# CONSOLIDATED FINANCIAL STATEMENTS
# FURUKAWA ELECTRIC CO., LTD. AND ITS SUBSIDIARIES
## March 31, 2014 and 2013

# CONSOLIDATED BALANCE SHEETS
# FURUKAWA ELECTRIC CO., LTD. AND ITS SUBSIDIARIES
## At March 31, 2014 and 2013

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and bank deposits (Note 4) | ¥ 26,719 | ¥ 31,293 | $ 261,951 |
| Marketable securities (Note 5) | 21 | 17 | 206 |
| Trade receivable | 199,287 | 222,431 | 1,953,794 |
| Inventories (Note 6) | 93,668 | 104,249 | 918,313 |
| Deferred income taxes (Note 16) | 5,025 | 6,312 | 49,265 |
| Other current assets | 36,690 | 29,562 | 359,706 |
| Allowance for doubtful accounts | (1,400) | (1,220) | (13,725) |
| Total current assets | 360,010 | 392,644 | 3,529,510 |
| Non-current assets: | | | |
| Investments and long-term loans (Notes 5, 7 and 9) | 136,159 | 117,709 | 1,334,893 |
| Property, plant and equipment, net of accumulated depreciation (Notes 8, 9 and 15) | 191,069 | 280,087 | 1,873,225 |
| Deferred income taxes (Note 16) | 3,530 | 5,895 | 34,608 |
| Asset for retirement benefits | 3,472 | - | 34,049 |
| Other assets | 22,050 | 25,811 | 216,166 |
| Allowance for doubtful accounts | (1,445) | (2,444) | (14,167) |
| Total non-current assets | 354,835 | 427,058 | 3,478,774 |
| Total | ¥ 714,845 | ¥ 819,702 | $ 7,008,284 |

| | Millions of yen 2014 | Millions of yen 2013 | Thousands of U.S. dollars (Note 3) 2014 |
|---|---|---|---|
| LIABILITIES AND NET ASSETS | | | |
| Current liabilities: | | | |
| Short-term debt (Note 9) | ¥ 119,913 | ¥ 125,050 | $ 1,175,618 |
| Current portion of bonds (Note 9) | 100 | 2,333 | 980 |
| Trade payable | 104,377 | 133,125 | 1,023,304 |
| Customers' advances | 2,907 | 3,161 | 28,500 |
| Accrued income taxes | 1,654 | 2,847 | 16,216 |
| Deferred income taxes (Note 16) | 65 | 42 | 637 |
| Provision for product defect compensation(Note 2h) | 1,100 | 1,397 | 10,784 |
| Provision for loss on disaster(Note 2j) | 1,210 | 144 | 11,863 |
| Other current liabilities | 62,543 | 59,769 | 613,167 |
| Total current liabilities | 293,869 | 327,868 | 2,881,069 |
| Long-term liabilities : | | | |
| Bonds(Note 9) | 40,000 | 30,284 | 392,157 |
| Long-term debt (Note 9) | 117,842 | 162,831 | 1,155,314 |
| Liability for retirement benfits(Notes 2s and 10) | 42,526 | - | 416,922 |
| Accrued retirement benefits | - | 52,294 | - |
| Provision for environmental costs (Note 2i) | 11,768 | 12,048 | 115,372 |
| Asset retirement obligation | 566 | 1,214 | 5,549 |
| Deferred income taxes (Note 16) | 1,270 | 1,307 | 12,451 |
| Other long-term liabilities | 7,270 | 9,012 | 71,274 |
| Total long-term liabilities | 221,242 | 268,990 | 2,169,039 |
| Contingent liabilities (Note 12) | | | |
| Net assets | | | |
| Shareholders' equity (Note 11) | | | |
| Common stock | | | |
| Authorized shares, 2,500,000 thousand in 2014 and 2013 | | | |
| Issued shares, 706,669 thousand in 2014 and 2013 | 69,395 | 69,395 | 680,343 |
| Capital surplus | 21,468 | 21,468 | 210,470 |
| Retained earnings | 79,219 | 76,125 | 776,657 |
| Common treasury stock, at cost 604 thousand in 2014 596 thousand in 2013 | (277) | (275) | (2,716) |
| Total shareholders' equity | 169,805 | 166,713 | 1,664,754 |
| Accumulated other comprehensive income | | | |
| Unrealized gain on available-for-sale securities (Note 5) | 19,095 | 18,160 | 187,206 |
| Deferred (loss) gain on derivatives under hedge accounting (Note 2c) | (298) | 419 | (2,921) |
| Adjustments for retirement benefits of an overseas subsidiary | - | (4,206) | - |
| Adjustments for retirement benefits | (5,556) | - | (54,471) |
| Foreign currency translation adjustments | (5,809) | (15,346) | (56,951) |
| Total accumulated other comprehensive income | 7,432 | (973) | 72,863 |
| Minority interests | 22,497 | 57,104 | 220,559 |
| Total net assets | 199,734 | 222,844 | 1,958,176 |
| Total | ¥ 714,845 | ¥ 819,702 | $ 7,008,284 |

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF INCOME
## FURUKAWA ELECTRIC CO., LTD. AND ITS SUBSIDIARIES
For the years ended March 31, 2014 and 2013

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Net sales | ¥ 931,782 | ¥ 924,717 | $ 9,135,118 |
| Cost of sales (Note 14) | 790,542 | 786,826 | 7,750,412 |
| Gross profit | 141,240 | 137,891 | 1,384,706 |
| Selling, general and administrative expenses (Note 14) | 115,783 | 120,128 | 1,135,127 |
| Operating income | 25,457 | 17,763 | 249,579 |
| Other income (expenses): | | | |
| Interest and dividend income | 2,571 | 2,139 | 25,206 |
| Interest expense | (4,551) | (5,067) | (44,618) |
| Foreign exchange income, net | 2,033 | 2,678 | 19,931 |
| Equity in (loss) income of non-consolidated subsidiaries and affiliates | (826) | 112 | (8,098) |
| Gain on sales of investment securities (Note 5) | 4,949 | 3 | 48,520 |
| Gain on collection of write-down receivables | 1,020 | - | 10,000 |
| Gain on disposal of property, plant and equipment | 521 | 166 | 5,108 |
| Loss on disposal of property, plant and equipment | (1,102) | (839) | (10,804) |
| Impairment loss (Notes 2r and 15) | (6,805) | (2,582) | (66,716) |
| Gain on contribution of asset to retirement benefit trust | 3,014 | - | 29,549 |
| Business restructuring costs | (2,958) | (1,709) | (29,000) |
| Cartel-related costs | (2,449) | (1,099) | (24,010) |
| Loss on disaster | (1,844) | - | (18,078) |
| Other, net | (1,727) | 1,266 | (16,932) |
| | (8,154) | (4,932) | (79,942) |
| Income before income taxes and minority interests | 17,303 | 12,831 | 169,637 |
| Income taxes (Note 16) : | | | |
| Current | 6,229 | 4,823 | 61,069 |
| Deferred | 2,809 | 2,217 | 27,539 |
| | 9,038 | 7,040 | 88,608 |
| Net income before minority interests | 8,265 | 5,791 | 81,029 |
| Minority interests in earning of consolidated subsidiaries | 2,656 | 2,214 | 26,039 |
| Net income | ¥ 5,609 | ¥ 3,577 | $ 54,990 |

| | Yen | | U.S. dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Per common share (Notes 2p and q) | | | |
| Basic net income | ¥ 7.94 | ¥ 5.07 | $ 0.08 |
| Diluted net income | - | - | - |
| Cash dividends | ¥ 3.00 | ¥ 3.00 | $ 0.03 |

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHEMSIVE INCOME

FURUKAWA ELECTRIC CO., LTD. AND
ITS SUBSIDIARIES

For the years ended March 31, 2014 and 2013

| | | Millions of yen | | | | Thousands of U.S. dollars (Note 3) |
|---|---|---|---|---|---|---|
| | | 2014 | | 2013 | | 2014 |
| Net income before minority interests | ¥ | 8,265 | ¥ | 5,791 | $ | 81,029 |
| Other comprehensive income | | | | | | |
| Unrealized gain or loss on available-for-sale securities | | 1,049 | | 6,702 | | 10,284 |
| Deferred gain or loss on derivatives under hedge accounting | | (534) | | (151) | | (5,235) |
| Adjustments for retirement benefits of an overseas subsidiary | | - | | (141) | | - |
| Adjustments for retirement benefits (Notes 2s and 10) | | 336 | | - | | 3,294 |
| Foreign currency translation adjustments | | 7,128 | | 11,288 | | 69,882 |
| Share of other comprehensive income of affiliates accounted for by the equity method | | 3,316 | | 2,138 | | 32,510 |
| Total other comprehensive income (Note 17) | | 11,295 | | 19,836 | | 110,735 |
| Comprehensive income (Note 17) | ¥ | 19,560 | ¥ | 25,627 | $ | 191,764 |
| Attributable to : | | | | | | |
| Shareholders of the parent company | ¥ | 15,126 | ¥ | 21,001 | $ | 148,294 |
| Minority interests | ¥ | 4,434 | ¥ | 4,626 | $ | 43,470 |

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
# FURUKAWA ELECTRIC CO., LTD. AND ITS SUBSIDIARIES

(For the years ended March 31, 2014)

Millions of yen

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Common treasury stock | Total Shareholders' equity |
| Balance at April 1, 2013 | ¥ 69,395 | ¥ 21,468 | ¥ 76,125 | ¥ (275) | ¥ 166,713 |
| Cash dividends paid | - | - | (2,119) | - | (2,119) |
| Net income | - | - | 5,609 | - | 5,609 |
| Net effect of increase in consolidated subsidiaries | - | - | (353) | - | (353) |
| Net effect of decrease in affiliates accounted for by the equity method | - | - | (43) | - | (43) |
| Acquisition of treasury stock | - | - | - | (2) | (2) |
| Disposal of treasury stock | - | - | - | - | - |
| Net change during the year | - | - | - | - | - |
| Balance at March 31, 2014 | ¥ 69,395 | ¥ 21,468 | ¥ 79,219 | ¥ (277) | ¥ 169,805 |

Millions of yen

| | Accumulated other comprehensive income | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Unrealized gain on available-for-sale securities | Deferred gain on derivatives under hedge accounting | Adjustments for retirement benefits of an overseas subsidiary | Adjustment for retirement benefits (Note 10) | Foreign currency translation adjustments | Total accumulated other comprehensive income | Minority interests | Total net assets |
| Balance at April 1, 2013 | ¥ 18,160 | ¥ 419 | ¥ (4,206) | ¥ - | ¥ (15,346) | ¥ (973) | ¥ 57,104 | ¥ 222,844 |
| Cash dividends paid | - | - | - | - | - | - | - | (2,119) |
| Net income | - | - | - | - | - | - | - | 5,609 |
| Net effect of increase in consolidated subsidiaries | - | - | - | - | - | - | - | (353) |
| Net effect of decrease in affiliates accounted for by the equity method | - | - | - | - | - | - | - | (43) |
| Acquisition of treasury stock | - | - | - | - | - | - | - | (2) |
| Disposal of treasury stock | - | - | - | - | - | - | - | - |
| Net change during the year | 935 | (717) | 4,206 | (5,556) | 9,537 | 8,405 | (34,607) | (26,202) |
| Balance at March 31, 2014 | ¥ 19,095 | ¥ (298) | ¥ - | ¥ (5,556) | ¥ (5,809) | ¥ 7,432 | ¥ 22,497 | ¥ 199,734 |

Thousands of U.S. dollars (Note 3)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital capital | Retained earnings | Common treasury stock | Total Shareholders' equity |
| Balance at April 1, 2013 | $ 680,343 | $ 210,470 | $ 746,324 | $ (2,696) | $ 1,634,441 |
| Cash dividends paid | - | - | (20,775) | - | (20,775) |
| Net income | - | - | 54,990 | - | 54,990 |
| Net effect of increase in consolidated subsidiaries | - | - | (3,461) | - | (3,461) |
| Net effect of decrease in affiliates accounted for by the equity method | - | - | (421) | - | (421) |
| Acquisition of treasury stock | - | - | - | (20) | (20) |
| Disposal of treasury stock | - | - | - | - | - |
| Net change during the year | - | - | - | - | - |
| Balance at March 31, 2014 | $ 680,343 | $ 210,470 | $ 776,657 | $ (2,716) | $ 1,664,754 |

Thousands of U.S. dollars (Note 3)

| | Accumulated other comprehensive income | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Unrealized gain on available-for-sale securities | Deferred gain on derivatives under hedge accounting | Adjustments for retirement benefits of an overseas subsidiary | Adjustment for retirement benefits (Note 10) | Foreign currency translation adjustments | Total accumulated other comprehensive income | Minority interests | Total net assets |
| Balance at April 1, 2013 | $ 178,039 | $ 4,108 | $ (41,235) | $ - | $ (150,451) | $ (9,539) | $ 559,843 | $ 2,184,745 |
| Cash dividends paid | - | - | - | - | - | - | - | (20,775) |
| Net income | - | - | - | - | - | - | - | 54,990 |
| Net effect of increase in consolidated subsidiaries | - | - | - | - | - | - | - | (3,461) |
| Net effect of decrease in affiliates accounted for by the equity method | - | - | - | - | - | - | - | (421) |
| Acquisition of treasury stock | - | - | - | - | - | - | - | (20) |
| Disposal of treasury stock | - | - | - | - | - | - | - | - |
| Net change during the year | 9,167 | (7,029) | 41,235 | (54,471) | 93,500 | 82,402 | (339,284) | (256,882) |
| Balance at March 31, 2014 | $ 187,206 | $ (2,921) | $ - | $ (54,471) | $ (56,951) | $ 72,863 | $ 220,559 | $ 1,958,176 |

