

# Annual Report 2015

Year Ended March 31, 2015



# “TSUNAGU” Technology

The Fujikura Group has formulated our “Mission, Vision and Core Values” to inspire and encourage vigorous growth despite facing a difficult business climate in the early 21st century.

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# Fujikura Group Corporate Philosophy

## Mission

The Fujikura Group will contribute to the creation of value and quality for customers by implementing “TSUNAGU” (the Japanese word meaning “connecting”) technologies.

## Vision

- Fujikura’s vision is to become the most trusted partner in the market and to positively impact our communities and our customers by delivering superior solutions.
- We will be a world leader in our markets by employing “TSUNAGU” technologies and by continuously developing innovative and useful products and solutions.
- Within Fujikura, each individual will strive to contribute as a leader and thereby develop a team that truly differentiates Fujikura in the global market.

## Core Values

### Customer Satisfaction

*“Are you winning customer’s satisfaction?”*

### Change

*“Are you willing to take up challenges to drive progress?”*

### Collaboration

*“As a Fujikura associate, are you striving to work together to deliver the best possible result and to fulfill your capability and potential?”*

## Behavior Standards

- Always consider the customer first. Make customer satisfaction your highest priority.
- Consider what to accept and what to reject.
- Identify and demonstrate clear goals.
- Stay ahead of emerging technologies and connect people and solutions to the communities we serve.
- Choose your actions based on facts.



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# FINANCIAL HIGHLIGHT

**+¥70.5 bn**  
**NET SALES**

Net sales increased reflecting a sizeable increase in orders for FPCs from smartphone manufacturers, brisk demand for automobile wire harnesses, mainly in Europe, positive impact from exchange rate trends and a rise in copper prices in the Power & Telecommunication Systems Company.

**+¥4.7 bn**  
**OPERATING INCOME**

Market conditions deteriorated for the domestic and overseas infrastructure businesses, and for the optical fiber business, and there was also negative impact from a change in product mix. However, operating income increased, buoyed by brisk demand for electronics-related products, including FPCs and connectors, and a decline in the yen's value.

**+¥8.8 bn**  
**NET INCOME**

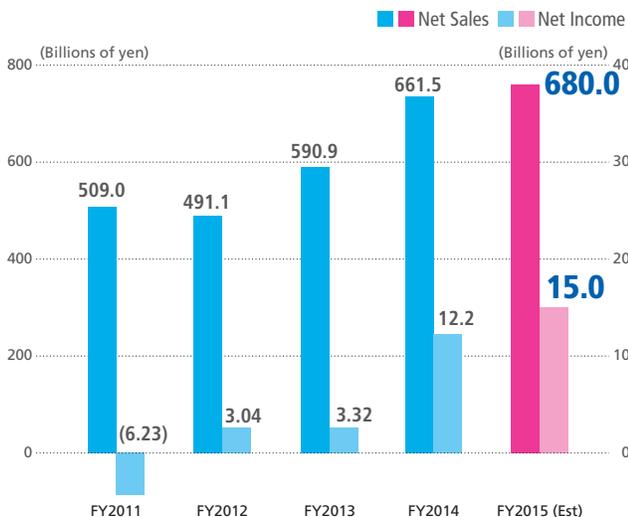
Tax payments returned to normal levels owing to tax benefits reflecting a return to profit at our subsidiary in Thailand, thanks to a recovery in the Electronics Business Company, which is composed mainly of the FPC business. We also posted an improvement to our equity-method account of JPY1.8 billion.

## External Environment

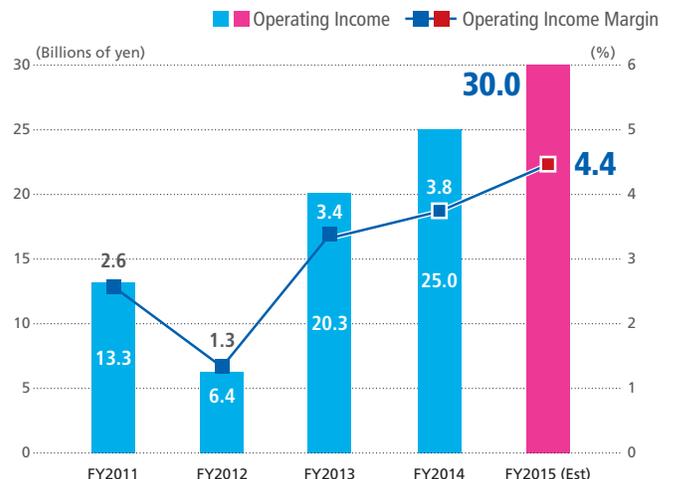
The economy in Japan trended gradually toward recovery. Benefits from depreciation in the yen's value against major currencies and other factors compensated for the negative impact from a reactionary decline in demand following the consumption tax hike. Meanwhile, despite a slight slowdown, China's economy expanded modestly overall owing to a solid increase in consumer spending. The US economy trended toward recovery underpinned by an increase in consumer spending and capital investments.

Meanwhile, in the business environment in which Fujikura operates, there was a favorable turnaround in certain areas, including an improvement in the export environment owing to benefits from a weak yen. However, the environment continued to be challenging given that the domestic power and telecommunication infrastructure market continued to mature and shrink.

## Net Sales and Net Income (Loss)



## Operating Income, Operating Income Margin



					Millions of yen	Thousands of U.S. dollars
	FY2010	FY2011	FY2012	FY2013	FY2014	FY2014

### For the Year

Net Sales	¥521,832	¥509,081	¥491,118	¥590,980	¥661,510	\$5,505,701
Operating Income	16,891	13,383	6,499	20,345	25,075	208,697
Net Income (Loss)	9,383	(6,232)	3,049	3,328	12,201	101,548
Capital Expenditures	21,255	30,980	54,594	25,463	24,637	205,052
R&D Expenditures	13,924	14,585	14,917	14,654	15,226	126,725

### At Year-End

Total Assets	¥482,427	¥489,479	¥528,900	¥537,281	¥577,567	\$4,807,050
Total Net Assets	192,750	184,235	204,771	207,242	234,527	1,951,952
Number of Employees	53,289	50,463	52,409	53,409	52,452	

### Per Share Data

Net Income (Loss)—Primary	¥26.02	¥ (17.28)	¥8.65	¥9.99	¥37.93	\$0.32
Net Income—Fully Diluted	—	—	—	—	—	—
Cash Dividends	6.00	5.00	5.00	6.00	7.00	0.06

### Net Sales by Segment FY 2014

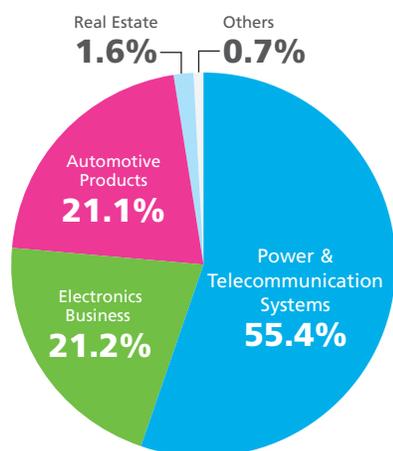
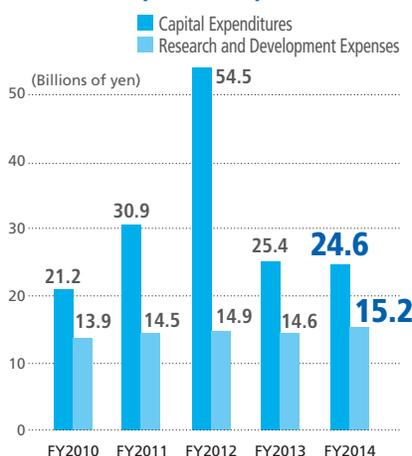
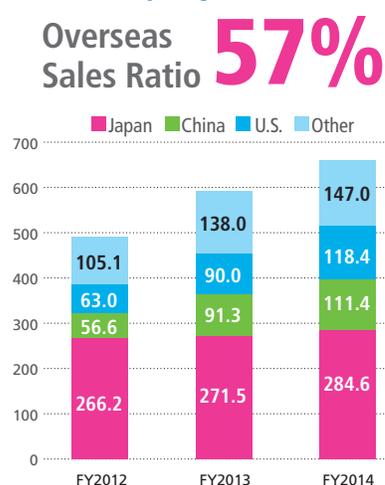


Figure shown above for FY2014 has been restated to reflect organizational changes implemented on April 1, 2015.

### Capital Expenditures, Research and Development Expenses



### Net Sales by Region



# PRESIDENT'S MESSAGE

## FY2014 Review

The business environment underwent drastic changes owing to two major natural disasters—the Great East Japan Earthquake and severe flooding in Thailand. To ensure that we realize the goals in our 2015 Mid-term Business Plan, we implemented additional measures to cope with the changes in the environment and all employees of the Fujikura Group put forth every effort in line with our corporate slogan “Make Changes and Change Ourselves!”

## Earnings Performance

Unit: JPY in Billion

	FY2013	FY2014	
Net sales	590.9	661.5	+ 70.5
Operating income	20.3	25.0	+ 4.7
Ordinary income	13.8	21.0	+ 7.2
Net income	3.3	12.2	+ 8.8

## Key measures

### 1. Structural reforms

- Consolidation of production sites and improvements to adapt to environmental changes in the domestic market

The electric power and telecommunications markets in Japan are maturing and shrinking. We aligned our

stance with these market changes mainly by integrating and closing production sites, restructuring and utilizing the Sakura Works, and reforming our sales and distribution infrastructures.

Moreover, having taken stock of our operations, we are currently in the process of determining the course of our focus & deep business strategy.

### 2. Revitalizing the Electronics Business

- Improvement of productivity and profitability, and regain position as a key supplier to our major customers

The major point in FY2014 was that we realized a recovery in the Electronics Business. Many plants in Thailand suffered water damage during the October 2011 flooding. We refurbished our plants and replaced damaged facilities and equipment over a period of approximately one year. We have nearly recouped our former production capacity. However, during this time we lost our customer base. Accordingly, the major initiatives we focused on were to regain our customers and to be fully reinstated as a major supplier to our customers.



*In FY2014, we garnered benefits from initiatives undertaken to resolve issues throughout the group, and bring us one step closer to achieving the goals in our 2015 Mid-term Business Plan.*

*FY2015 is the final year for us to reap the benefits from the initiatives we outlined in our 2015 Mid-term Business Plan.*

### 3. Accelerating global expansion

▶ Globalization of the infrastructure business, and expansion of automotive products production sites in Europe

In the infrastructure business, we partnered with local companies and geared up to launch our businesses in Brazil and Myanmar. In the automotive products, we forged ahead with the expansion of production sites in Europe.

### 4. Paving the way to new business areas

▶ Speedily respond to customer requirements

We saw an increase in the number of inquiries we received from customers about fiber lasers and AOCs (Active Optical Cables). Although we believe it will require more time, we poured energies into the development of the superconductor and medical devices businesses.

## Initiatives in FY2015

We plan to primarily continue undertaking those initiatives we embarked on in FY2014.

### Key measures

#### 1. Accelerating global expansion

We plan to pour energies into infrastructure businesses. We will make a decisive step to move our operations to Brazil and Myanmar so that we can contribute to the building of infrastructures in those countries with local partners.

#### 2. Continuing to enhance earnings strength

In the Electronics Business and Automotive Products Companies, we aim to further improve earnings strength in line with growth at our major customers.

#### 3. Paving the way to new business areas

We plan to establish of a mass production and continue to develop fiber lasers, AOCs, superconductor products, and medical devices.

### 4. Structural reforms

We aim to move forward with another round of structural reforms, mainly in the domestic infrastructure business, while concurrently undertaking the focus & deep of our businesses.

## Earnings Forecast

	Unit: JPY in Billion		
	FY2014	FY2015	
Net sales	661.5	680.0	+ 18.5
Operating income	25.0	30.0	+ 5.0
Ordinary income	21.0	25.0	+ 4.0
Net income	12.2	15.0	+ 2.8

## Shareholder Returns

### Dividend

In FY2014, we implemented an annual per-share dividend payout of JPY7. In FY2015, we plan an annual per-share dividend payout of JPY8, one yen higher than a year earlier.

