FURUKAWA

Annual Report 2013

Year ended March 31, 2013

Business Domains of the Furukawa Company Group

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

Furukawa's Technological Genealogy

Mining technologies

- Exploitation technologies
  - Drilling technologies
- Transport / Mineral processing technologies
  - Slurry transportation technologies
  - Grinding technologies
- Hydraulic control technologies

● 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
- Progressing cavity pumps
- Environmental machinery (Electrostatic precipitators)
- Crushers, grinding mills, briquetting machines
- Steel structures

Construction and Mining Machinery (Rock Drills) / UNIC Machinery

Industrial Machinery

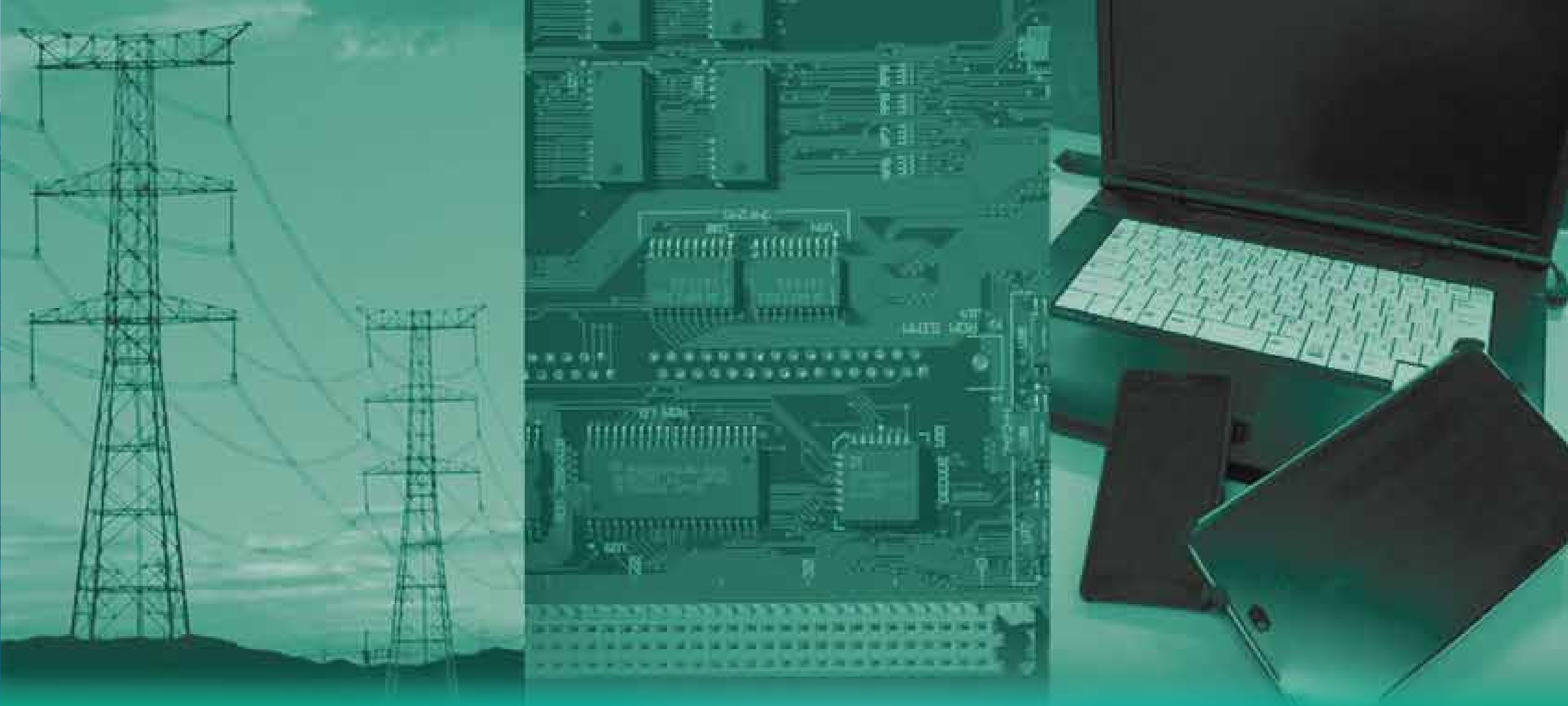
Mines (iron ore, copper, coal, lime, etc.)
Quarries

Engineering and construction sites
Tunnel construction
Bridges, Pedestrian bridges
Sewage treatment plants
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



Smelting technologies

Exhaust gas treatment technologies

Flash smelting technologies

Sulfuric acid production technologies

Electric technologies

Materials
Business

METALS	CHEMICALS	ELECTRONIC MATERIALS
• Electrolytic copper	• Cuprous oxide • Cupric oxide • Sulfuric acid	• High-purity metallic arsenic • Other crystal products • Coils

Metals

Chemicals

Electronic Materials

Paper manufacturing plant
Chemicals factory
Paints factory
Copper plating plant

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

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

Chemicals industry — Electronics, IT, semiconductor industries — Next-generation new industry

D O M A I N S

To Our Stakeholders

Business Conditions and Performance

In fiscal 2013, ended March 31, 2013, the Japanese economy showed signs of a moderate turnaround on the back of disaster recovery demand following the Great East Japan Earthquake. After the change in government at the end of calendar 2012, moreover, expectations about economic recovery increased as the government and the Bank of Japan embraced policies aimed at breaking the deflationary cycle, which caused the yen to weaken and stock prices to rise. However, economic instability overseas underscored the risk of downward pressure on the domestic economy.

Facing these conditions, the Furukawa Company Group implemented a number of proactive business strategies, centering on its three machinery-based business segments: Industrial Machinery, Construction and Mining Machinery (Rock Drills), and UNIC Machinery. These measures included advancing our overseas operations, addressing disaster recovery demand in Japan, reducing costs, and enhancing business efficiency. As a result, we generated healthy year-on-year sales increases mainly in the UNIC Machinery and Metals segments, but posted revenue declines in other segments following the divestiture of businesses, including fuels. For the fiscal year, consolidated net sales amounted to ¥165,540 million, up 5.1% from the previous fiscal year.

On the earnings side, although the Construction and Mining Machinery (Rock Drills) segment posted a decline in income due to depressed market conditions overseas, the UNIC Machinery segment enjoyed a substantial jump in income owing to healthy sales in Japan. Accordingly, operating income climbed 56.1%, to ¥3,363 million. Turning to other income, the Group posted ¥966 million, due to a foreign exchange gain stemming from the weakened yen. Furthermore, there was a ¥994 million gain on sales of investment securities, ¥1,264 million in compensation income, and an ¥824 million gain on sales of subsidiaries' stocks accompanying the divestiture of businesses. In other expenses, the Group posted a ¥1,259 million interest expense, a ¥63 million loss on sales and retirement of noncurrent assets, and a ¥331 million impairment loss. As a result, net income for the fiscal year totaled ¥2,976 million, compared with a net loss of ¥1,659 million in the previous fiscal year—representing a substantial year-on-year improvement in earnings.

Selection and Concentration

In the year under review, the Group sold all of its shareholdings in Tohpe Corporation, a subsidiary handling its paints business, to Zeon Corporation. We also sold all of our shareholdings in Furukawa Commerce Co., Ltd., responsible for the fuels business, to Usami Koyu Corp. Withdrawing from the paints and fuels businesses has enabled us to focus our management resources on our core businesses—machinery and materials—creating a framework conducive to selection and concentration.

In our Machinery business segments—Industrial Machinery, Construction and Mining Machinery (Rock Drills), and UNIC Machinery—we will steadily pursue disaster recovery demand in Japan. At the same time, we will reinforce our technical capabilities and step up overseas business advancement in order to address changing demand in resource-rich countries and emerging nations. We have identified several markets earmarked for future growth, such as domestic and overseas infrastructure and resource development, and expanding our share of those markets is a key strategy.

In the Materials business, the other core business for the Group, we will focus on developing new materials, 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, with the aim of building a framework to complement our smelting business.

By concentrating management resources in the Machinery and Materials businesses even more rigorously than before, we will strive to further raise profitability and corporate value.

Dividend Policy

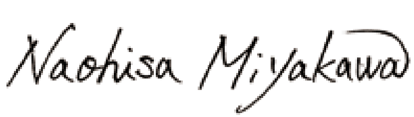
Furukawa places great importance on improving returns of profits to all shareholders while retaining earnings required to finance capital expenditures and research and development expenses necessary to bolster earnings. Our basic policy is to appropriate profits after comprehensive consideration of future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

In fiscal 2013, the Company declared a year-end cash dividend of ¥2.00 per share, its first dividend payment in four years. In fiscal 2014, we plan to pay a year-end dividend of ¥2.00 per share, with no interim dividend scheduled.

The Furukawa Company Group is committed to further strengthening and upgrading its operational foundation while achieving business growth and enhancing corporate value. To this end, Nobuyoshi Soma assumed the post of chairman and representative director, and Naohisa Miyakawa was appointed president and representative director. With the new management team in place, we will continue pursuing our business operations with strategic priority on our 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.

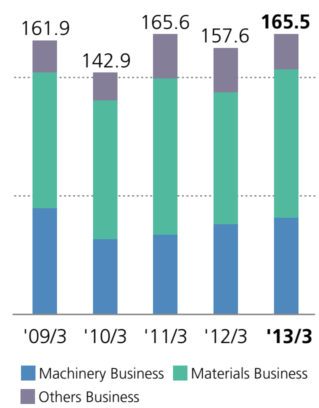
August 2013

Nobuyoshi Soma
Chairman and Representative Director

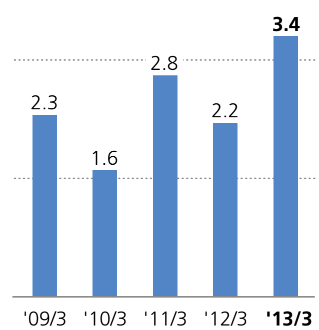


Naohisa Miyakawa
President and Representative Director

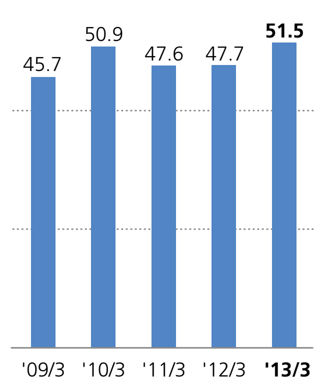
Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Net Assets
(Billions of yen)



— 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

How did the Furukawa Company Group perform in fiscal 2013?

For the year, we posted improvements in revenue and earnings and returned net income to the black. The UNIC Machinery segment, in particular, was a driving force for Groupwide income, posting strong results on the back of reconstruction demand, as well as government subsidies and reduced taxes for energy-efficient vehicles. By contrast, the Construction and Mining Machinery (Rock Drills) segment experienced a slump in business in Asia due to the economic slowdown in China, despite a healthy performance in Japan. Also, the Electronic Materials segment suffered from persistent concerns related to the Fukushima nuclear power plant accident and ongoing stagnation in the semiconductor industry. Both segments remained in the red as a result.

Overall, however, it was a year of progress, in which we sold off our paints and fuels businesses and built a framework allowing us to focus more attention on our core businesses in machinery and materials. I believe fiscal 2013 was a turning point that will lead us to a bright future.

Question 2

What is your outlook for the future?

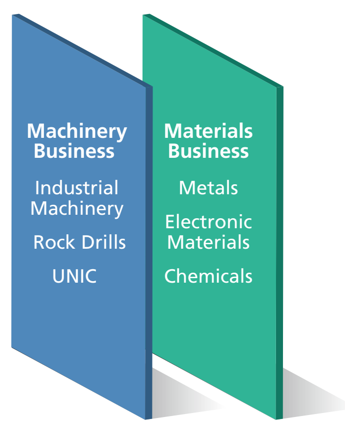
In the current fiscal year, we will continue pursuing our basic corporate policies, which are "promote further overseas development and strengthen the technical capabilities of the Machinery business" and "promote development activities aimed at new product commercialization." For the time being, we will endeavor to build up a steady track record, with the Machinery business serving as the motive force as it did in fiscal 2013. In addition to promoting overseas development, meanwhile, we will step up our responses to demand in the domestic reconstruction business.

Within the Machinery business, we expect the Industrial Machinery segment to post year-on-year increases in revenue and earnings due to reconstruction demand. We also project higher sales and income in the Construction and Mining Machinery (Rock Drills) segment, buoyed by firm domestic demand for reconstruction-related infrastructure, as well as improved overseas competitiveness thanks to the weakening yen. Having withdrawn from the paints and fuels businesses, we expect Groupwide sales to decline, but we look forward to an increase in operating income.

Question 3

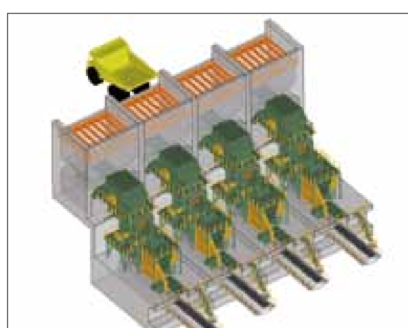
What is your outlook for the reconstruction business, and how will you deploy the Group's strengths in response?

Focus on Machinery Business and Materials Business



Basic corporate policies

- Strengthen the technical capabilities of the Machinery Business and promote further overseas development
- Promote development activities aimed at new product commercialization



Rock-crushing and conveying system planned for introduction in the disaster-stricken areas to facilitate relocation to higher ground. This represents a combination of the Group's distinctive technologies in such products as feeders, screens, crushers, and belt conveyors.




