ¥14,154 million, a ¥2,117 million, or 13.0%, decline from a year earlier.

Capital Strategies

Furukawa places great importance on improving returns of profits to all shareholders. Our basic policy is to appropriate profits after comprehensive consideration of various factors, including retained earnings required to finance capital expenditures and research and development expenses necessary to bolster earnings, as well as future business development and other factors. In principle, we appropriate retained earnings to shareholders twice a year in the form of interim and year-end cash dividends. The decision-making body for the year-end dividend is the Annual General Meeting of Shareholders, while that for the interim dividend is the Board of Directors' meeting. The Company's Articles of Incorporation states that "Interim dividends can be paid, with September 30 of each year being the date of record, pursuant to resolution of the Board of Directors' meeting."

Regrettably, the Company did not declare cash dividends for the year under review. This is because increases in profits generated by the three machinery-related business segments did not adequately compensate for lower profits in the Metals segment and Electronic Materials segment.

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

Business Risks

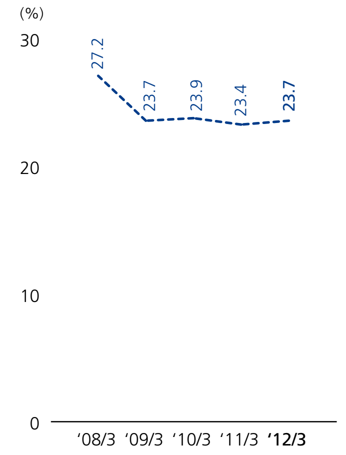
(1) Fluctuations in the Foreign Exchange and Nonferrous Metals Markets

The Furukawa Company Group is at risk of foreign exchange fluctuations in connection with its export business, the import of raw materials, primarily copper ore, and smelting and processing income. In addition, the Furukawa Company Group's stock of nonferrous metal inventories, an internationally traded commodity, is subject to market movements. While the Group utilizes foreign exchange contracts and forward delivery transactions as a hedge against the aforementioned risks, its operating results and financial position may be adversely affected by movements in exchange rates and nonferrous metal markets.

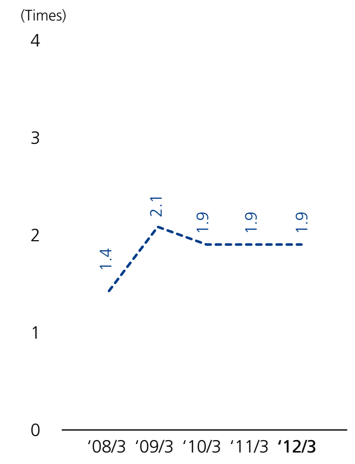
(2) Investments in Securities and Land

Historically, the Furukawa Company Group has maintained relatively high balances of marketable securities and land. As of March 31, 2012, the carrying value of investments in securities as stated in the balance sheets was ¥15,067 million, while land stood at ¥58,653 million. Accordingly, the Group's operating results and financial

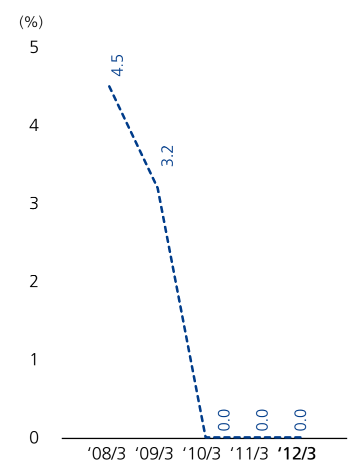
Equity Ratio



Debt-to-Equity (D/E) Ratio



Dividends on Equity (DOE) Ratio



position are at risk of impairment losses, losses from devaluation, and losses on sales due to movements in stock and land prices.

(3) Accrued Employees' Retirement Benefits

The employees of the Furukawa Company Group are covered by a defined contribution corporate pension plan and a single-payment retirement benefit plan. Accrued employees' retirement benefits are provided at an amount calculated based on the retirement benefit obligation and the fair value of pension plan assets at the balance sheet date. In calculating accrued employees' retirement benefits, the Group adopts assumptions in connection with the discount rate and expected rate of return on plan assets, as well as other assumptions. Accordingly, the Group's operating results and financial position are at risk in the event the actual discount rate and expected rate of return on plan assets differs materially from the assumptions, as well as in the event of a change in the assumptions on which accrued employees' retirement benefits are made.

(4) Earthquakes and Other Natural Disasters

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

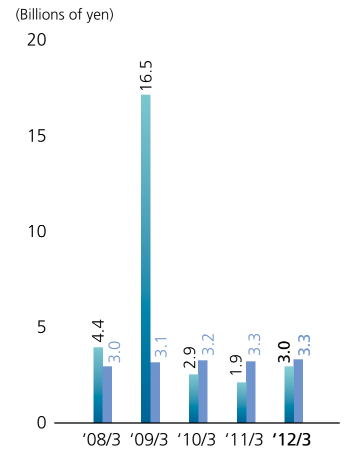
(5) Environmental Protection

The Furukawa Company Group places the highest importance on environmental protection, environmental safety, and prevention of pollution at its various business sites, both in Japan and overseas, respecting all laws and regulations. Furthermore, in Japan the Group is vigilant in preventing water run-off from idle mines from contaminating water supplies and in preventing the buildup of slag or slurry. However, in the event of changes in legislation and the like, there is a possibility that the Group's performance results and its financial position could be influenced.

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

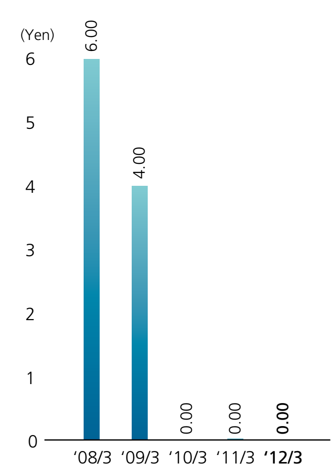
The Furukawa Company Group seeks to procure investment capital in a flexible manner to fund overseas investments and other initiatives. To this end, the Board of Directors, at its meeting held on December 20, 2010, passed a resolution to issue new stock acquisition rights in a third-party allotment,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

Capital Expenditures
Depreciation and Amortization



Cash Flows

Cash Dividends per Share



Financial Section

Consolidated Balance Sheets

Furukawa Co., Ltd. and consolidated subsidiaries
As of March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 4)
ASSETS	**2012**	2011	**2012**
Current Assets:			
Cash and cash equivalents	**¥ 14,154**	¥ 16,271	**$ 172,610**
Short-term investment securities	**49**	—	**598**
Receivables - trade:			
Notes and accounts	**28,993**	24,956	**353,573**
Affiliates	**693**	242	**8,451**
Finished products	**12,526**	11,217	**152,756**
Work in process	**6,399**	5,183	**78,037**
Raw materials and supplies	**11,883**	13,263	**144,915**
Deferred income taxes (Note 15)	**1,945**	2,098	**23,720**
Other current assets	**4,973**	7,142	**60,645**
Allowance for doubtful accounts	**(118)**	(173)	**(1,439)**
Total current assets	**81,497**	80,199	**993,866**
Property, Plant and Equipment, at Cost (Notes 6 and 20)**:**			
Land and timberlands	**60,510**	60,931	**737,927**
Buildings and structures	**45,030**	44,782	**549,146**
Machinery and equipment	**50,072**	50,121	**610,634**
Lease assets (Note 11)	**1,632**	1,295	**19,902**
Construction in progress	**1,843**	645	**22,476**
	159,087	157,774	**1,940,085**
Accumulated depreciation	**(74,001)**	(72,117)	**(902,451)**
Property, plant and equipment, net	**85,086**	85,657	**1,037,634**
Investments and Other Assets:			
Goodwill (Note 7)	**437**	599	**5,329**
Investments in securities (Notes 5 and 6)	**17,982**	19,349	**219,293**
Investments in affiliates	**5,165**	5,257	**62,988**
Loans receivable	**1,333**	1,444	**16,256**
Deferred income taxes (Note 15)	**132**	12	**1,610**
Other investments	**3,887**	5,542	**47,402**
Allowance for doubtful accounts	**(1,548)**	(1,825)	**(18,878)**
Total investments and other assets	**27,388**	30,378	**334,000**
Total assets	**¥ 193,971**	¥ 196,234	**$ 2,365,500**