### Treasury stock

Fujikura acquired 18 million shares for JPY8.7 billion in FY2014. We plan to flexibly make acquisitions as needed in the future.

### Dividend policy

Total return ratio: 30%-plus

## Conclusion

We are proud of the recovery in performance in the electronics business, which was damaged by flooding in Thailand. We improved our operating income margin in this segment from -3.1% of the last year to 5.0% in FY2014. However, there is a disparity between the target and the result in 2014. We aim to employ a team approach to realize our operating income margin goal in full.

# 2015 MID-TERM BUSINESS PLAN

*The 2015 Mid-term Business Plan is an important milestone on the way to becoming a highly profitable company. It is also the foundation for Fujikura's transformation.*

## FY2015 Forecasts versus 2015 Mid-term Business Plan

- Expect to achieve a 4.9% operating income margin, which is 80% of the goal in our 2015 Mid-term Business Plan (not factoring in new businesses)

In FY2015, we target net sales of JPY680 billion, as we expect to outperform the net sales goal of JPY650 billion in our 2015 Mid-term Business Plan. Meanwhile, we forecast an operating income margin of 4.4% in FY2015, versus our 2015 Mid-term Business Plan goal of 6.3%. Nonetheless, when factoring out our new businesses, which were not included when we initially created our 2015 Mid-term Business Plan, our operating income margin forecast is 4.9%. Consequently, in FY2015, we plan to achieve nearly 80% of this goal. We believe

## 2015 Projection vs 2015 Mid-term Goal

In-house companies (Unit: JPY in billion, %)	2015 Mid-term Goal		FY2015 Projection	
	Net Sales	OP Margin	Net Sales	OP Margin
Infrastructure	190.0		216.6	
Optical Fiber	145.0		150.0	
Power & Telecommunication Systems	335.0	5.4%	366.6	3.5%
Electronics Business *1	145.0	6.0%	147.2	5.3%
Automotive Products	110.0	5.5%	147.5	4.8%
Real Estates	10.0	50.0%	10.6	48.4%
Others	4.0	-25.0%	—	—
Paving the Way to New Business Areas	—	—	8.0	-37.6%
<b>Total</b>	<b>650.0</b>	<b>6.3%</b>	<b>680.0</b>	<b>4.4%</b>

\*1 Only Electronics Business's Mid-term Goal was revised due to the Thai flood. The original plan was JPY190.0 bn for net sales and 6.8% for OP margin.

If the New Business Area* is excluded in 2015 Mid-term Goal	672.0	4.9%
* It was not included in the 2015 Mid-term Business Plan		

that given the change in the business environment surrounding the Fujikura Group an achievement rate of 80% warrants praise.

- Infrastructure business is a major issue

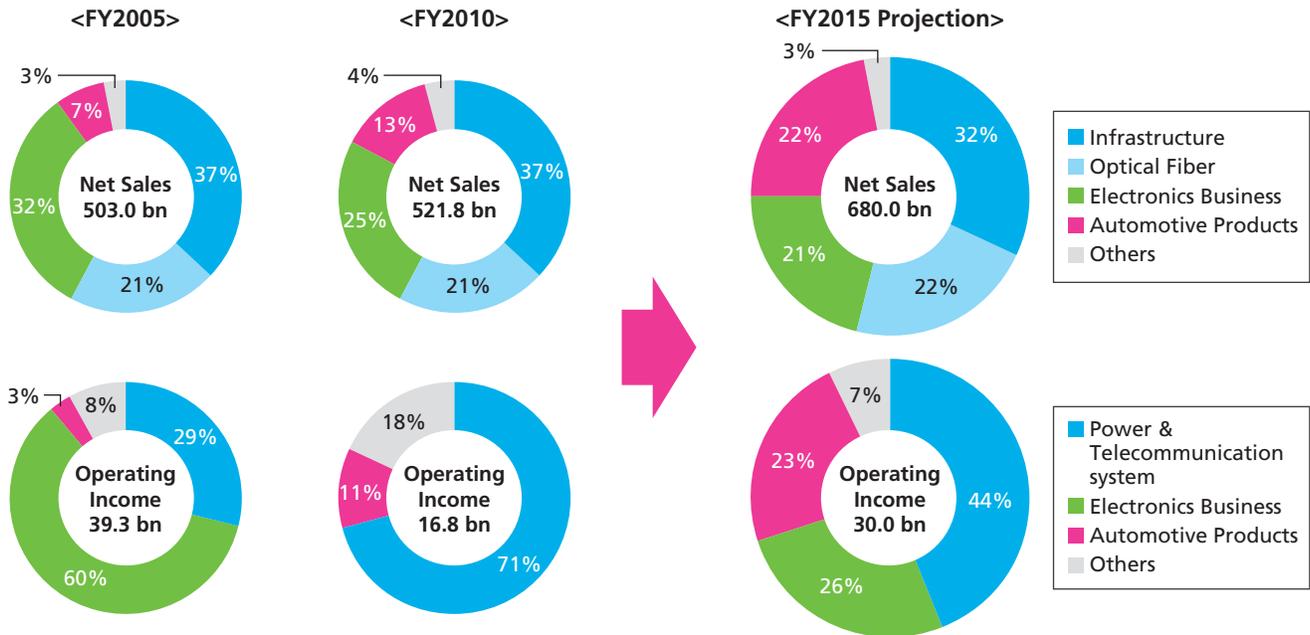
The business environment surrounding the infrastructure business has changed most drastically.

Electric power companies are facing investment difficulties. This is a repercussion of the nuclear power plant accident that was triggered by the Great East Japan Earthquake. Domestic telecommunication carriers have nearly completed construction of their optical networks resulting in tight volume and pricing.

It will be necessary for us to implement the focus & deep business strategy, to downsize further, and to lower fixed costs.

## Business Portfolio Transformation

► Boasting a well-balanced portfolio



### 2005

- More than half of operating income was earned by the Electronics Business
- Posted all-time high operating income

### 2010

- Negative performance at the Electronics Business due to intensified competition

### 2015

- To certain extent restored flood-damaged plants in Thailand
- Portfolio is becoming well-balanced

## Making the Shift to the Next Mid-term Business Plan

### 2020 Mid-term Business Plan

Aim to become a highly profitable company by boosting our corporate metabolism

2015 Mid-term Business Plan is a milestone for becoming a highly profitable company

### 2015 Mid-term Business Plan

2015 Mid-term Business Plan is the foundation for Fujikura's transformation





**Power & Telecommunication Systems  
Company**



**Electronics Business  
Company**



**Automotive Products  
Company**

# Power & Telecommunication Systems Company

## Building a new structure, spurring overseas expansion, and creating team strength to achieve our FY2015 plan

In FY2014, Japan's electric power and communications markets matured and shrank, triggering intense price competition. However, demand grew for renewable energy and data center products. Accordingly this provided us with more business opportunities and we were able to differentiate from rivals.

In emerging markets, electric power and communication infrastructure demand is brisk. We plan to not only supply products but also services through our EPC (Engineering, Procurement, Construction) business. In developed countries,

we aim to expand into the FTTH business, with lighter-weight and smaller-diameter optical fiber cables.

We believe it is vital to evolve with changes in the business environment and review the resource system. It is crucial that we always properly respond to changes in the value sought by customers.



In FY2015, we plan to implement our focus & deep business strategy while reallocating resources to growth businesses, including data centers and overseas engineering projects. Specifically, we aim to secure firm footing in the EPC business with our partners in countries such as Brazil and Myanmar, where there is growth potential. Also, to provide excellent QCDS (quality, cost, delivery, service) to customers, we plan to enhance efficiency by introducing IT technologies and strengthen quality management including the quality of our vendors.

We plan to execute these initiatives to achieve our FY2015 plan and become a highly profitable company.

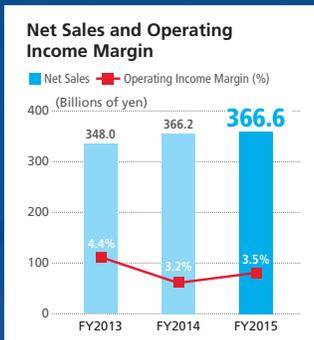


Figure shown above for FY2014 has been restated to reflect organizational changes implemented on April 1, 2015.

### Eco cables Contribute to the creation of a sustainable society



More than 99% of these electric cables are recyclable

### Optical fibers/optical fiber cables Support telecommunication infrastructures globally



A wide product lineup that suits a broad range of needs for long distance communications including FTTH

### Fusion splicers Leading global share



Facilitates easy, reliable and high-quality connections. Also can be used for special fibers.

# Electronics Business Company

## Profit comeback in FY2014, rebounding from Thai flood damage; Aiming to achieve FY2015 plans for full recovery

Fujikura incurred huge losses due to flood damage at most of its production sites in Thailand in October 2011. This was a major disruption for our customers.

We resumed mass production in less than one year due to our determination to get the Electronics Business back up and running. Customers also immediately placed orders with us once we restarted production.

In FY2014, the Electronics Business garnered sales of JPY140.4 billion and operating income of JPY6.9 billion owing to the

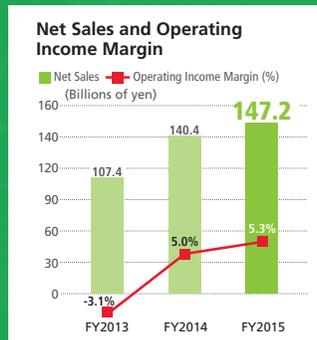


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following. We regained our position as a leading supplier. Demand for smartphone components rose. Also, despite a sharp climb in wages in Thailand, China and Vietnam, where our production sites are located, we cut costs by boosting productivity. FY2015 is the year in which we aim to implement the second phase of recovery in the Electronics Business.



We look to achieve a full-fledged earnings recovery by growing along with our customers.

Our business focus will remain on smartphone components but we also plan to expand the scope of our operations by furnishing products to new customers in the automotive electronics and medical industries. In FY2015, we target sales of JPY147.2 billion and operating income of JPY 7.7 billion.

We plan to work more closely with our customers by fulfilling their needs and improving product quality and technology. We also aim to open our production sites to our customers. Lastly, we plan to work as one to achieve our FY2015 plan so that we can declare the full recovery of the Electronics Business.

### Multi-layer FPCs Meets demand for thinner, higher density circuit boards for smartphones



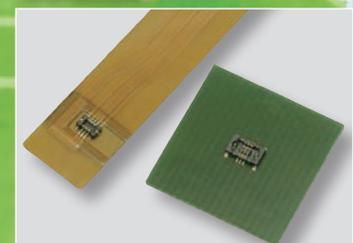
Our flexible printed circuit boards use a polyimide-based CCL and coverlays and are used in single, double, triple, and quadruple layer boards

### Electronic wires Fully-integrated system handles everything from cable production to cable assembly



Our coaxial cable is thin and light weight. The wires have high-performance mechanical strength and provide high-quality transmission owing to high noise immunity.

### Board to FPC Connector Widely used in mobile devices including smartphones



Low profile board-to-FPC stacking connector with compact stacking height of 0.7mm and 0.35 mm pitch connections. Helps save board space.

# Automotive Products Company

## Aim to expand automotive-related products globally and continue development as a core business

In FY2014, the Automotive Products Company garnered sales of JPY139.2 billion, a growth of JPY19.6 billion or 16.3% versus the previous year. This is mainly due to an expansion in overseas demand, mainly in North America and Europe. Operating income came to JPY4.2 billion, a slight decline compared with a year earlier, due in part to costs related to a customer's new vehicle launch, upfront investments, and sluggish performance at some of its Japanese customers.

We aim to establish a global three regional headquarters structure—Europe, the Americas, and Asia—to achieve further growth. We also plan to development new products for different automobile platforms by integrating products with electronic components and other products. At the Advanced Automotive Technology Center, which was set up in 2013, our focus is on next-generation cars that are completely

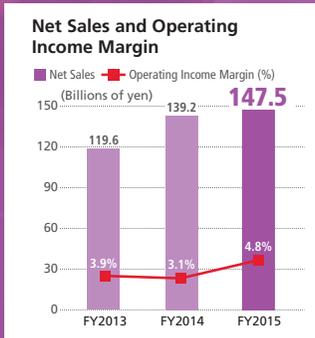


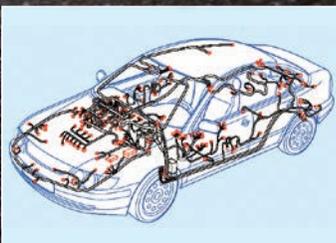
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based on Fujikura technologies. We plan to embark on the creation of novel technologies and products that are in line with trends, including all-electric vehicles, environmental compliance, self-driving, and connected cars.