The national budget for restoration and reconstruction is a huge ¥25 trillion, and is being allocated over a five-year period starting in fiscal 2012. In the current fiscal year, we are finally sensing that the reconstruction business is gathering full momentum. This business entails a multifaceted plan covering such aspects as relocating to higher ground and other restoration areas, as well as roads, bridges, tunnels, and ports.

With a suite of products in Japan related to such infrastructural equipment, the Furukawa Company Group has a history of providing behind-the-scenes support for the nation's social foundation since the Group's beginning. Our products, featuring distinctive technologies, have earned high market shares and are expected to be broadly adopted in the reconstruction field—a testament to our accumulated history, technologies, and comprehensive strengths.

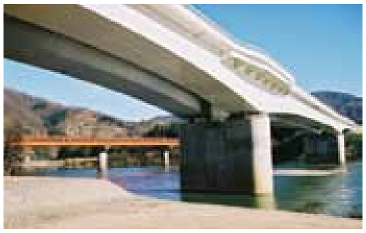
Our tunnel drill jumbo is expected to play a major role in reconstruction-related projects and construction of the Chuo Shinkansen (linear motor car).

Question 4

Can you provide specific examples of recent successes in this field?

With respect to relocating to higher ground, we have already accepted orders for rock-crushing equipment and conveyors for moving earth and sand, and in response we are manufacturing rock crushers and belt conveyors at a rapid pace. Moreover, our tunnel drill jumbos are currently in operation at tunnel construction sites for reconstruction roads and support roads. With numerous tunnel projects planned for the future, we anticipate widespread adoption of our products as the nation's sole manufacturer. In addition, production of cement and gravel—crucial elements of civil and construction projects—is running at full capacity, and we expect our hydraulic crawler drills and rock crushers to be in demand at lime mines and quarries for a long time to come, with the added bonus of replacement demand and demand for parts. In addition, we expect more and more of our UNIC cranes, used for transporting and unloading construction materials, to be in operation as the reconstruction business marches forward.

As can be seen, our products are designed for distinctive markets. However, we believe we have the flexibility to address the diversified needs of the reconstruction business.



We also look forward to bridge projects as part of reconstruction-related work and the Building National Resilience Plan.

Question 5

Can you describe some of the Group's medium-term initiatives?

We believe that domestic reconstruction demand will firm up over the next few years, and we will strive to translate such demand into concrete results. In addition, we feel we can contribute to public works projects in various ways, including through the Building National Resilience Plan and renewal of aging infrastructure. Looking further ahead, construction is scheduled for the Chuo Shinkansen (linear motor car) and extensions to current Shinkansen

Our UNIC cranes are used to transport and unload construction materials.

lines. Accordingly, we believe that our domestic Machinery business will enjoy healthy market conditions for some time.

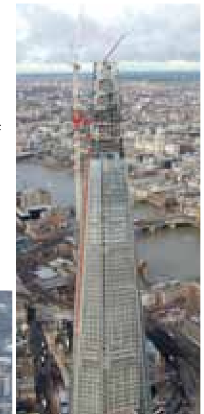
Question 6

What are the Group's overseas strategies?

At present, mine development and infrastructure projects in emerging nations and resource-rich countries are tending to stagnate, but we anticipate recovery. In response, we will work actively to upgrade our sales facilities, attract more customers, and otherwise develop our sales capabilities so that we can immediately address demand when it recovers. Another important priority for the Group's future growth is to advance the Construction and Mining Machinery (Rock Drills) segment and UNIC segment overseas. To this end, we will strive to develop and launch new products matched to the requirements of various users in various regions.

In the Construction and Mining Machinery (Rock Drills) segment, which has a high ratio of overseas sales, we will work to increase sales of hydraulic crawler drills for medium-sized mines in Southeast Asia, South Africa, and the Middle East, as well as cement companies and general contractors. We will also focus on hydraulic breakers and mine-use jumbos. In the UNIC segment, we will target progress in UNIC cranes for the Southeast Asian and Russian markets, and will step up sales in various regions of our mini crawler cranes, which are self-propelled and can operate in confined spaces, while exploring uses for those machines in Europe as well.

Furukawa's mini crawler cranes played a major role in the glass-fitting phase of construction of The Shard, Europe's tallest building, in London.
These machines are highly acclaimed for their compactness and exceptional ease of operation.



Question 7

Can you describe the Group's initiatives in the Materials business?

In the Materials business, another cornerstone of our operations, we will work to develop and commercialize new materials that will become another pillar supporting the Group. We are already fostering coil products as a pillar of the Electronic Materials segment, and anticipate increased demand for electronic control technologies for automobiles—spearheaded by plug-in hybrid, electric, and fuel-efficient vehicles. We look forward to dramatic progress in this field. In addition, we will continue promoting development and commercialization of new applications for gallium nitride (GaN) substrates and thermoelectric conversion materials, as well as lutetium aluminum garnet (LuAG) and gadolinium aluminum gallium garnet (GAGG) scintillator crystals.

Our coil products are expected to generate growing demand for use in eco cars, such as plug-in hybrid vehicles and electric vehicles. These products are becoming a new pillar supporting the Electronic Materials segment.

Question 8

Having been appointed the new president, please describe your future aspirations and give a final message for stakeholders.

I was officially appointed president and representative director at the Board of Directors' meeting held following the close of the Annual General Meeting of Shareholders on June 27, 2013. Going forward, I plan to work alongside Nobuyoshi Soma, who became chairman and representative director. Together, we will strive to further develop and improve the corporate value of the Furukawa Company Group while adhering to our corporate philosophy and basic strategies—aimed at "achieving full-fledged *monozukuri* (product creation) and full-scale structural development"—pursued since before Mr. Soma's tenure as president. In the process, we will flexibly reassess our directional path as necessary while formulating business plans from new perspectives and implementing reforms of existing protocols. I would like to take this opportunity to thank our stakeholders for their constant and overwhelming support and encouragement. I look forward to your ongoing understanding and support in the future.

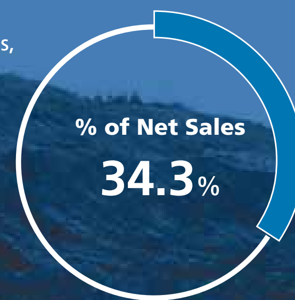
Review of Operations

Machinery

- **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

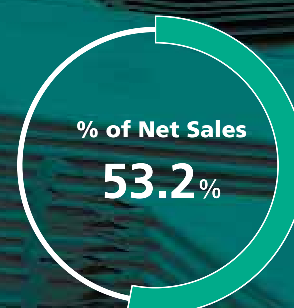


Materials

- **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



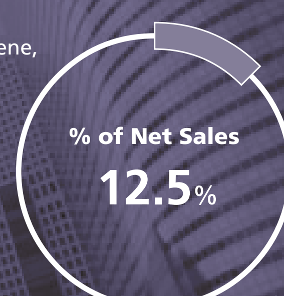
Others

- **Paints ***
  Tohpe Corporation
  Kinds of paints, acrylic rubber, glue

- **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

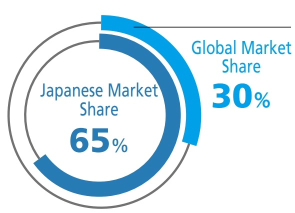


* On March 27, 2013, the Company sold all of its shares in Tohpe Corporation.
** On October 1, 2012, the Company sold all of its shares in Furukawa Commerce Co., Ltd.

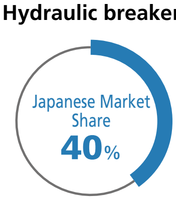
Machinery

Construction and Mining Machinery (Rock Drills)

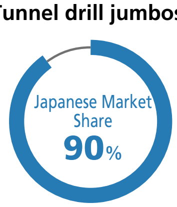
Hydraulic crawler drills



Hydraulic breakers

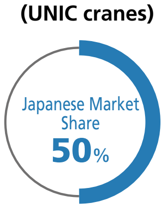


Tunnel drill jumbos

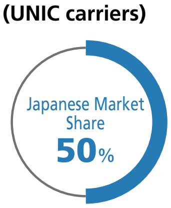


UNIC Machinery

Truck-mounted cranes (UNIC cranes)



Vehicle carriers (UNIC carriers)



Industrial Machinery

Performance and Strategies

In fiscal 2013, the Industrial Machinery segment generated a year-on-year increase in bridge-related sales amid growth in public sector demand. However, sales of pumps and general industrial machinery declined due to languishing demand in the private sector. As a result, the segment posted sales of ¥12,895 million, down 0.4% from the previous fiscal year. Operating income rose 10.0%, to ¥779 million.

Going forward, in the public sector we will step up sales activities related to disaster recovery projects. Meanwhile, we are making steady progress in our earth-moving business, having already received orders for rock-crushing equipment, conveyors, and the like. In addition, we will focus on bridge-related projects and products associated with remodeling projects and infrastructural facilities in response to the central government's plan to strengthen the nation and lengthen the life of its infrastructure.

In the private sector, we will step up sales of sector-specific solutions and sales of section plants. We will also target growth in sales to the cement and rock-crushing industries, which have been energized by disaster recovery demand and economic growth.

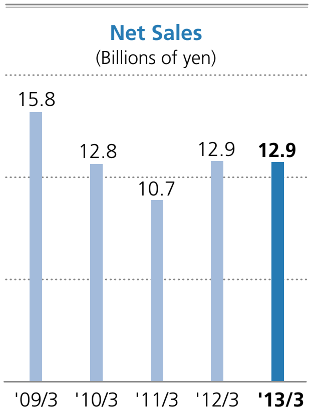
Overseas, we will promote business advancement while reinforcing alliances with Japanese companies, engineering firms, and water treatment equipment manufacturers.

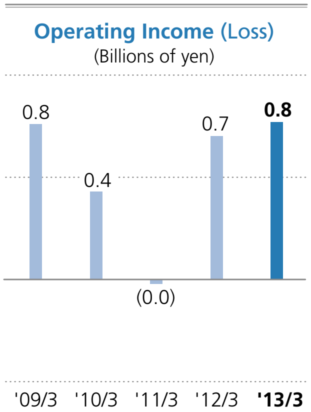

Our sludge pumps have a proud track record in sewage treatment plants.


Our rock crushers are expected to play a role in facilitating relocation to higher ground.


With growing reconstruction-related demand, aging facilities and the need to build new infrastructure, we expect demand for bridge construction to increase in the future.

Industrial Machinery





Construction and Mining Machinery (Rock Drills)

Performance and Strategies

In the domestic rock drills business, revenue increased significantly on the back of solid performances by hydraulic breakers, hydraulic crushers, and hydraulic crawlers, buoyed by disaster recovery demand and the fast-tracking of public works projects. Overseas, we enjoyed sales growth in Europe, North and South America, and Africa, but sales in Asia declined considerably, impacted by the economic slowdown in China. As a result, the Construction and Mining Machinery (Rock Drills) segment posted a 3.5% decrease in sales, to ¥23,306 million, and an operating loss of ¥68million, compared with operating income of ¥334 million in the previous fiscal year.

In Japan, we will step up sales of tunnel drill jumbos targeting disaster-related service roads and tunnel projects. At the same time, we will upgrade our equipment and service systems in order to generate solid revenue.

Overseas, we will continue working to boost sales related to mine development in Southeast Asia, Latin America, and South Africa. In addition, we will strengthen our service capabilities in order to maintain existing customers and thus boost revenue.

UNIC Machinery

Performance and Strategies

In fiscal 2013, domestic truck registrations remained at high levels, growing 15% year on year on the back of disaster recovery demand and subsidies and reduced taxes for energy-efficient vehicles. Accordingly, sales of UNIC cranes increased significantly, driven mainly by demand in eastern Japan and the rental industry. We also tapped new demand for mini crawler cranes, thus generating increased revenue, and our shipbuilding cranes and vehicle carriers (UNIC carriers) also performed well. As a result, sales in the UNIC Machinery segment climbed 28.2% year on year, to ¥20,651 million, and operating income jumped 138.5%, to ¥2,213 million.

Going forward, we will continue pursuing sales activities for our UNIC cranes while monitoring trends related to public works investments and disaster recovery demand. Here, we will pay particular attention to the wide-area and local rental markets. In addition, we will continue strengthening sales activities for mini crawler cranes, which do not require regular trucks for transportation, and shipbuilding cranes.

Overseas, we will target sales expansion by launching machinery tailored to various markets. From the cost perspective, meanwhile, we will build optimal production systems in Japan, China, and Thailand.

Our hydraulic crawler drills enjoy a high market share and are used in mines, quarries, and civil engineering and construction sites, both in Japan and overseas.

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.

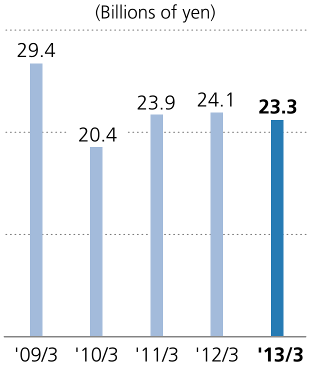
Truck-mounted cranes (UNIC cranes)-the U-can ECO series of low-noise, fuel-efficient truck-mounted cranes is steadily penetrating the market.

We have a full lineup of vehicle carriers (UNIC carriers) featuring truck-mounted cranes, two-vehicle carriers, and other high-value-added offerings.

Our mini crawler cranes, with exceptional functionality and ease of operation, have been highly praised, especially in Europe.