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2012	2011	Thousands of U.S. dollars (Note 4) 2012
Current Liabilities:			
Short-term loans (Note 6)	¥ **12,897**	¥ 12,858	$ **157,280**
Current portion of long-term debt (Note 6)	**18,042**	17,152	**220,024**
Lease obligations (Note 6)	**311**	262	**3,793**
Payables - trade:			
Notes and accounts	**26,019**	23,586	**317,305**
Affiliates	**4**	67	**49**
Accrued expenses	**13,901**	12,375	**169,525**
Accrued income taxes	**458**	438	**5,585**
Deferred income taxes (Note 15)	**37**	13	**451**
Provision for restoration expenses for disaster	**—**	54	**—**
Other current liabilities	**3,138**	3,651	**38,269**
Total current liabilities	**74,807**	70,456	**912,281**
Long-Term Liabilities:			
Long-term debt (Note 6)	**54,858**	59,255	**669,000**
Lease obligations (Note 6)	**701**	693	**8,549**
Accrued employees' retirement benefits (Note 14)	**1,694**	1,625	**20,659**
Provision for environmental measures	**176**	178	**2,146**
Deferred income taxes (Note 15)	**8,146**	9,499	**99,341**
Deferred income taxes on surplus on the revaluation of land (Note 15)	**2,370**	2,767	**28,902**
Asset retirement obligations	**196**	192	**2,390**
Other long-term liabilities	**3,355**	3,947	**40,915**
Total long-term liabilities	**71,496**	78,156	**871,902**
Net Assets (Note 8)**:**			
Shareholders' equity:			
Common stock without par value:			
Authorized—800,000,000 shares			
Issued—404,455,680 shares	**28,208**	28,208	**344,000**
Retained earnings	**15,704**	17,310	**191,512**
Treasury stock, at cost:			
2012—313,540 shares	**(46)**	(46)	**(561)**
2011—306,068 shares	**——**	—	**—**
Total shareholders' equity	**43,866**	45,472	**534,951**
Accumulated other comprehensive income:			
Unrealized holding gain (loss) on securities, net of income taxes	**2,162**	294	**26,366**
Deferred gains (losses) on hedges	**(191)**	(110)	**(2,329)**
Surplus on the revaluation of land, net of income taxes	**3,578**	3,289	**43,634**
Translation adjustments	**(3,393)**	(3,096)	**(41,378)**
Total other comprehensive income	**2,156**	377	**26,293**
Subscription rights to shares	**53**	53	**646**
Minority interests	**1,593**	1,720	**19,427**
Total net assets	**47,668**	47,622	**581,317**
Total liabilities and net assets	¥ **193,971**	¥ 196,234	$ **2,365,500**

Consolidated Statements of Operations

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2012	2011	**2012**
Net Sales	**¥ 157,566**	¥ 165,638	**$ 1,921,537**
Cost of Sales (Note 17)	**(138,097)**	(146,364)	**(1,684,110)**
Gross profit	**19,469**	19,274	**237,427**
Selling, General and Administrative Expenses (Note 10)	**(17,314)**	(16,453)	**(211,147)**
Operating income	**2,155**	2,821	**26,280**
Other Income (Expenses):			
Interest and dividend income	**865**	678	**10,549**
Interest expense	**(1,404)**	(1,527)	**(17,122)**
Other, net (Notes 18 and 20)	**(4,279)**	(1,525)	**(52,183)**
Income (loss) before income taxes and minority interests	**(2,663)**	447	**(32,476)**
Income Taxes (Note 15)**:**			
Current	**(509)**	(483)	**(6,207)**
Deferred	**1,379**	369	**16,817**
Total	**870**	(114)	**10,610**
Income (Loss) Before Minority Interests	**(1,793)**	333	**(21,866)**
Minority Interests	**134**	230	**1,634**
Net income (loss)	**¥ (1,659)**	¥ 563	**$ (20,232)**

	Yen		U.S. dollars (Note 4)
Net Income (Loss) per Share:			
Basic	**¥ (4.11)**	¥ 1.39	**$ (0.05)**
Net Assets per Share	**113.88**	113.45	**1.39**

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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2012	2011	**2012**
Income (Loss) Before Minority Interests	**¥ (1,793)**	¥ 333	**$ (21,866)**
Other comprehensive income (loss):			
Unrealized holding gain (loss) on securities, net of income taxes	**1,888**	(2,479)	**23,024**
Deferred gains (losses) on hedges	**(85)**	(157)	**(1,037)**
Revaluation surplus of land	**354**	—	**4,317**
Translation adjustments	**(177)**	(802)	**(2,158)**
Share of other comprehensive income (loss) of associates accounted for using equity method	**(129)**	(164)	**(1,573)**
Total other comprehensive income (loss) (Note 9)	**1,851**	(3,602)	**22,573**
Comprehensive income (loss)	**58**	(3,269)	**707**
Comprehensive income (loss) attributable to			
Comprehensive income (loss) attributable to owners of the parent	**173**	(3,036)	**2,110**
Comprehensive income (loss) attributable to minority interests	**(115)**	(233)	**(1,403)**

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, 2012 and 2011

	Number of shares of common stock (thousands)	Millions of yen — Shareholders' equity: Common stock	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2011	404,456	¥ 28,208	¥ 17,310	¥ (46)	¥ 45,472
Cash dividends paid	—	—	—	—	—
Net income (loss) for the year	—	—	**(1,659)**	—	**(1,659)**
Purchase of treasury stock	—	—	—	**(0)**	**(0)**
Reversal of surplus on the revaluation of land	—	—	**53**	—	**53**
Net change during the year	—	—	—	—	—
Balance as of March 31, 2012	**404,456**	**¥ 28,208**	**¥ 15,704**	**¥ (46)**	**¥ 43,866**

	Millions of yen — Accumulated other comprehensive income: Unrealized holding gain (loss) on securities, net of income taxes	Deferred gains (losses) on hedges	Surplus on the revaluation of land, net of income taxes	Translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance as of March 31, 2011	¥ 294	¥ (110)	¥ 3,289	¥ (3,096)	¥ 377	¥ 53	¥ 1,720	¥ 47,622
Cash dividends paid	—	—	—	—	—	—	—	—
Net income (loss) for the year	—	—	—	—	—	—	—	**(1,659)**
Purchase of treasury stock	—	—	—	—	—	—	—	**(0)**
Reversal of surplus on the revaluation of land	—	—	—	—	—	—	—	**53**
Net change during the year	**1,868**	**(81)**	**289**	**(297)**	**1,779**	—	**(127)**	**1,652**
Balance as of March 31, 2012	**¥ 2,162**	**¥ (191)**	**¥ 3,578**	**¥ (3,393)**	**¥ 2,156**	**¥ 53**	**¥ 1,593**	**¥ 47,668**

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

	Millions of yen							
	Valuation, translation adjustments and others							
	Unrealized holding gain (loss) on securities, net of income taxes	Deferred gains (losses) on hedges	Surplus on the revaluation of land, net of income taxes	Translation adjustments	Total valuation, translation adjustments and others	Subscription rights to shares	Minority interests	Total net assets
Balance as of March 31, 2010	¥ 2,791	¥ 41	¥ 3,348	¥ (2,145)	¥ 4,035	¥ —	¥ 1,970	¥ 50,855
Cash dividends paid	—	—	—	—	—	—	—	—
Net income (loss) for the year	—	—	—	—	—	—	—	563
Purchase of treasury stock	—	—	—	—	—	—	—	(1)
Reversal of surplus on the revaluation of land	—	—	—	—	—	—	—	60
Net change during the year	(2,497)	(151)	(59)	(951)	(3,658)	53	(250)	(3,855)
Balance as of March 31, 2011	¥ 294	¥ (110)	¥ 3,289	¥ (3,096)	¥ 377	¥ 53	¥ 1,720	¥ 47,622

	Thousands of U.S. dollars (Note 4)			
	Shareholders' equity			
	Common stock	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2011	$ 344,000	$ 211,098	$ (561)	$ 554,537
Cash dividends paid	—	—	—	—
Net income (loss) for the year	—	**(20,232)**	—	**(20,232)**
Purchase of treasury stock	—	—	**(0)**	**(0)**
Reversal of surplus on the revaluation of land	—	**646**	—	**646**
Net change during the year	—	—	—	—
Balance as of March 31, 2012	**$ 344,000**	**$ 191,512**	**$ (561)**	**$ 534,951**