In 2015, we anticipate further growth owing to continued brisk demand in Europe and the Americas. This is the year in which we aim to reap the benefits from the investments we made to handle the launch of new car models by customers. Accordingly, we target sales of JPY147.5 billion, a rise of JPY8.0 billion year-on-year, and operating income of JPY7.1 billion, a growth of 69%. We also plan to move forward working as one with our three global headquarters.

### Wire harness Supply reliable, light-weight products with optimal design properties



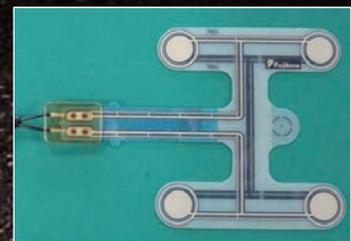
Lighter weight is the most requested attribute for improving fuel efficiency

### High-voltage cables and connectors Essentials for electric and hybrid vehicles



No electromagnetic interference as our cables have excellent insulation and noise barrier properties

### Seat sensors Element of your car's safety net. Reminds riders to put on their seat belts.



Achieved anti-static function, flame-retardant and highly-sensitive detection properties. The device is thin thereby making the seat surface flat.

# NEW BUSINESS DEVELOPMENT

## Pave the Way into New Business Areas

### New Business: Fiber Lasers, Cloud Communications, Medical, High-temperature Superconductors

We are moving forward with development and the establishment of a mass production system. We are also promoting new business development to speedily meet the needs of our customers.

#### Fiber laser product line honored with Laser Society of Japan's Laser Industry Award for Excellent Products

On April 23, 2015 at Laser Expo 2015, Fujikura received the Laser Industry Award for Excellent Products from the Laser Society of Japan for its fiber laser product line, including the 4kW continuous wave fiber laser. The Laser Industry Award is bestowed to corporate members of the Laser Society of Japan who have developed and commercialized excellent products and technologies that contribute to the development of society through the laser and optical related industries. The Laser Industry Award for Excellent Products is given to those companies which boast first-rate technologies and a superior track record in the market. We are developing, manufacturing, and marketing top-class products in the industry, including a 75W-high power pulse fiber laser (FLP-G75S) and a kilowatt class, high-output power continuous wave fiber laser, with a higher tolerance to reflected light. The award we received was for this product lineup. Fujikura garnered high evaluation ratings for its fiber laser technologies and its commercialization track record. We are planning to leverage these technologies and achievements to develop fiber lasers with higher outputs and to expand our product lineup.

#### Development of practical applications for superconductors, such as yttrium-based high temperature superconducting wire for MRIs

Fujikura undertook the development of mass-production technologies for many years to commercially produce long lengths of yttrium-based high-temperature superconducting wire. An analytical Nuclear Magnetic Resonance (NMR) and medical magnetic resonance imaging (MRI) are some of the expected practical applications for yttrium-based high-temperature superconducting wire that does not require a liquid helium refrigerant and remains highly effective even when exposed to strong magnetic fields. Progress is being made in this field, including a national project for the development of base technologies of high temperature superconducting coil that has been underway since FY2013 and in which Fujikura is participating. The materials for these coils are receiving high praise.



Laser Industry Award for Excellent Products



Fiber Laser (FLP-G75S)



Yttrium-based High Temperature Superconducting Magnet



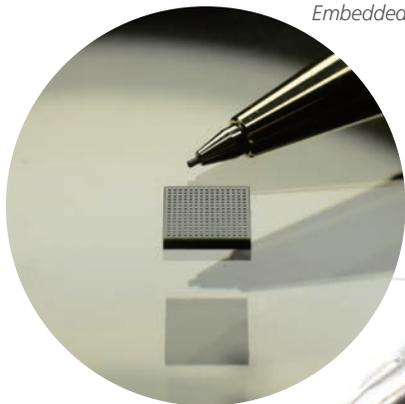
### Active Optical Cables (AOCs) supporting large-volume data transmission by data centers

Fujikura markets a 56 Gbit/s QSFP active optical cable (AOC) that makes it possible to transmit large-volumes of data between servers and CPUs at data centers and other facilities that support cloud computing services. Due to the necessity to transmit a larger volume of data at higher speeds between servers, an issue that has emerged is the increased weight of overall cabling. Our AOC technology has extended the maximum length for large-volume transmissions to 100 meters, which was not possible with copper wiring. Moreover, we were able to substantially reduce cable diameter and weight as well as achieved a lower level of power consumption.

### Launched mass production of Wafer And Board level device Embedded (WABE) Package™ for use in the medical field

We launched mass production of the world's first Wafer And Board level device Embedded (WABE) Package™ that uses insulation materials made from polyimide film. The WABE Package™ utilizes a proprietary developed technology for the fabrication of a multilayer substrate utilizing polyimide film. In addition to being the world's thinnest, commercial device-embedded package, this package is receiving high evaluations mainly by the medical industry for consistent reliability and high magnetic noise resistance. We plan to expand applications for the package in various products.

Wafer And Board level device Embedded (WABE) Package™



### CMOS sensor endoscope New 160,000 pixels CMOS imaging sensor module (160K module) development

Fujikura has started 160K module sample shipments. The module consists of a micro objective lens, CMOS imaging sensor, cable and connector. Overall distal portion diameter is 1.60 mm with exceptional image quality. We also developed a processor board and software to provide a user-friendly solution. The module has been designed specifically for medical applications with stringent bio-compatibility, sterilization and electrical requirements. The module will open up new diagnostic and therapeutic solutions.

160,000 pixels CMOS imaging sensor module



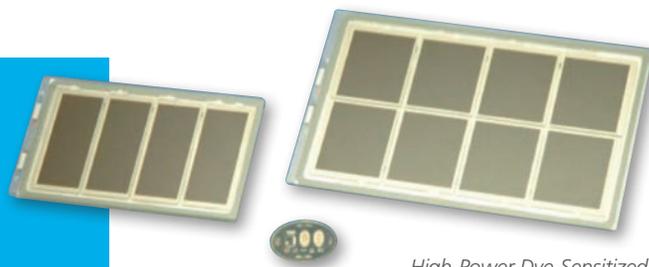
# RESEARCH TOPICS FOR FUTURE GROWTH

## Technologies to Protect the Earth, to Realize Next Generation Communication

We believe Environment and Energy, Telecommunication, and Photonics are prime targets for new business. We plan to invest resources saved from restructuring into developing products for these markets to launch each business at the earliest possible time.



*Multi-functional sensor with energy harvesting technology  
(temperature, humidity, illuminance, air pressure and motion)*



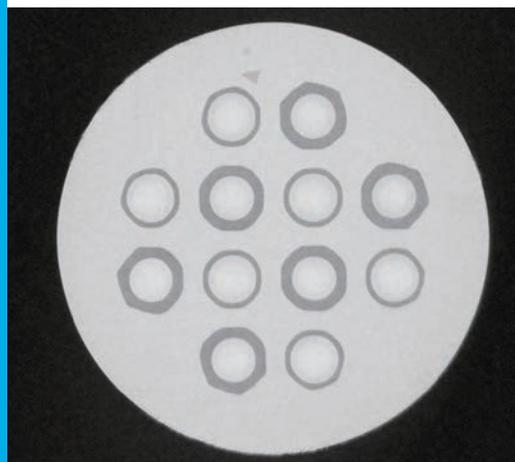
*High-Power Dye-Sensitized  
Solar Cell modules*

### High-Power Dye-Sensitized Solar Cells and Energy Harvesting Sensors

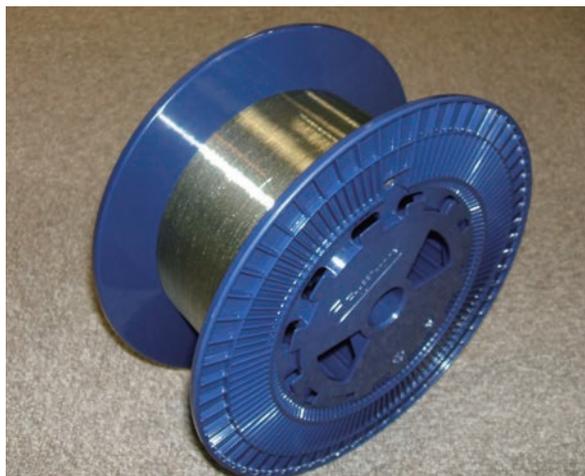
Fujikura has developed a dye-sensitized solar cell module (DSC) capable of twice generation performance under indoor lighting conditions as current amorphous Si solar cells. Rightly, this product is gaining notice as the solar cell for use in the energy harvesting field where sensors and other equipment can be run without or changing batteries. We also succeeded in developing compact energy harvesting sensor systems appropriate for maintenance-free sensor networking using these DSCs.

### Few-Mode Multi-Core Fiber

Multi-core fibers and few mode fibers have been developed to overcome the capacity limit of conventional single-mode fiber. Joint development among Fujikura, NTT, Hokkaido University, and DTU has achieved 527-km transmission over a few-mode multi-core fiber (FM-MCF), which has 12 cores with two-LP modes. The mode count in each core has been extended from two (LP01, LP11) to three (LP01, LP11a, LP11b) owing to digital signal processing technology. Very low differential mode delay of Fujikura's FM-MCF enabled the 527-km transmission over the fiber.



*Few-Mode Multi-Core Fiber*



Radiation-resistant optical fiber

## Radiation-resistant optical fiber products

The 30 years of R&D we put into radiation-resistant optical fibers has contributed to the safety of nuclear power plant facilities and R&D in various fields. At present, there are growing expectations for the use of radiation-resistant optical fibers in a broad range of industries for the safety of nuclear power plant facilities and the development of new technologies.

Fujikura developed a single-mode optical fiber, substantially improving the radiation-resistant characteristics of the fiber by doping the pure quartz core of the optical fiber with fluorine. This contributed to various types of research, such as large accelerator research. In our latest development, we successfully boosted the level of heat resistance to 300° Celsius by using a polyimide resin for the sheath. This makes it possible to use the fiber in harsh conditions, including radiation, high heat, and superheated steam atmospheres for applications with optical fiber signal transmission, and wide range of other optical sensing technologies that use optical fiber, such as water-level, temperature, and strain sensors. We aim to continue to contribute to the safety of nuclear power plant facilities with our radiation-resistant optical fiber products.

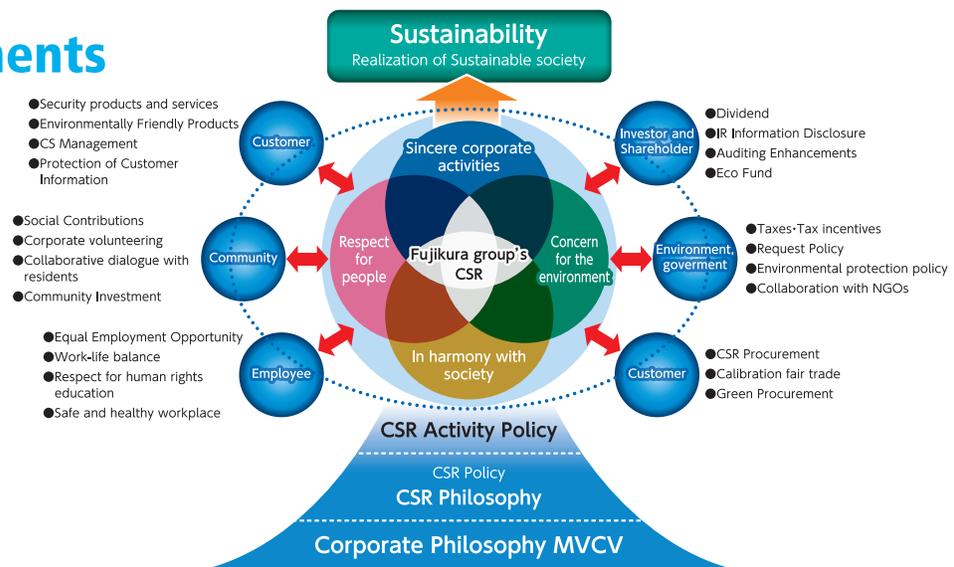
# CORPORATE SOCIAL RESPONSIBILITY

## Fujikura Group CSR Basic Policies

The Fujikura Group leverages “TSUNAGU” (Connecting) Technologies to bridge the space between people, society, and a bright future for the global environment. In this way, we serve as a company that society wishes to see grow, prosper, and deliver new products and services. We established four major commitments under which we accomplish our social responsibilities through our corporate activities. We obey the letter and the spirit of national laws, regional laws, and international rules, acting in keeping with the social good, while at the same time helping our employees understand their role in society.