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
# FURUKAWA ELECTRIC CO., LTD. AND ITS SUBSIDIARIES

(For the years ended March 31, 2013)

| | Millions of yen | | | | |
|---|---|---|---|---|---|
| | Shareholders' equity | | | | |
| | Common stock | Capital surplus | Retained earnings | Common treasury stock | Total Shareholders' equity |
| Balance at April 1, 2012 | ¥ 69,395 | ¥ 21,468 | ¥ 72,482 | ¥ (274) | ¥ 163,071 |
| Net income | - | - | 3,577 | - | 3,577 |
| Net effect of increase in consolidated subsidiaries | - | - | 106 | - | 106 |
| Net effect of decrease in affiliates accounted for by the equity method | - | - | (40) | - | (40) |
| Acquisition of treasury stock | - | - | - | (1) | (1) |
| Disposal of treasury stock | - | (0) | - | 0 | 0 |
| Net change during the year | - | - | - | - | - |
| Balance at March 31, 2013 | ¥ 69,395 | ¥ 21,468 | ¥ 76,125 | ¥ (275) | ¥ 166,713 |

| | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | Accumulated other comprehensive income | | | | | | |
| | Unrealized gain on available-for-sale securities | Deferred gain on derivatives under hedge accounting | Adjustments for retirement benefits of an overseas subsidiary | Foreign currency translation adjustments | Total accumulated other comprehensive income | Minority interests | Total net assets |
| Balance at April 1, 2012 | ¥ 11,548 | ¥ 590 | ¥ (4,057) | ¥ (26,457) | ¥ (18,376) | ¥ 52,874 | ¥ 197,569 |
| Net income | - | - | - | - | - | - | 3,577 |
| Net effect of increase in consolidated subsidiaries | - | - | - | - | - | - | 106 |
| Net effect of decrease in affiliates accounted for by the equity method | - | - | - | - | - | - | (40) |
| Acquisition of treasury stock | - | - | - | - | - | - | (1) |
| Disposal of treasury stock | - | - | - | - | - | - | 0 |
| Net change during the year | 6,612 | (171) | (149) | 11,111 | 17,403 | 4,230 | 21,633 |
| Balance at March 31, 2013 | ¥ 18,160 | ¥ 419 | ¥ (4,206) | ¥ (15,346) | ¥ (973) | ¥ 57,104 | ¥ 222,844 |

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS
## FURUKAWA ELECTRIC CO., LTD. AND ITS SUBSIDIARIES

For the years ended March 31, 2014 and 2013

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Cash flows from operating activities: | | | |
| Income before income taxes and minority interests | ¥ 17,303 | ¥ 12,831 | $ 169,637 |
| Adjustments for: | | | |
| Depreciation and amortization | 28,107 | 35,347 | 275,559 |
| Gain or loss on sales of marketable securities and investment securities, net | (4,900) | 4 | (48,039) |
| Equity in loss (income) of non-consolidated subsidiaries and affiliates | 826 | (112) | 8,098 |
| Gain or loss on disposal of property, plant and equipment, net | 581 | 672 | 5,696 |
| Loss on write-down of inventories | 1,447 | 1,770 | 14,186 |
| Loss on write-down of investment securities | 2 | 170 | 20 |
| Impairment loss | 6,805 | 2,582 | 66,716 |
| Interest and dividend income | (2,571) | (2,139) | (25,206) |
| Interest expense | 4,551 | 5,067 | 44,618 |
| Foreign exchange income, net | (264) | (432) | (2,588) |
| Decrease in liability for retirement benefits | (2,607) | - | (25,559) |
| (Increase) decrease in trade receivable | (13,699) | 9,023 | (134,304) |
| Increase in inventories | (13,101) | (6,284) | (128,441) |
| (Decrease) increase in trade payable | (2,592) | 5,003 | (25,412) |
| Decrease in accrued retirement benefits | - | (5,567) | - |
| Decrease in provision for environmental costs | (109) | (92) | (1,069) |
| Increase (decrease) in provision for loss on disaster | 1,066 | (117) | 10,451 |
| Other, net | 8,419 | 2,385 | 82,539 |
| Subtotal | 29,264 | 60,111 | 286,902 |
| Interest and dividend income received | 3,384 | 2,706 | 33,176 |
| Interest expense paid | (9,194) | (2,657) | (90,137) |
| Income taxes paid | (4,541) | (5,212) | (44,520) |
| Net cash provided by operating activities | 18,913 | 54,948 | 185,421 |
| Cash flows from investing activities: | | | |
| Proceeds from sales of marketable securities | - | 100 | - |
| Purchase of property, plant and equipment | (39,365) | (45,754) | (385,931) |
| Purchase of intangible assets | (964) | (2,202) | (9,451) |
| Purchase of investment securities | (3,286) | (4,740) | (32,216) |
| Proceeds from sales of investment securities | 7,228 | 306 | 70,863 |
| Proceeds from sales of non-current assets | 2,375 | 508 | 23,284 |
| (Increase) decrease in short-term loan, net | (5,175) | 4,685 | (50,735) |
| (Increase) decrease in time deposit, net | (437) | 2,504 | (4,284) |
| Other | (666) | (347) | (6,529) |
| Net cash used in investing activities | (40,290) | (44,940) | (394,999) |

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Cash flows from financing activities: | | | |
| Increase (decrease) in short-term debt, net | 4,116 | (12,145) | 40,353 |
| Proceeds from long-term debt | 46,475 | 52,298 | 455,637 |
| Repayment of long-term debt | (29,236) | (45,177) | (286,627) |
| Proceeds from issuance of bonds | 10,070 | 10,070 | 98,725 |
| Repayment of redemption of bonds | (2,296) | (16,562) | (22,510) |
| Proceeds from minority shareholders | 189 | 517 | 1,853 |
| Cash dividends paid | (2,121) | (22) | (20,794) |
| Cash dividends paid to minority shareholders | (883) | (1,257) | (8,657) |
| Payments for purchase of common treasury stock | (1) | (1) | (10) |
| Proceeds from sales and leaseback of property, plant and equipment | 4,672 | 1,507 | 45,804 |
| Other | (1,068) | (630) | (10,471) |
| Net cash provided (used) in financing activities | 29,917 | (11,402) | 293,303 |
| Effect of exchange rate changes on cash and cash equivalents | 591 | 1,671 | 5,794 |
| Net increase in cash and cash equivalents | 9,131 | 277 | 89,519 |
| Cash and cash equivalents at beginning of year | 30,477 | 30,084 | 298,794 |
| Cash and cash equivalents of newly consolidated subsidiaries | 135 | 110 | 1,324 |
| Cash and cash equivalents of de-consolidated subsidiaries | (14,423) | - | (141,402) |
| Net increase in cash and cash equivalents from mergers | - | 6 | - |
| Cash and cash equivalents at end of year (Note 4) | ¥ 25,320 | ¥ 30,477 | $ 248,235 |

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FURUKAWA ELECTRIC CO., LTD. AND
ITS SUBSIDIARIES

## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Furukawa Electric Co., Ltd. (the "Company") and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards (hereinafter "IFRSs"), and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The accompanying consolidated financial statements include the accounts of the Company and significant companies controlled by directly or indirectly by the Company (collectively the "Group").
Companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method.

The Company applies the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ Practical issues task Force (PITF) No.18) and the Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for using Equity Method (PITF No.24).

In accordance with these PITF, the accompanying consolidated financial statements have been prepared based on the financial statements of foreign consolidated subsidiaries and affiliates prepared in accordance with either IFRSs or accounting principles generally accepted in the United States of America as adjusted for certain items including goodwill, actuarial differences and capitalized development costs.

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year presentations.

## 2. Significant Accounting Policies

a) Basis of consolidation

1) The consolidated financial statements include the accounts of the Company and its 101 major subsidiaries in 2014. All significant intercompany accounts and transactions have been eliminated in consolidation.

Investments in its 15 major affiliates in 2014 are accounted for by the equity method.

Differences between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in companies which are accounted for by the equity method (goodwill) are amortized by the straight-line method over periods, when such a goodwill would be effective, not exceeding 20 years. However, immaterial amounts of goodwill are charged to expense in the year of acquisition.

2) Fiscal year-end of the consolidated subsidiaries

There are 27 subsidiaries' fiscal year-ends differ from that of the Company due to local statutory requirements. Those 27 subsidiaries' fiscal year end is December 31 and the Company makes necessary adjustments if there are any significant transactions. There have been no significant transactions, which would materially affect the Company's financial position and results of operations, with such subsidiaries during the period from their closing dates to March 31.

The financial statements of P.T. Tembaga Mulia Semanan, Tbk, whose statutory financial year end was December 31, has been consolidated by using their financial statements as of the parent fiscal year end which are prepared solely for consolidation purpose to further enhance appropriate disclosure of consolidated financial information.

Accordingly, consolidated financial statements have been prepared based on financial statements for the fifteen months fiscal period, from January 1, 2013 to March 31, 2014.

As a result of this change, net sales, operating income, income before income taxes and minority interests and net income increased by ¥15,916 million($156,039 thousand), ¥176 million ($1,725 thousand), ¥358 million ($3,510 thousand), ¥91 million ($892 thousand), respectively, as compared by consolidating the twelve months' financial statements ended December 31, 2014.

b) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits capable of being withdrawn on demand and short-term investments with an original maturity of three months or less and subject to a minor risk of fluctuation in value.

c) Financial instruments

1) Debt and equity securities

Debt securities for which the Company and its consolidated subsidiaries have both the positive intent and ability to hold to maturity are classified as "held-to-maturity debt securities" and carried at amortized cost. Securities other than held-to-maturity debt securities and investments in equity securities of non-consolidated subsidiaries and affiliates are classified as "available-for-sale securities" and carried at fair value with unrealized gain and loss, net of tax, reported as a separate component of net assets. For the purpose of computing gain and loss on securities sold, the cost of these securities is determined using the moving average method. Securities that do not have readily determinable fair values are recorded at cost. The Company and its consolidated subsidiaries do not hold any trading securities.

Debt securities due within one year are presented as "Marketable securities" under current assets, and all other securities are presented as "Investments and long-term loans" in the accompanying balance sheets.

Additional information with respect to marketable debt and equity securities is included in Note 5.

2) Derivatives

Derivative financial instruments are measured at fair value, if determinable, and resulting gain or loss is included in net income, with the exception that gain or loss on certain qualified hedging instruments may be deferred as an a part of "Net assets" until the gain and loss on the hedged items is recognized. The Company's hedging activities for interest rate risk on outstanding debt, foreign currency risk and fluctuation risk in market prices are considered qualified hedge transactions.

Additional information on derivatives is presented in Note 19.

d) Allowance for doubtful accounts

Allowance for doubtful accounts is provided at the amount of estimated non-recoverable receivables on an individual account basis, plus the amount calculated by applying the historical bad debt loss ratios to the remaining receivables.

e) Inventories

Inventories are stated principally at cost determined using the average method, which requires the amount of the inventories on the balance sheets be written down when there is a decrease in profitability.

f) Property, plant and equipment, and depreciation

Property, plant and equipment, including significant capital expenditures and additions, are stated at cost. Repairs and maintenance expense are charged to income as incurred.
Properties are depreciated principally using the straight-line method.

g) Retirement benefits

Employees who terminate their service with the Company or its domestic consolidated subsidiaries are entitled to lump-sum severance indemnities determined based on accumulated points allocated to employees each year according to their job classification and performance. The liability for these severance indemnities is not funded.

The retirement benefit plans of the Company and its domestic consolidated subsidiaries have features whereby employees who retire at age 55 or over with 20 or more years of service may elect to receive benefits in the form of pensions. These plans, which are non-contributory and funded, generally provide for an annuity payable over a ten-year period subsequent to retirement. The annual contributions for pension

benefits include current service costs, amortization of prior service costs and interest on the unfunded portion of past service costs.
The Company and its domestic consolidated subsidiaries recognize retirement benefits based on the estimated amounts of projected benefit obligation reduced by the fair value of the pension plan assets at each fiscal year-end.

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

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (mainly 1 year through 15 years), which are shorter than the average remaining years of service of the employees.

Prior service cost is being amortized as incurred by the straight-line method over periods (mainly 1 year through 15 years), which are shorter than the average remaining years of service of the employees.

A minimum pension liability adjustment is required for the Company's consolidated subsidiaries in the U.S., generally when the accumulated benefit obligation exceeds plan assets under U.S. GAAP. The minimum liability adjustment, less allowable intangible assets, is directly charged to retained earnings, net of tax benefit, in the accompanying consolidated financial statements.

In addition, retirement benefits to directors and statutory auditors of the Company's consolidated subsidiaries are provided at the amount which would be required if all directors and statutory auditors were to retire at the balance sheet date according to internal regulations.

h) Provision for product defect compensation

Provision for product defect compensation is provided at an amount deemed necessary to cover possible compensation costs.

i) Provision for environmental costs

Provision for environmental costs, mainly to remove Poly Chlorinated Biphenyl ("PCB") and to improve soil conservation, is provided to cover estimated future costs.

j) Provision for loss on disaster

Provision for loss on disaster is provided to cover estimated future costs in order to undertake the restoration of damaged assets due to disaster.

k) Leases

Depreciation of finance lease assets that transfer ownership of the assets, mainly office equipment in the copper foil business division, is calculated by the same method applied for property, plant and equipment.
Depreciation of finance lease assets, which do not transfer ownership of the assets at the end of the lease term, is calculated by the straight-line method over the lease periods, which are deemed as the useful lives, assuming no residual value.
However, finance lease transactions entered before March 31, 2008, which do not substantially transfer ownership of the assets, are continuously accounted for as operating leases.

l) Revenue recognition

Operating revenue is mainly recorded upon shipment of goods.