	Thousands of U.S. dollars (Note 4)							
	Accumulated other comprehensive income							
	Unrealized holding gain (loss) on securities, net of income taxes	Deferred gains (losses) on hedges	Surplus on the revaluation of land, net of income taxes	Translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance as of March 31, 2011	$ 3,585	$ (1,341)	$ 40,110	$ (37,756)	$ 4,598	$ 646	$ 20,976	$ 580,757
Cash dividends paid	—	—	—	—	—	—	—	—
Net income (loss) for the year	—	—	—	—	—	—	—	**(20,232)**
Purchase of treasury stock	—	—	—	—	—	—	—	**(0)**
Reversal of surplus on the revaluation of land	—	—	—	—	—	—	—	**646**
Net change during the year	**22,781**	**(988)**	**3,524**	**(3,622)**	**21,695**	—	**(1,549)**	**20,146**
Balance as of March 31, 2012	**$ 26,366**	**$ (2,329)**	**$ 43,634**	**$ (41,378)**	**$ 26,293**	**$ 646**	**$ 19,427**	**$ 581,317**

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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2012	2011	**2012**
Operating Activities:			
Income (loss) before income taxes and minority interests	**¥ (2,663)**	¥ 447	**$ (32,476)**
Depreciation and amortization	**3,329**	3,290	**40,597**
Decrease in allowance for doubtful accounts, net	**(324)**	(199)	**(3,951)**
Increase in accrued employees' retirement benefits	**1,107**	874	**13,500**
Write-down of investments in securities	**3,267**	181	**39,841**
Gain on sales of investments in securities	**1,024**	(7)	**12,488**
Compensation income	**(632)**	—	**(7,707)**
Interest and dividend income	**(865)**	(678)	**(10,549)**
Interest expense	**1,404**	1,527	**17,122**
Changes in operating assets and liabilities:			
Receivables-trade	**(4,561)**	(941)	**(55,622)**
Inventories	**(1,209)**	1,459	**(14,744)**
Payables-trade	**2,376**	(2,391)	**28,976**
Other	**3,028**	14	**36,927**
Subtotal	**5,281**	3,576	**64,402**
Interest and dividends received	**886**	734	**10,805**
Interest paid	**(1,409)**	(1,567)	**(17,182)**
Income taxes paid	**(777)**	(583)	**(9,476)**
Income taxes refunded	**365**	1,583	**4,451**
Compensation received	**632**	—	**7,707**
Net cash provided by operating activities	**4,978**	3,743	**60,707**
Investing Activities:			
Purchases of property, plant and equipment	**(2,989)**	(1,896)	**(36,451)**
Proceeds from sales of property, plant and equipment	**707**	173	**8,622**
Purchases of investments in securities	**(978)**	(4)	**(11,927)**
Other	**107**	83	**1,305**
Net cash used in investing activities	**(3,153)**	(1,644)	**(38,451)**
Financing Activities:			
Proceeds from long-term debt	**13,750**	15,110	**167,683**
Repayment of long-term debt	**(17,258)**	(20,340)	**(210,463)**
Proceeds from short-term loans	**9,900**	3,132	**120,732**
Repayment of short-term loans	**(9,862)**	(3,350)	**(120,268)**
Repayments of finance lease obligations	**(310)**	(290)	**(3,781)**
Other	**(2)**	35	**(25)**
Net cash used in financing activities	**(3,782)**	(5,703)	**(46,122)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(160)**	(382)	**(1,951)**
Net (Decrease) Increase in Cash and Cash Equivalents	**(2,117)**	(3,986)	**(25,817)**
Cash and Cash Equivalents at Beginning of Year	**16,271**	20,257	**198,427**
Cash and Cash Equivalents at End of Year	**¥ 14,154**	¥ 16,271	**$ 172,610**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2012 and 2011

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 are reclassified to conform to the current year's presentation.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The Company had 46 subsidiaries and 16 affiliates as of March 31, 2012 (44 subsidiaries and 17 affiliates as of March 31, 2011). The consolidated financial statements included the accounts of the Company and 46 subsidiaries as of March 31, 2012 (43 as of March 31, 2011).

Compared with the previous year, the number of subsidiaries increased by 3 subsidiaries due to establishment and decreased by 1 subsidiary 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 the remaining unconsolidated subsidiaries and affiliates are carried at cost because of their immaterial impact on the consolidated financial statements.

(2) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with a maturity of three months or less when purchased.

(3) Investments in Securities

Securities other than equity securities issued by subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities. The Furukawa Group does not hold any trading or held-to-maturity securities as of March 31, 2012 and 2011. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Fair value is determined based on the average of the market value during the last month of the fiscal year. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(4) Inventories

Finished products and work in process relating to copper products are stated at cost determined by the moving average method (the balance sheet amounts of inventories are stated at the lowered book values reflecting potential decline in profitability). Other inventories are mainly stated at cost determined by the average method (the balance sheet amounts of inventories are stated at the lowered book values reflecting potential decline in profitability).

(5) Allowance for Doubtful Accounts

In order to cover probable losses on collection, the allowance for doubtful accounts is calculated based on the historical default rates for normal receivables plus estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers who are experiencing financial difficulties.

(6) Provision for Environmental Measures

Provision for environmental measures is provided to cover the disposal costs anticipated to be incurred with respect to the "Law Concerning Special Measures for Promotion of Proper Treatment of PCB Wastes."

(7) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment except for lease assets is mainly calculated by the straight-line method based on the estimated useful lives of the assets. The range of useful lives of property, plant and equipment is summarized as follows:

Buildings and structures	5 to 60 years
Machinery and equipment	2 to 22 years

Amortization is calculated by the straight-line method for intangible assets.

Depreciation of lease assets arising from finance lease transactions that do not involve transfer of ownership is calculated by the straight-line method over the lease term with no residual value. Finance lease transactions that do not involve transfer of ownership, entered into on and before March 31, 2008, by the Company and domestic consolidated subsidiaries are accounted for as operating leases.

(8) Amortization of Goodwill

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

(9) Retirement Benefit Plans

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. On October 1, 2011, the Company adopted defined benefit corporate pension plans in place of unfunded employee retirement benefit plans.

Accrued employees' retirement benefits have been provided at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the balance sheet dates, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation has been attributed to each period by the straight-line method over the years of service of the eligible employees.

The net obligation at transition of the listed subsidiary, which amounts to ¥1,940 million ($23,659 thousand), is being amortized by the straight-line method over a period of 15 years.

Prior service cost is being amortized as incurred by the straight-line method over a period of principally 15 years, which is shorter than the average remaining years of service of the employees. Actuarial gain and loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over the period of mainly 15 years, which is shorter than the average remaining years of service of the employees.

(10) Surplus on the Revaluation of Land

Pursuant to the "Law Concerning the Revaluation of Land," land used for the Company's business operations was revalued on March 31, 2002. The income tax effect of the difference between the book value and the revalued amount has been presented under liabilities as "Deferred income taxes on surplus on the revaluation of land" and the remaining balance has been presented under net assets as "Surplus on the revaluation of land, net of income taxes" in the accompanying consolidated balance sheets. Revaluation of land was determined based on the official notice prices published by the Commissioner of the National Tax Authorities in accordance with Paragraph 4, Article 2 of the "Enforcement Ordinance Concerning Land Revaluation," with relevant adjustments. The carrying value of the land after revaluation exceeded its fair value by ¥1,686 million ($20,561 thousand) and ¥1,503 million as of March 31, 2012 and 2011, respectively.

(11) Income Taxes

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

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

(12) Amounts per Share

Basic net income (loss) per share is computed based on the net income (loss) available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share is not presented since the Company recorded net loss for the year ended March 31, 2012 and no dilutive instruments were issued and outstanding for both of the years ended March 31, 2012 and 2011.

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

(13) Foreign Currency Translation

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

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding minority interests, which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year. Differences arising from the translation are presented as translation adjustments and minority interests in the consolidated financial statements.

(14) Hedging Activities

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

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

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

(15) Shareholders' Equity

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

3. Additional Information

Accounting Standard for Accounting Changes and Error Corrections

Effective April 1, 2011, the Company adopted the "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan (ASBJ) Statement No. 24 issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 issued on December 4, 2009).

4. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥82=US$1.00, the exchange rate prevailing on March 31, 2012. This translation should not be construed as a representation that yen have been, could have been or could in the future be converted into U.S. dollars at the above or any other rate.

5. Investments in Securities

The aggregate acquisition cost, carrying value and unrealized gain or loss pertaining to the marketable other securities as of March 31, 2012 and 2011 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2012			**2012**		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Listed stocks	**¥ 7,715**	**¥ 4,805**	**¥ 2,910**	**$ 94,085**	**$ 58,598**	**$ 35,487**
Government bonds	**—**	**—**	**—**	**—**	**—**	**—**
Corporate bonds	**—**	**—**	**—**	**—**	**—**	**—**
	7,715	**4,805**	**2,910**	**94,085**	**58,598**	**35,487**
Securities whose carrying value does not exceed their acquisition cost:						
Listed stocks	**7,240**	**7,824**	**(584)**	**88,293**	**95,414**	**(7,121)**
Government bonds	**18**	**18**	**—**	**220**	**220**	**—**
Corporate bonds	**94**	**94**	**—**	**1,146**	**1,146**	**—**
	7,352	**7,936**	**(584)**	**89,659**	**96,780**	**(7,121)**
Total	**¥ 15,067**	**¥ 12,741**	**¥ 2,326**	**$ 183,744**	**$ 155,378**	**$ 28,366**

	Millions of yen		
	2011		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Listed stocks	¥ 8,362	¥ 5,421	¥ 2,941
Government bonds	—	—	—
Corporate bonds	—	—	—
	8,362	5,421	2,941
Securities whose carrying value does not exceed their acquisition cost:			
Listed stocks	7,904	10,472	(2,568)
Government bonds	—	—	—
Corporate bonds	—	—	—
	7,904	10,472	(2,568)
Total	¥ 16,266	¥ 15,893	¥ 373

Gain on sales of securities classified as other securities with aggregate gains and losses for the years ended March 31, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Sales proceeds	**¥ 7**	¥ 17	**$ 85**
Aggregate gains	**3**	7	**37**
Aggregate losses	**—**	(3)	**—**

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

Short-term loans, most of which are unsecured, represented notes payable to banks, with the average interest rate of 0.7% as of March 31, 2012 and 2011.

Long-term debt as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Loans, principally from banks, insurance companies and government agencies, most of which are secured, due 2012 to 2027	**¥ 72,900**	¥ 76,407	**$ 889,024**
	72,900	76,407	**889,024**
Current portion of long-term debt	**(18,042)**	(17,152)	**(220,024)**
	¥ 54,858	¥ 59,255	**$ 669,000**

The average interest rates applicable to the above loans amounting to ¥72,900 million ($889,024 thousand) and ¥76,407 million were 1.4% and 1.6% as of March 31, 2012 and 2011, respectively.

The aggregate annual maturities of long-term debt subsequent to March 31, 2012 are as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	**¥ 24,246**	**$ 295,683**
2014	**13,219**	**161,207**
2015	**8,382**	**102,220**
2016	**5,311**	**64,768**
2017 and thereafter	**3,700**	**45,122**
	¥ 54,858	**$ 669,000**

Lease obligations as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Lease obligations due 2012 to 2021	**¥ 1,012**	¥ 955	**$ 12,342**
	1,012	955	**12,342**
Current portion of lease obligations	**(311)**	(262)	**(3,793)**
	¥ 701	¥ 693	**$ 8,549**

The aggregate annual maturities of lease obligations subsequent to March 31, 2012 are as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	**¥ 293**	**$ 3,573**
2014	**196**	**2,390**
2015	**152**	**1,854**
2016	**55**	**671**
2017 and thereafter	**5**	**61**
	¥ 701	**$ 8,549**

The Company and certain consolidated subsidiaries have entered into overdraft and loan commitment agreements amounting to ¥42,843 million ($522,476 thousand) with 26 banks and ¥40,024 million with 26 banks as of March 31, 2012 and 2011, respectively. The borrowings outstanding and the unused balances under these credit facilities amounted to ¥21,856 million ($266,537 thousand) and ¥20,987 million ($255,939 thousand), respectively, as of March 31, 2012 and amounted to ¥20,456 million and ¥19,568 million, respectively, as of March 31, 2011.

Assets pledged as collateral and liabilities with collateral pledged as of March 31, 2012 and 2011 were as follows:

(a) Assets pledged as collateral

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Investments in securities	**¥ 1,243**	¥ 1,261	**$ 15,159**
Property, plant and equipment, net	**6,409**	6,611	**78,158**
	¥ 7,652	¥ 7,872	**$ 93,317**

(b) Liabilities with collateral pledged

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Short-term debt	**¥ 150**	¥ 100	**$ 1,829**
Long-term debt (including current portion)	**2,795**	2,826	**34,086**
	¥ 2,945	¥ 2,926	**$ 35,915**

7. Goodwill

Goodwill and negative goodwill are netted against each other. The pre-netted amounts as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Goodwill	**¥ 437**	¥ 599	**$ 5,329**
Negative goodwill	**—**	—	**—**
Net goodwill	**¥ 437**	¥ 599	**$ 5,329**

8. Net Assets

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

	Thousands of shares			
	As of March 31, 2011	Increase	Decrease	As of March 31, 2012
Shares issued:				
Common stock	404,455	—	—	404,455
Total	404,455	—	—	404,455
Treasury stock:				
Common stock (Note)	306	7	—	313
Total	306	7	—	313

Note: The increase of 7 thousand shares of equity in treasury was due to the purchase of shares of less than a standard unit.

(2) Subscription rights to shares

Attribution	Details of subscription rights to shares (*)	Type of shares to be issued upon exercise of rights	Thousands of shares				Millions of yen
			Number of shares subject to be issued upon exercise of rights				Balance as of March 31, 2012
			As of March 31, 2011	Increase	Decrease	As of March 31, 2011	
Parent company	Subscription rights to shares due 2016	Common stock	100,000	—	—	100,000	53
Total			100,000	—	—	100,000	53

Note: All subscription rights to shares can be exercised.

9. Other Comprehensive Income

Reclassification adjustment and tax effects allocated to each component of other comprehensive income for the year ended March 31, 2012 are as follows

	Millions of yen	Thousand of U.S. dollars
	2012	**2012**
Unrealized holding gain (loss) on securities:		
Amounts arising during the year	**¥ (1,309)**	**$(15,963)**
Reclassification adjustments for gains and losses included in net income	**3,262**	**39,780**
Amounts before tax effect	**1,953**	**23,817**
Tax effect	**(65)**	**(793)**
Unrealized holding gain (loss) on securities	**1,888**	**23,024**
Deferred gain (loss) on hedges:		
Amounts arising during the year	**1,266**	**15,439**
Adjustment on the acquisition cost of assets	**(1,376)**	**(16,781)**
Amounts before tax effect	**(110)**	**(1,342)**
Tax effect	**25**	**305**
Deferred gains (losses) on hedges	**(85)**	**(1,037)**
Revaluation surplus of land:		
Tax effect	**354**	**4,317**
Translation adjustments:		
Amounts arising during the year	**(177)**	**(2,158)**
Share of other comprehensive income (loss) of associates accounted for using equity method:		
Amounts arising during the year	**(123)**	**(1,500)**
Reclassification adjustments for gains and losses included in net income	**(6)**	**(73)**
Share of other comprehensive income (loss) of associates accounted for using equity method	**(129)**	**(1,573)**
Total other comprehensive income	**¥ 1,851**	**$ 22,573**

10. Research and Development Expenses

Research and development expenses, included in selling, general and administrative expenses and cost of sales, for the years ended March 31, 2012 and 2011 amounted to ¥2,622 million ($31,976 thousand) and ¥2,225 million, respectively.

11. Leases

Leases' accounting

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

1. Leased asset quality

(a) Tangible assets

Mainly production installations (Machinery and equipment) in the machinery segment and distribution vehicles (Machinery and equipment) in the others segment

(b) Intangible assets

Mainly software

2. Depreciation method of leased assets

Refer to "(7) Property, Plant and Equipment and Depreciation" in "2. Summary of Significant Accounting Policies." Finance lease transactions that do not involve transfer of ownership, entered into on and before March 31, 2008, by the Company and its domestic consolidated subsidiaries are accounted for as operating leases.