## Four Major Commitments

1. Conscientious Corporate Activities
2. Consideration for the Environment
3. Respect for Humanity
4. Harmony with Society



## Fujikura Gakuen

Nearly a century ago, in 1919, Fujikura Gakuen, a social welfare service organization, was established by Harukichi Nakauchi, the younger brother of Zenpachi Fujikura, founder of Fujikura Ltd. Nakauchi, who was also an auditor at Fujikura, invested his own private assets, nearly JPY2.0 billion in today's money, to build Fujikura Gakuen, a home and educational facility for adults and children with intellectual disabilities (ID). The facility was established in Motomachi, Izu-Oshima. The original land, approximately 132,000 square meters, and buildings used by the facility were donated by Nakauchi. Fujikura Gakuen now operates at two locations in Izu-Oshima and Tama (Hachioji, Tokyo). It is home to around 130 students. Approximately 100 staff work around the clock providing education and care.

Since its establishment, generations of presidents and directors of Fujikura Ltd. have served as trustees to help manage Fujikura Gakuen. In addition, the company and its employees continue to provide donations that keep the facility in operation. Our work to support Fujikura Gakuen represents the starting point for Fujikura's social contribution activities. We plan to continue our important work in this area.

Harukichi Nakauchi



Main Building of Oshima Fujikura Gakuen

## Great East Japan Earthquake: Providing assistance in disaster-stricken areas

March 11, 2015 marked the four year anniversary of the Great East Japan Earthquake. The events this day is still deeply embedded in our memories. Furthermore, we are determined not to let this memory fade. We believe it is an important duty to pass on the experience of that day to future generations.

Reconstruction is gradually underway at the areas devastated by the quake. However, there are still a number of obstacles that stand in the way of a full recovery. We at Fujikura pledge to continue to support the reconstruction of disaster-stricken areas in the Tohoku region.

### Participating in volunteer activities in disaster-ridden areas

In November 2014, members of the Fujikura Group participated in disaster volunteer activities in Minamisoma, Fukushima Prefecture. Minamisoma is located to the north of the area ordered to evacuate due to the nuclear meltdown at the Fukushima Daiichi Nuclear Power Plant. Life in Minamisoma looks as if it has returned to the way things were prior to the quake. However, we found that there are still many people that require assistance. For two days, Fujikura volunteers provided help to farmers and residents with weeding, tree trimming, waste cleanup, and the tearing down of greenhouses.



### Let's Go to Fukushima campaign

Fukushima faces its own unique set of problems, including prolonged recovery due to the nuclear disaster at the Fukushima Daiichi Nuclear Power Plant. Amid this situation, in March 2015 Fukushima Prefecture launched a campaign to revive tourism. The campaign is dubbed "Fuku ga mankai, Fuku no shima" which literally translates to "fortune is in full bloom, the island of fortune." Fukushima Prefecture is looking to companies in the Tokyo metropolitan area, such as Fujikura, for cooperation with this campaign. As one of our CSR activities, we are actively participating in this campaign to revive tourism to Fukushima, which has been given a bad rap since the quake. We are calling out to employees in the Fujikura Group to make Fukushima the destination of their next travel plans.



### Fujikura Gakuen bake sale

A bake sale is held in June and December of each year, in conjunction with the Fujikura Gakuen Supporting Group's promotional event to recruit donors and volunteers. This is the fourth year the bake sale was held. Cakes, cookies, and jams made at the Fuji Café, a facility at Fujikura Gakuen in Izu-Oshima that teaches students to be self-reliant, are among the items sold.



### New employees participate in one-day volunteer activities

Once again in 2015, new employees that joined Fujikura in April visited Fujikura Gakuen's Tama facility to do volunteer work. The objective of this experience is to provide new employees with an understanding of the importance of voluntary community service.

This year the new employees helped out by removing weeds and doing other work around the facility, after which they interacted with the children at facility. The new employees had fun playing games that they had planned with the children.



## Biodiversity initiatives

Fujikura's goal is to become a corporate group whose products, services, and activities are both environmentally- and people-friendly. In 2012, the Fujikura Group established guidelines on biodiversity conservation and has since launched activities to preserve biodiversity. Biodiversity and the many blessings of nature support human life and livelihood. In addition to having all of our employees gain a firm understanding of this concept, we plan to implement our guidelines on biodiversity conservation by incorporating them into our business activities.

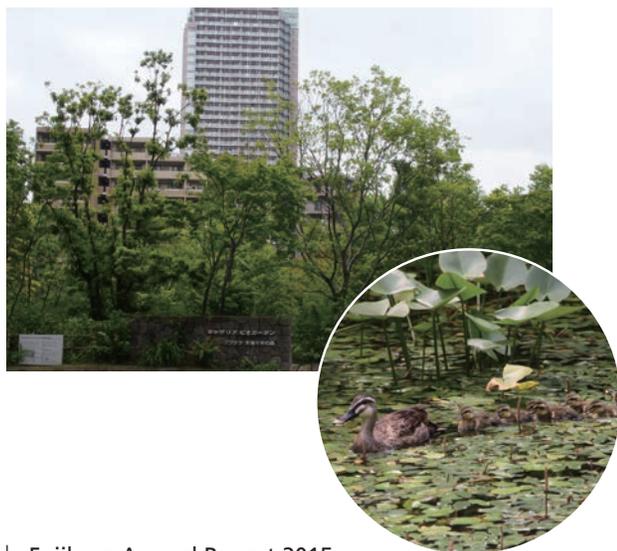
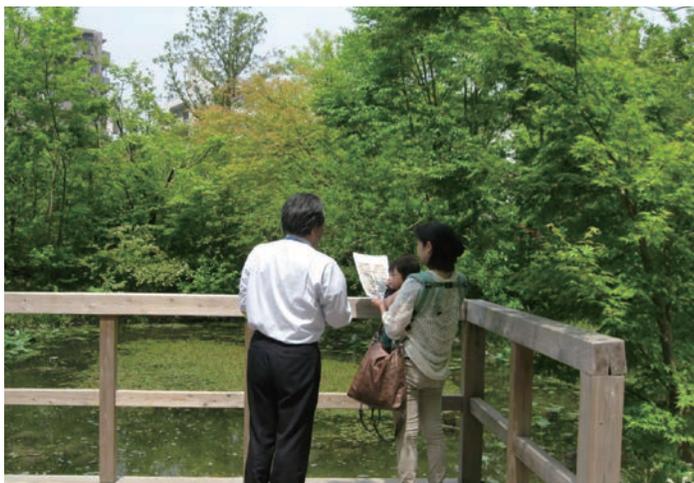
### Fujikura Group guidelines on biodiversity conservation

1. In formulating a business plan, we will give due consideration to the impact that the implementation of the plan might have on relevant ecosystems, both overseas and in Japan, and to local communities.
2. Regarding our products, installation work and services, we will procure materials in an eco-friendly manner and give due consideration to the environment (through LCA and reducing the amount of substances of concern).
3. We will work to treat and recycle waste generated by our business activities, including wastewater and waste oil, in an appropriate manner, and will make contributions to the conservation of local ecosystems by conducting environmental beautification activities.
4. We will foster communication and cooperation with NGOs, NPOs, educational and research institutions, local governments, and other organizations for the expansion of biodiversity.
5. We will educate and enlighten all employees on nature and the environment toward the creation of a society that nurtures biodiversity.

### Fujikura-Kiba Millennium Woods

In November 2010, we opened up a bio-garden named Fujikura-Kiba Millennium Woods, as a part of our activities to conserve biodiversity. The bio-garden covers 2,200 square meters. Features include two lakes, a stream, a floating island in the middle of the lake, and a promenade. The bio-garden was designed to resemble the forest and woods of the Musashino plateau that existed several hundreds of years ago. This spot of nature is Fujikura's gift to the local community and serves as both a biotope and garden. The bio-garden is a place of relaxation and refreshment for local residents and also provides children with the opportunity to learn about nature.

Website: <http://www.forest1000.fujikura.jp/>  
(available in Japanese only)



### Deployment of Roadmap 2030, our long-term vision for biodiversity

We created a roadmap, in accordance with our guidelines on biodiversity conservation, that paves the way to 2030. At the heart of the framework of this roadmap is the Satoyama nature park concept, which aims to utilize and protect the abundant greenery at our business sites, and thereby contribute to local communities. At our business sites in Japan, we plan to conduct biological surveys, provide a place for employees and their families to unwind, and to create Satoyama nature parks in partnership with local communities. We also plan to implement similar measures overseas. By taking this one step at a time, we aim to become an environmentally- and people-friendly company.

## Dialogue with stakeholders

In March 2015, we implemented a dialogue with our stakeholders. The theme of the discussion was how to move forward with Roadmap 2030, our long-term biodiversity vision. In conjunction with the establishment of Roadmap 2030, we aim to gain the opinion of experts on how to proceed with our roadmap, and based on this create our own set of action guidelines.

The stakeholders that participated in this dialogue included expert consultants related to the field of nature conservation including biodiversity, and from Fujikura, the director in charge of the Environment Division, the general manager of the Quality & Environment Management Division, four domestic general managers of our plants, and other members.



## Activities being carried out by overseas group companies

### Joins Toys for Tots Charity again this year

FAA employees of Novi office joined a charity program called Toys for Tots directed by USMCR (United States Marine Corps Reserve) again this year.

The goal of the program is to deliver, through a new toy in the holiday season, joy to less fortunate children that will assist them in becoming citizens who will create a better society by repaying the kindness that they receive from other people. Again this year, the collection box was filled with presents brought by FAA employees.



### Cooperating to preserve forests: DDK (THAILAND) Ltd.

Employees of DDK-T offered their assistance to the forestry conservation and fire departments. They helped to clean up forest areas, including weeding, as a measure to prevent forest fires.



# BOARD OF DIRECTORS, AUDITORS AND OFFICERS



Front row from left: Hideo Shiwa, Takashi Sato, Yoichi Nagahama, Akio Miyagi, Akira Wada,  
Back row from left: Kenichiro Abe, Masahiko Ito, Akira Sasagawa, Hideyuki Hosoya

## Members of the Board

President & CEO & Representative Director

### Yoichi Nagahama

Senior Executive Vice President & Representative Director

### Takashi Sato

## Independent Board Member

### Kenichiro Abe

## Corporate Auditors

Standing Corporate Auditors

### Takashi Kunimoto

### Masato Koike

## Executive Officers

Senior Managing Executive Officers

### Hideo Naruse

### Yoshikazu Nomura

Managing Executive Officers

Izumi Ishikawa  
Tadatoshi Kuge  
Jody Gallagher  
Toru Aizawa  
Takeaki Kitajima

Takashi Takizawa  
Masahiro Ikegami  
Ichiro Kamada  
Teiji Suzuki

Senior Vice Presidents & Members of the Board

### Akio Miyagi

### Hideo Shiwa

### Akira Wada

### Masahiko Ito

### Akira Sasagawa

### Hideyuki Hosoya

Outside Corporate Auditors

### Soichiro Sekiuchi

### Masaaki Shimojima

Executive Officers

Kiminori Sato  
Morio Suzuki  
Yasuyuki Oda  
Ikuo Kobayashi  
Keisuke Okamura

Kenji Nishide  
Ryoichi Hara  
Takeshi Sato  
Tetsu Ito

# CORPORATE GOVERNANCE

## (1) Summary of governance structure and reasons for adopting system

Fujikura and its respective businesses are constantly exposed to intense competition. To ensure that business activities are consistent from start to finish and executed in a timely manner companywide, it is crucial that the decisions made by management quickly cascade down through the organization and reach all employees. The Managing Directors Meeting comprised mainly of board members and other senior executives, convenes weekly to make key decisions for Fujikura and its Group companies, and also implements management controls for overall operations. The Board of Directors, which generally convenes monthly, makes decisions on important issues in accordance with Board Regulations, and also monitors the execution of duties by individual members of the Board. The Executive Management Meeting reports and exchanges information on the dissemination and implementation of decisions on matters the Managing Directors Meeting has authorized.