Construction and Mining Machinery (Rock Drills)

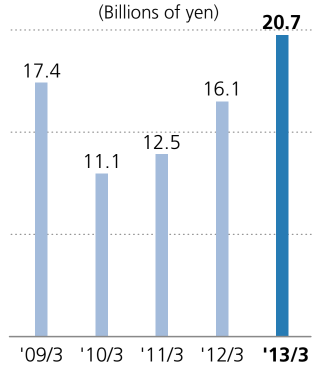
Net Sales
(Billions of yen)



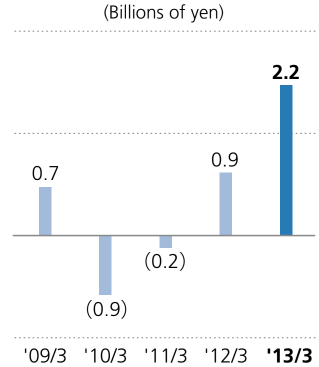
Operating Income (Loss)
(Billions of yen)

UNIC Machinery

Net Sales
(Billions of yen)



Operating Income (Loss)
(Billions of yen)



Materials

Metals

Performance and Strategies

After starting the year at US$8,480.00/ton on April 1, 2012, the price of electrolytic copper reached a peak of US$8,575.50/ton on April 3, then slumped for a while due to waning expectations of additional quantitative easing in the United States. Subsequently, the price moved around in line with the financial and debt-related situations in the United States and Europe before ending at US$7,582.50/ton on March 31, 2013. The domestic market for electrolytic copper was buoyed by subsidies and reduced taxes on energy-efficient vehicles in the first half of the year. In the second half, however, after such beneficial treatments ended, demand languished in the wake of anti-Japanese purchasing campaigns in China. Demand for copper wire in the construction sector was firm, bolstered by redevelopment projects in the Tokyo metropolitan area.

In the previous fiscal year, the Company's sales of electrolytic copper declined in volume terms due to reduced production following the Great East Japan Earthquake. In the year under review, however, volume sales rose 14,191 tons, to 96,789 tons. Accordingly, sales in the Metals segment climbed 14.4%, to ¥77,945 million, and operating income declined 8.1%, to ¥283 million.

Current purchasing conditions of copper concentrates, while in a difficult state, are on a recovery path, and gross profit from refining operations is expected to improve with the added help of the weakening yen. Moreover, overseas mines in which the Company has mining rights also make a valuable contribution to other income. Going forward, we will seek to secure new mining rights, with the aims of ensuring reliable copper concentrates procurement and stabilizing profits.

Copper prices and foreign exchange rates

	2009/3	2010/3	2011/3	2012/3	2013/3
LME copper price (average; US$ / ton)	5,864	6,101	8,139	8,485	**7,855**
JPY rate per US$ (average for fiscal year)	¥100.54	¥92.85	¥85.71	¥79.07	**¥83.10**

Copper production and sales volume*

	2009/3	2010/3	2011/3	2012/3	2013/3
Copper production volume (tons)	90,023	84,455	89,523	76,896	**90,387**
Copper sales volume (tons)	88,989	89,456	89,176	82,597	**96,789**

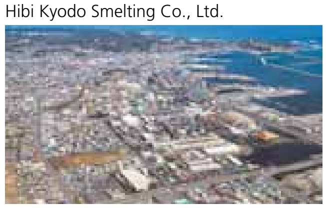
*Furukawa Metals & Resources Co., Ltd.

Metals

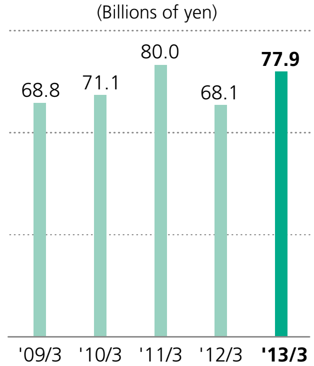

Electrolytic copper


Hibi Kyodo Smelting Co., Ltd.

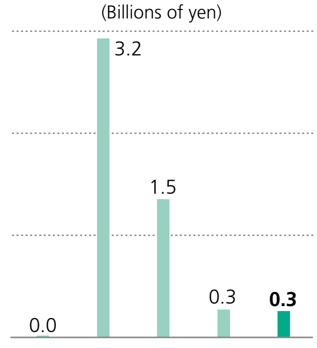

Gibraltar Copper Mine in Canada


Onahama Smelting and Refining Co., Ltd.

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Electronic Materials

Performance and Strategies

In the year under review, sales of high-purity metallic arsenic and scintillator crystals—mainstay products in this segment—declined due to harmful rumors stemming from the Fukushima nuclear power plant accident, as well as a slump in the semiconductor market. However, sales of core coils for use in automobiles were steady. As a result, the Electronic Materials segment posted an 8.1% increase in sales, to ¥4,988 million, and an operating loss of ¥263 million, compared with an operating loss of ¥234 million in the previous fiscal year.

Going forward, our aim is to restore market share for mainstay high-purity metallic arsenic and scintillator crystals by reducing costs to meet market price expectations. At the same time, we will strengthen sales of coil products, which are not affected by conditions in the semiconductor market, and step up sales of aluminum nitride and optical components. In particular, we plan to grow our coil products business into a major pillar supporting the Electronic Materials segment. To this end, we will focus on all aspects of that business, including product development, production facilities, and product inspections and quality assurance.

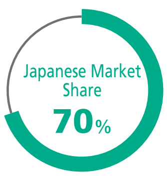
Chemicals

Performance and Strategies

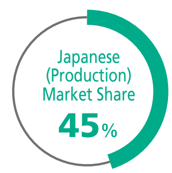
Volume sales of sulfuric acid declined in fiscal 2013, impacted by languishing domestic demand. Thanks to price adjustments implemented in the previous fiscal year, however, sales in value terms increased year on year. We also enjoyed growth in sales of cupric oxide for plating as we raised production capacity and attracted new customers. However, sales of cuprous oxide declined significantly due to depressed demand for paints applied to the bottoms of ships. As a result, the Chemicals segment reported a 1.8% decrease in sales, to ¥5,094 million, and a 21.1% increase in operating income, to ¥304 million.

Looking ahead, we will continue cultivating new customers and securing sales volume for sulfuric acid and its derivative products. With respect to cuprous oxide and cupric oxide for plating, we will enhance cost controls through sharing of raw materials in order to maximize profits from both products. We will focus particular attention on expanding sales of cupric oxide for plating for use in smartphones and tablet terminals, in addition to personal computers (PCs), with the aim of addressing diversified customer needs.

High-purity metallic arsenic



Cuprous oxide



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

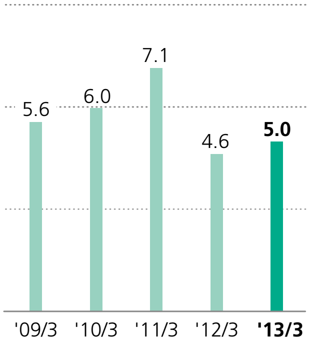
High-purity metallic arsenic—high-purity gallium arsenate semiconductor materials used in mobile phones and other electronic devices, red laser diodes, and LEDs

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

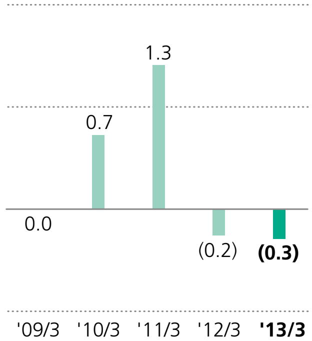
Cuprous oxide is used as an antifouling agent in paints applied to the bottoms of ships.

Electronic Materials

Net Sales
(Billions of yen)

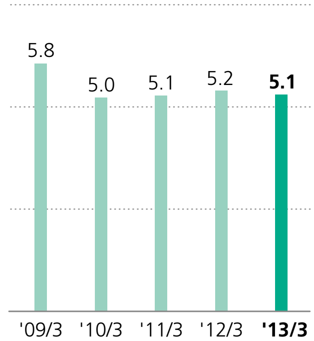


Operating Income (Loss)
(Billions of yen)

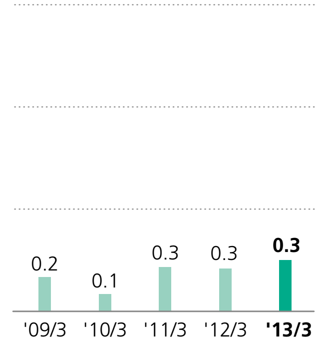


Chemicals

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)

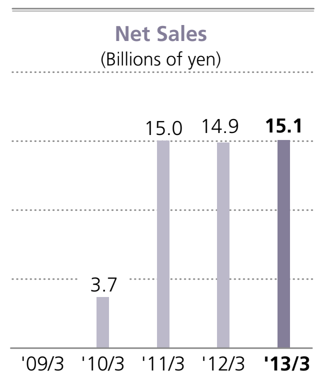


Other Business

Paints

In this segment, we enjoyed healthy sales of highly functional paints for electronic components, as well as environmentally friendly powder coatings and solvent-baked paints. Accordingly, the Paints segment posted a 1.4% increase in sales, to ¥15,079 million, and operating income of ¥66 million, compared with an operating loss of ¥329 million in the previous fiscal year.

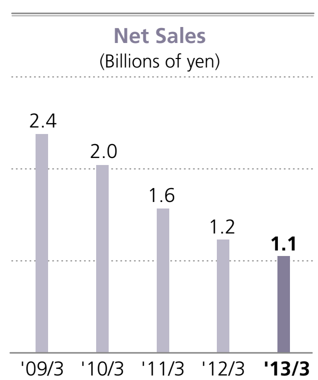
On March 27, 2013, we sold all of our shares in Tohpe Corporation, which handles the Group's paints business, in response to a tender offer.

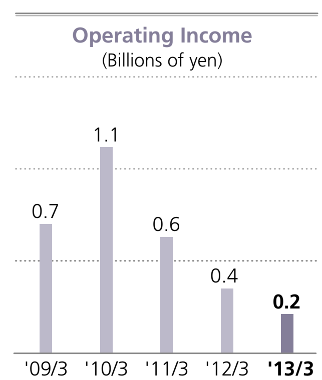


Real Estate

Revenue in the Real Estate segment declined due to rising vacancy rates among office buildings in the Osaka area. As a result, the Real Estate segment posted a 14.1% decrease in sales, to ¥1,059 million, and a 38.4% fall in operating income, to ¥220 million.

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



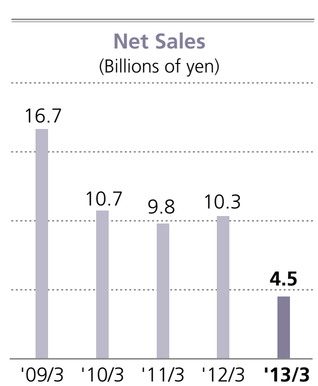


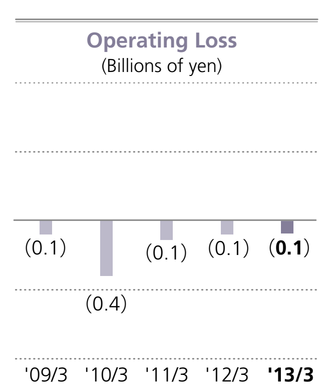
Fuels and Others

The Fuels category reported a 60.6% drop in sales, to ¥3,771 million, and an operating loss of ¥28 million, compared with an operating loss of ¥14 million in the previous fiscal year. On October 1, 2012, we sold all of our shares in Furukawa Commerce Co., Ltd., which handles the Group's fuels business. Accordingly, the figures for sales and operating loss were posted in the first two quarters of the fiscal year.

In the Others category, consisting primarily of the transportation business, we reported a 2.0% decrease in sales, to ¥752 million, and an operating loss of ¥63 million, from an operating loss of ¥94 million in the previous fiscal year.

As a result, sales in the Fuels and Others segment fell 56.3%, to ¥4,523 million, and operating loss was ¥91 million, from an operating loss of ¥108 million in the previous fiscal year.





Research and Development

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 to 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 supports 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 developing non-polar substrates, GaN templates, and other items. 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

■ Thermoelectric Conversion Materials (Materials Research Laboratory)

Furukawa is developing thermoelectric conversion materials that use thermal energy to convert heat into electricity. By applying unused waste heat to generate electricity, such materials can help save energy, and the Company has been receiving increasing inquiries as a result. While addressing such inquiries, we will move steadily towards commercialization.

Thermoelectric conversion element module

■ 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 is currently undergoing clinical trials. The Company used GAGG scintillator crystals to develop a high-sensitivity radiation detector by applying the superior gamma-wave detection properties of these crystals. The device, called Gamma Spotter, was developed to meet a surge in demand for radiation detectors following the recent nuclear power plant accident in Japan. We also developed a non-destructive radiation detector specifically for fish.

LuAG scintillator crystals

Second PEM system prototype

GAGG scintillator crystals

Non-destructive radiation detector for fish

■ High-Temperature Vacuum Heat Treatment Machine (Semiconductor Growth System Department)

The Company has developed a heat treatment machine for frit high-temperature drying, which is part of the fabrication process for organic electroluminescent (EL) devices. The new machine permits simultaneous drying of numerous large-diameter substrates in a high-vacuum, high-temperature environment. We are confident that it will generate increased sales going forward.

High-temperature vacuum heat processing device

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 2013, these audits gave priority to the theme of preventative measures aimed at maintaining effective environmental protection, safety, and hygiene. Under a system introduced in fiscal 2011, meanwhile, each factory and site was checked for legal compliance with the relevant rules using 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 sixth 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.

Biodiversity Action Guidelines

The Furukawa Company Group places considerable importance on biodiversity and in September 2012 formulated its Biodiversity Action Guidelines, a set of specific guidelines aimed at contributing to sustainable social development as outlined in its Basic Environmental Management Principle. The Guidelines state four key priorities: (1) grasp and reduce impact on biodiversity, (2) raise awareness and understanding, (3) preserve biodiversity, and (4) collect information and communicate.