Revenue is recognized by the percentage-of-completion method for construction contracts of which the outcome of the progress performed by the end of the year is deemed to be certain. The construction progress is estimated based on the percentage of construction costs incurred for the work performed to date compared to the estimated total construction costs ("cost-comparison method"). For other construction contracts, such revenue is recognized by the completed-construction method.

m) Research and development costs, and computer software

Research and development expenditure is charged to income when incurred. Expenditure relating to computer software developed for internal use is charged to income when incurred, except when it contributes to the generation of income or to future cost savings. Such expenditure is capitalized as an asset and amortized using the straight-line method over its estimated useful life of 5 years.

n) Income taxes

Accrued income taxes are recorded based on the Company's income tax returns.

Deferred income taxes are recognized to reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and measured using the enacted tax rates and laws which will be in effect when differences are expected to reverse.

The Company has elected to file its tax return under the consolidated tax filing system.

o) Translation of foreign currency accounts

Current and non-current monetary items denominated in foreign currencies are translated into Japanese yen at exchange rates in effect at the respective balance sheet dates. Monetary items denominated in foreign currencies, for which foreign exchange forward contracts are used to hedge the foreign currency fluctuation, are translated into Japanese yen at the contracted rates. Exchange gain or loss is credited or charged to current operations.

The Company translates the revenue and expense accounts of the overseas consolidated subsidiaries and affiliates accounted for by the equity method at the average rates of exchange in effect during the year. The balance sheet accounts except for the components of net assets excluding minority interests in the overseas consolidated subsidiaries and affiliates accounted for by the equity method, are translated into Japanese yen at the rates of exchange in effect at the respective balance sheet date. The components of net assets excluding minority interests in the overseas consolidated subsidiaries and affiliates accounted for by the equity method are translated at their historical exchange rates. Differences arising from translation where two exchange rates have been used are presented under translation adjustments as a component of net assets.

p) Cash dividends

Dividends paid out of earnings are, in principle, approved by the shareholders' meeting. Interim dividends can be paid at any time during the fiscal year by resolution of the board of directors, if the Article of Incorporation set out for such dividends under the Corporate Law of Japan.

The Corporate Law of Japan provides certain limitations on the amount available for dividends.

q) Net income per common share

The consolidated statements of operations include "basic" and "diluted" per share information. Basic per share income is calculated by dividing net income by the weighted average number of shares of common stock outstanding during the respective years. The weighted average number of shares used in the calculation of basic net income per common share was 706,068 thousand and 706,075 thousand for the years ended March 31, 2014 and 2013, respectively. Diluted net income per share has not been presented for the years ended March 31, 2014 and 2013, since the Company has issued no dilutive potential shares.

r) Impairment of property, plant and equipment

Property, plant and equipment are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the statements of income by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount, to be measured as the higher of net selling price or value in use. Accumulated loss of impairment is deducted directly from the acquisition costs of the related assets in accordance with the revised disclosure requirements.

Additional information on impairment of property, plant and equipment, and depreciation is presented in Note 15.

s) Accounting Change

1) Change in accounting policy which is difficult to distinct from change in accounting estimate
On depreciation method of property, plant and equipment, the Company and certain domestic consolidated subsidiaries mainly adopted the declining-balance method for property, plant and equipment other than buildings and overseas consolidated subsidiaries mainly adopted the straight-line method so far. The Company and the domestic consolidated subsidiaries, however, have changed the depreciation method to the straight-line method from this fiscal year.

The Group planned in the medium-term management plan to increase resources allocated to overseas operation base for expanding business in the overseas market which can expect growth, its policy was made clear, to shift to investments for maintenance and updates corresponding to mature market environment in the domestic market. After this, as a result of investigating the operation status of its assets, which are mainly domestic production facility owned by the Company and the certain domestic consolidated subsidiaries, long-term and stable operation status of those assets were expected afterwards. Therefore, it was judged that depreciation using by the straight-line method provides reasonable cost allocation reflecting such an operation status of those assets.

As a result of this change, operating income and income before income taxes increased by ¥2,019 million ($19,794 thousand) each, compared with previous method had been applied.

2) The Company adopted "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26 of May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25 of May 17, 2012) (except for certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance) as of the end of the fiscal year ended March 31, 2014. These accounting standards require entities to apply a revised method for recording the retirement benefit obligation, after deducting pension plan assets, as a liability for retirement benefits. In addition, unrecognized actuarial differences and unrecognized prior service costs are recorded as a Liability for retirement benefits. If the amounts of pension assets exceed the retirement benefit obligation, such exceeded amounts are recorded as an Asset for retirement benefits. Concerning the application of the Accounting Standard for Retirement Benefits, based on the provisional treatment set out in Clause 37 of the standard, the effects of such changes in the current fiscal year have been recorded in "Adjustments for retirement benefits " through accumulated other comprehensive income.
As a result of this change, a Liability for retirement benefits was recognized in the amount of ¥2,385 million ($23,382 thousand) and accumulated other comprehensive income decreased by ¥1,730 million ($16,961 thousand) as of March 31, 2014.

After adopting the Accounting Standard for Retirement Benefits etc., although Adjustments for retirement benefits of an overseas subsidiary had separately been presented in consolidated balance sheets, consolidated statements of comprehensive income and consolidated statements of changes in net assets until last fiscal year, such amounts are included in "Adjustments for retirement benefits" in those statements from this fiscal year.

t) Standards issued but not yet effective

1) Accounting Standard for Business Combinations

On September 13, 2013, the ASBJ issued "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7), "Revised Accounting Standard for Earning Per Share" (ASBJ Statement No.2), "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10), and "Revised Guidance on Accounting Standard for Earning Per Share" (ASBJ Guidance No.4).

(1) Overview

Under these revised accounting standards, the accounting treatment for any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary and the corresponding accounting for acquisition-related costs were revised. In addition, the presentation method of net income was amended, the reference to "Minority interests" was changed to "Non-controlling interests," and transitional provisions for these accounting standards were also defined.

(2) Scheduled date for adoption

Those revised accounting standards and guidance will be adopted from the beginning of the fiscal year ending March, 31, 2016. Transitional accounting treatments will also be applied to business combinations performed from the beginning of the fiscal year ending March 31, 2016.

(3)Impact of adoption of revised accounting standards and related guidance

The Company is currently evaluating the effect of these revisions in preparation of its consolidated financial statements.

2) Accounting Standard for Retirement Benefits

On May 17, 2012, the ASBJ issued "Accounting Standard for Retirement Benefits (ASBJ Statement No.26) and "Guidance on the Accounting Standard for Retirement Benefits (ASBJ Guidance No.25), which replaced the Accounting Standard for Retirement Benefits that had issued by the Business Accounting Council in 1998 with an effective date of April, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

(1) Overview

The standard etc. provide guidance for the accounting for unrecognized actuarial differences and unrecognized prior service costs, the calculation methods of retirement benefit obligation and service costs, and enhancement of disclosures taking into consideration improvements to financial reporting and international trends.

(2) Scheduled date for adoption

The revised accounting standard and related guidance were adopted at the end of the fiscal year ended March 31, 2014. However, revisions to the calculation method of retirement benefit obligation and service costs are scheduled to be adopted from the beginning of the fiscal year ending March 31, 2015.

(3)Impact of adoption of revised accounting standard and related guidance

The Company is currently evaluating the effect of these revisions in preparation of its consolidated financial statements.

u) Additional information

(The fiscal year ended March 31, 2014)
1) In terms of violation of the Competition Act by automotive wire harness cartels, there are several class actions taken in the United State of America and Canada to compensate for damages made by series of automotive parts cartels which are subject to the authority's investigations. The Company becomes a defendant in these law suits for cartels of the wire harness and other automotive parts. Besides, the Company is in negotiations with certain carmakers on compensations for damages made by the automotive wire harness cartels.
2) In reference to the automotive parts manufactured by its consolidated subsidiaries, vehicles in which such parts have been incorporated are being recalled, the Company is possibly required to compensate a part of costs by our customers for such parts.

## 3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥102 =U.S. $ 1, the approximate rate of exchange for the year ended March 31, 2014, has been used for the purpose of the translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rate.

## 4. Cash Flow Information

1)Cash and cash equivalents at March 31, 2014 and 2013 consisted of:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Cash and bank deposits | ¥26,719 | ¥31,293 | $ 261,951 |
| Less, time deposits with an original maturity of more than 3 months | (1,399) | (833) | (13,716) |
| Highly liquid securities | 0 | 17 | 0 |
| Cash and cash equivalents | ¥25,320 | ¥30,477 | $ 248,235 |

2)The following is the summary of assets and liabilities of the companies, which became non-consolidated entities due to business integration took place on October 1, 2013.

Furukawa-Sky Aluminum Corp.(hereafter "FSA"), which was previously a consolidated subsidiary of the Company until September 30, 2013, integrated with

Sumitomo Light Metal Industries, Ltd. into UACJ Corporation(hereafter "UACJ") on October 1, 2013.
As a result of this business integration, FSA and its 16 subsidiaries were not the Company's consolidated subsidiaries. UACJ, as a new integrated company, is an affiliate accounted for under the equity method.

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | 2014 | 2014 |
| Current assets (*) | ¥ 96,445 | $ 945,539 |
| Non-current assets | 104,396 | 1,023,490 |
| Total assets | ¥ 200,841 | $ 1,969,029 |
| Current liabilities | (86,955) | (852,500) |
| Long-term liabilities | (56,332) | (552,275) |
| Total liabilities | ¥ (143,287) | $ (1,404,775) |

(*) This account is included Cash and cash equivalents amounted to ¥14,423 million ($141,402 thousand), which is presented as Cash and cash equivalents of de-consolidated subsidiaries in the consolidated statements of cash flows.

## 5. Debt and Equity Securities

Investments in debt and equity securities that have a readily determinable fair value at March 31, 2014 and 2013 included in "Marketable securities" (Current assets) and in "Investments and long-term loans" (Non-current assets) are summarized as follows:

| | Millions of yen | | | |
|---|---|---|---|---|
| | 2014 | | | |
| | Cost | Fair value | Gross unrealized gain | Gross unrealized loss |
| Held-to-maturity debt securities: | | | | |
| Government bonds, municipal bonds and other | ¥ – | ¥ – | ¥ – | ¥ – |
| Other debt securities | 119 | 123 | 4 | – |
| Total held-to-maturity debt securities | ¥ 119 | $ 123 | ¥ 4 | ¥ – |
| Available-for-sale securities: | | | | |
| Marketable equity securities | ¥ 18,141 | ¥ 47,704 | ¥29,644 | ¥ (81) |
| Other securities | 7 | 7 | - | (0) |
| Total available-for-sale securities | ¥ 18,148 | ¥ 47,711 | ¥ 29,644 | ¥ (81) |

| | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| | 2014 | | | |
| | Cost | Fair value | Gross unrealized gain | Gross unrealized loss |
| Held-to-maturity debt securities: | | | | |
| Government bonds, municipal bonds and other | $ — | $ — | $ — | $ — |
| Other debt securities | 1,167 | 1,206 | 39 | — |
| Total held-to-maturity debt securities | $ 1,167 | $ 1,206 | $ 39 | $ — |
| Available-for-sale securities: | | | | |
| Marketable equity securities | $ 177,853 | $ 467,686 | $ 290,627 | $ (794) |
| Other securities | 69 | 69 | — | (0) |
| Total available-for-sale securities | $ 177,922 | $ 467,755 | $ 290,627 | $ (794) |

| | Millions of yen | | | |
|---|---|---|---|---|
| | 2013 | | | |
| | Cost | Fair value | Gross unrealized gain | Gross unrealized loss |
| Held-to-maturity debt securities: | | | | |
| Government bonds, municipal bonds and other | ¥ — | ¥ — | ¥ — | ¥ — |
| Other debt securities | 115 | 120 | 5 | — |
| Total held-to-maturity debt securities | ¥ 115 | ¥ 120 | ¥ 5 | ¥ — |
| Available-for-sale securities: | | | | |
| Marketable equity securities | ¥ 21,540 | ¥ 49,939 | ¥ 30,103 | ¥ (1,704) |
| Other securities | 7 | 5 | — | (2) |
| Total available-for-sale securities | ¥ 21,547 | ¥ 49,944 | ¥ 30,103 | ¥ (1,706) |

Proceeds from sales of available-for-sale securities for the years ended March 31, 2014 and 2013 were ¥6,408 million ($62,824 thousand) and ¥ 685 million, respectively. The gross realized gains on those sales for the years ended March 31, 2014 and 2013 were ¥4,941 million ($48,441 thousand) and ¥3 million, respectively, and gross realized losses were ¥0 million ($0 thousand) and ¥8 million, respectively.

## 6. Inventories

Inventories at March 31, 2014 and 2013 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Finished goods | ¥ 29,946 | ¥ 30,715 | $ 293,588 |
| Work in process | 27,073 | 31,593 | 265,421 |
| Raw materials and supplies | 36,649 | 41,941 | 359,304 |
| | ¥ 93,668 | ¥ 104,249 | $ 918,313 |

## 7. Investments and Long-term Loans

Investments and long-term loans at March 31, 2014 and 2013 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Non-consolidated subsidiaries and affiliates | ¥ 86,503 | ¥ 63,908 | $ 848,069 |
| Other | 49,656 | 53,801 | 486,824 |
| | ¥ 136,159 | ¥ 117,709 | $ 1,334,893 |

## 8. Property, Plant and Equipment

Property, plant and equipment at March 31, 2014 and 2013 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Land | ¥ 40,630 | ¥86,154 | $398,333 |
| Buildings | 206,375 | 261,521 | 2,023,284 |
| Machinery and equipment | 507,185 | 748,429 | 4,972,402 |
| Leased assets | 3,133 | 1,876 | 30,716 |
| Construction in progress | 14,478 | 20,264 | 141,941 |
| | 771,801 | 1,118,244 | 7,566,676 |
| Accumulated depreciation | (580,732) | (838,157) | (5,693,451) |
| | ¥191,069 | ¥ 280,087 | $ 1,873,225 |

## 9. Short-term Debt, Long-term Debt and Bonds

Short-term debt represents notes payable to banks, most of which are unsecured, bank overdrafts commercial papers issued by the Company, and bearing interest at rates ranging from 0.020% to 13.750% per annum at March 31, 2014 and 2013, respectively.