The Company believes that an efficient approach to supervising and monitoring these activities is to recognize, incorporate, and manage legal compliance and fairness in business practices that extend from decision-making to the daily business activities at its divisions.

Fujikura introduced the executive officer system as a part of its commitment to improve accountability and also adopted the corporate auditor system to serve as a watchdog to supervise and monitor the decision-making process. Moreover, the Internal Audit Division, and the administrative departments at headquarters and at each in-house company constantly oversee the legal compliance and fairness of daily operations. The storage and management of important management information is handled in accordance with rules for managing

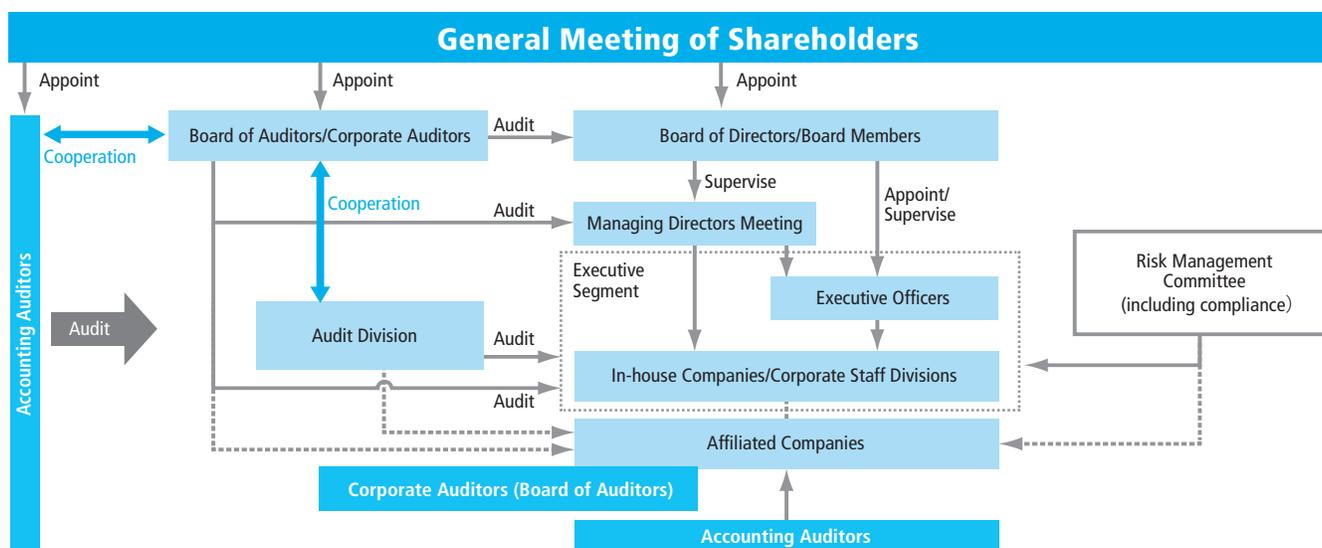
documents and electronic data. Moreover, the Risk Management Committee has been set up to examine companywide risks, strengthen the compliance system, and to operate an internal hotline system.

We note that pursuant to the provisions of Article 427, Paragraph 1 of the Company Law, the Company has entered into liability limitation agreements with its independent board members and outside corporate auditors which state that compensation shall be limited to the minimum amount stipulated in Article 425, Paragraph 1 of the Company Law, provided that parties perform their duties in good faith and without gross negligence with respect to the liabilities set out in Article 423, Paragraph 1 of the Company Law.

## (2) Internal and corporate auditor audits

Fujikura has two standing and two outside corporate auditors. These auditors are commissioned to assess the operations carried out by board members to ensure legal compliance and fairness, by conducting on-site inspections of in-house companies and Group companies, reviewing important documents, and participating in key meetings. The auditors hold a monthly Board of Auditors meeting to report on and discuss their findings. Also, under Fujikura's system, standing corporate auditors can attend and voice their opinions at key meetings, such as the Managing Directors Meeting, where decisions on business operations are discussed. Auditors' duties are not limited to legal compliance activities as they are also guaranteed participation in management activities, such as Board of Director meetings. In addition, regular meetings are held with executive officers to exchange opinions and opportunities are provided for auditors to request information.

The Audit Division was set up as a dedicated internal audit entity. In FY2014, the division conducted audits of five



divisions (mainly sales and marketing divisions) and ten Group companies. The Audit Division also routinely exchanges audit information with the corporate auditors. Also, when necessary, audit operations at the Audit Division are carried out under the guidance and direction of the corporate auditors and audit results are reported on a regular basis to the corporate auditors.

At the start of every fiscal year, accounting auditors provide an explanation of their audit plans to corporate auditors. The accounting auditors report the results of their quarterly and fiscal year-end audits, versus the plan at the start of the year, to the corporate auditors. Moreover, to facilitate an adequate exchange of opinions, corporate auditors hold discussions several times a year with accounting auditors to confer on details, the audit system, and other issues.

Lastly, Mr. Masaaki Shimojima was appointed as an outside corporate auditor. He held a key position at a major city bank for many years and is well-versed in finance and accounting.

### (3) Independent board member and outside corporate auditors

As of the release of this report, Fujikura has one independent board member, Mr. Kenichiro Abe, and two outside corporate auditors, Mr. Soichiro Sekiuchi and Mr. Masaaki Shimojima.

Mr. Kenichiro Abe, an independent board member, is a certified public accountant. Owing to his highly specialized expertise, he is qualified to serve as an independent board member, which requires he maintain an independent status. He is capable of effectively carrying out the duties of a board member, given his ample knowledge of corporate management gleaned from many years working as an accounting auditor for numerous companies. Mr. Abe also serves as a corporate auditor for Givaudan Japan K.K. However, Fujikura has no vested interest in Givaudan Japan and is independent of the governance and management of Givaudan Japan. We note that he was previously a Representative Partner at PricewaterhouseCoopers Aarata, which is our accounting firm, but left the company as of June 2012. He was not an audit partner for Fujikura while at PricewaterhouseCoopers Aarata.

Mr. Soichiro Sekiuchi, an outside corporate auditor, publicly certified attorney. Given his highly specialized skills, he is qualified to serve as an outside auditor, which requires he maintain an independent status. He is capable of effectively carrying out the duties of an auditor, given that he is widely knowledgeable in corporate management, owing to his long career handling corporate legal matters. He has no vested interest in the Company and is independent from the management of Fujikura.

Mr. Masaaki Shimojima has considerable knowledge in finance and accounting, as discussed above in (2) Internal audits and corporate auditor's audits. He is also well-versed and has great insight into corporate management, and is capable of objectively carrying out an audit of our managements, deemed able to assess the qualifications of management. Mr. Shimojima

previously was an executive officer at Sumitomo Mitsui Banking Corporation, which is one of Fujikura's main banks, but retired in June 2003. The Fujikura Group's borrowings from Sumitomo Mitsui Banking Corporation stood at JPY 32,136 million as of March 31, 2015. This is marginal compared with our total outstanding borrowings. There is no risk of a conflict of interest with Fujikura's general shareholders. It should be noted that Mr. Shimojima has no vested interest in the Fujikura.

Fujikura does not have its own independent status criteria or policy for appointing independent board members or outside corporate auditors. The Company references the following assessment standards concerning the independence of independent board members as stipulated by the Tokyo Stock Exchange, when appointing independent board members and outside corporate auditors.

(Summary of criteria for determining the independence of independent board members stipulated by the Tokyo Stock Exchange)

The party is not eligible should any of the following conditions (a. to e.) apply.

- a. A person who executes business for the company's parent company or a fellow subsidiary
- b. A person or board member/executive officer of a company with which said company is a major business partner or board member/executive officer of a major business partner of the said company
- c. A consultant, accounting professional or legal professional receiving a large amount of money and other assets, other than board member/auditor compensation, from the company
- d. A person who met any of the above criteria recently
- e. Close relatives of a person to whom any of the following (a) to (c) applies:
  - (a) A person mentioned in a. to d. above
  - (b) A person who executes business for the company or a subsidiary of the company
  - (c) A person who met the criteria in (b) recently

As outside corporate auditors, Mr. Sekiuchi and Mr. Shimojima are responsible for assessing the legal compliance and fairness of business operations executed by board members by conducting on-site inspections of divisions and Group companies, reviewing important documents, and participating in Board of Director meetings. They also work together with the standing corporate auditors by reporting and discussing their findings at monthly Board of Auditors meetings. The outside corporate auditors also receive materials in advance related to meetings of the Board of Directors and Board of Auditors.

The Audit Division, which is a dedicated internal audit entity, provides adequate support to outside corporate auditors, mainly by appropriately conveying information on internal audits.

# RISKS

Risks that could potentially have an adverse impact to the business performance, share price, and financial health of the Fujikura Group are discussed below. It should be noted that the risks involved with the forward-looking statements herein are those identified by the Fujikura Group in its securities report filed with the Ministry of Finance (submitted on June 26, 2015).

## (1) Demand trends

Given that our products are mainly used in infrastructures or are components used in finished consumer goods, our business performance is, almost without fail, impacted by economic cycles. In addition, capital expenditure trends in various markets and changes in consumer purchasing attitudes are also factors that impact our performance.

## (2) Fluctuations in foreign exchange rates

We carry out currency hedging strategies within the scope of actual demand to minimize, to the best of our ability, the negative impact that currency rate fluctuations have on foreign-currency denominated sales. There is possibility of an adverse impact to earnings due to exchange rate fluctuations, as we cannot always fully avert exchange rate risks. Moreover, Group operations include the manufacturing and sales of products overseas, primarily in Asia. Accordingly, the earnings, expenses, assets, and other items denominated in local currencies, are translated into yen when we create our consolidated financial statements. Depending on the foreign exchange rates at the time, although these accounting items retain their value in local currencies, there is a possibility value will be eroded after conversion into yen.

## (3) Fluctuations in materials costs

Copper is the main material used in Group products. Copper prices fluctuate mainly depending on shifts in international supply-demand trends. A sharp change in copper price cannot always be readily reflected in product prices. Consequently, there is a possibility that a pronounced upshot in copper prices could impact the Group's business performance.

## (4) Product defects

The Fujikura Group carries out the manufacturing of various products in accordance with strict product quality control standards. Nonetheless, there is no guarantee

that we will never experience a product defect or that quality complaints will not arise further out. We have product liability insurance but there is no assurance that this policy will cover all of our liability costs in the end. Serious complaints and product defects that lead to product liability cases trigger considerable costs and have a grave impact on how society evaluates the Group. The adverse impact connected with this includes the possibility of a decline in sales.

## (5) Regulations

The regulations in the markets in which we operate apply to our business activities. There are a number of regulations, including government approval and authorization for businesses and investments, regulations and taxes on business transactions and trade, regulations controlling financial transactions, and environmental restrictions. The Fujikura Group carries out its business activities in compliance with these regulations. Going forward, the business activities of our Group could potentially be limited, should it become difficult to comply with laws and ordinances after key revisions have been made or if tougher restrictions are put in place. We anticipate a rise in costs to remain in compliance with these regulations. This will potentially have an adverse impact on Group earnings.

## (6) Lawsuits, legal action by regulatory authorities, and other legal procedures

In performing our business activities, the Fujikura Group is at risk of lawsuits, legal action by regulatory authorities, and other legal issues. Potential risks include damage complaints stemming from lawsuits, legal action by regulatory authorities, other legal issues, fines being imposed by regulatory authorities, and restrictions placed on business operations. Lawsuits, legal action by regulatory authorities, and other legal procedures pose a potential risk to the Group's businesses, earnings, and financial health.