Environmental Protection Activities

The Furukawa Company Group's energy-saving activities center on achieving medium-term targets for energy and resource consumption that are 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, city gas, and electricity

Social Contribution Activities

The Furukawa Company Group seeks to live in harmony with local communities through stewardship and maintenance of forests owned by Furukawa and involvement in afforestation programs. We also participate in factory neighborhood cleanup activities and preservation of 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.

Fourth Ashio Cherry Tree-Planting Drive

In March 2009, the newly formed Ashio Cherry Blossom Planting Group got together to begin planting 1,000 cherry blossom seedlings on land owned by Furukawa in Ashio-machi in Tochigi Prefecture. The tree-planting activity has been held annually since then, except in 2011 when the event was cancelled due to the Great East Japan Earthquake. In March 2013, 57 Group members—made up of Furukawa employees and their families—took part in the Fourth 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 14 executive officers, five of whom concurrently hold positions as directors.

The Management Council sets the Furukawa Company Group's fundamental management policies and strategies and makes decisions on important matters.

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

Furukawa uses an auditor system, with an Audit & Supervisory Board composed of two statutory auditors and three outside auditors. Pursuant to an audit policy formulated by the Audit & Supervisory Board, auditors attend meetings of the Board of Directors, the Management Council, the Management Committee, and other important management meetings. In addition, they receive business reports from directors, audit business sites and subsidiaries, and monitor the performance of duties carried out by directors. The audit function is further reinforced by the Audit Office, the organization in charge of internal auditing. The Audit Office is composed of five members who engage in auditing 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.

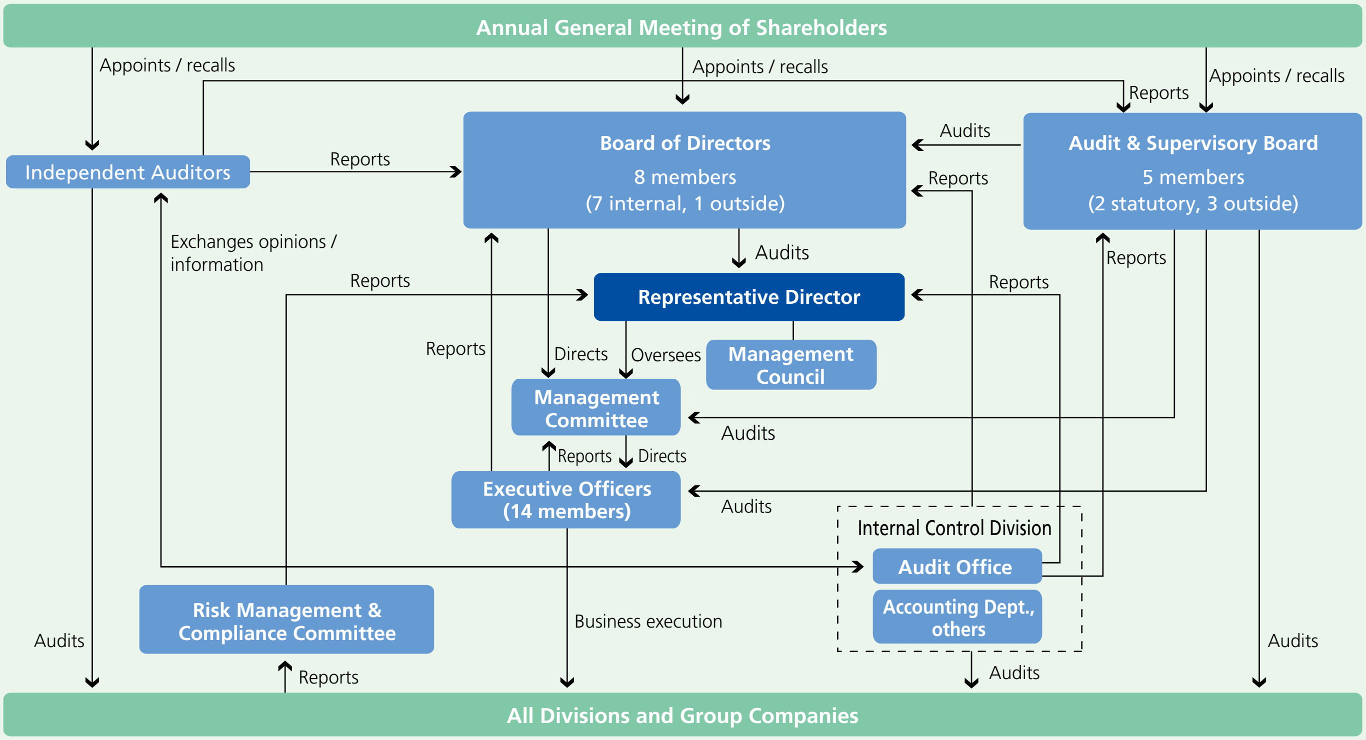
Compliance and System of Risk Management

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 27, 2013



Consolidated Six-Year Financial Summary

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

	Millions of yen					
	2013/3	2012/3	2011/3	2010/3	2009/3	2008/3
For the year:						
Net sales	**¥ 165,540**	¥ 157,566	¥ 165,638	¥ 142,925	¥ 161,858	¥ 213,426
Cost of sales	**144,225**	138,097	146,364	127,302	143,651	181,522
Gross profit	**21,315**	19,469	19,274	15,623	18,207	31,904
Selling, general and administrative expenses	**17,952**	17,314	16,453	14,025	15,904	17,497
Operating income	**3,363**	2,155	2,821	1,598	2,303	14,407
Income (loss) before income taxes and minority interests	**5,433**	(2,663)	447	886	(2,618)	12,484
Net income (loss)	**2,976**	(1,659)	563	585	(5,917)	8,595
Cash flows from operating activities	**5,491**	4,978	3,743	9,083	5,112	12,823
Cash flows from investing activities	**(2,253)**	(3,153)	(1,644)	(3,643)	(11,539)	(855)
Cash flows from financing activities	**252**	(3,782)	(5,703)	(4,769)	12,116	(13,835)
Capital expenditures	**2,926**	3,588	2,112	2,545	17,118	3,934
Depreciation and amortization	**3,015**	3,329	3,290	3,244	3,145	2,993
Research and development expenses	**2,559**	2,622	2,225	1,862	1,752	1,941
At year-end:						
Total assets	**¥ 186,076**	¥ 193,971	¥ 196,234	¥ 204,774	¥ 188,361	¥ 199,383
Current assets	**79,508**	81,497	80,199	82,617	77,509	88,888
Current liabilities	**74,439**	74,807	70,456	73,733	64,276	80,487
Total equity	**50,111**	46,022	45,849	48,885	44,585	54,301
Net assets	**51,507**	47,668	47,622	50,855	45,742	55,431
Interest-bearing liabilities	**80,634**	85,796	89,265	94,714	92,475	77,907
Per share amounts:		Yen				
Net income (loss)	**¥ 7.37**	¥ (4.11)	¥ 1.39	¥ 1.45	¥ (14.64)	¥ 21.26
Cash dividends	**2.00**	0.00	0.00	0.00	4.00	6.00
Net assets	**123.99**	113.88	113.45	120.96	110.31	134.33
Profitability:						
Cost of sales margin (%)	**87.1**	87.6	88.4	89.1	88.8	85.1
Gross margin (%)	**12.9**	12.4	11.6	10.9	11.2	14.9
SG&A expense margin (%)	**10.8**	11.0	9.9	9.8	9.8	8.2
Operating margin (%)	**2.0**	1.4	1.7	1.1	1.4	6.8
Return on sales (%)	**1.8**	(1.1)	0.3	0.4	(3.7)	4.0
Efficiency and soundness:						
Return on equity (%) (Note 1)	**6.2**	(3.6)	1.2	1.3	(12.0)	15.5
Return on assets (%) (Note 2)	**1.6**	(0.9)	0.3	0.3	(3.1)	4.1
Debt-to-equity (D/E) ratio (times) (Note 3)	**1.6**	1.9	1.9	1.9	2.1	1.4
Equity ratio (%) (Note 4)	**26.9**	23.7	23.4	23.9	23.7	27.2
Investment indicators:						
Dividend payout ratio (%) (Note 5)	**27.2**	—	—	—	—	28.2
Dividends on equity (DOE) ratio (%) (Note 6)	**1.6**	—	—	—	3.2	4.5
Price book value ratio (PBR) (times) (Note 7)	**0.9**	0.7	0.8	0.9	0.7	1.4
Stock price at fiscal year-end	**109**	80	86	114	82	183

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

Financial Review

Revenue and Expenses

In fiscal 2013, ended March 31, 2013, consolidated net sales totaled ¥165,540 million, up 5.1% compared with the previous fiscal year. This was despite a 60.6% year-on-year sales decline in the fuels business stemming from the sale on October 1, 2012 of all of the Company's shares in Furukawa Commerce Co., Ltd. The increase in net sales stemmed from various factors. For example, the UNIC Machinery segment posted a 28.2% increase in sales, to ¥20,651 million, benefiting from a rise in domestic truck registrations and solid reconstruction demand. Also, the Metals segment reported a 14.4% increase in sales, to ¥77,945 million, owing largely to growth in revenue from electrolytic copper. This was despite a decline in electrolytic copper production in the previous fiscal year following the Great East Japan Earthquake.

Cost of sales rose 4.4%, to ¥144,225 million, and the cost of sales margin was down 0.5 percentage point, to 87.1%.

Selling, general and administrative (SG&A) expenses rose 3.7%, to ¥17,952 million.

As a result, operating income jumped 56.1% from the previous fiscal year, to ¥3,363 million. Contributing to earnings were the UNIC Machinery segment, with operating income surging 138.5%, to ¥2,213 million, on the back of higher sales; the Industrial Machinery segment, with 10.0% growth in operating income, to ¥779 million; and the Paints segment, with operating income of ¥66 million, compared with an operating loss of ¥329 million in the previous fiscal year. By contrast, the Construction and Mining Machinery (Rock Drills) segment reported an operating loss of ¥68 million, compared with operating income of ¥334 million in the previous fiscal year. Accordingly, the operating margin rose 0.6 percentage point, to 2.0%.

Among other income, there was a ¥994 million gain on sales of investment securities, ¥1,264 million in compensation income, and an ¥824 million gain on sales of subsidiaries' stocks. By contrast, other expenses included a ¥1,259 million interest expense, a ¥63 million loss on sales and retirement of noncurrent assets, and a ¥331 million impairment loss.

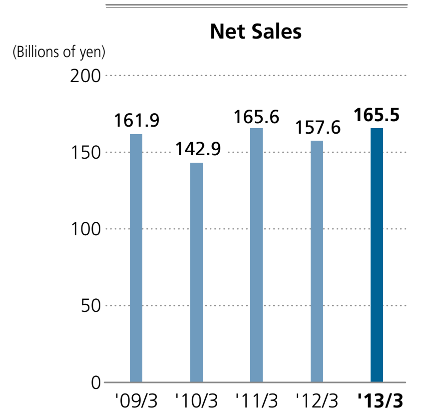
As a result, the Group reported income before income taxes and minority interests of ¥5,433 million. Total income taxes—the sum of inhabitants' tax, enterprise tax, and corporate income tax adjustments—amounted to ¥2,278 million, and minority interests totaled ¥179 million. Accordingly, the Group posted net income of ¥2,976 million, compared with a net loss of ¥1,659 million in the previous fiscal year.

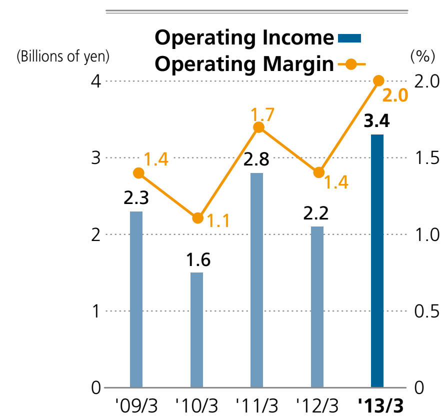
Return on equity improved to 6.2%, and net income per share was ¥7.37, compared with a net loss per share of ¥4.11 in the previous fiscal year.

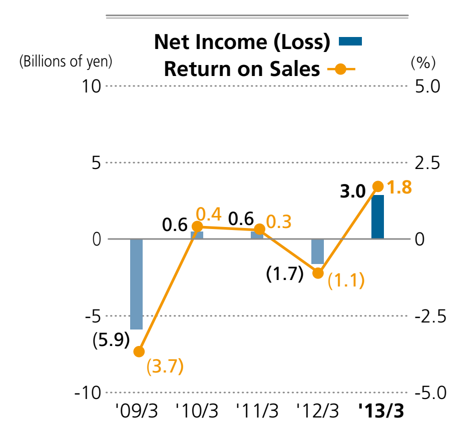
Financial Position

At March 31, 2013, total assets stood at ¥186,076 million, down 4.1% from a year earlier. During the year, the Company sold all of its shareholdings in Tohpe Corporation, a consolidated subsidiary. Accordingly, that company and its consolidated subsidiaries have been excluded from the consolidated balance sheets for the year under review. As a result, current assets declined 2.4%, to ¥79,508 million, due mainly to a decrease in notes and accounts receivable, and property, plant and equipment was down 7.1%, to ¥79,023 million, due mainly to a decline in land. By contrast, investments and other assets edged up 0.6%, to ¥27,545 million.

Total liabilities declined 8.0%, to ¥134,569 million. This was due primarily to a ¥44,244 million, or 19.3%, decrease in long-term liabilities. As a result, the fiscal year-end balance of interest-bearing liabilities (debt) declined 6.0%, to ¥80,634 million.