The pro forma amounts representing acquisition costs, accumulated depreciation and net carrying value for the machinery and equipment and others held under the finance leases currently accounted for as operating leases as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Acquisition costs	**¥ 2,192**	¥ 2,718	**$ 26,732**
Less accumulated depreciation	**1,473**	1,635	**17,964**
Net carrying value	**¥ 719**	¥ 1,083	**$ 8,768**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥361 million ($4,402 thousand) and ¥471 million for the years ended March 31, 2012 and 2011, respectively, which were equal to the depreciation expense of leased assets computed by the straight-line method over the lease terms.

Future minimum lease payments including an interest element under the finance leases outstanding as of March 31, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Within one year	**¥ 294**	¥ 363	**$ 3,585**
Over one year	**425**	720	**5,183**
	¥ 719	¥ 1,083	**$ 8,768**

(2) Operating leases

The future minimum lease payments under lease agreements other than finance leases as of March 31, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Within one year	**¥ 17**	¥ 15	**$ 207**
Over one year	**17**	28	**207**
	¥ 34	¥ 43	**$ 414**

12. Financial Instruments

1. Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

Short-term investment securities and investments in securities are exposed to market risk. Those securities are composed of mainly the shares of common stock of other companies with which the Furukawa Group has business relationships.

Substantially all trade payables—trade notes and accounts payables—have payment due date within one year.

Short-term loans are raised mainly in connection with business activities, and long-term debt is taken out principally for the purpose of making capital investments. Long-term debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for long-term debt bearing interest at variable rates, the Furukawa Group utilizes rate swap transactions as a hedging instrument for each contract. The assessment of effectiveness is omitted since it meets conditions of specific matching criteria for interest rate swap.

Regarding derivatives, the Furukawa Group enters into forward foreign exchange contracts to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies. The Furukawa Group also enters into interest rate swap transactions to reduce fluctuation risk deriving from interest payable for debt bearing interest at variable rates. The Furukawa Group also enters into forward commodity exchange contracts to reduce fluctuation risk of commodity price of inventories. Information regarding the method of hedge accounting, hedging instruments, hedged items, hedging policy and the assessment of effectiveness of hedging activities is found in "(14) Hedging Activities" in "2. Summary of Significant Accounting Policies."

(3) Risk management for financial instruments

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

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

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

(b) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

For trade receivables and payables denominated in foreign currencies, the Furukawa Group identifies the foreign currency exchange risk for each currency on a monthly basis and principally enters into forward foreign exchange contracts to hedge such risk. In order to mitigate the interest rate risk for loans payable and bonds bearing interest at variable rates, the Furukawa Group enters into interest rate swap transactions.

For short-term investment securities and investments in 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 "13. Derivative Transactions" are not necessarily indicative of the actual market risk involved in derivative transactions.

2. Estimated fair value of financial instruments

Carrying value of financial instruments on the consolidated balance sheets as of March 31, 2012 and 2011 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		
	2012			2012		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets						
(1) Cash and cash equivalents	¥ **14,154**	¥ **14,154**	¥ **—**	$ **172,610**	$ **172,610**	$ **—**
(2) Trade notes and accounts receivable	**29,686**	**29,686**	**—**	**362,024**	**362,024**	**—**
(3) Short-term investment securities and investments in securities	**15,067**	**15,067**	**—**	**183,744**	**183,744**	**—**
Total assets	¥ **58,907**	¥ **58,907**	¥ **—**	$ **718,378**	$ **718,378**	$ **—**
Liabilities						
(1) Trade notes and accounts payable	¥ **26,023**	¥ **26,023**	¥ **—**	$ **317,354**	$ **317,354**	$ **—**
(2) Short-term loans (*1)	**12,897**	**12,897**	**—**	**157,280**	**157,280**	**—**
(3) Long-term debt (*1)	**72,900**	**73,255**	**355**	**889,024**	**893,354**	**4,330**
Total liabilities	**111,820**	**112,175**	**355**	**1,363,658**	**1,367,988**	**4,330**
Derivatives (*2)	¥ **261**	¥ **261**	¥ **—**	$ **3,183**	$ **3,183**	$ **—**

	Millions of yen		
	2011		
	Carrying value	Estimated fair value	Difference
Assets			
(1) Cash and cash equivalents	¥ 16,271	¥ 16,271	¥ —
(2) Trade notes and accounts receivable	25,197	25,197	—
(3) Short-term investment securities and investments in securities	16,266	16,266	—
Total assets	¥ 57,734	¥ 57,734	¥ —
Liabilities			
(1) Trade notes and accounts payable	¥ 23,653	¥ 23,653	¥ —
(2) Short-term loans (*1)	12,858	12,858	—
(3) Long-term debt (*1)	76,406	76,866	460
Total liabilities	112,917	113,377	460
Derivatives (*2)	¥ 151	¥ 151	¥ —

(*1) Current portion of long-term debt is included in long-term debt.

(*2) The value of assets and liabilities arising from derivatives is shown at net value, with the amount in parentheses representing net liability position.

Notes:

1. Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Assets

(1) Cash and cash equivalents, (2) Trade notes and accounts receivable

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

(3) Short-term investment securities and investments in securities

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

Liabilities

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

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

(3) Long-term debt

The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new loans were entered into.

Derivatives transactions

Please refer to "13. 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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Unlisted stocks	**¥ 8,128**	¥ 8,340	**$ 99,122**
Bonds	**1**	—	**12**
Total	**¥ 8,129**	¥ 8,340	**$ 99,134**

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) Short-term investment securities and investments in securities."

3. Redemption schedule for receivables and marketable securities with maturities after March 31, 2012 and 2011 are as follows:

For the year ended March 31, 2012

Millions of yen	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash deposit	**¥ 13,773**	**—**	**¥ —**	**¥ —**
Trade notes and accounts receivable	**29,686**	**—**	**—**	**—**
Short-term investment securities and investments in securities				
Other securities with maturity				
(1) Bonds (Municipal bonds)	**—**	**—**	**18**	**—**
(2) Bonds (Corporate bonds)	**47**	**—**	**—**	**46**
Total	**¥ 43,506**	**—**	**¥ 18**	**¥ 46**

For the year ended March 31, 2011

Millions of yen	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash deposit	¥ 16,195	—	—	—
Trade notes and accounts receivable	25,197	—	—	—
Total	¥ 41,392	—	—	—

For the year ended March 31, 2012

Thousands of U.S. dollars	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash deposit	**$ 167,964**	**—**	**$ —**	**$ —**
Trade notes and accounts receivable	**362,024**	**—**	**—**	**—**
Short-term investment securities and investments in securities				
Other securities with maturity				
(1) Bonds (Municipal bonds)	**—**	**—**	**220**	**—**
(2) Bonds (Corporate bonds)	**573**	**—**	**—**	**561**
Total	**$ 530,561**	**—**	**$ 220**	**$ 561**

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

13. Derivative Transactions

The notional amounts and estimated fair value of the derivative instruments outstanding at March 31, 2012 and 2011 for which hedged accounting have been applied are as follows.