Bonds and Long-term debt at March 31, 2014 and 2013 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| 1.56% unsecured bonds due 2014 | ¥ - | ¥2,000 | $ - |
| 0.69% unsecured bonds due 2015 | 10,000 | 10,000 | 98,039 |
| 0.77% unsecured bonds due 2016 | 10,000 | 10,000 | 98,039 |
| 0.74% unsecured bonds due 2017 | 10,000 | 10,000 | 98,039 |
| 0.79% unsecured bonds due 2018 | 10,000 | - | 98,039 |
| Secured bonds issued by consolidated subsidiaries, due from 2014 to 2016 with interest rates at 0.93% | 100 | 617 | 981 |
| Loans, principally from banks and insurance companies, due from 2014 to 2021 with interest rates ranging from 0.230% to 10.500% and predominantly collateralized | 161,830 | 197,523 | 1,586,569 |
| | 201,930 | 230,140 | 1,979,706 |
| Less: portion due within one year | 44,088 | 37,025 | 432,235 |
| | ¥ 157,842 | ¥ 193,115 | $ 1,547,471 |

At March 31, 2014, the following assets were pledged as collateral for short-term debt of ¥2,951 million ($28,931 thousand), long-term debt of ¥567 million ($5,559 thousand), and others of ¥558 million ($5,471 thousand) :

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | 2014 | 2014 |
| Property, plant and equipment | ¥ 4,619 | $ 45,284 |
| Investments in securities | 1,306 | 12,804 |
| | ¥ 5,925 | $ 58,088 |

At March 31, 2013, the following assets were pledged as collateral for short-term debt of ¥2,046 million, long-term debt of ¥1,923 million, bonds of ¥268 million and others of ¥438 million :

| | Millions of yen |
|---|---|
| | 2013 |
| Property, plant and equipment | ¥ 13,424 |
| Investments in securities | 986 |
| | ¥14,410 |

The aggregate annual maturities of the non-current portion of long-term debt and bonds at March 31, 2014 were as follows.

| Year ending March 31 | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| 2016 | ¥ 23,626 | $ 231,628 |
| 2017 | 45,404 | 445,137 |
| 2018 | 20,835 | 204,265 |
| 2019 | 28,238 | 276,843 |
| 2020 and thereafter | 39,739 | 389,598 |
| | ¥ 157,842 | $ 1,547,471 |

## 10. Severance and Retirement Plans

The Company and its domestic consolidated subsidiaries have funded and/or unfunded defined benefit pension plans and/or defined contribution plans. The defined benefit plans consist of Employees' Pension Fund Plan, defined benefit corporation pension plan and lump-sum severance indemnity plan.

There are cases where additional retirement benefits are paid at the time of retirement of employees. The Company has established an employees' retirement benefit trust and certain consolidated subsidiaries have joined multi-employer employees pension fund.

The plans, which are not possible to reasonably compute the amounts of plan assets corresponding to their own contribution amounts, are accounted for in the same way as the defined contribution plan.

Defined benefit liability and net periodic benefit costs are, however, calculated by the simplified method under the defined benefit corporation pension plans and the lump-sum severance indemnity plans set up by a part of consolidated subsidiaries.

(For the year ended March 31, 2014)

1. Defined benefit plans

The changes in defined benefit obligation for the year ended March 31, 2014, were as follows.

| | March 31, 2014 | |
|---|---|---|
| | Millions of yen | Thousands of U.S. dollars |
| Balance at beginning of year | ¥ 109,256 | $1,071,137 |
| Current service cost | 4,014 | 39,353 |
| Interest cost | 2,064 | 20,235 |
| Actuarial loss | 355 | 3,480 |
| Benefits paid | (6,256) | (61,333) |
| Decrease due to business combination, net | (20,738) | (203,314) |
| Foreign currency transaction adjustment | 1,569 | 15,383 |
| Balance at end of year | ¥ 90,264 | $ 884,941 |

The changes in plan assets for the year ended March 31, 2014, were as follows.

| | March 31, 2014 | |
|---|---|---|
| | Millions of yen | Thousands of U.S. dollars |
| Balance at beginning of year | ¥ 52,452 | $ 514,235 |
| Expected return on plan assets | 1,690 | 16,569 |
| Actuarial gain | 3,200 | 31,373 |
| Contributions from the Company | 5,131 | 50,304 |
| Funded amount of retirement benefit trust | 5,030 | 49,314 |
| Benefits paid | (3,469) | (34,010) |
| Decrease due to business combination, net | (11,587) | (113,598) |
| Others | 1,482 | 14,529 |
| Balance at end of year | ¥ 53,929 | $ 528,716 |

The changes in net defined benefit liability using a simplified method for the year ended March 31, 2014, were as follows.

| | March 31, 2014 | |
|---|---|---|
| | Millions of yen | Thousands of U.S. dollars |
| Balance at beginning of year | ¥3,780 | $ 37,059 |
| Retirement benefit expenses | 861 | 8,441 |
| Benefits paid | (498) | (4,882) |
| Contributions to fund | (354) | (3,471) |
| Decrease due to business combination, net | (488) | (4,784) |
| Decrease due to termination of plans | (546) | (5,353) |
| Other | (37) | (363) |
| Balance at end of year | ¥ 2,718 | $ 26,647 |

Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2014.

| | March 31, 2014 | |
|---|---|---|
| | Millions of yen | Thousands of U.S. dollars |
| Funded defined benefit obligation | ¥ 86,939 | $ 852,343 |
| Plan assets | (57,359) | (562,343) |
| | 29,580 | 290,000 |
| Unfunded defined benefit obligation | 9,473 | 92,873 |
| Net liability for defined benefit obligation | 39,053 | 382,873 |
| | | |
| Liability for retirement benefits | 42,526 | 416,922 |
| Asset for retirement benefits | (3,473) | (34,049) |
| Net liability for defined benefit obligation | ¥ 39,053 | $ 382,873 |

Note: The above items include the part used a simplified method.

The components of net periodic benefit costs for the year ended March 31, 2014, were as follows.

| | March 31, 2014 | |
|---|---|---|
| | Millions of yen | Thousands of U.S. dollars |
| Service cost | ¥ 4,014 | $ 39,353 |
| Interest cost | 2,064 | 20,235 |
| Expected return on plan assets | (1,689) | (16,559) |
| Recognized actuarial loss | 2,279 | 22,343 |
| Amortization of prior service cost | 164 | 1,608 |
| Retirement benefit expenses calculated on a simplified method | 861 | 8,441 |
| Others | 1,312 | 12,863 |
| Net periodic benefit costs | ¥ 9,005 | $ 88,284 |

Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014, was as follows.

| | March 31, 2014 | |
|---|---|---|
| | Millions of yen | Thousands of U.S. dollars |
| Unrecognized prior service cost | ¥ 491 | $ 4,815 |
| Unrecognized actuarial loss | 5,761 | 56,485 |
| Total | ¥ 6,252 | $ 61,300 |

Plan assets as of March 31, 2014

a) Components of plan assets

Plan assets consisted of the followings.

| | |
|---|---|
| Equity investments | 49% |
| Debt investments | 25% |
| Assets in an insurer's general account | 15% |
| Cash and deposits | 7% |
| Others | 4% |
| Total | 100% |

b) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

Assumptions used for the year ended March 31, 2014, were set forth as follows.

| | |
|---|---|
| Discount rate | 1.2-9.0% |
| Expected rate of return on plan assets | 1.5-7.3% |

2. Defined contribution plans

Payment for defined contribution plans for the years ended March 31, 2014 was ¥921 million ($9,029 thousand).

(For the year ended March 31, 2013)

The following table sets forth the retirement benefit obligation, plan assets and funded status of the Company and its domestic consolidated subsidiaries at March 31, 2013:

| | Millions of yen |
|---|---|
| | 2013 |
| Projected benefit obligation | ¥ 118,306 |
| Fair value of plan assets | (57,722) |
| Benefit obligation in excess of plan assets | 60,584 |
| Unrecognized actuarial net loss | (7,752) |
| Unrecognized prior service costs | (859) |
| Net amount recognized | 51,973 |
| Prepaid pension costs | 321 |
| Accrued retirement benefits recognized in the consolidated balance sheets | ¥ 52,294 |

The severance and retirement benefit expenses of the Company and its consolidated subsidiaries included the following components for the years ended March 31, 2013.

| | Millions of yen |
|---|---|
| | 2013 |
| Service costs | ¥ 6,420 |
| Interest costs | 2,362 |
| Expected return on plan assets | (1,541) |
| Amortization of actuarial differences | 2,937 |
| Amortization of prior service costs | 157 |
| Retirement benefit expense | ¥ 10,335 |

Assumptions used in accounting for the employees' retirement benefit plans for the years ended March 31, 2013 were as follows:

| | |
|---|---|
| Discount rate | 1.2 - 6.0% |
| Expected rate of return on plan assets | 2.0 - 7.5% |
| Method of attributing the projected benefits to periods of service | Straight-line basis |
| Amortization of unrecognized prior service costs | 1 - 15 years |
| Amortization of unrecognized actuarial differences (amortization starts from the year following that year in which they arise) | 1 - 15 years |

## 11. Shareholders' Equity

Under the Corporate Law of Japan, cash dividends may be paid at any time during the fiscal year with certain conditions. An amount equal to 10% of dividends is required to be appropriated as additional paid-in capital (a component of "Capital surplus") or legal reserve (a component of "Retained earnings") until the amount of additional paid-in capital and legal reserve equals 25% of common stock. The cash dividends paid out of additional paid-in capital and/or legal reserve are recorded in the financial year in which the proposed appropriation of retained earnings is approved by the board of directors and/or the shareholders. The maximum amount that the Company can distribute as cash dividends is calculated based on the non-consolidated fiscal statements of the Company.

(Dividends)

Dividends whose record date is attributable to the year ended March 31, 2014 but to be effective in the following year.

1) Dividend payment

Approvals by shareholders' meeting held on June 25, 2013 are as follows:

| | |
|---|---|
| Type of shares | Common stock |
| Total amount of dividends | ¥2,118 million ($20,765 thousand) |
| Dividends per share | ¥3.0 ($0.03) |
| Record date | March 31, 2013 |
| Effective date | June 26, 2013 |

2) Dividends whose record date is attributable to the year ended March 31, 2014 but to be effective in the following year.

Approvals by shareholders' meeting held on June 25, 2014 are as follows:

| | |
|---|---|
| Type of shares | Common stock |
| Total amount of dividends | ¥2,118 million ($20,765 thousand) |
| Funds for dividends | Retained earnings |
| Dividends per share | ¥3.0 ($0.03) |
| Record date | March 31, 2014 |
| Effective date | June 26, 2014 |

## 12. Contingent Liabilities

Contingent liabilities at March 31, 2014 and 2013 are as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Loans guaranteed (principally for non-consolidated subsidiaries and affiliates) | ¥ 19,825 | ¥ 17,750 | $ 194,363 |
| Repurchase obligation of the securitization of receivables | 4,706 | 5,046 | 46,137 |
| Total | ¥ 24,531 | ¥ 22,796 | $ 240,500 |

## 13. Leases

1) Finance lease transactions entered before March 31, 2008, which do not transfer ownership of the assets

Lease rental expense for the years ended March 31, 2014 and 2013 is summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Lease rental expense | ¥ 4 | ¥ 53 | $ 39 |

The amounts of outstanding future lease payments at March 31, 2014 and 2013, which included the portion of interest thereon, are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Future lease payments: | | | |
| Within one year | ¥ 4 | ¥ 6 | $ 39 |
| Over one year | 9 | 13 | 88 |
| Total | ¥ 13 | ¥ 19 | $ 127 |

Acquisition cost, accumulated depreciation and net book value of the leased assets at March 31, 2014 and 2013, and depreciation expense for the years ended March 31, 2014 and 2013, assuming capitalization, are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Acquisition cost | ¥ 53 | ¥ 680 | $ 519 |
| Accumulated depreciation | (40) | (661) | (392) |
| Net book value | ¥ 13 | ¥ 19 | $ 127 |
| Depreciation | ¥ 4 | ¥ 53 | $ 39 |

Depreciation is based on the straight-line method over the lease term of leased assets with zero residual value.

2) Operating lease transactions

(Lessees)
The amounts of outstanding future lease payments at March 31, 2014 and 2013, under non-cancelable operating lease are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Future lease payments: | | | |
| Within one year | ¥ — | ¥ 11 | $ — |
| Over one year | — | — | — |
| Total | ¥ — | ¥ 11 | $ — |

## 14. Research and Development Expenses

Research and development costs charged to income for the years ended March 31, 2014 and 2013 amounted to ¥17,461 million ($171,186 thousand) and ¥20,211 million, respectively.

## 15. Impairment Loss

For the purpose of determining whether impairment loss has occurred, the Company and its subsidiaries classify property, plant and equipment into groups by company, business or business unit, each of which is deemed to generate independent cash flows, and idle properties into individual independent groups.