Net assets at fiscal year-end stood at ¥51,507 million, up 8.1% from a year earlier. This was mainly due to a decrease in translation adjustments. Consequently, the equity ratio rose 3.2 percentage points, to 26.9%, and the debt-to-equity (D/E) ratio declined from 1.9 to 1.6 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 ¥2,559 million, down 2.4% from the previous year. Of this total, ¥157 million was allocated to the Industrial Machinery segment, ¥635 million to the Construction and Mining Machinery (Rock Drills) segment, ¥214 million to the UNIC Machinery segment, ¥1,223 million to the Electronic Materials segment, ¥82 million to the Chemicals segment, and ¥245 million to the Paints segment.

Capital expenditures (the increase in tangible fixed assets and intangible fixed assets) amounted to ¥2,926 million. Of this total, ¥295 million was allocated to the Industrial Machinery segment, ¥472 million to the Construction and Mining Machinery (Rock Drills) segment, ¥210 million to the UNIC Machinery segment, ¥386 million to the Metals segment, ¥231 million to the Electronic Materials segment, ¥102 million to the Chemicals segment, and ¥338 million to the Paints segment, aimed primarily at improvements in production efficiency. In addition, ¥799 million was allocated to the Real Estate segment, mainly for the Nihonbashi-Muromachi Eastern District Redevelopment Project, and ¥89 million went to the 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 declined 9.4%, to ¥3,015 million.

The Group's capital expenditure budget is based on comprehensive consideration of various factors, including demand forecasts, production plans, and investment benefits. In fiscal 2014, ending March 31, 2014, the Group plans to invest a total of ¥12.0 billion, mainly for the purchase of new facilities and the repair of existing ones. We expect to procure these funds via borrowings and/or internal funds.

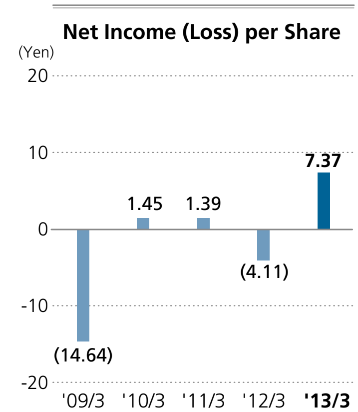
Cash Flows

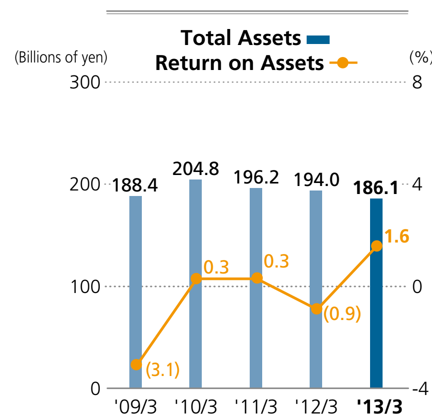
In the year under review, net cash provided by operating activities amounted to ¥5,491 million, up 10.3% from the previous year. The main factor was income before income taxes and minority interests.

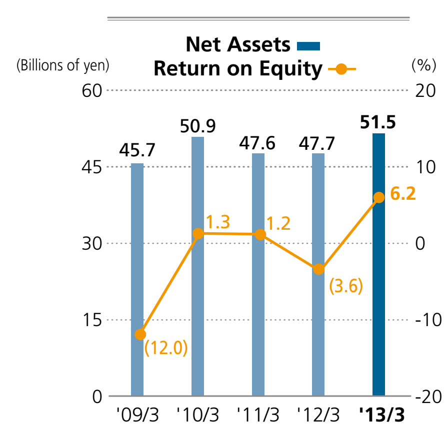
Net cash used in investing activities totaled ¥2,253 million, down 28.5% from the previous fiscal year. The primary component was purchases of property, plant and equipment.

Net cash provided by financing activities was ¥252 million, compared with net cash used in financing activities of ¥3,782 million in the previous fiscal year. This was mainly due to proceeds from long-term debt.

As a result, cash and cash equivalents at the end of the fiscal year totaled ¥17,964 million, a ¥3,810 million, or 26.9%, increase from a year earlier.



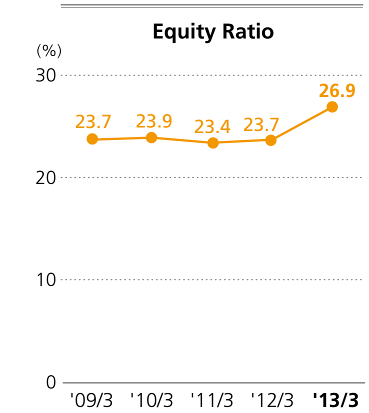


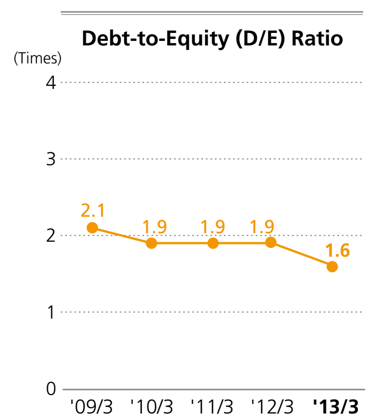


Capital Strategies

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

For fiscal 2013, the Company has declared a year-end dividend of ¥2.00 per share. Facing rapidly changing economic conditions in Japan and overseas, we will deploy retained earnings to further enhance our business performance and improve our financial position. Specifically, we will make careful and effective investments aimed at strengthening the technological capabilities of our Machinery business while promoting further business development overseas. In the Metals segment, meanwhile, we will invest in mines and promote development activities aimed at new product commercialization.





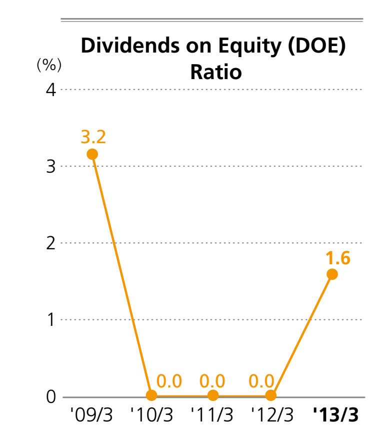
Business Risks

(1) 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, 2013, the carrying value of investments in securities as stated in the balance sheets was ¥17,535 million, while land stood at ¥55,006 million. Accordingly, the Group's operating results and financial position are at risk of impairment losses, losses from devaluation, and losses on sales due to movements in stock and land prices.



(3) 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

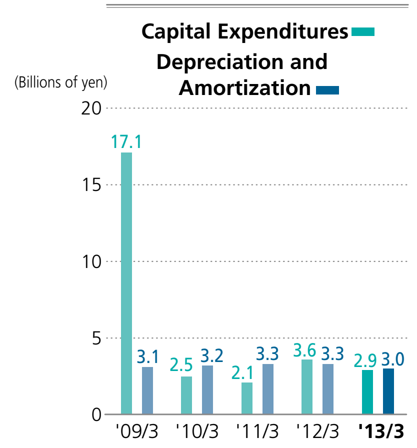
The Furukawa Company Group's operating results and financial position are at risk in the event of a suspension in operations and delays in production and/or shipments due to damage to manufacturing bases and facilities from earthquakes and other natural disasters.

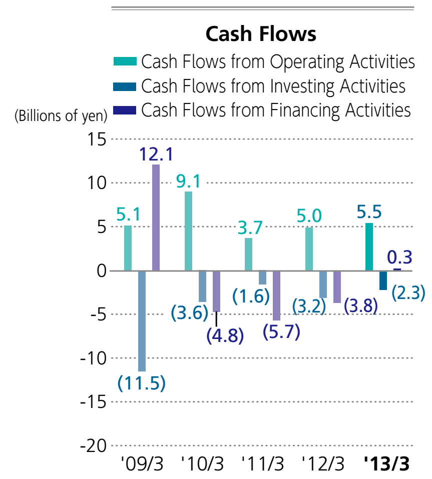
(5) Environmental Protection

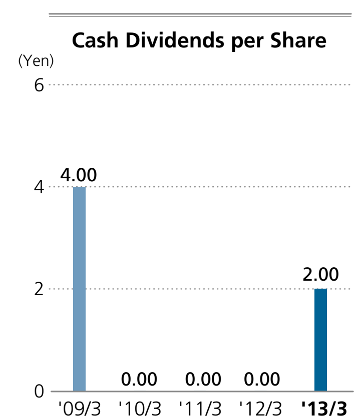
The Furukawa Company Group places the highest importance on environmental protection, environmental safety, and prevention of pollution at its various business sites, both in Japan and overseas, respecting all laws and regulations. Furthermore, in Japan the Group is vigilant in preventing water run-off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







Financial Section

Consolidated Balance Sheets

Furukawa Co., Ltd. and consolidated subsidiaries
As of March 31, 2013 and 2012

ASSETS	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 4) 2013
Current Assets:			
Cash and cash equivalents	¥ **17,964**	¥ 14,154	$ **189,095**
Short-term investments	**—**	49	**—**
Receivables - trade:			
Notes and accounts	**22,942**	28,993	**241,495**
Affiliates	**572**	693	**6,021**
Finished products	**12,761**	12,526	**134,326**
Work in process	**6,961**	6,399	**73,274**
Raw materials and supplies	**11,818**	11,883	**124,400**
Deferred tax assets (Note 14)	**1,299**	1,945	**13,674**
Other current assets	**5,291**	4,973	**55,694**
Allowance for doubtful accounts	**(100)**	(118)	**(1,053)**
Total current assets	**79,508**	81,497	**836,926**
Property, Plant and Equipment, at Cost (Notes 6 and 19)**:**			
Land and timberlands	**56,863**	60,510	**598,558**
Buildings and structures	**41,498**	45,030	**436,821**
Machinery and equipment	**46,364**	50,072	**488,042**
Lease assets (Note 10)	**1,616**	1,632	**17,011**
Construction in progress	**2,894**	1,843	**30,463**
	149,235	159,087	**1,570,895**
Accumulated depreciation	**(70,212)**	(74,001)	**(739,074)**
Property, plant and equipment, net	**79,023**	85,086	**831,821**
Investments and Other Assets:			
Goodwill	**65**	437	**684**
Investment securities (Notes 5 and 6)	**19,878**	17,982	**209,242**
Investments in affiliates	**4,804**	5,165	**50,568**
Long-term loans receivable	**1,725**	1,333	**18,158**
Deferred tax assets (Note 14)	**69**	132	**726**
Other assets	**1,996**	3,887	**21,012**
Allowance for doubtful accounts	**(992)**	(1,548)	**(10,442)**
Total investments and other assets	**27,545**	27,388	**289,948**
Total assets	¥ **186,076**	¥ 193,971	$ **1,958,695**

LIABILITIES AND NET ASSETS	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 4) 2013
Current Liabilities:			
Short-term debt (Note 6)	¥ **10,738**	¥ 12,897	$ **113,032**
Current portion of long-term debt (Note 6)	**25,652**	18,042	**270,021**
Lease obligations (Note 6)	**274**	311	**2,884**
Payables - trade:			
Notes and accounts	**24,529**	26,019	**258,200**
Affiliates	**3**	4	**32**
Accrued expenses	**9,289**	13,901	**97,779**
Income taxes payable	**1,058**	458	**11,137**
Deferred tax liabilities (Note 14)	**14**	37	**147**
Other current liabilities	**2,882**	3,138	**30,337**
Total current liabilities	**74,439**	74,807	**783,569**
Long-Term Liabilities:			
Long-term debt (Note 6)	**44,244**	54,858	**465,726**
Lease obligations (Note 6)	**578**	701	**6,084**
Accrued employees' retirement benefits (Note 13)	**1,050**	1,694	**11,053**
Provision for environmental measures	**163**	176	**1,716**
Deferred tax liabilities (Note 14)	**8,255**	8,146	**86,895**
Deferred tax liabilities on surplus on the revaluation of land (Note 14)	**2,346**	2,370	**24,695**
Asset retirement obligations	**201**	196	**2,116**
Other long-term liabilities	**3,293**	3,355	**34,662**
Total long-term liabilities	**60,130**	71,496	**632,947**
Net Assets (Note 7)**:**			
Shareholders' equity:			
Common stock without par value:			
Authorized—800,000,000 shares			
Issued—404,455,680 shares	**28,208**	28,208	**296,926**
Retained earnings	**18,581**	15,704	**195,590**
Treasury stock, at cost:			
2013—318,422 shares	**(47)**	(46)	**(495)**
2012—313,540 shares	**—**	—	**—**
Total shareholders' equity	**46,742**	43,866	**492,021**
Accumulated other comprehensive income:			
Unrealized holding gain (loss) on securities, net of income taxes	**2,727**	2,162	**28,705**
Deferred gain (loss) on hedges	**(390)**	(191)	**(4,105)**
Surplus on the revaluation of land, net of income taxes	**3,673**	3,578	**38,663**
Translation adjustments	**(2,641)**	(3,393)	**(27,800)**
Total accumulated other comprehensive income	**3,369**	2,156	**35,463**
Subscription rights to shares	**53**	53	**558**
Minority interests	**1,343**	1,593	**14,137**
Total net assets	**51,507**	47,668	**542,179**
Total liabilities and net assets	¥ **186,076**	¥ 193,971	$ **1,958,695**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Operations

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	**2013**
Net Sales	**¥ 165,540**	¥ 157,566	**$ 1,742,526**
Cost of Sales (Note 16)	**(144,225)**	(138,097)	**(1,518,158)**
Gross profit	**21,315**	19,469	**224,368**
Selling, General and Administrative Expenses (Note 9)	**(17,952)**	(17,314)	**(188,968)**
Operating income	**3,363**	2,155	**35,400**
Other Income (Expenses):			
Interest and dividend income	**369**	865	**3,884**
Equity in earnings (losses) of affiliates	**(332)**	14	**(3,495)**
Interest expense	**(1,259)**	(1,404)	**(13,253)**
Other income (expenses), net (Notes 17 and 19)	**3,292**	(4,293)	**34,653**
Income (Loss) before income taxes and minority interests	**5,433**	(2,663)	**57,189**
Income Taxes (Note 14)**:**			
Current	**(1,366)**	(509)	**(14,379)**
Deferred	**(912)**	1,379	**(9,599)**
Total income taxes	**(2,278)**	870	**(23,978)**
Income (Loss) Before Minority Interests	**3,155**	(1,793)	**33,211**
Minority Interests	**(179)**	134	**(1,885)**
Net income (loss)	**¥ 2,976**	¥ (1,659)	**$ 31,326**