1.Currency-related transactions

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2012				
			Contract amounts		Maturing after one year	Fair value	
Principal method	Forward foreign exchange contracts						
	Sell						
	U.S. dollars	Accounts receivable	**¥**	**1,075**	**—**	**¥**	**(24)**
	EUR	Accounts receivable		**418**	**—**		**(17)**
	U.S. dollars	Accounts payable		**7,202**	**—**		**(204)**
Allocation method	Forward foreign exchange contracts						
	Sell						
	U.S. dollars	Accounts receivable	**¥**	**590**	**—**		**(*)**
	EUR	Accounts receivable		**466**	**—**		**(*)**
	Buy						
	U.S. dollars	Accounts payable	**¥**	**2,523**	**—**		**(*)**

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2011				
			Contract amounts		Maturing after one year	Fair value	
Principal method	Forward foreign exchange contracts						
	Sell						
	U.S. dollars	Accounts receivable	¥	108	—	¥	(1)
	EUR	Accounts receivable		1,066	—		(45)
	U.S. dollars	Accounts payable		9,836	—		(88)
Allocation method	Forward foreign exchange contracts						
	Sell						
	U.S. dollars	Accounts receivable	¥	136	—		(*)
	EUR	Accounts receivable		21	—		(*)
	Buy						
	U.S. dollars	Accounts payable	¥	4,752	—		(*)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2012				
			Contract amounts		Maturing after one year	Fair value	
Principal method	Forward foreign exchange contracts						
	Sell						
	U.S. dollars	Accounts receivable	**$**	**13,110**	**—**	**$**	**(293)**
	EUR	Accounts receivable		**5,098**	**—**		**(207)**
	U.S. dollars	Accounts payable		**87,829**	**—**		**(2,488)**
Allocation method	Forward foreign exchange contracts						
	Sell						
	U.S. dollars	Accounts receivable	**$**	**7,195**	**—**		**(*)**
	EUR	Accounts receivable		**5,683**	**—**		**(*)**
	Buy						
	U.S. dollars	Accounts payable	**$**	**30,768**	**—**		**(*)**

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

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

2. Interest-related transaction

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2012 Contract amounts	Maturing after one year	Fair value
Special accounting procedure for interest rate swap	Receive/floating and pay/fixed	Long-term debt	**¥ 33,984**	**¥ 27,780**	**(*)**

Millions of yen

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

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2012 Contract amounts	Maturing after one year	Fair value
Special accounting procedure for interest rate swap	Receive/floating and pay/fixed	Long-term debt	**$ 414,439**	**$ 338,780**	**(*)**

(*) 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, 2012 Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell				
	Copper	Raw material	**—**	**—**	**—**
	Buy				
	Copper	Raw material	**¥ 11,438**	**—**	**¥ (17)**

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2011 Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell				
	Copper	Raw material	—	—	—
	Buy				
	Copper	Raw material	¥ 6,244	—	¥ (17)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2012 Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell				
	Copper	Raw material	**—**	**—**	**—**
	Buy				
	Copper	Raw material	**$ 139,488**	**—**	**$ (207)**

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

(*) Since short position trade is dependent on copper price at the time when copper will be received, amount of contract and the fair value as of March 31, 2012 and 2011 does not exist and is not disclosed.

14. Employees' Retirement Benefits

The balances of the retirement benefit obligation and plan assets, funded status and the amounts recognized in the consolidated balance sheets as of March 31, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Retirement benefit obligation	**¥ (15,847)**	¥ (15,165)	**$ (193,256)**
Plan assets at fair value	**8,096**	9,390	**98,732**
Unfunded status	**(7,751)**	(5,775)	**(94,524)**
Unrecognized net obligation at transition	**397**	517	**4,841**
Unrecognized actuarial loss	**8,663**	7,653	**105,646**
Unrecognized prior service cost	**252**	279	**3,073**
Prepaid pension cost	**(3,255)**	(4,299)	**(39,695)**
Accrued employees' retirement benefits	**¥ (1,694)**	¥ (1,625)	**$ (20,659)**

The components of retirement benefit expenses for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Service cost	**¥ 713**	¥ 719	**$ 8,695**
Interest cost	**339**	348	**4,134**
Expected return on plan assets	**(95)**	(105)	**(1,159)**
Amortization of net retirement benefit obligation at transition	**28**	135	**341**
Amortization of actuarial loss	**1,001**	885	**12,208**
Amortization of prior service cost	**132**	22	**1,610**
Retirement benefit expenses	**2,118**	2,004	**25,829**
Employees' contributions to the defined benefit pension plans	**3**	4	**37**
Total	**¥ 2,121**	¥ 2,008	**$ 25,866**

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

	2012	2011
Discount rates	**mainly 1.8%**	mainly 2.1%
Expected return on plan assets	**mainly 2.0%**	mainly 2.0%

15. Income Taxes

The reconciliation between the effective tax rate reflected in the consolidated statements of operations and the statutory tax rate for the year ended March 31, 2012 was omitted as the Company recorded loss before income taxes and minority interests.

The reconciliation for the year ended March 31, 2011 was summarized as follows:

Statutory tax rate	40.7%
Non-deductible expenses for tax purposes	10.2
Non-taxable dividends and other income	(14.9)
Inhabitants per capital tax	21.1
Equity in earnings and losses of affiliates	(9.7)
Amortization of goodwill and negative goodwill	10.4
Changes in valuation allowance	(31.4)
Other	(0.9)
Effective tax rates	25.5%

Deferred tax assets and liabilities as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Deferred tax assets:			
Allowance for doubtful accounts	**¥ 244**	¥ 311	**$ 2,976**
Accrued employees' retirement benefits	**5,660**	6,224	**69,024**
Impairment loss on property, plant and equipment	**2,772**	3,166	**33,805**
Investments in securities	**3,837**	3,729	**46,793**
Accrued expenses	**78**	117	**951**
Net operating loss carryforwards	**15,887**	16,280	**193,744**
Land	**2,198**	2,772	**26,805**
Other	**871**	950	**10,622**
Total gross deferred tax assets	**31,547**	33,549	**384,720**
Valuation allowance	**(21,437)**	(22,443)	**(261,426)**
Total deferred tax assets	**10,110**	11,106	**123,294**
Deferred tax liabilities:			
Statutory reserves provided for tax purposes	**(1,294)**	(1,536)	**(15,780)**
Gain from establishment of trust for retirement benefit plans	**(3,790)**	(4,327)	**(46,219)**
Land	**(9,172)**	(10,545)	**(111,854)**
Capitalized interest of a foreign subsidiary	**(1,834)**	(1,969)	**(22,366)**
Other	**(126)**	(131)	**(1,537)**
Total deferred tax liabilities	**(16,216)**	(18,508)	**(197,756)**
Net deferred tax liabilities	**¥ (6,106)**	¥ (7,402)	**$ (74,462)**
Deferred income taxes on surplus on the revaluation of land	**¥ (2,370)**	¥ (2,767)	**$ (28,902)**

Following the promulgation on December 2, 2011 of the "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No.114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No.117 of 2011), the corporate tax rate is to be changed and the special reconstruction corporation tax is to be imposed for the fiscal year beginning on or after April 1, 2012.

Due to these changes, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 40.7% to 38.0% for temporary differences expected to be realized or settled in the fiscal year beginning on or after April 1, 2012, and to 35.6% for temporary differences expected to be realized or settled in the fiscal year beginning on or after April 1, 2015. As a result, net deferred tax liabilities (after deducting deferred tax assets) decreased by ¥1,058 million ($12,902 thousand) and deferred income taxes on surplus on the revaluation of land decreased by ¥354 million ($4,317 thousand), surplus on the revaluation of land increased by ¥365 million ($4,451 thousand) and deferred income taxes increased by ¥1,047 million ($12,768 thousand).

16. Contingent Liabilities

Contingent liabilities as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Notes receivable discounted and endorsed	**¥ 1,812**	¥ 1,885	**$ 22,098**
Loans guaranteed	**2,870**	2,351	**35,000**

17. Write-Down of Inventories

The amounts of write-down of inventories, included in cost of sales, for the year ended March 31, 2012 amounted to ¥51 million ($622 thousand). For the year ended March 31, 2011, the Company reversed write-down in the amount of ¥13 million and credited it to cost of sales.