(For the year ended March 31, 2014)

Impairment loss by type of assets for the year ended March 31, 2014 consisted of the following:

1) The Company

| Usage and Location | Type of asset | Millions of yen | Thousands of U.S. dollars |
|---|---|---|---|
| Manufacturing equipment and building for copper foil business located in Nikko-city, Tochigi prefecture | Building | ¥ 62 | $608 |
| | Machinery and equipment | 2,046 | 20,059 |
| | Land | 663 | 6,500 |
| | Other | 163 | 1,598 |

| | | | |
|---|---|---|---|
| Manufacturing equipment and building for engineering plastic product business located in Hiratsuka-city, Kanagawa prefecture (Idle properties) | Building | 143 | 1,402 |
| | Machinery and equipment | 411 | 4,029 |
| | Other | 7 | 68 |
| Manufacturing equipment and building for bus bar business located in Ichihara-city, Chiba prefecture (Idle properties) | Building | 157 | 1,539 |
| | Machinery and equipment | 47 | 461 |
| | Other | 26 | 255 |
| Manufacturing equipment for fiber cable business located in Ichihara-city, Chiba prefecture (Idle properties) | Machinery and equipment | 5 | 49 |
| Manufacturing equipment for fitel business located in Ichihara-city, Chiba prefecture (Idle properties) | Machinery and equipment | 1 | 10 |
| | Sub-total | ¥ 3,731 | $ 36,578 |

2) The consolidated subsidiaries

| Usage and Location | Type of asset | Millions of yen | Thousands of U.S. dollars |
|---|---|---|---|
| Fixed assets for business use located in Oyama-city, Tochigi prefecture | Land and other | ¥ 2,410 | $ 23,628 |
| Manufacturing equipment and building for fiber cable business located in Hakui county, Ishikawa prefecture and other | Building and other | 424 | 4,157 |
| Fixed assets for business use located in Georgia, U.S.A | Intangible assets | 191 | 1,873 |
| Fixed assets for business use and other | Machinery, equipment and other | 49 | 480 |
| | Sub-total | 3,074 | 30,138 |
| | Total 1)+2) | ¥ 6,805 | $66,716 |

It has been decided that recoverable amounts of fixed assets for business use located in Nikko-city, Tochigi prefecture were less than their carrying amounts due to continuing negative cash flow generated from operating activities and the likelihood of the carrying amount not being recoverable by future cash flows. Accordingly, the carrying amounts of such assets were reduced to the recoverable amounts. Recoverable amount was mainly evaluated based on the net selling value (fair value less costs to sell). The recoverable amount of such asset group was mainly determined based on either appraisal value prepared by real estate appraisers or others. If such assets cannot be sold or diverted to other usage, they are booked at the memorandum price.

The carrying amounts of fixed assets for business use located in Oyama-city, Tochigi prefecture were written down to their recoverable amounts, due to the fact that the consolidated subsidiary changed asset category on managerial accounting, so that impairment was recognized according to the Accounting Standard for Impairment of Fixed Assets. Recoverable amount was mainly evaluated based on the net selling value (fair value less costs to sell). The recoverable amount of such asset group was mainly determined based on either appraisal value prepared by real estate appraisers or others.

The carrying amounts of certain assets forming parts of idle properties were written down to their recoverable amounts, due to the fact that the carrying amounts were less than their fair market value. Recoverable amount of each idle property was mainly evaluated based on the net selling value (fair value less costs to sell). The recoverable amount of such asset group was mainly determined based on either appraisal value prepared by real estate appraisers or others. If such assets cannot be sold or diverted to other usage, they are booked at the memorandum price.

It has been decided that recoverable amounts of fixed assets for business use other than the above fixed assets located in Nikko-city, Oyama-city and idle properties were less than their carrying amounts due to continuing negative cash flow generated from operating activities and the likelihood of the carrying amount not being recoverable by future cash flows. Accordingly, the carrying amounts of such assets were reduced to the recoverable amounts. The recoverable amounts of the asset groups were mainly evaluated based on the value in use, which was calculated by discounting future cash flows at an interest rate.

(For the year ended March 31, 2013)

Impairment loss by type of assets for the year ended March 31, 2013 consisted of the following:

1) The Company

| Usage and Location | Type of asset | Millions of yen |
|---|---|---|
| Manufacturing equipment and building for Industrial equipment business located in Hiratsuka city, Kanagawa prefecture (Idle properties) | Building | ¥ 268 |
| | Machinery and equipment | 758 |
| | Other | 3 |
| Manufacturing equipment for fiber cable business located in Ichihara-city, Chiba prefecture (Idle properties) | Building | 120 |
| | Machinery and equipment | 89 |
| | Other | 24 |
| Manufacturing equipment for copper foil business located in Nikko-city, Tochigi prefecture (Idle properties) | Building | 39 |
| | Machinery and equipment | 11 |
| | Other | 4 |
| Idle properties located in Hachinohe-city, Aomori prefecture | Land | 447 |
| | Sub-total | ¥ 1,763 |

2) The consolidated subsidiaries

| Usage and Location | Type of asset | Millions of yen |
|---|---|---|
| Manufacturing equipment and building for fiber cable business located in Hachinohe-city, Aomori prefecture | Building | ¥ 369 |
| | Machinery and equipment | 46 |
| | Other | 13 |
| Fixed assets for business use located in Iga-city, Mie prefecture | Land and building | 198 |
| Fixed assets for business use and other | Machinery, equipment and Other | 193 |
| | Sub-total | 819 |
| | Total 1)+2) | ¥ 2,582 |

It has been decided that recoverable amounts of fixed assets for business use were less than their carrying amounts due to continuing negative cash flow generated from operating activities and the likelihood of the carrying amount not being recoverable by future cash flows. Accordingly, the carrying amounts of such assets were reduced to the recoverable amounts. The recoverable amounts of the asset groups were mainly evaluated based on the value in use, which was calculated by discounting future cash flows at an interest rate.

The carrying amounts of certain assets forming parts of idle properties were written down to their recoverable amounts, due to the fact that the carrying amounts were less than their fair market value. Recoverable amount of each idle property was mainly evaluated based on the net selling value (fair value less costs to sell). Recoverable amount of such asset group was mainly determined based on either appraisal value prepared by real estate appraisers or assessed value used for property tax purpose. If such assets cannot be sold or diverted to other usage, they are booked at the memorandum price or at nil.

## 16. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' tax and enterprise tax, which in the aggregate would result in a statutory income tax rate of approximately 38.0% for the years ended March 31, 2014 and 2013. Overseas consolidated subsidiaries are subject to income taxes in the countries in which they operate.

The "Act for Partial Amendment of the Income Tax, etc."(Act No. 10 of 2014) was promulgated on March 31, 2014 and, as a result, the Company is no longer subject to the Special Reconstruction Corporation Tax effective for fiscal years beginning on or after April 1, 2014. In addition, the "Act for Partial Amendment of the Local Tax Act, etc." (Act No.4 of 2014) and the "Act for Partial Amendment of the Local Corporate Tax Act, etc." (Act No.11 of 2014) were promulgated on March 31, 2014, and the Company is subject to

the amended Local Corporate Tax effective for fiscal years beginning on or after April 1, 2015.
As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 38.0% to 35.6% for the temporary differences expected to be realized or settled from fiscal years beginning April 1, 2014. The effect of the announced reduction of the effective statutory tax rate was immaterial.

Summarized below is reconciliation at March 31, 2014 and 2013.

| | 2014 | 2013 |
|---|---|---|
| Japanese statutory income tax rate | 38.0% | 38.0% |
| Tax benefits of net operating loss not recognized | 4.4 | 2.6 |
| Entertainment expense and other | 6.6 | 5.9 |
| Dividend income non- taxable | (3.8) | (4.5) |
| Equity in income of non-consolidated subsidiaries and affiliates | 1.8 | (0.3) |
| Valuation allowance | 6.3 | 9.4 |
| Difference of applicable tax rate of overseas consolidated subsidiaries | (3.4) | (7.8) |
| Utilization of loss carried forward | (5.3) | - |
| Amortization of goodwill | 1.2 | 2.8 |
| Undistributed earnings of overseas consolidated subsidiaries | 2.5 | 3.8 |
| Other, net | 3.9 | 5.0 |
| Effective income tax rate | 52.2% | 54.9% |

Deferred tax assets (liabilities) at March 31, 2014 and 2013 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Accrued retirement benefits | ¥ - | ¥ 16,258 | $ - |
| Liability for retirement benefits | 14,501 | - | 142,167 |
| Loss carried forwards | 107,258 | 101,449 | 1,051,549 |
| Accrued bonus | 3,224 | 3,951 | 31,608 |
| Depreciation | 4,836 | 4,954 | 47,412 |
| Impairment loss | 18,813 | 21,024 | 184,441 |
| Other | 11,389 | 15,748 | 111,656 |
| Gross deferred tax assets | 160,021 | 163,384 | 1,568,833 |
| Valuation allowance | (135,825) | (134,583) | (1,331,617) |
| Total deferred tax assets | 24,196 | 28,801 | 237,216 |
| Unrealized gain on available-for-sale securities | (10,498) | (10,148) | (102,921) |
| Special reserve for deferred capital gain | (93) | (359) | (912) |
| Revaluation difference on land | (3,801) | (3,500) | (37,265) |
| Other | (2,585) | (3,936) | (25,343) |
| Total deferred tax liabilities | (16,977) | (17,943) | (166,441) |
| Net deferred tax assets | ¥ 7,219 | ¥ 10,858 | $ 70,775 |

## 17. Other Comprehensive Income

(For the year ended March 31, 2014)

1) The following table presents components of recycled amounts of other comprehensive income for the year ended March 31, 2014:

| | Millions of yen | |
|---|---|---|
| Unrealized gain or loss on available-for-sale securities | | |
| Amount arising during the year | ¥ 6,431 | |
| Reclassification adjustments for gains and losses included in net income | (4,918) | ¥ 1,513 |
| Deferred gain or loss on derivatives under hedge accounting | | |
| Amount arising during the year | 465 | |
| Reclassification adjustments for gains and losses included in net income | (803) | |
| Adjustments for amounts transferred to assets' acquisition costs | (523) | (861) |
| Adjustments for retirement benefits | | |
| Amount arising during the year | (222) | |
| Reclassification adjustments for gains and losses included in net income | 557 | 335 |
| Foreign currency translation adjustments | | |
| Amount arising during the year | 7,128 | 7,128 |
| Share of other comprehensive income of affiliates accounted for by the equity method | | |
| Amount arising during the year | 3,395 | |
| Reclassification adjustments for gains and losses included in net income | 21 | |
| Adjustments for amounts transferred to assets' acquisition costs | ¥ (100) | 3,316 |
| Subtotal before tax effects | | 11,431 |
| Tax effects | | (136) |
| Total other comprehensive income | | ¥ 11,295 |

| | Thousands of U.S. dollars | |
|---|---|---|
| Unrealized gain or loss on available-for-sale securities | | |
| Amount arising during the year | $ 63,049 | |
| Reclassification adjustments for gains and losses included in net income | (48,216) | $ 14,833 |
| Deferred gain or loss on derivatives under hedge accounting | | |
| Amount arising during the year | 4,559 | |
| Reclassification adjustments for gains and losses included in net income | (7,873) | |

| | | |
|---|---|---|
| Adjustments for amounts transferred to assets' acquisition costs | (5,127) | (8,441) |
| Adjustments for retirement benefits | | |
| Amount arising during the year | (2,177) | |
| Reclassification adjustments for gains and losses included in net income | 5,461 | 3,284 |
| Foreign currency translation adjustments | | |
| Amount arising during the year | 69,882 | 69,882 |
| Share of other comprehensive income of affiliates accounted for by the equity method | | |
| Amount arising during the year | 33,284 | |
| Reclassification adjustments for gains and losses included in net income | 206 | |
| Adjustments for amounts transferred to assets' acquisition costs | (980) | 32,510 |
| Subtotal before tax effects | | 112,068 |
| Tax effects | | (1,333) |
| Total other comprehensive income | | $110,735 |

2) Deferred tax of other comprehensive income for the year ended March 31, 2014:

| | Millions of yen | | |
|---|---|---|---|
| | Before-tax amounts | Tax (expense) benefits | Net-of-tax amounts |
| Unrealized gain or loss on available-for-sale securities | ¥ 1,513 | ¥(464) | ¥ 1,049 |
| Deferred gain or loss on derivatives under hedge accounting | (861) | 327 | (534) |
| Adjustments for retirement benefits | 335 | 1 | 336 |
| Foreign currency translation adjustments | 7,128 | - | 7,128 |
| Share of other comprehensive income of affiliates accounted for by the equity method | 3,316 | - | 3,316 |
| Total other comprehensive income | ¥ 11,431 | ¥ (136) | ¥ 11,295 |

| | Thousands of U.S. dollars | | |
|---|---|---|---|
| | Before-tax amounts | Tax (expense) benefits | Net-of-tax amounts |
| Unrealized gain or loss on available-for-sale securities | $ 14,833 | $ (4,549) | $ 10,284 |
| Deferred gain or loss on derivatives under hedge accounting | (8,441) | 3,206 | (5,235) |
| Adjustments for retirement benefits | 3,284 | 10 | 3,294 |
| Foreign currency translation adjustments | 69,882 | - | 69,882 |
| Share of other comprehensive income of affiliates accounted for by the equity method | 32,510 | - | 32,510 |
| Total other comprehensive income | $112,068 | $ (1,333) | $ 110,735 |

(For the year ended March 31, 2013)

1) The following table presents components of recycled amounts of other comprehensive income for the year ended March 31, 2013:

| | Millions of yen | |
|---|---|---|
| Unrealized gain or loss on available-for-sale securities | | |
| Amount arising during the year | ¥ 10,417 | |
| Reclassification adjustments for gains and losses included in net income | 37 | ¥ 10,454 |
| Deferred gain or loss on derivatives under hedge accounting | | |
| Amount arising during the year | 852 | |
| Reclassification adjustments for gains and losses included in net income | (391) | |
| Adjustments for amounts transferred to assets' acquisition costs | (693) | (232) |
| Adjustments for retirement benefits of an overseas subsidiary | | |
| Amount arising during the year | (725) | |
| Reclassification adjustments for gains and losses included in net income | 584 | (141) |
| Foreign currency translation adjustments | | |
| Amount arising during the year | 11,288 | 11,288 |
| Share of other comprehensive income of affiliates accounted for by the equity method | | |
| Amount arising during the year | 2,121 | |
| Reclassification adjustments for gains and losses included in net income | (21) | |
| Adjustments for amounts transferred to assets' acquisition costs | ¥ 38 | 2,138 |
| Subtotal before tax effects | | 23,507 |
| Tax effects | | (3,671) |
| Total other comprehensive income | | ¥ 19,836 |

2) Deferred tax of other comprehensive income for the year ended March 31, 2013:

| | Millions of yen | | |
|---|---|---|---|
| | Before-tax amounts | Tax (expense) benefits | Net-of-tax amounts |
| Unrealized gain or loss on available-for-sale securities | ¥ 10,454 | ¥ (3,752) | ¥ 6,702 |
| Deferred gain or loss on derivatives under hedge accounting | (232) | 81 | (151) |
| Adjustments for retirement benefits of an overseas subsidiary | (141) | - | (141) |

| | | | |
|---|---|---|---|
| Foreign currency translation adjustments | 11,288 | - | 11,288 |
| Share of other comprehensive income of affiliates accounted for by the equity method | 2,138 | - | 2,138 |
| Total other comprehensive income | ¥ 23,507 | ¥ (3,671) | ¥ 19,836 |

## 18. Financial Instruments

### 1. Conditions of Financial instruments

#### 1) Policy for financial instruments

The fund management policy of the Group (the Company and its consolidated subsidiaries) has been set up to put its operating funds in deposits or investments that are assured of no impairment in the principal and the necessary fund is obtained through borrowings from banks and other financial institutions and bond issuances.
Derivative transactions are not entered into for speculative purposes.