	Yen		U.S. dollars (Note 4)
Net Income (Loss) per Share:			
Basic	**¥ 7.37**	¥ (4.11)	**$ 0.08**
Net Assets per Share	**123.99**	113.88	**1.31**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	**2013**
Income (Loss) Before Minority Interests	**¥ 3,155**	¥ (1,793)	**$ 33,211**
Other Comprehensive Income (Loss):			
Unrealized holding gain (loss) on securities, net of income taxes	**559**	1,888	**5,884**
Deferred gain (loss) on hedges	**(196)**	(85)	**(2,063)**
Surplus on the revaluation of land, net of income taxes	**—**	354	**—**
Translation adjustments	**450**	(177)	**4,737**
Share of other comprehensive income (loss) of associates accounted for using equity method	**320**	(129)	**3,368**
Total other comprehensive income (Note 8)	**1,133**	1,851	**11,926**
Comprehensive Income	**4,288**	58	**45,137**
Comprehensive Income (Loss) Attributable to:			
Shareholders of Furukawa Co., Ltd.	**4,081**	173	**42,958**
Minority interests	**207**	(115)	**2,179**

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, 2013 and 2012

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

For the year ended March 31, 2013	Millions of yen							
	Accumulated other comprehensive income							
	Unrealized holding gain (loss) on securities, net of income taxes	Deferred gain (loss) on hedges	Surplus on the revaluation of land, net of income taxes	Translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at beginning of year	¥ 2,162	¥ (191)	¥ 3,578	¥ (3,393)	¥ 2,156	¥ 53	¥ 1,593	¥47,668
Cash dividends paid	—	—	—	—	—	—	—	—
Net income (loss) for the year	—	—	—	—	—	—	—	**2,976**
Purchase of treasury stock	—	—	—	—	—	—	—	**(1)**
Reversal of surplus on the revaluation of land	—	—	—	—	—	—	—	**(99)**
Net change during the year	**565**	**(199)**	**95**	**752**	**1,213**	—	**(250)**	**963**
Balance at end of year	**¥ 2,727**	**¥ (390)**	**¥ 3,673**	**¥ (2,641)**	**¥ 3,369**	**¥ 53**	**¥ 1,343**	**¥51,507**

For the year ended March 31, 2012		Millions of yen			
		Shareholders' equity			
	Number of shares of common stock (thousands)	Common stock	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at beginning of year	404,456	¥ 28,208	¥ 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 at end of year	404,456	¥ 28,208	¥ 15,704	¥ (46)	¥ 43,866

For the year ended March 31, 2012

	Millions of yen							
	Accumulated other comprehensive income							
	Unrealized holding gain (loss) on securities, net of income taxes	Deferred gain (loss) on hedges	Surplus on the revaluation of land, net of income taxes	Translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at beginning of year	¥ 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 at end of year	¥ 2,162	¥ (191)	¥ 3,578	¥ (3,393)	¥ 2,156	¥ 53	¥ 1,593	¥47,668

For the year ended March 31, 2013

	Thousands of U.S. dollars (Note 4)			
	Shareholders' equity			
	Common stock	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at beginning of year	$ 296,926	$ 165,305	$ (484)	$ 461,747
Cash dividends paid	—	—	—	—
Net income (loss) for the year	—	**31,326**	—	**31,326**
Purchase of treasury stock	—	—	**(11)**	**(11)**
Reversal of surplus on the revaluation of land	—	**(1,041)**	—	**(1,041)**
Net change during the year	—	—	—	—
Balance at end of year	**$ 296,926**	**$ 195,590**	**$ (495)**	**$ 492,021**

For the year ended March 31, 2013

	Thousands of U.S. dollars (Note 4)							
	Accumulated other comprehensive income							
	Unrealized holding gain (loss) on securities, net of income taxes	Deferred gain (loss) on hedges	Surplus on the revaluation of land, net of income taxes	Translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at beginning of year	$ 22,758	$ (2,010)	$ 37,663	$(35,716)	$ 22,695	$ 558	$16,769	$501,769
Cash dividends paid	—	—	—	—	—	—	—	—
Net income (loss) for the year	—	—	—	—	—	—	—	**31,326**
Purchase of treasury stock	—	—	—	—	—	—	—	**(11)**
Reversal of surplus on the revaluation of land	—	—	—	—	—	—	—	**(1,041)**
Net change during the year	**5,947**	**(2,095)**	**1,000**	**7,916**	**12,768**	—	**(2,632)**	**10,136**
Balance at end of year	**$ 28,705**	**$ (4,105)**	**$ 38,663**	**$(27,800)**	**$ 35,463**	**$ 558**	**$14,137**	**$542,179**

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, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	**2013**
Operating Activities:			
Income (Loss) before income taxes and minority interests	**¥ 5,433**	¥ (2,663)	**$ 57,189**
Depreciation and amortization	**3,015**	3,329	**31,737**
Decrease in allowance for doubtful accounts, net	**(247)**	(324)	**(2,600)**
Increase in accrued employees' retirement benefits	**1,248**	1,107	**13,137**
Gain (Loss) on sales of investment securities	**(994)**	1,024	**(10,463)**
Gain on sales of subsidiaries' stocks	**(824)**	—	**(8,674)**
Compensation income	**(1,264)**	(632)	**(13,305)**
Interest and dividend income	**(369)**	(865)	**(3,884)**
Interest expense	**1,259**	1,404	**13,253**
Impairment loss on property, plant and equipment	**331**	101	**3,484**
Changes in operating assets and liabilities:			
Receivables - trade	**794**	(4,561)	**8,358**
Inventories	**(2,549)**	(1,209)	**(26,832)**
Payables - trade	**3,914**	2,376	**41,200**
Other	**(4,076)**	6,194	**(42,905)**
Subtotal	**5,671**	5,281	**59,695**
Interest and dividends received	**388**	886	**4,084**
Interest paid	**(1,287)**	(1,409)	**(13,547)**
Income taxes paid	**(846)**	(777)	**(8,905)**
Income taxes refunded	**301**	365	**3,168**
Compensation received	**1,264**	632	**13,305**
Net cash provided by operating activities	**5,491**	4,978	**57,800**
Investing Activities:			
Increase in time deposits	**(300)**	(0)	**(3,158)**
Purchases of property, plant and equipment	**(2,439)**	(2,989)	**(25,674)**
Proceeds from sales of property, plant and equipment	**429**	707	**4,516**
Purchases of investment securities	**(3,032)**	(978)	**(31,916)**
Proceeds from sales of investment securities	**2,531**	7	**26,642**
Proceeds from redemption of investments	**505**	—	**5,316**
Increase in long-term loans receivables	**(340)**	(2)	**(3,579)**
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	**312**	—	**3,284**
Other	**81**	102	**853**
Net cash used in investing activities	**(2,253)**	(3,153)	**(23,716)**
Financing Activities:			
Proceeds from long-term debt	**16,860**	13,750	**177,474**
Repayment of long-term debt	**(18,130)**	(17,258)	**(190,842)**
Proceeds from short-term debt	**10,743**	9,900	**113,084**
Repayment of short-term debt	**(8,851)**	(9,862)	**(93,168)**
Repayment of finance lease obligations	**(360)**	(310)	**(3,789)**
Other	**(10)**	(2)	**(106)**
Net cash provided by (used in) financing activities	**252**	(3,782)	**2,653**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**320**	(160)	**3,368**
Net Increase (Decrease) in Cash and Cash Equivalents	**3,810**	(2,117)	**40,105**
Cash and Cash Equivalents at Beginning of Year	**14,154**	16,271	**148,990**
Cash and Cash Equivalents at End of Year	**¥ 17,964**	¥ 14,154	**$ 189,095**

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, 2013 and 2012

1. Basis of Presentation

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

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

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

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

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The Company had 47 subsidiaries and 16 affiliates as of March 31, 2013 (46 subsidiaries and 16 affiliates as of March 31, 2012). The consolidated financial statements included the accounts of the Company and 47 subsidiaries as of March 31, 2013 (46 as of March 31, 2012).

Compared with the previous year, the number of subsidiaries increased by 1 subsidiary due to the acquisition.

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

Certain foreign subsidiaries have been included on the basis of a fiscal year ended on December 31, but prior to the parent company's fiscal year ended on March 31. Relevant adjustments have been made for significant transactions with such subsidiaries during the intervening period from January 1 to March 31.

Investments in subsidiaries and affiliates which are not accounted for by the equity method are carried at cost because of their immaterial impact on the consolidated financial statements.

(2) Cash and Cash Equivalents

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

(3) Short-Term Investments and Investment Securities

Securities other than equity securities issued by subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities. The Furukawa Group does not hold any trading or held-to-maturity securities as of March 31, 2013 and 2012. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Fair value is determined based on the average of the market value during the last month of the fiscal year. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(4) Inventories

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

(5) Allowance for Doubtful Accounts

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

(6) Provision for Environmental Measures

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

(7) Property, Plant and Equipment and Depreciation

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

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

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

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

(8) Amortization of Goodwill

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

(9) Retirement 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.

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 ($20,421 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 tax liabilities on surplus on the revaluation of land" and the remaining balance has been presented under net assets as "Surplus on the revaluation of land, net of income taxes" in the accompanying consolidated balance sheets. Revaluation of land was determined based on the official notice prices published by the Commissioner of the National Tax Authorities in accordance with Paragraph 4, Article 2 of the "Enforcement Ordinance Concerning Land Revaluation," with relevant adjustments. The carrying value of the land after revaluation exceeded its fair value by ¥1,768 million ($18,611 thousand) and ¥1,686 million as of March 31, 2013 and 2012, 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 per share for the year ended March 31, 2012 and no dilutive instruments were issued and outstanding for both of the years ended March 31, 2013 and 2012.

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

(13) Foreign Currency Translation

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

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

(14) Hedging Activities

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

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

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

(15) Shareholders' Equity

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

3. Unapplied Accounting Standard, etc.

"Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26 of May 17, 2012), and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of May 17, 2012)

(1) Outline

Under the revised accounting standard, actuarial gains and losses and past service costs shall be recognized within net assets on the consolidated balance sheets after adjusting for tax effects, and the accumulated deficit or surplus shall be recognized as a liability or asset. Also, regarding the estimated amount of retirement benefits and the method of attributing them to accounting periods, in addition to the straight-line attribution standard, the benefit formula may be used and the method of calculating the discount rate has been revised.

(2) Scheduled date of adoption

This accounting standard will be adopted from the beginning of the year ending March 31, 2014. However, as no retrospective application of this accounting standard is required it will not be applied to consolidated financial statements for prior periods.

(3) Impact of adoption of the revised accounting standard

The impact in the consolidated financial statements as a result of the adoption of the revised accounting standard is currently being evaluated.

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 ¥95=US$1.00, the exchange rate prevailing on March 31, 2013. This translation should not be construed as a representation that yen have been, could have been or could in the future be converted into U.S. dollars at the above or any other rate.

5. Investment Securities

The aggregate acquisition cost, carrying value and unrealized gain or loss pertaining to the marketable other securities as of March 31, 2013 and 2012 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2013			**2013**		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Listed stocks	**¥ 13, 838**	**¥ 9,743**	**¥ 4,095**	**$ 145,663**	**$ 102,558**	**$ 43,105**
Government bonds	**—**	**—**	**—**	**—**	**—**	**—**
Corporate bonds	**—**	**—**	**—**	**—**	**—**	**—**
	13, 838	**9,743**	**4,095**	**145,663**	**102,558**	**43,105**
Securities whose carrying value does not exceed their acquisition cost:						
Listed stocks	**3,629**	**3,914**	**(285)**	**38,200**	**41,200**	**(3,000)**
Government bonds	**17**	**17**	**—**	**179**	**179**	**—**
Corporate bonds	**51**	**51**	**—**	**537**	**537**	**—**
	3,697	**3,982**	**(285)**	**38,916**	**41,916**	**(3,000)**
Total	**¥ 17,535**	**¥ 13,725**	**¥ 3,810**	**$ 184,579**	**$ 144,474**	**$ 40,105**

	Millions of yen		
	2012		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Listed stocks	¥ 7,715	¥ 4,805	¥ 2,910
Government bonds	—	—	—
Corporate bonds	—	—	—
	7,715	4,805	2,910
Securities whose carrying value does not exceed their acquisition cost:			
Listed stocks	7,240	7,824	(584)
Government bonds	18	18	—
Corporate bonds	94	94	—
	7,352	7,936	(584)
Total	¥ 15,067	¥ 12,741	¥ 2,326

Gain on sales of securities classified as other securities with aggregate gains for the years ended March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Sales proceeds	**¥ 2,531**	¥ 7	**$ 26,642**
Aggregate gains	**994**	3	**10,463**
Aggregate losses	**—**	—	**—**

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

Short-term debt, most of which are unsecured, represented notes payable to banks, with the average interest rate of 0.6% and 0.7% as of March 31, 2013 and 2012.

Long-term debt as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Loans, principally from banks, insurance companies and government agencies, most of which are secured, due 2013 to 2028	**¥ 69,896**	¥ 72,900	**$ 735,747**
	69,896	72,900	**735,747**
Current portion of long-term debt	**(25,652)**	(18,042)	**(270,021)**
	¥ 44,244	¥ 54,858	**$ 465,726**

The average interest rates applicable to the above debt amounting to ¥69,896 million ($735,747 thousand) and ¥72,900 million were 1.2% and 1.4% as of March 31, 2013 and 2012, respectively.