18. Other Income (Expenses)—Other, Net

Other income (expenses)—other, net for the years ended March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Gain on foreign exchange	**¥ 160**	¥ —	**$ 1,951**
Compensation income	**632**	—	**7,707**
Gain on change in equity	**79**	—	**963**
Gain on business transfer	**—**	135	**—**
Payments for idle mines	**(581)**	(567)	**(7,085)**
Write-down of investments in securities	**(3,267)**	(181)	**(39,841)**
Loss on sales of investments in securities	**(1,027)**	(7)	**(12,524)**
Loss on adjustment for changes of accounting standard for asset retirement obligations	**—**	(109)	**—**
Other, net	**(275)**	(903)	**(3,354)**
	¥ (4,279)	¥ (1,632)	**$ (52,183)**

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

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

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

(b) Construction and Mining Machinery (Rock Drills)
Manufacture and sale rock drills such as breakers, crushers, crawler drills and tunnel drill jumbos

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

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

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

(f) Chemicals
Manufacture and sale cuprous oxide, polyferric sulfate, sulfuric acid, titanium oxide and functional materials

(g) Paints
Manufacture and sale paints, acrylic rubber and adhesives

(h) Real Estate

Lease real estate

(i) Fuels

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

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

Segment information of the Furukawa Group for the years ended March 31, 2012 and 2011 was as follows:

Year ended March 31, 2012	Millions of yen					
	Industrial Machinery	Construction and Mining Machinery (Rock Drills)	UNIC Machinery	Metals	Electronic Materials	Chemicals
Sales and operating income (loss)						
Outside customers	**¥ 12,949**	**¥ 24,144**	**¥ 16,106**	**¥ 68,114**	**¥ 4,616**	**¥ 5,187**
Intersegment	**1,828**	**31**	**75**	**515**	**7**	**878**
Total	**14,777**	**24,175**	**16,181**	**68,629**	**4,623**	**6,065**
Operating income (loss)	**¥ 708**	**¥ 334**	**¥ 928**	**¥ 308**	**¥ (234)**	**¥ 251**
Others						
Segment assets	**¥ 19,707**	**¥ 26,056**	**¥ 16,982**	**¥ 26,667**	**¥ 7,443**	**¥ 16,244**
Depreciation	**392**	**684**	**470**	**311**	**306**	**272**
Investments in equity-method affiliates	**—**	**—**	**4**	**3,781**	**674**	**—**
Increase in tangible fixed assets and intangible fixed assets	**170**	**158**	**204**	**225**	**69**	**264**

Year ended March 31, 2012	Millions of yen					
	Paints	Real Estate	Fuels	Others	Adjustments	Consolidated
Sales and operating income (loss)						
Outside customers	**¥ 14,874**	**¥ 1,233**	**¥ 9,576**	**¥ 767**	**¥ —**	**¥ 157,566**
Intersegment	**46**	**135**	**344**	**1,357**	**(5,216)**	**—**
Total	**14,920**	**1,368**	**9,920**	**2,124**	**(5,216)**	**157,566**
Operating income (loss)	**¥ (329)**	**¥ 357**	**¥ (14)**	**¥ (94)**	**¥ (60)**	**¥ 2,155**
Others						
Segment assets	**¥ 14,931**	**¥ 24,462**	**¥ 2,027**	**¥ 3,697**	**¥ 35,755**	**¥ 193,971**
Depreciation	**298**	**219**	**9**	**83**	**(5)**	**3,039**
Investments in equity-method affiliates	**177**	**—**	**—**	**374**	**—**	**5,010**
Increase in tangible fixed assets and intangible fixed assets	**217**	**1,428**	**20**	**7**	**266**	**3,028**

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

Year ended March 31, 2011	Millions of yen					
	Paints	Real Estate	Fuels	Others	Adjustments	Consolidated
Sales and operating income (loss)						
Outside customers	¥ 15,041	¥ 1,578	¥ 9,005	¥ 786	¥ —	¥ 165,638
Intersegment	23	142	306	1,307	(4,926)	—
Total	15,063	1,720	9,311	2,092	(4,926)	165,638
Operating income (loss)	¥ (93)	¥ 635	¥ (57)	¥ (92)	¥ (49)	¥ 2,821
Others						
Segment assets	¥ 14,684	¥ 23,296	¥ 1,842	¥ 4,329	¥ 38,136	¥ 196,234
Depreciation	279	237	10	94	2	3,043
Investments in equity-method affiliates	196	—	—	468	—	5,114
Increase in tangible fixed assets and intangible fixed assets	340	308	3	26	398	1,933

Year ended March 31, 2012	Thousands of U.S. dollars					
	Industrial Machinery	Construction and Mining Machinery (Rock Drills)	UNIC Machinery	Metals	Electronic Materials	Chemicals
Sales and operating income (loss)						
Outside customers	**$ 157,914**	**$ 294,439**	**$ 196,415**	**$ 830,659**	**$ 56,293**	**$ 63,256**
Intersegment	**22,293**	**378**	**914**	**6,280**	**85**	**10,707**
Total	**180,207**	**294,817**	**197,329**	**836,939**	**56,378**	**73,963**
Operating income (loss)	**$ 8,634**	**$ 4,073**	**$ 11,317**	**$ 3,756**	**$ (2,854)**	**$ 3,061**
Others						
Segment assets	**$ 240,329**	**$ 317,756**	**$ 207,098**	**$ 325,207**	**$ 90,768**	**$ 198,098**
Depreciation	**4,780**	**8,341**	**5,732**	**3,793**	**3,732**	**3,317**
Investments in equity-method affiliates	**—**	**—**	**49**	**46,110**	**8,220**	**—**
Increase in tangible fixed assets and intangible fixed assets	**2,073**	**1,927**	**2,488**	**2,744**	**841**	**3,220**

Year ended March 31, 2012	Thousands of U.S. dollars					
	Paints	Real Estate	Fuels	Others	Adjustments	Consolidated
Sales and operating income (loss)						
Outside customers	**$ 181,390**	**$ 15,037**	**$ 116,781**	**$ 9,353**	**$ —**	**$ 1,921,537**
Intersegment	**561**	**1,646**	**4,195**	**16,549**	**(63,608)**	**—**
Total	**181,951**	**16,683**	**120,976**	**25,902**	**(63,608)**	**1,921,537**
Operating income (loss)	**$ (4,012)**	**$ 4,354**	**$ (171)**	**$ (1,146)**	**$ (732)**	**$ 26,280**
Others						
Segment assets	**$ 182,085**	**$ 298,317**	**$ 24,720**	**$ 45,085**	**$ 436,037**	**$ 2,365,500**
Depreciation	**3,634**	**2,671**	**110**	**1,012**	**(61)**	**37,061**
Investments in equity-method affiliates	**2,159**	**—**	**—**	**4,560**	**—**	**61,098**
Increase in tangible fixed assets and intangible fixed assets	**2,646**	**17,415**	**244**	**85**	**3,244**	**36,927**

(Related information)

Years ended March 31, 2012 and 2011

1. Information regarding products and services

Year ended March 31, 2012	Millions of yen		
	Copper	Others	Total
Sales for outside customers	**¥ 55,397**	**¥ 102,169**	**¥ 157,566**

Year ended March 31, 2011	Millions of yen		
	Copper	Others	Total
Sales for outside customers	¥ 62,719	¥ 102,919	¥ 165,638

Year ended March 31, 2012	Thousands of U.S. dollars		
	Copper	Others	Total
Sales for outside customers	**$ 675,573**	**$ 1,245,964**	**$ 1,921,537**

2. Geographical information

(1) Net sales

Year ended March 31, 2012

Millions of yen			
Japan	Asia	Others	Total
¥ 123,461	**¥ 23,078**	**¥ 11,027**	**¥ 157,566**

Year ended March 31, 2011

Millions of yen			
Japan	Asia	Others	Total
¥ 134,773	¥ 19,166	¥ 11,699	¥ 165,638

Year ended March 31, 2012

Thousands of U.S. dollars			
Japan	Asia	Others	Total
$ 1,505,622	**$ 281,439**	**$ 134,476**	**$ 1,921,537**

(2) Property, plant and equipment

The geographic segment information for the years ended March 31, 2012 and 2011 has not been presented, because the total assets in Japan exceed 90% of consolidated totals.

3. Information regarding main customers

Year ended March 31, 2012

	Millions of yen	
Name of customer	Sales volume	Related segment
Furukawa Electric Co., Ltd.	**¥17,209**	**Metals**

Year ended March 31, 2011

	Millions of yen	
Name of customer	Sales volume	Related segment
Furukawa Electric Co., Ltd.	¥26,626	Metals

Year ended March 31, 2012

	Thousands of U.S. dollars	
Name of customer	Sales volume	Related segment
Furukawa Electric Co., Ltd.	**$209,866**	**Metals**

4. Loss on impairment of fixed assets in reporting segments

	Millions of yen											
Year ended March 31, 2012	Industrial Machinery	Construction and Mining Machinery (Rock Drills)	UNIC Machinery	Metals	Electronic Materials	Chemicals	Paints	Real Estate	Fuels	Others	Adjustments	Consolidated
Loss on impairment of fixed assets	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**¥ 13**	**¥ 1**	**—**	**¥ 87**	**¥ 101**
Year ended March 31, 2011												
	Millions of yen											
Loss on impairment of fixed assets	—	—	—	—	—	—	—	¥ 22	¥ 3	—	¥ 75	¥ 100
Year ended March 31, 2012												
	Thousands of U.S. dollars											
Loss on impairment of fixed assets	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**$ 159**	**$ 12**	**—**	**$ 1,061**	**$ 1,232**

5. Amortization of goodwill and unamortized goodwill in reporting segments

	Millions of yen											
Year ended March 31, 2012	Industrial Machinery	Construction and Mining Machinery (Rock Drills)	UNIC Machinery	Metals	Electronic Materials	Chemicals	Paints	Real Estate	Fuels	Others	Adjustments	Consolidated
Balance as of March 31, 2012	**—**	**—**	**¥ 19**	**—**	**—**	**—**	**¥ 418**	**—**	**—**	**—**	**—**	**¥ 437**
Year ended March 31, 2011	Millions of yen											
Balance as of March 31, 2011	—	—	¥ 28	—	—	—	¥ 571	—	—	—	—	¥ 599
Year ended March 31, 2012	Thousands of U.S. dollars											
Balance as of March 31, 2012	**—**	**—**	**$ 232**	**—**	**—**	**—**	**$5,097**	**—**	**—**	**—**	**—**	**$5,329**

6. Gain on negative goodwill in reporting segments

Not applicable.