#### 2) Details of financial instruments and associated risks and risk management system

Trade notes and accounts receivable arising from operation are exposed to credit risk of customers. The Group carries out the practice of keeping track of due dates and outstanding balances of each customer under the credit management rules, as well as monitoring major customers' credit status on a regular basis in order to minimize credit risk.
Marketable securities and investment securities are mainly equity securities and exposed to the risk of changes in market value. These securities are primarily the shares of companies with which the Group has business relationship, and the fair value of these securities are evaluated on a regular basis.
Trade notes and accounts payable arising from operations normally have payment terms of less than one year.
Short-term and long-term debt are mainly utilized for working capital and capital investments. The interest rate risk of a certain portion of those loans payable is hedged using interest rate swaps as hedging instruments.
On derivative transactions, foreign exchange forward contracts are used for hedge of foreign currency risk associated with receivables and payables arising from operations and denominated in foreign currency, interest rate swaps are used for hedge of interest rate risk associated with loans payable, metal forward contracts are used for hedge of price risk of raw materials and work in process. Execution and management of derivative transactions are subject to related internal rules.
In relation to accounting for hedge transactions, hedging instruments and hedged items, hedging policy, and effectiveness of hedge transactions are set out in its internal rules.
Although trade payable and short-term and long-term debt are exposed to liquidity risk, these payables are managed by such means as cash flow projections prepared on a timely manner.

#### 3) Supplementary information on the fair value of financial instruments

The fair value of financial instruments is based upon the market prices or reasonable estimates of fair value of these instruments if these fair values are not available. The estimated fair values would not be fixed due to variety of factors and assumptions. In addition, the contractual amounts of the derivative transactions set out in "2. Fair value of financial instruments" as below are not an indicator of the market risk associated with derivative transactions.

2. Fair value of financial instruments

The carrying amounts on the consolidated balance sheets, fair value, and differences as of March 31, 2014 and 2013 are as follows. In addition, financial instruments, of which it is extremely difficult to measure the fair value, are not included in the following table. (Please see "Financial instruments of which the fair value is extremely difficult to measure")

(At March 31, 2014)

| | Millions of yen | | |
|---|---|---|---|
| | Carrying amount (*1) | Fair value (*1) | Difference |
| (1) Cash and bank deposits | ¥ 26,719 | ¥ 26,719 | ¥ - |
| (2) Trade receivable | 199,287 | 199,287 | - |
| (3) Marketable securities and investments securities | | | |
| a. Held-to-maturity debt securities | 118 | 123 | 5 |
| b. Available-for-sale securities | 47,712 | 47,712 | - |
| c. Unconsolidated subsidiaries and affiliated companies | 52,892 | 59,954 | 7,062 |
| Total of assets | 326,728 | 333,795 | 7,067 |
| (1) Trade payable | (104,377) | (104,377) | - |
| (2) Short-term debt | (119,913) | (119,913) | - |
| (3) Bonds (including current portion) | (40,100) | (40,536) | (436) |
| (4) Long-term debt | (117,842) | (118,366) | (524) |
| Total of liabilities | (382,232) | (383,192) | (960) |
| Derivative transactions (*2) | | | |
| (1) Derivative transactions for which hedge accounting does not apply | 15 | 15 | - |
| (2) Derivative transactions for which hedge accounting apply | (391) | (391) | - |
| Total of derivative transactions | ¥ (376) | ¥ (376) | ¥ - |

(At March 31, 2014)

| | Thousands of U.S. dollars | | |
|---|---|---|---|
| | Carrying amount (*1) | Fair value (*1) | Difference |
| (1) Cash and bank deposits | $261,951 | $261,951 | $ - |
| (2) Trade receivable | 1,953,794 | 1,953,794 | - |
| (3) Marketable securities and investments securities | | | |
| a. Held-to-maturity debt securities | 1,157 | 1,206 | 49 |
| b. Available-for-sale securities | 467,765 | 467,765 | - |
| c. Unconsolidated subsidiaries and affiliated companies | 518,549 | 587,784 | 69,235 |
| Total of assets | 3,203,216 | 3,272,500 | 69,284 |
| (1) Trade payable | (1,023,304) | (1,023,304) | - |
| (2) Short-term debt | (1,175,618) | (1,175,618) | - |
| (3) Bonds (including current portion) | (393,137) | (397,412) | (4,275) |
| (4) Long-term debt | (1,155,314) | (1,160,451) | (5,137) |
| Total of liabilities | (3,747,373) | (3,756,785) | (9,412) |
| Derivative transactions (*2) | | | |
| (1) Derivative transactions for which hedge accounting does not apply | 147 | 147 | - |
| (2) Derivative transactions for which hedge accounting apply | (3,833) | (3,833) | - |
| Total of derivative transactions | $ (3,686) | $ (3,686) | $ - |

(*1); Items recorded in liabilities are put in parentheses.
(*2); Assets and liabilities arising from derivative transactions are presented on a net basis and net liabilities' items are put in parentheses.

(At March 31, 2013)

| | Millions of yen | | |
|---|---|---|---|
| | Carrying amount (*1) | Fair value (*1) | Difference |
| (4) Cash and bank deposits | ¥ 31,293 | ¥ 31,293 | ¥ - |
| (5) Trade receivable | 222,431 | 222,431 | - |
| (6) Marketable securities and investments securities | | | |
| a. Held-to-maturity debt securities | 115 | 120 | 5 |
| b. Available-for-sale securities | 49,944 | 49,944 | - |
| c. Unconsolidated subsidiaries and affiliated companies | 7,348 | 6,919 | (429) |
| Total of assets | 311,131 | 310,707 | (424) |
| (4) Trade payable | (133,125) | (133,125) | - |
| (5) Short-term debt | (125,050) | (125,050) | - |
| (3) Bonds (including current portion) | (32,617) | (32,862) | (245) |
| (4) Long-term debt | (162,831) | (165,079) | (2,248) |
| Total of liabilities | (453,623) | (456,116) | (2,493) |
| Derivative transactions (*2) | | | |
| (3) Derivative transactions for which hedge accounting does not apply | 51 | 51 | - |
| (4) Derivative transactions for which hedge accounting apply | 458 | 458 | - |
| Total of derivative transactions | ¥ 509 | ¥ 509 | ¥ - |

(*1); Items recorded in liabilities are put in parentheses.
(*2); Assets and liabilities arising from derivative transactions are presented on a net basis and net liabilities' items are put in parentheses.

I. Fair value of financial instruments

Assets

(1) Cash and deposits

The carrying amount approximates fair value due to the short maturity of these instruments.

(2) Trade receivable

The carrying amount approximates fair value due to the short maturity of these instruments.

A part of trade receivable is treated as receivable denominated in Japanese yen due to applying the special treatment of foreign currency exchange contracts and the carrying amount approximates fair value.

(3) Marketable securities and investment securities

The fair value of equity securities is based on quoted market price, if available. The fair value of debt securities is based on quoted market price or provided price by financial institutions. Marketable securities and investment securities by holding purpose are set out in "Note 5. Debt and Equity Securities".

Liabilities

(1) Trade payable

The carrying amount approximates fair value because of the short maturity of these instruments.

A part of trade payable is treated as payable denominated in Japanese yen due to applying the special treatment of foreign currency exchange contracts and the carrying amount approximates fair value.

(2) Short-term debt

The carrying amount approximates fair value because of the short maturity of these instruments.

(3) Bonds

Fair value of bonds is based on quoted market price, if available. If not, the fair value is based on present value by discounting total cash flows of principles and interest to be paid at the rate considering remaining periods of those bonds and the related credit risk.

(4) Long-term debt

Fair value of long-term debts is based on the price provided by a financial institution or the present value of future cash flows discounted using the current debt rate for similar debt of a comparable maturity. Interest rate swaps subject to special treatment are used for long-term floating rate debt. Principle and interest of the debt in which these interest rate swaps are embedded, are discounted using the current debt rate, which is estimated reasonably for similar debt of a comparable maturity.

Derivative Transactions

Notional amount, fair value, unrealized gain or loss, and others are described in "Note 19. Additional Information on Derivatives"

II. Financial instruments of which the fair value is extremely difficult to measure

Unlisted investment securities of unconsolidated subsidiaries and affiliated companies amounted to ¥28,222 million ($276,686 thousand) and ¥49,617 million as of March 31, 2014 and 2013 are not included in (3) Marketable securities and investments securities above, because market value are not available and their future cash flow are not estimated, accordingly it is not practicable to estimate the fair value.

III. The redemption schedule for money claim and held-to-maturity debt securities with maturity date subsequent to the consolidated balance sheets date:

(At March 31, 2014)

| | Millions of yen | | Thousands of U.S. dollars | |
|---|---|---|---|---|
| | Within 1 year | From 1 year to 5 years | Within 1 year | From 1 year to 5 years |
| Bank deposits | ¥ 26,231 | ¥ - | $ 257,167 | $ - |
| Trade receivable | 199,287 | - | 1,953,794 | - |
| Marketable securities and investments securities Held-to-maturity debt securities: | | | | |
| a) National bonds, local bonds and other | - | - | - | - |
| b) Other debt securities | 1 | - | 10 | - |
| Total | ¥ 225,519 | ¥ - | $ 2,210,971 | $ - |

(At March 31, 2013)

| | Millions of yen | |
|---|---|---|
| | Within 1 year | From 1 year to 5 years |
| Bank deposits | ¥ 30,449 | ¥ - |
| Trade receivable | 222,431 | - |
| Marketable securities and investments securities Held-to-maturity debt securities: | | |
| a) National bonds, local bonds and other | - | - |
| b) Other debt securities | 16 | - |
| Total | ¥ 252,896 | ¥ - |

IV. The redemption schedule for long-term debt and other interest bearing debt with maturity date subsequent to the consolidated balance sheets date

The redemption schedule for long-term debt and other interest bearing debt with maturity date subsequent to the consolidated balance sheets date are described in "Note 9. Short-term Debt, Long-term Debt and Bonds"

## 19. Additional Information on Derivatives

1. At March 31, 2014

1) Derivative transactions for which hedge accounting does not apply
   a) Foreign currency related transactions

| | Millions of yen | | | | Thousands of U.S. dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | | | | 2014 | | | |
| | Notional Amount | Portion over 1 year | Fair value | Unrealized gain(loss) | Notional Amount | Portion over 1 year | Fair value | Unrealized gain(loss) |
| Non-market transaction | | | | | | | | |
| Foreign currency: | | | | | | | | |
| Sell | ¥ 846 | ¥ - | ¥ (14) | ¥ (14) | $8,294 | $ - | $ (137) | $ (137) |
| Buy | 3,762 | - | 14 | 14 | 36,882 | - | 137 | 137 |
| Total | ¥4,608 | ¥ - | ¥ (0) | ¥ (0) | $45,176 | $ - | $(0) | $(0) |

(*)Fair value is determined by prices obtained from foreign exchange market.

b) Commodity related transactions

| | Millions of yen | | | | Thousands of U.S. dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | | | | 2014 | | | |
| | Notional Amount | Portion over 1 year | Fair value | Unrealized gain(loss) | Notional Amount | Portion over 1 year | Fair value | Unrealized gain(loss) |
| Market transaction | | | | | | | | |
| Forward contracts: | | | | | | | | |
| Sell | ¥11,936 | ¥ - | ¥ 20 | ¥ 20 | $117,020 | $ - | $196 | $196 |
| Buy | 2,723 | 1,027 | (5) | (5) | 26,696 | 10,069 | (49) | (49) |
| Total | ¥14,659 | ¥ 1,027 | ¥15 | ¥15 | $143,716 | $10,069 | $147 | $147 |

(*)Fair value is determined by prices obtained from commodity exchange market.