## (7) Political and economic trends

We conduct our Power & Telecommunication Systems Company, Electronics Business Company and Automotive Products Company at home and abroad. Consequently, political unrest and other conditions, mainly in the countries in which we operate, could possibly have a negative impact on our business performance.

## **(8) Interest rate fluctuations**

Our financing takes into account a balance between the demand for capital, the climate in financial markets, and procurement methods. A rise in interest rates translates into a rise in interest payments. Accordingly, we view the rise in interest rates as a potential risk to our business performance.

## **(9) Intellectual properties**

We protect our proprietary technologies with patents and other intellectual property rights. At the same time, we are very cautious not to infringe on the intellectual property rights of a third party. However, during the diversification of product structure and manufacturing technologies, and the expansion of our business operations overseas, there is a possibility that our products could inadvertently breach the intellectual property rights of rival products. In this case, we would inevitably have to halt sales and implement corrective measures, such as changing our product design. Also, a third party could infringe upon our intellectual property rights but due to the differences in laws in other countries, there is a possibility our rights would not be adequately protected. In light of this, we view this as another potential risk to our business activities and performance.

## **(10) Information leak**

The Group possesses a substantial amount of private individual and sensitive information related to its business activities. We are doing our utmost to maintain the confidentiality of this information. However, we cannot rule out the possibility of this information being leaked externally due to some unexpected incident. This type of information leak would potentially damage our image and result in compensation for damages, which in turn would have a negative impact on Group earnings and financial health.

## **(11) Disaster risk**

The Fujikura Group has a number of factories in Japan and overseas. In the event our production facilities are destroyed due to a natural disaster at one of our factory locations, including wind and water damage due to a large-scale earthquake or typhoon, it is likely that our capacity utilization would decline due to suspended operations and expenses would increase due to reflecting facilities repairs. Natural disaster would potentially have a negative impact on the Fujikura Group's production system, its financial health, and earnings.

# FINANCIAL SECTION

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# MANAGEMENT DISCUSSION & ANALYSIS

**Q1.**

**We are glad to hear that you have made a recovery in the Electronics Business. Exactly how much progress have you made?**

**A.**

We repaired our production facilities and brought the capacity utilization at our factories back to normal levels during approximately one year and half after the flooding damaged our factories in Thailand. However, customers did not return right away, resulting in insufficient order levels. In 2014, we once again began to receive large-scale orders. In FY2015, we expect to continue to receive orders.

**Q2.**

**I understand there were problems with FPC production yields in FY2014. Can you go into detail about this issue?**

**A.**

Our production activities came to halt for approximately one year and half after the flooding disaster in Thailand. We had a difficult time boosting our production efficiency. Nonetheless, we were able to achieve a favorable production yield. Consequently, this contributed to companywide profit in FY2014.

**Q3.**

**Is the FY2015 operating income margin goal of 5% for the Automotive Products Company achievable?**

**A.**

We have achieved rapid growth in tandem with the expansion of our customer base. Automakers have launched new models thus far and we expect to reap the benefits from this in FY2015. In early 2014, we transferred personnel from Mexico and Japan to Europe in anticipation of the launch of a new car model. However, due to the failed launch, we were burdened with excess labor costs. We have already resolved this issue by the end of FY2014.

**Q4.**

**Are you making progress in global expansion, which Fujikura has positioned as a pillar in your mid-term plan?**

**A.**

In the automotive products business, we are expanding our overseas production sites as our customers are shifting their operations overseas. In the infrastructure business, our factory started up operations in Brazil in April 2015 and we established a joint venture in Myanmar by partnering with a local company in February 2015.



**Q5.**

**Please give us details on your new businesses.**

**A.**

We are in the process of gearing up the fiber laser business. We have received high evaluations and many inquiries about our fiber lasers from our customers. We need to quickly move forward with development and establish a mass production system. We plan to pour energies into AOCs (Active Optical Cables). They are currently being used in data centers and in the future we expect they will be used in 4K and 8K TV broadcasting.

In the Medical Business Development Division, we are delivering WABE (Wafer And Board level device Embedded technology) to hearing aid manufacturers. We are also continuing to develop superconductivity technologies.

**Q6.**

**What is your ROE forecast? The market is focusing on ROEs.**

**A.**

In the mid-term business plan our ROE target is set at 10%. However, we only finally achieved an ROE of 5.9% in FY2014. We aim to boost this to 8%–9% as quickly as possible. We are employing ROIC as an internal yardstick. We have set a minimum target of 8.5%. We perform a check for each product. We review those products that are not likely to generate a ROIC of 8.5%, and which lack future potential for differentiation and improvement, and then determine whether they should be continued or halted.

**Q7.**

**Have you changed your policy on share buybacks?**

**A.**

We have not changed our policy on share buybacks. To put the investment capital we recouped mainly from the sale of assets back into the market by implementing a share repurchase program.

However, we are flexible on the timing of this repurchase as we are monitoring the overall balance between key financial items, including capital expenditure, debt and dividend.

**Q8.**

**The level of Fujikura's debt has increased to JPY200 billion. What is your opinion on this?**

**A.**

We recognize that this level of debt is too large in comparison with the size of our company. Outlays have risen sharply in the past four to five years to recover from the flooding in Thailand and also due to penalties. We plan to reduce our debt to a manageable level in the next few years.

**Q9.**

**You pledged to implement the focus & deep business strategy to pursue ROIC. What progress have you made?**

**A.**

We have determined what direction we plan to take in the focus & deep business strategy. We are currently withdrawing from those businesses we believe we should no longer engage in. In light of this, we will continue to hold dialogue with our customers.

# Consolidated Balance Sheets

Fujikura Ltd. and its Consolidated Subsidiaries  
At March 31, 2014 and 2015

Assets	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2015	2015
<b>Current assets:</b>			
Cash and deposits	¥39,902	¥35,745	\$297,503
Notes and accounts receivable, trade	140,260	157,027	1,306,925
Finished goods (Note 10)	23,479	30,160	251,020
Goods in process (Note 10)	16,885	19,601	163,138
Raw materials and supplies (Note 10)	24,505	28,778	239,517
Deferred tax assets (Note 19)	4,388	4,525	37,661
Other	18,938	20,104	167,324
Allowance for doubtful accounts	(906)	(1,265)	(10,529)
<b>Total current assets</b>	<b>267,453</b>	<b>294,677</b>	<b>2,452,576</b>
<b>Non-current assets (Notes 6 and 17):</b>			
<b>Tangible fixed assets</b>			
Buildings and structures, net	87,330	85,843	714,465
Machinery, equipment and vehicles, net	52,424	61,553	512,301
Land	18,013	16,499	137,320
Lease assets, net	3,688	4,516	37,586
Construction in progress	8,668	6,734	56,047
Other, net	9,731	10,792	89,821
<b>Total tangible fixed assets</b>	<b>179,858</b>	<b>185,940</b>	<b>1,547,566</b>
<b>Intangible assets</b>			
Goodwill	7,451	6,215	51,727
Other	8,467	8,229	68,489
<b>Total intangible assets</b>	<b>15,919</b>	<b>14,444</b>	<b>120,216</b>
<b>Investments and other assets</b>			
Investment securities (Note 5)	48,837	56,487	470,137
Net defined benefit asset (Note 9)	7,786	6,999	58,252
Deferred tax assets (Note 19)	6,409	4,699	39,109
Other (Note 5)	13,705	16,063	133,691
Allowance for doubtful accounts	(1,772)	(1,745)	(14,524)
Allowance for investment loss	(915)	-	-
<b>Total investments and other assets</b>	<b>74,050</b>	<b>82,504</b>	<b>686,675</b>
<b>Total non-current assets</b>	<b>269,827</b>	<b>282,889</b>	<b>2,354,465</b>
<b>Total assets</b>	<b>¥537,281</b>	<b>¥577,567</b>	<b>\$4,807,050</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

<b>Liabilities</b>	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2015	2015
<b>Current liabilities:</b>			
Notes and accounts payable, trade	¥77,740	¥78,691	\$654,940
Short-term borrowings (Note 6)	56,844	81,489	678,227
Income taxes payable (Note 19)	1,815	2,030	16,896
Provision for antitrust	1,166	-	-
Other	35,708	39,063	325,119
<b>Total current liabilities</b>	<b>173,274</b>	<b>201,276</b>	<b>1,675,206</b>
<b>Non-current liabilities:</b>			
Bonds (Note 6)	50,000	50,000	416,146
Long-term borrowings (Note 6)	85,583	69,620	579,442
Deferred tax liabilities (Note 19)	690	1,123	9,347
Provision for loss on guarantees	-	664	5,526
Provision for directors' retirement benefits	55	31	258
Provision for repairs	35	20	166
Net defined benefit liability (Note 9)	7,714	8,402	69,929
Other (Notes 6 and 7)	12,684	11,901	99,051
<b>Total non-current liabilities</b>	<b>156,763</b>	<b>141,764</b>	<b>1,179,892</b>
<b>Total liabilities</b>	<b>330,038</b>	<b>343,040</b>	<b>2,855,098</b>

Contingent liabilities (Note 20)

<b>Net assets</b>	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2015	2015
<b>Shareholders' equity:</b>			
Common stock	53,075	53,075	441,739
Additional paid-in capital	55,035	55,035	458,052
Retained earnings	88,298	99,539	828,456
Treasury stock	(11,002)	(19,762)	(164,478)
<b>Total shareholders' equity (Note 22)</b>	<b>185,406</b>	<b>187,888</b>	<b>1,563,779</b>
<b>Accumulated other comprehensive income (loss):</b>			
Valuation difference on available-for-sale securities	6,582	11,078	92,201
Deferred gains (losses) on hedges	(87)	71	591
Foreign currency translation adjustments	5,831	24,059	200,241
Remeasurements of defined benefit plans	(4,636)	(4,516)	(37,586)
<b>Total accumulated other comprehensive income</b>	<b>7,689</b>	<b>30,692</b>	<b>255,447</b>
<b>Minority interests</b>			
	14,147	15,946	132,717
<b>Total net assets</b>	<b>207,242</b>	<b>234,527</b>	<b>1,951,952</b>
<b>Total liabilities and net assets</b>	<b>¥537,281</b>	<b>¥577,567</b>	<b>\$4,807,050</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Consolidated Statements of Income

Fujikura Ltd. and its Consolidated Subsidiaries  
For the Years Ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2015	2015
<b>Net sales</b>	¥590,980	¥661,510	\$5,505,701
<b>Cost of sales (Notes 8, 9 and 10)</b>	493,056	547,359	4,555,630
Gross profit	97,923	114,150	950,062
<b>Selling, general and administrative expenses (Notes 8 and 9):</b>			
Packing and transportation expenses	15,057	17,254	143,604
Personnel expenses	31,926	35,625	296,504
Other	30,594	36,195	301,248
<b>Total selling, general and administrative expenses</b>	<b>77,578</b>	<b>89,075</b>	<b>741,365</b>
Operating income	20,345	25,075	208,697
<b>Non-operating income:</b>			
Interest income	108	271	2,256
Dividend income	1,168	1,077	8,964
Foreign exchange gains	849	883	7,349
Other	853	1,395	11,610
Total non-operating income	2,980	3,627	30,187
<b>Non-operating expenses:</b>			
Interest expenses	3,281	3,016	25,102
Equity in losses of affiliates	2,100	343	2,855
Litigation expenses	269	1,426	11,868
Other	3,834	2,834	23,587
<b>Total non-operating expenses</b>	<b>9,486</b>	<b>7,620</b>	<b>63,421</b>
Ordinary income	13,839	21,082	175,464
<b>Extraordinary gains:</b>			
Gain on bargain purchase	-	817	6,800
Gain on sales of fixed assets (Note 11)	5,295	705	5,868
Gain on refunds of retirement benefit trust (Note 12)	134	576	4,794
Insurance reimbursement income (Note 13)	1,753	-	-
Other	564	151	1,257
Total extraordinary gains	7,747	2,250	18,727
<b>Extraordinary losses:</b>			
Impairment losses (Note 17)	2,383	832	6,925
Loss on valuation of investments in capital of subsidiaries and affiliates	2,265	706	5,876
Provision for loss on guarantees	-	664	5,526
Loss on retirement of non-current assets (Note 14)	-	465	3,870
Provision for allowance for antitrust law-related loss (Note 15)	1,166	-	-
Other	2,838	429	3,571
<b>Total extraordinary losses</b>	<b>8,653</b>	<b>3,097</b>	<b>25,776</b>
Income before income taxes	12,933	20,235	168,414
<b>Income taxes (Note 19):</b>			
Current	7,686	7,381	61,432
Deferred	1,337	(471)	(3,920)
<b>Total income taxes</b>	<b>9,023</b>	<b>6,910</b>	<b>57,511</b>
<b>Income before minority interests</b>	<b>3,909</b>	<b>13,324</b>	<b>110,895</b>
<b>Minority interests in income</b>	<b>580</b>	<b>1,123</b>	<b>9,347</b>
<b>Net income</b>	<b>¥3,328</b>	<b>¥12,201</b>	<b>\$101,548</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Consolidated Statements of Comprehensive Income