20. Investment and Rental Properties

The Company and certain consolidated subsidiaries own office buildings for lease mainly in Tokyo and other areas. For the year ended March 31, 2012, rental income was ¥565 million ($6,890 thousand), loss on disposal and sales of rental properties was ¥96 million ($1,171 thousand) and impairment loss on rental properties was ¥101 million ($1,232 thousand).

For the year ended March 31, 2011, rental income was ¥678 million, gain on sales of rental properties was ¥2 million, loss on disposal and sales of rental properties was ¥36 million and impairment loss on rental properties was ¥100 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, 2012 and 2011 are as follows:

Year ended March 31, 2012

Carrying value			Fair value
As of March 31, 2011	Net change	As of March 31, 2012	As of March 31, 2012
Millions of yen			
¥ 29,180	**¥ (562)**	**¥ 28,618**	**¥ 28,530**

Year ended March 31, 2011

Carrying value			Fair value
As of March 31, 2010	Net change	As of March 31, 2011	As of March 31, 2011
Millions of yen			
¥ 27,566	¥ 1,614	¥ 29,180	¥ 30,358

Year ended March 31, 2012

Carrying value			Fair value
As of March 31, 2011	Net change	As of March 31, 2012	As of March 31, 2012
Thousands of U.S. dollars			
$ 355,854	**$ (6,854)**	**$ 349,000**	**$ 347,927**

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, 2012 mainly consists of increases related to repair of buildings in the amount of ¥158 million ($1,927 thousand) and decreases mainly due to sales of real estate in the amount of ¥240 million ($2,927 thousand), amortization in the amount of ¥204 million ($2,488 thousand) and decrease in rental area in the amount of ¥168 million ($2,049 thousand). Net change in carrying value for the year ended March 31, 2011 mainly consists of increases related to changes to rental properties involved in the removal of office tenants due to real estate development in the amount of ¥2,381 million and decreases mainly due to amortization in the amount of ¥232 million, decrease of rental area in the amount of ¥222 million and retirement in the amount of ¥209 million.
3. The fair value is mainly estimated in accordance with appraisal standards for valuing real estate.

ERNST & YOUNG

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

Tel : +81 3 3503 1100
Fax: +81 3 3503 1197

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, 2012, and the consolidated statements of operation, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Furukawa Co., Ltd. and consolidated subsidiaries at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 28, 2012

Tokyo, Japan

Corporate Data

(As of March 31, 2012)

Directors and Auditors

(As of June 28, 2012)

President and Representative Director	**Nobuyoshi Soma**
Senior Managing Director	**Manabu Zama**
Managing Director	**Yoshihito Emoto**
Managing Director	**Susumu Nakamura**
Managing Director	**Toshio Matsumoto**
Director	**Naohisa Miyakawa**
Director	**Akinori Ota**
Outside Director	**Junnosuke Furukawa**
Statutory Auditor	**Kouichiro Umezaki**
Statutory Auditor	**Masaya Kouzaki**
Outside Company Auditor	**Tamiki Ishihara**
Outside Company Auditor	**Nobuyuki Tomotsune**
Outside Company Auditor	**Ryoji Hatsuse**

Executive Officers

(As of June 28, 2012)

Senior Managing Executive Officer	**Manabu Zama**
Managing Executive Officer	**Yoshihito Emoto**
Managing Executive Officer	**Susumu Nakamura**
Managing Executive Officer	**Toshio Matsumoto**
Senior Executive Officer	**Naohisa Miyakawa**
Senior Executive Officer	**Akinori Ota**
Senior Executive Officer	**Toshikazu Nakagawa**
Senior Executive Officer	**Yasuji Tomiyama**
Senior Executive Officer	**Akira Usui**
Senior Executive Officer	**Kenji Ichimura**
Senior Executive Officer	**Osamu Watanabe**
Senior Executive Officer	**Saburou Saruhashi**
Executive Officer	**Yasufumi Watanabe**
Executive Officer	**Minoru Iwata**
Executive Officer	**Shigeo Matsudo**
Executive Officer	**Kiyohito Mitsumura**

Company Name: Furukawa Co., Ltd.

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

Tel: +81-3-3212-6570 Fax: +81-3-3212-6578

Date of Foundation: August 1875

Date of Establishment: April 1918

Number of Shares Authorized: 800,000,000 shares

Number of Shares Outstanding: 404,455,680 shares

Stock Exchange Listing: Tokyo

Securities Code Number: 5715

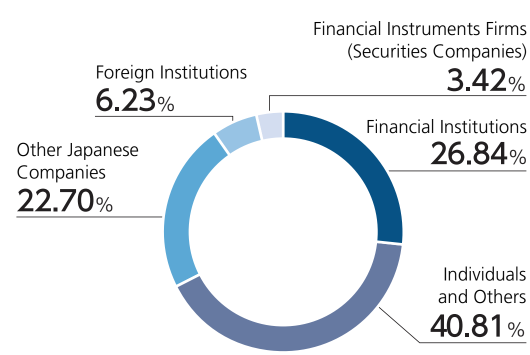
Employees: Consolidated 2,752

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 (%)
Asahi Mutual Life Insurance Co.	27,923	6.90
Seiwa Sogo Tatemono Co., Ltd.	15,034	3.71
Japan Trustee Services Bank, Ltd. (trust account)	12,570	3.10
The Master Trust Bank of Japan, Ltd. (trust account)	12,515	3.09
Sompo Japan Insurance Inc.	12,429	3.07
Chuo Real Estate Co., Ltd.	9,712	2.40
Fujitsu Limited	9,617	2.37
Furukawa Electric Co., Ltd.	8,777	2.17
Fuji Electric Co., Ltd.	8,620	2.13
The Yokohama Rubber Company, Limited	8,510	2.10

Composition of Shareholders



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/**

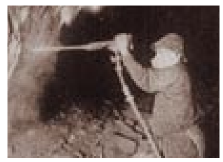
1875 Began the operation of the Kusakura Copper Mine in Niigata (Company foundation).

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

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

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

1914 Manufactured the first rock drill in Japan.

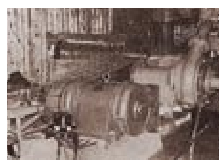


The first domestic rock drill was developed at Ashio.

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

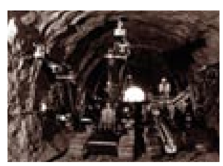
1944 Bought Osaka Smelter of Toa Chemical Smelting Co., Ltd., and established it as Osaka Cementation and Refining. Entered into the chemical business.

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



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

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



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

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

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

The Furukawa / Outokumpu flash smelting plant

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

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

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

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

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

1990 Bought an American breaker sales and manufacturing company.

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

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

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

1999 Moved the Materials Research Laboratory to Tsukuba City in Ibaraki.

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

2003 Established Taian Furukawa Machinery Co., Ltd.—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.

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

2006 Established a rock drills sales company, Furukawa Rock Drill (Shanghai) Co., Ltd., in China.

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

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

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

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

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

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

2011 Established a sales company of rock drill products, Furukawa Rock Drill India Pvt. Ltd. in India.

2012 Established a sales company of rock drill products, Furukawa Rock Drill Latin America S.A. in Panama

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