2) Derivative transactions for which hedge accounting apply
a) Foreign currency related transactions

| | Millions of yen | | | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | | | | | 2014 | | |
| | Hedged item | Notional Amount | Portion over 1 year | Fair value (*) | Calculation method of fair value | Notional Amount | Portion over 1 year | Fair value (*) |
| Normal accounting method | | | | | | | | |
| Foreign currency: | | | | | | | | |
| Sell | Trade receivable | ¥ 3,295 | ¥ - | ¥ (93) | Forward rate of Foreign currency | $32,304 | $ - | $(912) |
| Buy | Trade payable | 10,558 | - | 82 | Forward rate of Foreign currency | 103,510 | - | 804 |

Assignment Accounting (special treatment for foreign exchange forward contract)
Foreign currency:

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Sell | Trade receivable | 6,270 | - | | - | 61,471 | - | |
| Buy | Trade payable | ¥816 | - | | - | 8,000 | - | |
| | Total | ¥ 20,939 | ¥ - | ¥(11) | | $205,285 | $ - | $(108) |

(*) The fair value of foreign currency related transactions subject to assignment accounting (special treatment for foreign exchange forward contract) embeds in accounting subject to hedging included in the fair value of the corresponding trade receivable and trade payable.

b) Interest-rate related transactions

| | Millions of yen | | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|
| | 2014 | | | | 2014 | | |
| | Hedged item | Notional Amount | Portion over 1 year | Fair value (*) | Notional Amount | Portion over 1 year | Fair value (*) |
| Special treatment interest rate swap: | | | | | | | |
| Receiving fixed rates and paying floating rates | Long-term debt | ¥7,658 | ¥5,547 | | $75,078 | $54,382 | |
| Receiving floating rates and paying fixed rates | Long-term debt | 81,112 | 78,691 | | 795,216 | 771,480 | |
| Receiving floating rates and paying floating rates | Long-term debt | 600 | - | | 5,882 | - | |
| | Total | ¥89,370 | ¥84,238 | - | $876,176 | $825,862 | - |

(*) The fair value of interest rate swaps subject to special treatment embeds in long-term debt subject to hedging included in the fair value of the corresponding long-term debt.

c) Commodity related transactions

| | Millions of yen | | | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | | | | | 2014 | | |
| | Hedged item | Notional Amount | Portion over 1 year | Fair value | Calculation method of fair value | Notional Amount | Portion over 1 year | Fair value |
| Normal accounting method: | | | | | | | | |
| Forward contracts for metal materials: | | | | | | | | |
| Sell | Raw materia | ¥1,681 | ¥ - | ¥ (20) | Forward rate of | $ 16,480 | $ - | $ (196) |
| Buy | | 10,563 | - | (360) | | 103,559 | - | (3,529) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ls and work in process | | | | metal material | | | |
| Total | ¥12,244 | ¥ - | ¥(380) | | $ 120,039 | $ - | $ (3,725) |

2. At March 31, 2013

1) Derivative transactions for which hedge accounting does not apply
   a) Foreign currency related transactions

| | Millions of yen | | | |
|---|---|---|---|---|
| | 2013 | | | |
| | Notional Amount | Portion over 1 year | Fair value | Unrealized gain(loss) |
| Non-market transaction | | | | |
| Foreign currency: | | | | |
| Sell | ¥ 4,760 | ¥ - | ¥ (81) | ¥ (81) |
| Buy | 2,260 | - | 41 | 41 |
| Total | ¥ 7,020 | ¥ - | ¥ (40) | ¥ (40) |

*Fair value is determined by prices obtained from foreign exchange market.

b) Commodity related transactions

| | Millions of yen | | | |
|---|---|---|---|---|
| | 2013 | | | |
| | Notional Amount | Portion over 1 year | Fair value | Unrealized gain |
| Market transaction | | | | |
| Forward contracts: | | | | |
| Sell | ¥5,926 | ¥ - | ¥ 85 | ¥ 85 |
| Buy | 2,668 | - | 6 | 6 |
| Total | ¥ 8,594 | ¥ - | ¥ 91 | ¥ 91 |

*Fair value is determined by prices obtained from commodity exchange market.

2) Derivative transactions for which hedge accounting apply
   a) Foreign currency related transactions

| | Millions of yen | | | | |
|---|---|---|---|---|---|
| | 2013 | | | | |
| | Hedged item | Notional Amount | Portion over 1 year | Fair value(*) | Calculation method of fair value |
| Normal accounting method | | | | | |
| Foreign currency: | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Sell | Trade receivable | ¥4,960 | ¥ - | ¥ (258) | Forward rate of Foreign currency |
| Buy | Trade payable | 7,021 | - | 426 | Forward rate of Foreign currency |
| Foreign currency: | | | | | |
| Sell | Trade receivable | 4,564 | - | | - |
| Buy | Trade payable | 581 | - | | - |
| Total | | ¥ 17,126 | ¥ - | ¥ 168 | |

(*)The fair value of foreign currency related transactions subject to assignment accounting (special treatment for foreign exchange forward contract) embeds in accounting subject to hedging included in the fair value of the corresponding trade receivable and trade payable.

b) Interest-rate related transactions

Millions of yen

| | 2013 | | | |
|---|---|---|---|---|
| | Hedged item | Notional Amount | Portion over 1 year | Fair value (*1,*2) |
| Normal accounting method (*1): | | | | |
| Receiving floating rates and paying fixed rates | Long-term debt | ¥3,000 | ¥3,000 | ¥(31) |
| Special treatment interest rate swap (*2): | | | | |
| Receiving fixed rates and paying floating rates | Long-term debt | 6,142 | 4,704 | |
| Receiving floating rates and paying fixed rates | Long-term debt | 86,869 | 74,548 | |
| Receiving floating rates and paying floating rates | Long-term debt | 1,000 | - | |
| Total | | ¥97,011 | ¥82,252 | ¥(31) |

(*1)The fair value was prices which were provided by financial institutions .
(*2)The fair value of interest rate swaps subject to special treatment embeds in long-term debt subject to hedging included in the fair value of the corresponding long-term debt.

c) Commodity related transactions

| | Millions of yen | | | | |
|---|---|---|---|---|---|
| | 2013 | | | | |
| | Hedged item | Notional Amount | Portion over 1 year | Fair value | Calculation method of fair value |
| Normal accounting method: | | | | | |
| Forward contracts for metal materials: | | | | | |
| Sell | Raw materials and work in process | ¥ 1,102 | ¥ - | ¥ 156 | Forward rate of metal material |
| Buy | | 9,597 | 2 | 164 | |
| Total | | ¥ 10,699 | ¥ 2 | ¥ 320 | |

## 20. Real estate for rental and others

The Company and certain consolidated subsidiaries have rentable land and rental office building located in Tokyo and other prefecture. Net revenue of such real estate (main revenue of such real estate is included in operating revenue and main costs for such real estate are included in operating expenses) amounted to ¥1,329 million ($13,029 thousand) and ¥1,542 million for the year ended March 31, 2014 and 2013,respectively.

The carrying amount, fair value and changes in the value of real estate related to real estate for rental and others are as follows:

(For the year ended March 31, 2014)

| Millions of yen | | | |
|---|---|---|---|
| Carrying amount in the consolidated balance sheets | | | Fair value |
| Opening balance | Net changes | Closing balance | |
| ¥ 19,781 | ¥ (5,471) | ¥ 14,310 | ¥ 33,524 |

| Thousands of U.S. dollars | | | |
|---|---|---|---|
| Carrying amount in the consolidated balance sheets | | | Fair value |
| Opening balance | Net changes | Closing balance | |
| $ 193,931 | $ (53,637) | $ 140,294 | $ 328,667 |

(For the year ended March 31, 2013)

| Millions of yen | | | |
|---|---|---|---|
| Carrying amount in the consolidated balance sheets | | | Fair value |
| Opening balance | Net changes | Closing balance | |
| ¥ 20,001 | ¥(220) | ¥19,781 | ¥ 38,677 |

1) The carrying amount is the amount of its acquisition costs less accumulated depreciation and accumulated impairment losses.

2) The changes in the carrying amount are mainly an increase due to capital expenditures and a decrease due to change of scope for consolidation amounted to ¥3,778 million ($37,039 thousand) and sales of real estate amounted to ¥1,248 million ($12,235 thousand) for the year ended March 31, 2014.
The changes in the carrying amount are mainly an increase due to capital expenditures and a decrease due to sales and disposal of real estate amounted to ¥287 million for the year ended March 31, 2013.
3) Fair value of March 31, 2014 and 2013 is primarily determined based on internal assessed value according to the Real Estate Appraisal Standards, or amount based on certain evaluated value and value based on the index appropriately affecting real estate market.

## 21. Business Combination

Business combination of a subsidiary
Furukawa-Sky Aluminum Corp.(hereafter "FSA"), which was a consolidated subsidiary of the Company until September 30, 2013, integrated with Sumitomo Light Metal Industries, Ltd.(hereafter "SLM") and became UACJ Corporation (hereafter "UACJ") on October 1, 2013.
As a result of this business integration, the its ownership of UACJ is 28.1% and UACJ is an affiliate accounted for under the equity method.

1. Outline of the business combination
    1) Name of entities under business combination and description of their business
        ① Name of the combining entity : FSA
        ② Description of its business : Manufacturing and sales of aluminum and aluminum alloy rolling, casting and processing products
        ③ Name of the combined entity : SLM
        ④ Description of its business : Manufacturing and sales of nonferrous metals and the related alloy rolling and processing products
    2) Reason of business combination performed
    The reason of the Business Integration between the two companies is that the integrated new company strengthens its business foundation in the increasingly competitive aluminum rolled products market through greater customer satisfaction, efficient use of management resources, and cost cutting by maintaining economies of scale and taking other measures, accelerates its globalization, and thereby aims to become a "major aluminum company with global competitiveness."
    3) Date of business combination
    October 1, 2013
    4) Outline of transaction including legal form
    This is an absorption-type merger where FSA is the merging entity and SLM is the combined entity.

2. Outline of accounting treatment performed
The transaction is accounted for in accordance with the Accounting Standard for Business Divestitures (ASBJ Statement No.7, issued on December 26, 2008) and the Guidance on Accounting Standard for Business Combinations and Accounting

Standard for Business Divestitures(ASBJ Guidance No. 10, issued on December 26, 2008).

3. Name of classification including the entities under business combination Note.22 "Segment Information"
   Light metals

4. Outline of profit and loss relating to the entities under business combination reported in the consolidated statements of income
   Sales : ¥88,167 million ($864,382 thousand)
   Operation income : ¥4,909 million ($48,127 thousand)

   Sales and operating income is the cumulative amounts for the second quarter ended.

## 22. Segment Information

1. Outline of reportable segments

The reportable segment of the Company is a company group's component for which the financial information can be obtained separately from its other components, and the Board of Directors reviews such reportable segments on a regular basis in order to decide allocations of managerial resources and evaluate business performance.
On classification method of reportable segments in the Company's Group, business in the Company and its Group companies are separately reported based upon similarity of market and the Company decided six reportable segments, such as Telecommunications, Energy and industrial products, Electronics and automotive systems, Metals, Light metals and Services and other.

(1) Telecommunications:
Manufacture and sale of optical fiber cable, optical related parts, optical fiber cable-attached parts and construction, network equipment, etc.

(2) Energy and industrial products:
Manufacture and sale of bare wire, aluminum wire, insulated wire, power cables, power cable-attached parts and construction, electric wire tubing, plastic products, thermal engineering electric feeders, etc.

(3) Electronics and automotive systems:
Manufacture and sale of batteries, automobile parts and electric wire, magnet wire, heat pipes, aluminum plates for memory disks, electronic components and parts, etc.

(4) Metals:
Manufacture and sale of copper products such as copper tubes, rolled copper products, electrolytic copper foils, shape memory alloys, etc.

(5) Light metals:
Manufacture and sale of light metal products such as aluminum sheets, aluminum plates, extruded products, etc.

(6) Services and other:

Service businesses such as real estate, distribution, information, etc.

Furukawa-Sky Aluminum Corp.(hereafter "FSA"), which had previously been the Company's consolidated subsidiary, was integrated with Sumitomo Light Metal Industries, Ltd.(hereafter "SLM") on October 1, 2013.
By this business integration, FSA and its subsidiaries, which consisted of Light metals reportable segment, are not the Company's subsidiaries, and became its affiliates accounted for by the equity method, UACJ Corporation(hereafter "UACJ"), as a new integrated company.

As a result, segment assets in Light metals is zero. Investments in UACJ is included in Investments in affiliates accounted for by the equity method in Services and other reportable segment.