Fujikura Ltd. and its Consolidated Subsidiaries  
For the Years Ended March 31, 2014 and 2015

	Millions of yen		Thousands of
	2014	2015	U.S. dollars (Note 3)
			2015
<b>Income before minority interests</b>	¥3,909	¥13,324	\$110,895
<b>Other comprehensive income</b>			
Valuation difference on available-for-sale securities	2,147	4,493	37,395
Deferred gains (losses) on hedges	9	123	1,024
Foreign currency translation adjustments	8,164	18,489	153,883
Remeasurements of defined benefit plans, net of taxes	-	213	1,773
Share of other comprehensive income of associates accounted for using equity method	867	849	7,066
Other comprehensive income (Note 16)	11,189	24,169	201,157
<b>Comprehensive income</b>	15,098	37,493	312,052
(Breakdown)			
Comprehensive income attributable to owners of parent	14,001	35,245	293,342
Comprehensive income attributable to minority interests	¥1,097	¥2,248	\$18,710

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Consolidated Statements of Changes in Net Assets

Fujikura Ltd. and its Consolidated Subsidiaries  
For the Years Ended March 31, 2014 and 2015

	Millions of yen					Total shareholders' equity
	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	
<b>Balance at March 31, 2013</b>	360,863,421	¥53,075	¥54,957	¥85,914	(¥5,107)	¥188,840
Dividends paid	-	-	-	(1,864)	-	(1,864)
Net income	-	-	-	3,328	-	3,328
Purchase of treasury stock	-	-	-	-	(6,070)	(6,070)
Disposal of treasury stock	-	-	0	-	0	0
Increase by share exchanges	-	-	77	-	170	247
Change of scope of equity method	-	-	-	919	-	919
Change in equity in affiliates accounted for by equity method-treasury stock	-	-	-	-	4	4
Net changes of items other than shareholders' equity	-	-	-	-	-	-
Total changes of items during period	-	-	77	2,383	(5,895)	(3,433)
<b>Balance at March 31, 2014</b>	360,863,421	53,075	55,035	88,298	(11,002)	185,406
Cumulative effects of changes in accounting policies	-	-	-	1,402	-	1,402
<b>Restated balance</b>	-	53,075	55,035	89,700	(11,002)	186,808
Change of scope of consolidation	-	-	-	(243)	-	(243)
Dividends paid	-	-	-	(2,118)	-	(2,118)
Net income	-	-	-	12,201	-	12,201
Purchase of treasury stock	-	-	-	-	(8,759)	(8,759)
Net changes of items other than shareholders' equity	-	-	-	-	-	-
Total changes of items during period	-	-	-	9,839	(8,759)	1,079
<b>Balance at March 31, 2015</b>	360,863,421	¥53,075	¥55,035	¥99,539	(¥19,762)	¥187,888

	Millions of yen						Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	
<b>Balance at March 31, 2013</b>	¥4,361	¥59	(¥2,637)	¥-	¥1,783	¥14,147	¥204,771
Dividends paid	-	-	-	-	-	-	(1,864)
Net income	-	-	-	-	-	-	3,328
Purchase of treasury stock	-	-	-	-	-	-	(6,070)
Disposal of treasury stock	-	-	-	-	-	-	0
Increase by share exchanges	-	-	-	-	-	-	247
Change of scope of equity method	-	-	-	-	-	-	919
Change in equity in affiliates accounted for by equity method-treasury stock	-	-	-	-	-	-	4
Net changes of items other than shareholders' equity	2,220	(147)	8,468	(4,636)	5,905	(0)	5,904
Total changes of items during period	2,220	(147)	8,468	(4,636)	5,905	(0)	2,470
<b>Balance at March 31, 2014</b>	6,582	(87)	5,831	(4,636)	7,689	14,147	207,242
Cumulative effects of changes in accounting policies	-	-	-	-	-	-	1,402
<b>Restated balance</b>	6,582	(87)	5,831	(4,636)	7,689	14,147	208,644
Change of scope of consolidation	-	-	-	-	-	-	(243)
Dividends paid	-	-	-	-	-	-	(2,118)
Net income	-	-	-	-	-	-	12,201
Purchase of treasury stock	-	-	-	-	-	-	(8,759)
Net changes of items other than shareholders' equity	4,496	159	18,227	119	23,003	1,799	24,802
Total changes of items during period	4,496	159	18,227	119	23,003	1,799	25,882
<b>Balance at March 31, 2015</b>	¥11,078	¥71	¥24,059	(¥4,516)	¥30,692	¥15,946	¥234,527

The accompanying notes to the consolidated financial statements are an integral part of these statements.

	Thousands of U.S. dollars (Note 3)					
	Shareholders' equity					
	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance at March 31, 2014</b>	360,863,421	\$441,739	\$458,052	\$734,898	(\$91,569)	\$1,543,121
Cumulative effects of changes in accounting policies				11,669		11,669
<b>Restated balance</b>		441,739	458,052	746,567	(91,569)	1,554,790
Change of scope of consolidation		-	-	(2,022)		(2,022)
Dividends paid		-	-	(17,628)		(17,628)
Net income		-	-	101,548		101,548
Purchase of treasury stock		-	-	-	(72,901)	(72,901)
Net changes of items other than shareholders' equity		-	-	-		-
Total changes of items during period		-	-	81,889	(72,901)	8,980
<b>Balance at March 31, 2015</b>	360,863,421	\$441,739	\$458,052	\$828,456	(\$164,478)	\$1,563,779

	Thousands of U.S. dollars (Note 3)						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
<b>Balance at March 31, 2014</b>	\$54,782	(\$724)	\$48,531	(\$38,585)	\$63,995	\$117,744	\$1,724,861
Cumulative effects of changes in accounting policies							11,669
<b>Restated balance</b>	54,782	(724)	48,531	(38,585)	63,995	117,744	1,736,529
Change of scope of consolidation							(2,022)
Dividends paid	-	-	-	-	-	-	(17,628)
Net income	-	-	-	-	-	-	101,548
Purchase of treasury stock	-	-	-	-	-	-	(72,901)
Net changes of items other than shareholders' equity	37,420	1,323	151,702	990	191,452	14,973	206,425
Total changes of items during period	37,420	1,323	151,702	990	191,452	14,973	215,414
<b>Balance at March 31, 2015</b>	\$92,201	\$591	\$200,241	(\$37,586)	\$255,447	\$132,717	\$1,951,952

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Consolidated Statements of Cash Flows

Fujikura Ltd. and its Consolidated Subsidiaries  
For the Years Ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2015	2015
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥12,933	¥20,235	\$168,414
Depreciation and amortization	25,721	27,732	230,811
Loss on valuation of investments in capital of subsidiaries and affiliates	2,265	706	5,876
Impairment losses	2,383	832	6,925
Amortization of goodwill	1,937	2,346	19,526
Gain on bargain purchase	-	(817)	(6,800)
Increase (decrease) in provisions	1,262	(1,189)	(9,896)
Insurance reimbursement income	(1,753)	-	-
Interest and dividend income	(1,276)	(1,348)	(11,219)
Interest expenses	3,281	3,016	25,102
Equity in (earnings) losses of affiliates	2,100	343	2,855
Loss (gain) on sales of property, plant and equipment and intangible assets	(5,295)	(705)	(5,868)
Changes in assets and liabilities:			
Notes and accounts receivable, trade	(11,391)	(1,410)	(11,735)
Inventories	(1,409)	(8,857)	(73,716)
Notes and accounts payable, trade	5,894	(10,398)	(86,542)
Increase (decrease) in other non-current liabilities	(4,349)	(532)	(4,428)
Decrease (increase) in net defined benefit asset	7,169	4,443	36,979
Increase (decrease) in net defined benefit liability	191	283	2,355
Other, net	(1,238)	(5,599)	(46,600)
Sub-total	38,427	29,080	242,031
Interest and dividend income received	1,657	1,807	15,040
Interest paid	(3,344)	(3,019)	(25,127)
Proceeds from insurance reimbursement income	1,753	-	-
Income taxes (paid) refund	(7,473)	(7,224)	(60,125)
Net cash provided by (used in) operating activities	31,020	20,643	171,810
<b>Cash flows from investing activities:</b>			
Net decrease (increase) in time deposits	242	(516)	(4,295)
Payments for purchase of property, plant and equipment and other assets	(33,571)	(24,257)	(201,889)
Proceeds from sales of property, plant and equipment and other assets	8,716	4,341	36,130
Proceeds from sales of investment securities	1,366	513	4,270
Payments of loans receivable	(1,964)	(852)	(7,091)
Collection of loans receivable	2,747	1,474	12,268
Purchase of investments in subsidiaries from minority shareholders	-	(183)	(1,523)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,116)	-	-
Purchase of shares of subsidiaries and associates	(576)	(1,694)	(14,099)
Payments for investments in capital of subsidiaries and affiliates	(1,797)	(2,405)	(20,017)
Purchase of stocks of affiliates accounted for by equity method-treasury stock	-	(1,500)	(12,484)
Other, net	(927)	(990)	(8,240)
Net cash provided by (used in) investing activities	(28,881)	(26,071)	(216,987)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans payable	8,212	5,195	43,238
Net increase (decrease) in commercial papers	-	4,000	33,292
Proceeds from long-term loans payable	15,917	4,000	33,292
Repayment of long-term loans payable	(22,595)	(7,005)	(58,302)
Proceeds from share issuance to minority shareholders	-	638	5,310
Cash dividends paid	(1,864)	(2,118)	(17,628)
Purchase of treasury stock	(6,070)	(8,759)	(72,901)
Other, net	(432)	(316)	(2,630)
Net cash provided by (used in) financing activities	(6,833)	(4,366)	(36,338)
<b>Effect of exchange rate change on cash and cash equivalents</b>	1,780	2,965	24,677
<b>Net increase (decrease) in cash and cash equivalents</b>	(2,913)	(6,828)	(56,829)
<b>Cash and cash equivalents at beginning of period</b>	42,250	39,336	327,391
<b>Increase in cash and cash equivalents from newly consolidated subsidiary</b>	-	314	2,613
<b>Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries</b>	-	514	4,278
<b>Cash and cash equivalents at end of year (Note 18)</b>	¥39,336	¥33,336	\$277,453

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Notes to the Consolidated Financial Statements

Fujikura Ltd. and its Consolidated Subsidiaries  
For the years ended March 31, 2014 and 2015

## 1. Basis of Presentation

### Accounting principles

The accompanying Consolidated Financial Statements of Fujikura Ltd. (the "Company") and its consolidated subsidiaries (together, the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects, application and disclosure requirements, from International Financial Reporting Standards, and are prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

The Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standard Board of Japan ("ASBJ") PITF No. 18, Feb 19, 2010) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (PITF No. 24, March 10, 2008) and made necessary adjustments for the preparation of the Consolidated Financial Statements.

In preparing the Consolidated Financial Statements, certain reclassification and presentation adjustments have been made to the Consolidated Financial Statements filed with the Director of the Kanto Local Finance Bureau in Japan in order to present these Consolidated Financial Statements in a form which is more familiar to readers of these Consolidated Financial Statements outside Japan.

## 2. Summary of Significant Accounting Policies

### (a) Consolidation and investments in affiliates

The Consolidated Financial Statements include the accounts of the Company and all significant subsidiaries (94 subsidiaries at March 31, 2014 and 99 subsidiaries at March 31, 2015). All significant intercompany transactions, accounts and unrealized intercompany profits are eliminated in consolidation.