The aggregate annual maturities of long-term debt subsequent to March 31, 2013 are as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
	2013	
2014	**¥ 25,652**	**$ 270,021**
2015	**16,351**	**172,116**
2016	**11,684**	**122,989**
2017	**8,787**	**92,495**
2018	**4,270**	**44,947**
2019 and thereafter	**3,152**	**33,179**
	¥ 69,896	**$ 735,747**

Lease obligations as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Lease obligations due 2013 to 2020	**¥ 852**	¥ 1,012	**$ 8,968**
	852	1,012	**8,968**
Current portion of lease obligations	**(274)**	(311)	**(2,884)**
	¥ 578	¥ 701	**$ 6,084**

The aggregate annual maturities of lease obligations subsequent to March 31, 2013 are as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
	2013	
2014	**¥ 274**	**$ 2,884**
2015	**281**	**2,958**
2016	**179**	**1,884**
2017	**85**	**895**
2018 and thereafter	**33**	**347**
	¥ 852	**$ 8,968**

The Company and certain consolidated subsidiaries have entered into overdraft and loan commitment agreements amounting to ¥50,414 million ($530,674 thousand) with 24 banks and ¥42,843 million with 26 banks as of March 31, 2013 and 2012, respectively. The borrowings outstanding and the unused balances under these credit facilities amounted to ¥19,756 million ($207,958 thousand) and ¥30,658 million ($322,716 thousand), respectively, as of March 31, 2013 and amounted to ¥21,856 million and ¥20,987 million, respectively, as of March 31, 2012.

Assets pledged as collateral and liabilities with collateral pledged as of March 31, 2013 and 2012 were as follows:

(a) Assets pledged as collateral

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Investment securities	**¥ 859**	¥ 1,243	**$ 9,042**
Property, plant and equipment, net	**1,546**	6,409	**16,274**
	¥ 2,405	¥ 7,652	**$ 25,316**

(b) Liabilities with collateral pledged

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Short-term debt	**¥ —**	¥ 150	**$ —**
Long-term debt (including current portion)	**1,004**	2,795	**10,568**
	¥ 1,004	¥ 2,945	**$ 10,568**

7. Net Assets

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

	Thousands of shares			
	As of March 31, 2012	Increase	Decrease	As of March 31, 2013
Shares issued:				
Common stock	404,455	—	—	404,455
Total	404,455	—	—	404,455
Treasury stock:				
Common stock (Note)	313	4	—	318
Total	313	4	—	318

Note: The increase of 4 thousand shares of equity in treasury stock was due to the purchase of shares of less than a standard unit.

(2) Subscription rights to shares

			Thousands of shares				Millions of yen
			Number of shares subject to be issued upon exercise of rights				
Attribution	Details of subscription rights to shares (*)	Type of shares to be issued upon exercise of rights	As of March 31, 2012	Increase	Decrease	As of March 31, 2013	Balance as of March 31, 2013
Parent company	Subscription rights to shares due 2016	Common stock	100,000	—	—	100,000	53
Total			100,000	—	—	100,000	53

Note: All subscription rights to shares can be exercised.

8. Other Comprehensive Income

Reclassification adjustment and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Unrealized holding gain (loss) on securities:			
Amounts arising during the year	**¥ 2,611**	¥ (1,309)	**$ 27,484**
Reclassification adjustments for gains and losses included in net income	**(1,057)**	3,262	**(11,126)**
Amounts before tax effect	**1,554**	1,953	**16,358**
Tax effect	**(995)**	(65)	**(10,474)**
Unrealized holding gain (loss) on securities	**559**	1,888	**5,884**
Deferred gain (loss) on hedges:			
Amounts arising during the year	**(1,610)**	1,266	**(16,947)**
Adjustment on the acquisition cost of assets	**1,347**	(1,376)	**14,179**
Amounts before tax effect	**(263)**	(110)	**(2,768)**
Tax effect	**67**	25	**705**
Deferred gain (loss) on hedges	**(196)**	(85)	**(2,063)**
Surplus on the revaluation of land, net of income taxes:			
Tax effect	**—**	354	**—**
Translation adjustments:			
Amounts arising during the year	**450**	(177)	**4,737**
Share of other comprehensive income (loss) of associates accounted for using equity method:			
Amounts arising during the year	**341**	(123)	**3,589**
Reclassification adjustments for gains and losses included in net income	**(21)**	(6)	**(221)**
Share of other comprehensive income (loss) of associates accounted for using equity method	**320**	(129)	**3,368**
Total other comprehensive income	**¥ 1,133**	¥ 1,851	**$ 11,926**

9. Research and Development Expenses

Research and development expenses, included in selling, general and administrative expenses and cost of sales, for the years ended March 31, 2013 and 2012 amounted to ¥2,559 million ($26,937 thousand) and ¥2,622 million, respectively.

10. Leases

Leases' accounting

Finance lease transactions that do not involve transfer of ownership

1. Leased asset quality
   (a) Tangible assets
   Mainly production installations (Machinery and equipment) in the machinery segment and distribution vehicles (Machinery and equipment) in the others segment
   (b) Intangible assets
   Mainly software
2. Depreciation method of leased assets
   Refer to "(7) Property, Plant and Equipment and Depreciation" in "2. Summary of Significant Accounting Policies." Finance lease transactions that do not involve transfer of ownership, entered into on and before March 31, 2008, by the Company and its domestic consolidated subsidiaries are accounted for as operating leases.

The pro forma amounts representing acquisition costs, accumulated depreciation and net carrying value for the machinery and equipment and others held under the finance leases currently accounted for as operating leases as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Acquisition costs	**¥ 1,954**	¥ 2,192	**$ 20,568**
Accumulated depreciation	**1,530**	1,473	**16,105**
Net carrying value	**¥ 424**	¥ 719	**$ 4,463**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥295 million ($3,105 thousand) and ¥361 million for the years ended March 31, 2013 and 2012, 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, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Within one year	**¥ 261**	¥ 294	**$ 2,747**
Over one year	**163**	425	**1,716**
	¥ 424	¥ 719	**$ 4,463**

11. 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.

Investment securities are exposed to market risk. Those securities are composed of mainly the shares of common stock of other companies with which the Furukawa Group has business relationships.

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

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

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

(3) Risk management for financial instruments

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

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

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

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

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

For investment securities, the Furukawa Group periodically reviews the fair values of such financial instruments.

In conducting or managing derivative transactions, each division makes transactions by approval of the directors of transaction-related divisions.

(c) Monitoring of liquidity risk (the risk that the Furukawa Group may not be able to meet its obligations on scheduled due dates)

Based on the report from each division, the Furukawa Group prepares and updates its cash flow plans on a monthly basis to manage liquidity risk.

(4) Supplementary explanation on the estimated fair value of financial instruments

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

2. Estimated fair value of financial instruments

Carrying value of financial instruments on the consolidated balance sheets as of March 31, 2013 and 2012 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		
	2013			**2013**		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets						
(1) Cash and cash equivalents	**¥ 17,964**	**¥ 17,964**	**¥ —**	**$ 189,095**	**$ 189,095**	**$ —**
(2) Trade notes and accounts receivable	**23,514**	**23,514**	**—**	**247,516**	**247,516**	**—**
(3) Investment securities	**17,535**	**17,535**	**—**	**184,579**	**184,579**	**—**
Total assets	**59,013**	**59,013**	**—**	**621,190**	**621,190**	**—**
Liabilities						
(1) Trade notes and accounts payable	**¥ 24,532**	**¥ 24,532**	**¥ —**	**$ 258,232**	**$ 258,232**	**$ —**
(2) Short-term debt (*1)	**10,738**	**10,738**	**—**	**113,032**	**113,032**	**—**
(3) Long-term debt (*1)	**69,896**	**70,237**	**341**	**735,747**	**739,337**	**3,589**
Total liabilities	**105,166**	**105,507**	**341**	**1,107,011**	**1,110,601**	**3,589**
Derivatives (*2)	**¥ (524)**	**¥ (524)**	**¥ —**	**$ 5,516**	**$ 5,516**	**$ —**

	Millions of yen		
	2012		
	Carrying value	Estimated fair value	Difference
Assets			
(1) Cash and cash equivalents	¥ 14,154	¥ 14,154	¥ —
(2) Trade notes and accounts receivable	29,686	29,686	—
(3) Short-term investments and investment securities	15,067	15,067	—
Total assets	58,907	58,907	—
Liabilities			
(1) Trade notes and accounts payable	¥ 26,023	¥ 26,023	¥ —
(2) Short-term debt (*1)	12,897	12,897	—
(3) Long-term debt (*1)	72,900	73,255	355
Total liabilities	111,820	112,175	355
Derivatives (*2)	¥ (261)	¥ (261)	¥ —

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

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

Notes:

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

Assets

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

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

(3) Investment securities

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

Liabilities

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

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

(3) Long-term debt

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

Derivative transactions

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

2. Financial instruments of which it is extremely difficult to determine the fair value as of March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Unlisted stocks	**¥ 7,147**	¥ 8,128	**$ 75,232**
Bonds	**—**	1	**—**
Total	**¥ 7,147**	¥ 8,129	**$ 75,232**

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the above table of "(3) Investment securities."

3. Redemption schedule for receivables and marketable securities with maturities after March 31, 2013 and 2012 are as follows:

For the year ended March 31, 2013

Millions of yen	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash deposit	**¥ 18,231**	**¥ —**	**¥ —**	**¥ —**
Trade notes and accounts receivable	**23,514**	**—**	**—**	**—**
Investment securities				
Other securities with maturity				
(1) Bonds (Municipal bonds)	**—**	**17**	**—**	**—**
(2) Bonds (Corporate bonds)	**—**	**—**	**—**	**51**
Total	**¥ 41,745**	**¥ 17**	**¥ —**	**¥ 51**

For the year ended March 31, 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 investments and investment 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, 2013

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	**$ 191,905**	**$ —**	**$ —**	**$ —**
Trade notes and accounts receivable	**247,516**	**—**	**—**	**—**
Investment securities				
Other securities with maturity				
(1) Bonds (Municipal bonds)	**—**	**179**	**—**	**—**
(2) Bonds (Corporate bonds)	**—**	**—**	**—**	**537**
Total	**$ 439,421**	**$ 179**	**$ —**	**$ 537**

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

12. Derivative Transactions

The notional amounts and estimated fair value of the derivative instruments outstanding at March 31, 2013 and 2012 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, 2013 Contract amounts	As of March 31, 2013 Maturing after one year	As of March 31, 2013 Fair value
Principal method	Forward foreign exchange contracts				
	Sell				
	U.S. dollars	Accounts receivable	**¥ 1,836**	**—**	**¥ (78)**
	EUR	Accounts receivable	**205**	**—**	**(4)**
	U.S. dollars	Accounts payable	**6,835**	**—**	**7**
Allocation method	Forward foreign exchange contracts				
	Sell				
	U.S. dollars	Accounts receivable	**¥ 167**	**—**	**(*)**
	EUR	Accounts receivable	**536**	**—**	**(*)**
	Buy				
	U.S. dollars	Accounts payable	**¥ 3,395**	**—**	**(*)**

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2012 Contract amounts	As of March 31, 2012 Maturing after one year	As of March 31, 2012 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	—	(*)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2013 Contract amounts	As of March 31, 2013 Maturing after one year	As of March 31, 2013 Fair value
Principal method	Forward foreign exchange contracts				
	Sell				
	U.S. dollars	Accounts receivable	**$ 19,326**	**—**	**$ (821)**
	EUR	Accounts receivable	**2,158**	**—**	**(42)**
	U.S. dollars	Accounts payable	**71,947**	**—**	**74**
Allocation method	Forward foreign exchange contracts				
	Sell				
	U.S. dollars	Accounts receivable	**$ 1,758**	**—**	**(*)**
	EUR	Accounts receivable	**5,642**	**—**	**(*)**
	Buy				
	U.S. dollars	Accounts payable	**$ 35,737**	**—**	**(*)**

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

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

2. Interest-related transaction

Millions of yen

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

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	(*)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2013 Contract amounts	Maturing after one year	Fair value
Special accounting procedure for interest rate swap	Receive/floating and pay/fixed	Long-term debt	**$ 363,684**	**$ 211,663**	**(*)**

(*) 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, 2013 Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell				
	Copper	Raw material	**—**	**—**	**—**
	Buy				
	Copper	Raw material	**¥ 12,463**	**—**	**¥ (448)**

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)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2013 Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell				
	Copper	Raw material	**—**	**—**	**—**
	Buy				
	Copper	Raw material	**$ 131,189**	**—**	**$ (4,716)**

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, 2013 and 2012 does not exist and is not disclosed.

13. 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, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Retirement benefit obligation	**¥ (15,373)**	¥ (15,847)	**$ (161,821)**
Plan assets at fair value	**8,609**	8,096	**90,621**
Unfunded status	**(6,764)**	(7,751)	**(71,200)**
Unrecognized net obligation at transition	**—**	397	**—**
Unrecognized actuarial loss	**7,629**	8,663	**80,305**
Unrecognized prior service cost	**224**	252	**2,358**
Prepaid pension cost	**(2,139)**	(3,255)	**(22,516)**
Accrued employees' retirement benefits	**¥ (1,050)**	¥ (1,694)	**$ (11,053)**

The components of retirement benefit expenses for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Service cost	**¥ 780**	¥ 713	**$ 8,211**
Interest cost	**309**	339	**3,253**
Expected return on plan assets	**(111)**	(95)	**(1,168)**
Amortization of net retirement benefit obligation at transition	**28**	28	**295**
Amortization of actuarial loss	**1,119**	1,001	**11,778**
Amortization of prior service cost	**132**	132	**1,389**
Retirement benefit expenses	**2,257**	2,118	**23,758**
Employees' contributions to the defined benefit pension plans	**8**	3	**84**
Total	**¥ 2,265**	¥ 2,121	**$ 23,842**

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

	2013	2012
Discount rates	**mainly 1.6%**	mainly 1.8%
Expected return on plan assets	**mainly 2.0%**	mainly 2.0%

14. Income Taxes

The reconciliation for the year ended March 31, 2013 was summarized as follows:

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

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.