2. Segment information on sales and income (loss), identifiable assets and other items by business for the years ended March 31, 2014 and 2013 is summarized as follows:

(For the year ended March 31, 2014)

| | Millions of yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Telecommuni -cations | Energy and industrial products | Electronics and automotive systems | Metals | Light metals | Services and other | Sub-total | Adjustments* | Total |
| Net sales | | | | | | | | | |
| Outside customers | ¥ 148,641 | ¥ 256,795 | ¥ 282,866 | ¥ 125,942 | ¥ 94,029 | ¥ 23,509 | ¥ 931,782 | ¥ – | ¥ 931,782 |
| Inter-segment sales | 5,390 | 42,149 | 8,106 | 4,762 | 2,559 | 20,283 | 83,249 | (83,249) | — |
| Total | 154,031 | 298,944 | 290,972 | 130,704 | 96,588 | 43,792 | 1,015,031 | (83,249) | 931,782 |
| Segment income(loss) | ¥ 7,176 | ¥ 1,663 | ¥ 14,006 | ¥ (3,054) | ¥ 4,445 | ¥ 1,037 | ¥ 25,273 | ¥ 184 | ¥ 25,457 |
| Assets | ¥ 133,036 | ¥ 167,130 | ¥ 198,619 | ¥ 102,877 | ¥ – | ¥ 132,442 | ¥ 8 | ¥ (19,259) | ¥ (19,251) |
| Others | | | | | | | | | |
| Depreciation | ¥ 4,643 | ¥ 3,363 | ¥ 6,668 | ¥ 5,597 | ¥ 5,400 | ¥ 1,330 | ¥ 27,001 | ¥ 1,106 | ¥ 28,107 |
| Amortization of goodwill | ¥ 87 | ¥ 158 | ¥ 106 | ¥ - | ¥ 101 | ¥ 346 | ¥ 798 | ¥ - | ¥ 798 |
| Investments in affiliates accounted for by the equity method | ¥ 1,165 | ¥ 14,296 | ¥ 7,265 | ¥ 5,398 | ¥ - | ¥ 44,504 | ¥ 72,628 | ¥ - | ¥ 72,628 |
| Tangible/intangible fixed assets increased | ¥ 6,046 | ¥ 3,956 | ¥ 13,299 | ¥ 2,736 | ¥ 9,213 | ¥ 1,405 | ¥ 36,655 | ¥ 781 | ¥ 37,436 |

(For the year ended March 31, 2013)

| | Millions of yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Telecommuni -cations | Energy and industrial products | Electronics and automotive systems | Metals | Light metals | Services and other | Sub-total | Adjustments* | Total |
| Net sales | | | | | | | | | |
| Outside customers | ¥ 140,966 | ¥ 227,872 | ¥ 236,759 | ¥ 124,936 | ¥ 180,700 | ¥ 13,484 | ¥ 924,717 | ¥ – | ¥ 924,717 |
| Inter-segment sales | 5,179 | 37,853 | 6,948 | 4,510 | 4,292 | 23,492 | 82,274 | (82,274) | — |
| Total | 146,145 | 265,725 | 243,707 | 129,446 | 184,992 | 36,976 | 1,006,991 | (82,274) | 924,717 |
| Segment income(loss) | ¥ 1,902 | ¥ 1,957 | ¥ 9,308 | ¥ (1,267) | ¥ 4,362 | ¥ 1,508 | ¥ 17,770 | ¥ (7) | ¥ 17,763 |
| Assets | ¥ 120,696 | ¥ 163,647 | ¥ 175,874 | ¥ 101,511 | ¥ 221,221 | ¥ 69,880 | ¥ 852,829 | ¥ (33,127) | ¥ 819,702 |
| Others | | | | | | | | | |
| Depreciation | ¥ 5,199 | ¥ 4,602 | ¥ 6,354 | ¥ 5,385 | ¥ 10,732 | ¥ 1,733 | ¥ 34,005 | ¥ 1,342 | ¥ 35,347 |
| Amortization of goodwill | ¥ 172 | ¥ 559 | ¥ 111 | ¥ - | ¥ 203 | ¥ 346 | ¥ 1,391 | ¥ - | ¥ 1,391 |
| Investments in affiliates accounted for by the equity method | ¥ 783 | ¥ 18,704 | ¥ 6,032 | ¥ 4,525 | ¥ 17,691 | ¥ - | ¥ 47,735 | ¥ - | ¥ 47,735 |
| Tangible/intangible fixed assets increased | ¥ 7,396 | ¥ 3,167 | ¥ 9,457 | ¥ 6,706 | ¥ 18,690 | ¥ 1,478 | ¥ 46,894 | ¥ 878 | ¥ 47,772 |

(For the year ended March 31, 2014)

| | Thousands of U.S.dollars | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Telecommuni -cations | Energy and industrial products | Electronics and automotive systems | Metals | Light metals | Services and other | Sub-total | Adjustments* | Total |
| Net sales | | | | | | | | | |
| Outside customers | $ 1,457,265 | $ 2,517,598 | $ 2,773,196 | $ 1,234,726 | $ 921,853 | $ 230,480 | $ 9,135,118 | $ – | $ 9,135,118 |
| Inter-segment sales | 52,843 | 413,225 | 79,471 | 46,686 | 25,088 | 198,853 | 816,166 | (816,166) | — |
| Total | 1,510,108 | 2,930,823 | 2,852,667 | 1,281,412 | 946,941 | 429,333 | 9,951,284 | (816,166) | 9,135,118 |
| Segment income(loss) | $ 70,353 | $ 16,304 | $ 137,314 | $ (29,941) | $ 43,578 | $ 10,167 | $ 247,775 | $ 1,804 | $ 249,579 |
| Assets | $ 1,304,275 | $ 1,638,529 | $ 1,947,245 | $ 1,008,598 | $ - | $ 1,298,451 | $ 7,197,098 | $ (188,814) | $ 7,008,284 |
| Others | | | | | | | | | |
| Depreciation | $ 45,520 | $ 32,971 | $ 65,372 | $ 54,873 | $ 52,941 | $ 13,039 | $ 264,716 | $ 10,843 | $ 275,559 |
| Amortization of goodwill | $ 853 | $ 1,549 | $ 1,039 | $ - | $ 990 | $ 3,392 | $ 7,823 | $ - | $ 7,823 |
| Investments in affiliates accounted for by the equity method | $ 11,422 | $ 140,157 | $ 71,224 | $ 52,922 | $ - | $ 436,314 | $ 712,039 | $ - | $ 712,039 |
| Tangible/intangible fixed assets increased | $ 59,275 | $ 38,784 | $ 130,382 | $ 26,824 | $ 90,324 | $ 13,774 | $ 359,363 | $ 7,657 | $ 367,020 |

* Inter-segment transactions are eliminated from the consolidated financial statements. Corporate assets are included in the consolidated financial statements. Adjustments include increase of tangible/intangible fixed assets and depreciation related to the corporate assets.

(Change of fiscal year)

1) On depreciation method of property, plant and equipment, the Company and certain domestic consolidated subsidiaries mainly adopted the declining-balance method for property, plant and equipment other than buildings and overseas consolidated subsidiaries mainly adopted the straight-line method so far. The Company and the certain domestic consolidated subsidiaries, however, have changed the depreciation method to the straight-line method from this fiscal year.
The Group planned in the medium-term management plan to increase resources allocated to overseas operation base for expanding business in the overseas market which can expect growth, its policy was made clear, to shift to investments for maintenance and updates corresponding to mature market environment in the domestic market. After this, as a result of investigating the operation status of its assets, which are mainly domestic production facility owned by the Company and the certain domestic consolidated subsidiaries, long-term and stable operation status of those assets were expected afterwards. Therefore, it was judged that depreciation using by the straight-line method provides reasonable cost allocation reflecting such an operation status of those assets.
As a result of this change, segment income (loss) of Telecommunications, Energy and industrial products, Electronics and automotive systems, Metals, Loght metals and Services and other increased by ¥516 million ($5,059 thousand), ¥555 million ($5,441 thousand), 545 million ($5,343 thousand), 72 million ($706 thousand) , 17 million ($167 thousand)and ¥312 million ($3,059 thousand), respectively, compared with previous method had been applied.

2) The financial statements of P.T. Tembaga Mulia Semanan,Tbk, whose statutory financial year end was December 31, has been consolidated by using their financial statements as of the parent fiscal year end which are prepared solely for consolidation purpose to further enhance appropriate disclosure of consolidated financial information.
Accordingly, consolidated financial statements have been prepared based on financial statements for the fifteen months fiscal period, from January 1, 2013 to March 31, 2014.
As a result of this change, net sales and segment income increased by ¥15,916 million($156,039 thousand) and ¥176 million ($1,725 thousand), respectively,compared with previous method had been applied.

<Relative information>

Information by regions

(For the year ended March 31, 2014)

| | Millions of yen | | | |
|---|---|---|---|---|
| | Japan | Asia | Other areas | Total |
| Net sales | ¥ 547,699 | ¥ 258,990 | ¥ 125,093 | ¥ 931,782 |
| Property, plant and equipment, net of accumulated depreciation | ¥ 116,543 | ¥ 51,317 | ¥ 23,209 | ¥ 191,069 |

| | Thousands of U.S. dollars (Note 3) | | | |
|---|---|---|---|---|
| | Japan | Asia | Other areas | Total |
| Net sales | $ 5,369,598 | $ 2,539,118 | $ 1,226,402 | $ 9,135,118 |
| Property, plant and equipment, net of accumulated depreciation | $ 1,142,578 | $ 503,108 | $ 227,539 | $ 1,873,225 |

(For the year ended March 31, 2013)

| | Millions of yen | | | |
|---|---|---|---|---|
| | Japan | Asia | Other areas | Total |
| Net sales | ¥ 579,004 | ¥ 237,742 | ¥ 107,971 | ¥ 924,717 |
| Property, plant and equipment, net of accumulated depreciation | ¥ 214,390 | ¥ 46,145 | ¥ 19,552 | ¥ 280,087 |

<Information of impairment loss by reportable segments>

(For the year ended March 31, 2014)

| | Millions of yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Telecommuni -cations | Energy and industrial products | Electronics and automotive systems | Metals | Light metals | Services and other | Sub-total | Adjustments | Total |
| Impairment loss | ¥ 621 | ¥ 815 | ¥ 24 | ¥ 2,935 | ¥ 2,410 | ¥ - | ¥ 6,805 | ¥ - | ¥ 6,805 |
| | Thousands of U.S. dollars (Note 3) | | | | | | | | |
| Impairment loss | $ 6,088 | $ 7,990 | $ 235 | $ 28,775 | $ 23,628 | $ - | $ 66,716 | $ - | $ 66,716 |

(For the year ended March 31, 2013)

| | Millions of yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Telecommuni -cations | Energy and industrial products | Electronics and automotive systems | Metals | Light metals | Services and other | Sub-total | Adjustments | Total |
| Impairment loss | ¥ 701 | ¥ 1,072 | ¥ 248 | ¥ 54 | ¥ 59 | ¥ 448 | ¥ 2,582 | ¥ - | ¥ 2,582 |

<Information of goodwill by reportable segments>

(For the year ended March 31, 2014)

| | Millions of yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Telecommuni -cations | Energy and industrial products | Electronics and automotive systems | Metals | Light metals | Services and other | Sub-total | Adjustments | Total |
| Amortization of goodwill | ¥ 87 | ¥ 158 | ¥ 106 | ¥ - | ¥ 101 | ¥ 346 | ¥ 798 | ¥ - | ¥ 798 |
| Goodwill as of March 31 | ¥ 177 | ¥ 515 | ¥ 124 | ¥ - | ¥ - | ¥ 3,254 | ¥ 4,070 | ¥ - | ¥ 4,070 |
| | Thousands of U.S. dollars (Note 3) | | | | | | | | |
| Amortization of goodwill | $ 853 | $ 1,549 | $ 1,039 | $ - | $ 990 | $ 3,392 | $ 7,823 | $ - | $ 7,823 |
| Goodwill as of March 31 | $ 1,735 | $ 5,049 | $ 1,216 | $ - | $ - | $ 31,902 | $ 39,902 | $ - | $ 39,902 |

(For the year ended March 31, 2013)

| | Millions of yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Telecommuni -cations | Energy and industrial products | Electronics and automotive systems | Metals | Light metals | Services and other | Sub-total | Adjustments | Total |
| Amortization of goodwill | ¥ 172 | ¥ 559 | ¥ 111 | ¥ - | ¥ 203 | ¥ 346 | ¥ 1,391 | ¥ - | ¥ 1,391 |
| Goodwill as of March 31 | ¥ 272 | ¥ 560 | ¥ 214 | ¥ - | ¥ 264 | ¥ 3,600 | ¥ 4,910 | ¥ - | ¥ 4,910 |

### 23. Related Party Transactions

1. Transactions of the Company with related companies

(For the year ended March 31, 2014)

| | |
|---|---|
| Type of Related Party | Affiliate |
| Name | VISCAS Corporation. |
| Address | Shinagawa-ku Tokyo |
| Capital | ¥12,100 million ($118,627 thousand) |
| Type of business | Energy and industrial products |
| Voting right share owing (share owed) | Direct 50.0% |
| Business relationship | Sale of material, purchase of finished goods, lease contracts of real estate, appointment of directors to other companies and providing financial support. |
| Description of transactions | Loans guaranteed |
| Amounts of transactions | ¥9,190 million ($90,098 thousand) |
| Accounts | — |
| Closing balances | — |

(For the year ended March 31, 2013)

| | |
|---|---|
| Type of Related Party | Affiliate |
| Name | VISCAS Corporation. |
| Address | Shinagawa-ku Tokyo |
| Capital | ¥12,100 million |
| Type of business | Energy and industrial products |
| Voting right share owing (share owed) | Direct 50.0% |
| Business relationship | Sale of material, purchase of finished goods, lease contracts of real estate, appointment of directors to other companies and providing financial support. |
| Description of transactions | Loans guaranteed |
| Amounts of transactions | ¥5,771 million |
| Accounts | — |
| Closing balances | — |

2. Information on the parent company and siginificant affiliate companies

(For the year ended March 31, 2014)

1) Information on the parent company

None.

2) Financial statement of a siginificant affiliate company

A significant affiliate company is UACJ Corporation (hereafter "UACJ").
Summarized aggregate financail statement data of it is as fillows.

| | Millions of yen | Thousands of U.S. dollars (Note 3) |
|---|---|---|
| Total current assets | 236,638 | 2,319,980 |
| Total non-current assets | 371,852 | 3,645,608 |
| Total current liaibilities | 236,387 | 2,317,520 |
| Total non-current liaibilities | 203,963 | 1,999,637 |
| Net assets | 168,140 | 1,648,431 |
| | | |
| Sales | 364,107 | 3,569,676 |
| Income before income taxes and minority interests | 15,523 | 152,186 |
| Net income | 9,946 | 97,510 |

(For the year ended March 31, 2013)

1) Information on the parent company

None.

2) Financial statement of a siginificant affiliate company

None.

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# Independent Auditor's Report

The Board of Directors
Furukawa Electric Co., Ltd.

We have audited the accompanying consolidated financial statements of Furukawa Electric Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

*Management's Responsibility for the Consolidated Financial Statements*

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

*Auditor's Responsibility*

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

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

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

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Furukawa Electric Co., Ltd. and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

*Emphasis of Matter*

As described in Note 2s, on depreciation method of property, plant and equipment, Furukawa Electric Co., Ltd. and certain domestic consolidated subsidiaries mainly adopted the declining-balance method for property, plant and equipment other than buildings and overseas consolidated subsidiaries mainly adopted the straight-line method so far. Furukawa Electric Co., Ltd. and the domestic consolidated subsidiaries, however, have changed the depreciation method to the straight-line method from this fiscal year.

Our opinion is not qualified in respect of this matter.

*Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 25, 2014