Deferred tax assets and liabilities as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Deferred tax assets:			
Accrued employees' retirement benefits	**¥ 5,829**	¥ 5,660	**$ 61,358**
Impairment loss on property, plant and equipment	**2,426**	2,772	**25,537**
Investment securities	**3,317**	3,837	**34,916**
Net operating loss carryforwards	**14,106**	15,887	**148,484**
Land	**2,175**	2,198	**22,895**
Other	**1,372**	1,193	**14,442**
Total gross deferred tax assets	**29,225**	31,547	**307,632**
Valuation allowance	**(21,069)**	(21,437)	**(221,779)**
Total deferred tax assets	**8,156**	10,110	**85,853**
Deferred tax liabilities:			
Statutory reserves provided for tax purposes	**(1,117)**	(1,294)	**(11,758)**
Gain from establishment of trust for retirement benefit plans	**(3,729)**	(3,790)	**(39,253)**
Land	**(8,158)**	(9,172)	**(85,874)**
Unrealized holding gain (loss) on securities	**(1,079)**	(108)	**(11,358)**
Capitalized interest of a foreign subsidiary	**(777)**	(1,834)	**(8,179)**
Other	**(197)**	(19)	**(2,073)**
Total deferred tax liabilities	**(15,057)**	(16,217)	**(158,495)**
Net deferred tax liabilities	**¥ (6,901)**	¥ (6,107)	**$ (72,642)**
Deferred tax liabilities on surplus on the revaluation of land	**¥ (2,346)**	¥ (2,370)	**$ (24,695)**

15. Contingent Liabilities

Contingent liabilities as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Notes receivable discounted and endorsed	**¥ 456**	¥ 1,812	**$ 4,800**
Loans guaranteed	**2,713**	2,870	**28,558**

16. Write-Down of Inventories

The amounts of write-down of inventories, included in cost of sales for the year ended March 31, 2013, amounted to ¥46 million ($484 thousand). For the year ended March 31, 2012, the Company reversed write-down in the amount of ¥51 million and credited it to cost of sales.

17. Other Income (Expenses)—Other, Net

Other income (expenses)—other, net for the years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Gain on foreign exchange	**¥ 966**	¥ 160	**$ 10,168**
Gain on sales of disused articles	**262**	144	**2,758**
Gain on sales of investment securities	**994**	3	**10,463**
Compensation income	**1,264**	632	**13,305**
Gain on sales of subsidiaries' stocks	**824**	—	**8,674**
Gain on change in equity	**—**	79	**—**
Payments for idle mines	**(541)**	(581)	**(5,695)**
Loss on sales and retirement of noncurrent assets	**(63)**	(136)	**(663)**
Impairment loss	**(331)**	(101)	**(3,484)**
Write-down of investment securities	**(3)**	(3,267)	**(32)**
Loss on sales of investment securities	**—**	(1,027)	**—**
Other, net	**(80)**	(199)	**(841)**
	¥ 3,292	¥ (4,293)	**$ 34,653**

18. Segment Information

The reportable segments are constituent units of the Furukawa Group for which separate financial information is available. The Board of Directors periodically examines these segments for the purpose of deciding the allocations of management resources and evaluating operating performance.

The Company mainly manufactures and sells machinery, smelts on consignment and sells copper and manufactures and sells electronic materials and chemicals.

Under the holdings company structure, each main Group company plans domestic and overseas comprehensive strategies about their products, and the Company manages and supervises them.

The Furukawa Group therefore categorizes segments classified by products based on main Group companies. The 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 environmental machinery, pumps, plants, stone crushers, steel bridges and castings

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

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

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

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

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

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

(h) Real Estate
Lease real estate

(i) Fuels
Purchase and sale perineum such as heavy oil, light oil and gasoline

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

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

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, 2013 and 2012 was as follows:

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

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

Year ended March 31, 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
Amortization of goodwill	—	—	110	—	—	—
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
Amortization of goodwill	1,866	—	—	—	—	1,976
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, 2013	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	**$135,737**	**$245,326**	**$217,379**	**$820,474**	**$ 52,505**	**$ 53,621**
Intersegment	**24,158**	**274**	**1,084**	**4,747**	**84**	**9,432**
Total	**159,895**	**245,600**	**218,463**	**825,221**	**52,589**	**63,053**
Operating income (loss)	**$ 8,200**	**$ (716)**	**$ 23,295**	**$ 2,979**	**$ (2,768)**	**$ 3,200**
Others						
Segment assets	**$185,326**	**$297,832**	**$197,369**	**$294,221**	**$ 77,326**	**$ 169,663**
Depreciation	**3,442**	**6,674**	**4,905**	**2,621**	**3,011**	**2,347**
Amortization of goodwill and negative goodwill	**—**	**(0)**	**200**	**—**	**—**	**—**
Investments in equity-method affiliates	**—**	**—**	**263**	**39,842**	**6,611**	**—**
Increase in tangible fixed assets and intangible fixed assets	**1,821**	**4,463**	**1,726**	**2,189**	**2,400**	**1,232**

Year ended March 31, 2013	Thousands of U.S. dollars					
	Paints	Real Estate	Fuels	Others	Adjustments	Consolidated
Sales and operating income (loss)						
Outside customers	**$158,726**	**$ 11,147**	**$ 39,695**	**$ 7,916**	**$ —**	**$ 1,742,526**
Intersegment	**558**	**1,495**	**1,726**	**14,463**	**(58,021)**	**—**
Total	**159,284**	**12,642**	**41,421**	**22,379**	**(58,021)**	**1,742,526**
Operating income (loss)	**$ 695**	**$ 2,316**	**$ (295)**	**$ (663)**	**$ (843)**	**$ 35,400**
Others						
Segment assets	**$ —**	**$263,979**	**$ —**	**$ 39,253**	**$433,726**	**$ 1,958,695**
Depreciation	**3,326**	**2,084**	**32**	**916**	**21**	**29,379**
Amortization of goodwill and negative goodwill	**1,621**	**—**	**—**	**—**	**—**	**1,821**
Investments in equity-method affiliates	**—**	**—**	**—**	**3,379**	**—**	**50,095**
Increase in tangible fixed assets and intangible fixed assets	**2,232**	**9,000**	**11**	**284**	**516**	**25,874**

(Related information)

Years ended March 31, 2013 and 2012

1. Information regarding products and services

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

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

Year ended March 31, 2013	Thousands of U.S. dollars		
	Copper	Others	Total
Sales for outside customers	**$ 677,516**	**$ 1,065,010**	**$1,742,526**

2. Geographic segment information

(1) Net sales

Year ended March 31, 2013

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

Year ended March 31, 2012

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

Year ended March 31, 2013

Thousands of U.S. dollars			
Japan	Asia	Others	Total
$ 1,401,589	**$ 218,947**	**$ 121,990**	**$ 1,742,526**

(2) Property, plant and equipment

The geographic segment information for the years ended March 31, 2013 and 2012 has not been presented, because the total assets in Japan exceed 90% of consolidated totals.

3. Information regarding main customers

Year ended March 31, 2013

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

Year ended March 31, 2012

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

Year ended March 31, 2013

	Thousands of U.S. dollars	
Name of customer	Sales volume	Related segment
Furukawa Electric Co., Ltd.	**$251,158**	**Metals**

4. Impairment loss on property, plant and equipment

	Millions of yen											
Year ended March 31, 2013	Industrial Machinery	Construction and Mining Machinery (Rock Drills)	UNIC Machinery	Metals	Electronic Materials	Chemicals	Paints	Real Estate	Fuels	Others	Adjustments	Consolidated
Impairment loss on property, plant and equipment	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**¥ 52**	**¥ 170**	**¥ 109**	**—**	**¥ 331**
Year ended March 31, 2012						Millions of yen						
Impairment loss on property, plant and equipment	—	—	—	—	—	—	—	¥ 13	¥ 1	—	¥ 87	¥ 101
Year ended March 31, 2013						Thousands of U.S. dollars						
Impairment loss on property, plant and equipment	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**$ 547**	**$ 1,790**	**$ 1,147**	**—**	**$ 3,484**

5. Amortization of goodwill and unamortized goodwill in reporting segments

Year ended March 31, 2013	Industrial Machinery	Construction and Mining Machinery (Rock Drills)	UNIC Machinery	Metals	Electronic Materials	Chemicals	Paints	Real Estate	Fuels	Others	Adjustments	Consolidated
	Millions of yen											
Balance as of March 31, 2013	**—**	**—**	**¥ 65**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**¥ 65**
Year ended March 31, 2012	Millions of yen											
Balance as of March 31, 2012	—	—	¥ 19	—	—	—	¥ 418	—	—	—	—	¥ 437
Year ended March 31, 2013	Thousands of U.S. dollars											
Balance as of March 31, 2013	**—**	**—**	**$ 684**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**$ 684**

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

19. Investment and Rental Properties

The Company and certain consolidated subsidiaries own office buildings for lease mainly in Tokyo and other areas. For the year ended March 31, 2013, rental income was ¥383 million ($4,032 thousand), gain on sales of rental properties was ¥6 million ($63 thousand), loss on disposal was ¥40 million ($421 thousand) and impairment loss on rental properties was ¥164 million ($1,726 thousand).

For the year ended March 31, 2012, rental income was ¥565 million, loss on disposal and sales of rental properties were ¥96 million and impairment loss on rental properties was ¥101 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, 2013 and 2012 are as follows:

Year ended March 31, 2013

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

Year ended March 31, 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, 2013

Carrying value			Fair value
As of March 31, 2012	Net change	As of March 31, 2013	As of March 31, 2013
	Thousands of U.S. dollars		
$ 301,242	**$ (5,674)**	**$ 295,568**	**$ 286,968**

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, 2013 mainly consists of increases related to a decrease in the property of the consolidated subsidiary having been excluded from the consolidated balance sheet along with the sales of consolidated subsidiaries' stocks in the amount of ¥232 million ($2,442 thousand), amortization in the amount of ¥178 million ($1,874 thousand) and impairment loss on rental properties in the amount of ¥164 million ($1,726 thousand). 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 and decreases mainly due to sales of real estate in the amount of ¥240, amortization in the amount of ¥204 million and decrease in rental area in the amount of ¥168 million.
3. The fair value is mainly estimated in accordance with appraisal standards for valuing real estate.

20. Subsequent Event

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements, were approved at a shareholders' meeting held on June 27, 2013:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥2.00 = $0.021 per share)	¥ 809	$ 8,516
Transfer to legal reserve	81	853
	¥ 890	$ 9,369

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, 2013, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Furukawa Co., Ltd. and consolidated subsidiaries at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 27, 2013

Tokyo, Japan

Corporate Data
(As of March 31, 2013)

● Directors and Auditors
(As of June 27, 2013)

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

● Executive Officers
(As of June 27, 2013)

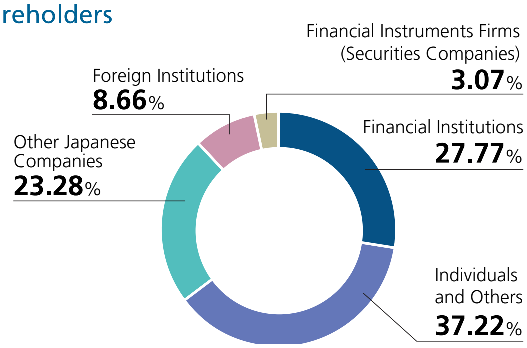
Senior Managing Executive Officer	Manabu Zama
Managing Executive Officer	Susumu Nakamura
Managing Executive Officer	Toshio Matsumoto
Senior Executive Officer	Akinori Ota
Senior Executive Officer	Minoru Iwata
Senior Executive Officer	Kenji Ichimura
Senior Executive Officer	Osamu Watanabe
Senior Executive Officer	Saburou Saruhashi
Executive Officer	Yasufumi Watanabe
Executive Officer	Shigeo Matsudo
Executive Officer	Kiyohito Mitsumura
Executive Officer	Naoki Kato
Executive Officer	Kiyohiko Ikebe
Executive Officer	Yoshinari Kuno

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	2,342
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
The Master Trust Bank of Japan, Ltd. (trust account)	14,600	3.60
Sompo Japan Insurance Inc.	12,429	3.07
Japan Trustee Services Bank, Ltd. (trust account)	11,961	2.95
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 includesforward-looking statements that are not historical facts. Such statements reflect expectations, estimates, forecasts, projections, and plans based on information currently available to the Company and are subject to various risks, uncertainties, and assumptions. These changing factors may cause actual results to differ materially from those projected.

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

Corporate History

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

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

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

1914 Manufactured the first rock drill in Japan.

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

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

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

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

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

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

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

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

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

1990 Bought an American breaker sales and manufacturing company.


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


The first domestic rock drill was developed at Ashio.


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


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


The Furukawa / Outkumpu flash smelting plant.


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


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

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

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

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.

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.

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

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

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

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

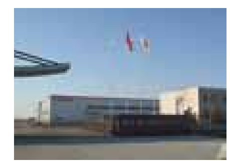
2012 Established a sales company of rock drill products, Furukawa Rock Drill Latin America S.A., in Panama.

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

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


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


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


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


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


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

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