The difference between the cost and the underlying net equity of the investment in consolidated subsidiaries at the time of acquisition is deferred and amortized over a five-year period. Investments of 50% or less in companies over which the parent company does not have control but has the ability to exercise significant influence, and investments in unconsolidated subsidiaries are generally accounted for by the equity method (9 companies at March 31, 2014 and 8 companies at March 31, 2015) and included in Investment securities in the Consolidated Balance Sheets. When the accounts of subsidiaries and affiliates are not significant in relation to the Consolidated Financial Statements, they are carried at cost.

The excess of the cost over the underlying net equity of investments in unconsolidated subsidiaries and affiliates accounted for on an equity basis is deferred and amortized over a five-year period. Consolidated net income includes the Company's Equity in earnings of affiliates after elimination of unrealized intercompany profits.

### (b) Translation of foreign currency transactions and accounts

Foreign currency transactions are translated using the foreign exchange rates prevailing at the transaction dates. Receivables and payables denominated in foreign currencies are translated at the balance sheet date using current exchange rates. All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese Yen at current exchange rates at the respective balance sheet dates and all income and expense accounts of those subsidiaries are translated at the average exchange rate for the respective fiscal year then ended.

Foreign currency financial statement translation differences are reported as a separate component of Net Assets in the Consolidated Balance Sheets.

### (c) Consolidated Statement of Cash Flows

For the purpose of reporting cash flows, cash and cash equivalents include all highly liquid investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and are so near maturity that they present only an insignificant risk of change in value because of changes in interest rates.

### (d) Valuation of Investment securities

Securities held by the Companies have been classified into the following categories depending on the purpose for which they are held:

Held-to-maturity debt securities:

These securities are carried at amortized cost. Any premium or discount arising on acquisition is amortized and recognized as an adjustment to interest income/expense.

Other securities:

These securities are investment securities expected to be held in the long term. Securities for which fair values are readily determinable are carried at fair value with unrealized gains and losses, net of applicable income taxes, being recorded in net assets. Securities for which fair values are not readily determinable are recorded using the moving average cost.

### (e) Inventories

Inventories are valued at the lower of cost or market, cost being determined mainly using the weighted average method.

### (f) Property, plant and equipment

Depreciation of property, plant and equipment is generally computed using the declining-balance method, except for buildings acquired on and after April 1, 1998, and intangible fixed assets which are depreciated using the straight-line method, over estimated useful lives.

The estimated useful lives are as follows:

Buildings: mainly 50 years

Machinery and equipment: mainly 7 years

Intangible fixed assets: mainly 5 years

### (g) Lease assets

Finance leases are depreciated using the straight-line method over their respective lease terms with no residual values.

### (h) Allowance for doubtful accounts

Allowance for doubtful accounts provides for estimated uncollectible accounts at amounts either specifically assessed or an amount computed based on historical loss experience.

### (i) Allowance for investment loss

Allowance for investment loss provides for anticipated losses due to the decline of values of investments in unconsolidated subsidiaries and affiliates, considering financial conditions, etc.

### (j) Provision for loss from antitrust lawsuit

Provision for loss from antitrust lawsuit is recorded at the expected loss resulting from the payment required as a result of penalty from Commission of the European Communities related to an antitrust matter.

### (k) Provision for loss on guarantees

Provision for loss on guarantees provides for anticipated losses due to execution of guarantees, considering financial conditions in guaranteed companies.

### (l) Provision for directors' retirement benefits

The consolidated subsidiaries which have retirement benefit plans accrue the liabilities for their retirement benefits for directors and corporate auditors based upon the amounts required by the subsidiaries internal regulations.

### (m) Provision for repairs

Provision for repairs is recognized for future expected repair expenses related to melting furnaces based on annual production volumes.

**(n) Accounting method for retirement benefits**

- a. Period corresponding method for the estimated amount of retirement benefits  
In calculating retirement benefits obligations, the method to match the estimated amount of retirement benefits to a period until the end of the consolidated fiscal year under review is based on the plan's benefit formula.
- b. Accounting methods for actuarial differences and prior service cost  
Prior service cost is accounted for according to the straight-line method as they are incurred for a certain number of years (principally fifteen years) within the average remaining years of service of employees at the time of incurring.  
Actuarial differences are charged to expenses from the next fiscal year using a straight-line method mainly based on determined years (principally fifteen years) within the average remaining years of service of employees when incurred.

**(o) Accounting for long-term construction-type contracts**

The percentage-of-completion method of accounting is applied for the construction contracts which fulfill the conditions that the outcome of the construction activity is reasonably estimated during the course of the activity. Otherwise, the completed-contract method is applied.  
The cost-to-cost method is applied for estimating the percentage of completion.

**(p) Hedge accounting**

The Companies apply hedge accounting for certain derivative financial instruments, which include foreign currency forward exchange contracts and interest rate swap agreements used as parts of the Companies' risk management of foreign currency and interest rate exposures within the normal course of the Companies' operations.

**Foreign currency exchange forward contracts:**

The Companies enter into foreign currency forward exchange contracts to limit exposure to changes in foreign currency exchange rates on accounts receivable and payable and cash flows generated from anticipated transactions denominated in foreign currencies.

For foreign currency forward exchange contracts, which are designated as hedges, the Company has adopted the accounting method where by foreign currency denominated assets and liabilities are measured at the contract rate of the respective foreign currency forward exchange contract. With respect to such contracts for anticipated transactions, the contracts are marked-to-market and the unrealized gains/losses are deferred and recorded in the income statement when the exchange gains/losses on the hedged items or transactions are recognized.

**Interest rate swap agreements:**

The Companies enter into interest rate swap agreements in order to limit the Companies' exposure with respect of adverse fluctuations in interest rates underlying the debt instruments.

The related interest differentials paid or received under the interest rate swap agreements are recognized in interest expense over the term of the agreements.

**(q) Income taxes**

Income taxes are computed using the asset and liability approach. Under this approach, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting basis and tax basis of assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that the tax benefits will not be realized. The Company files its tax return under the consolidated tax filing system for notional taxes.

**(r) Appropriations of retained earnings**

Appropriations of retained earnings reflected in the accompanying Consolidated Financial Statements are recorded upon approval by the shareholders.

**(s) Other basis for presentation of Consolidated Financial Statements**

Amounts less than ¥1 million have been omitted. As a result, the total shown in the Consolidated Financial Statements and notes thereto do not necessarily agree with the sum of the individual account balances.

**(t) Reclassification**

Certain accounts in the Consolidated Financial Statements for the year ended March 31, 2014 have been reclassified to conform to the 2015 presentation.

**(New Accounting Pronouncements and accounting change)**

(Application of Accounting Standards concerning Retirement Benefits.)

Effective from the year ended March 31, 2015, the Companies have applied "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, issued on May 17, 2012, hereinafter referred to as the "Accounting Standard") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on March 26, 2015, hereinafter referred to as the "Guidance on Retirement Benefits"), under the stipulation in Article 35 of the Accounting Standard and Article 67 of the Guidance on Retirement Benefit. The methods used to calculate retirement benefit liabilities and service cost are revised, including changes in the attribution methodology, from a "straight line basis" to the "benefit formula basis" and the method of the discount rate calculation.

In accordance with the transitional treatment as stipulated in Article 37 of "Accounting Standard", the impact of those changes is reflected as addition to / subtractions from retained earnings as of the beginning of the year ended March 31, 2015.

As a result, net defined benefit assets increased by 2,189 million yen (US\$18,219 thousand), net defined benefit liability decreased by 36 million yen (US\$300 thousand) and retained earnings increased by 1,402 million yen (US\$11,669 thousand), at the beginning of this consolidated fiscal year. The impact on operating income, ordinary income and income before taxes and minority interests for the year ended March 31, 2015 was immaterial. The effect on net assets per share at this consolidated fiscal year increased by 4.13 yen (US\$0.034).

(Accounting Standards that were issued but not applied this fiscal year.)

- "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on September 13, 2013)
- "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on September 13, 2013)
- "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on September 13, 2013)
- "Accounting Standard for Net Income per Share" (ASBJ Statement No. 2, issued on September 13, 2013)
- "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on September 13, 2013)
- "Guidance on Accounting Standard for Net Income per Share" (ASBJ Guidance No. 4, issued on September 13, 2013)

**a. Summary**

Regarding additional acquisitions of shares of subsidiaries, there were revisions in the treatment of changes in interests of parent companies in the continuing control, costs related to the acquisition, disclosure of net income and changes from minority interests to non-controlling interests as well as treatments of finalizing provisional accounting treatment and others.

**b. Planned date to apply**

These will be applied from the beginning of the fiscal year ended March 31, 2016.

Regarding finalizing provisional accounting treatment, it will be applied to the business combination after the beginning of the fiscal year ended March 31, 2016.

**c. Impact by application of these Accounting Standards etc.**

Impact on the consolidated financial statements by the revision of "Accounting Standard for Business Combinations" etc. are currently under evaluation.

• "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 18 March 26, 2015)

**a. Summary**

These were revisions to correspond to the Topic 350 "Intangible Assets-Goodwill and Others" of FASB Accounting Standards Codification revised in January, 2014, Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22, revised on September 13, 2013) clarification of amortization of actuarial gains and losses in regard to retirement benefit accounting and others.

**b. Planned date to apply**

These will be applied from the beginning of the fiscal year ended March 31, 2016.

**c. Impact by application of these Accounting Standards etc.**

Impacts on consolidated financial statements by revision of "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" are currently under evaluation.

### 3. United States Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of exchange on March 31, 2015 (¥120.15=US\$1.00), has been used for translation purposes. The inclusion of such amounts is not intended to imply that Japanese Yen has been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rate.

### 4. Financial instruments

#### (a) Information on financial instruments

##### Policies

The Companies enter into financing arrangements (primarily through bank loans or corporate bonds) based on the planned capital expenditures of its businesses. The Companies invest in low risk financial assets using available cash, finance their short-term working capital needs through commercial papers and bank loans. The Companies use derivative transactions within predetermined transaction volumes to limit the risk of significant fluctuations in foreign currency exchange rates, interest rates, and copper and aluminum prices.

The Companies do not enter into derivative transactions for speculative purposes.

##### Details of financial instruments and related risks

Trade notes and accounts receivable are exposed to customer credit risk. Also, trade receivables denominated in foreign currencies, which are derived from the Company's global business expansion, are exposed to fluctuations in foreign currency exchange rates, however, the exposure is mitigated by entering into foreign exchange forward contracts.

Investment securities consist mainly of equity securities, which are exposed to market price fluctuation risks.

Trade notes and accounts payable have payment terms within one year. Also, within these accounts there are foreign currency denominated balances generated from the import of raw materials and therefore the balances are exposed to fluctuations in foreign currency exchange rates. However, such balances are typically offset by accounts receivable balances denominated in the same currencies. Borrowings and Corporate Bonds are used primarily for capital expenditures and have maturity dates within mainly five years subsequent to the balance sheet date. Certain borrowing contracts are based on variable, or floating, interest rates, which are exposed to fluctuation risk and are hedged via interest rate swap agreements.

Derivative transactions are comprised primarily of foreign exchange forward contracts hedging foreign currency exchange rate fluctuation risk in trade receivables/payables denominated in foreign currencies, of interest rate swap agreements hedging interest rate fluctuation risk in bank loans, and commodity forward contracts hedging the risk of copper and aluminum price fluctuation.

##### Risk management over financial instruments

###### (1) Credit risk management (risk of customers' default risk, etc.)

The Company periodically monitors major customers' financial conditions and performs customer specific aging analyses. In addition, the Company monitors doubtful accounts due to the current economic difficulties in accordance with the credit management policy. The consolidated subsidiaries and affiliates are also required to conform with the credit management policy of the Company.

In order to mitigate credit risks to the greatest extent possible with regards to derivative transactions, the Companies' counterparties are financial institutions that maintain high credit ratings.

The financial assets exposed to credit risks recorded in the Consolidated Balance Sheets represent the maximum exposure to credit risk as of March 31, 2014 and March 31, 2015.

###### (2) Market risk management (risk of fluctuations in foreign currency rates, interest rates, etc.)

The Company and certain consolidated subsidiaries generally use foreign exchange forward contracts to limit foreign currency exchange rate fluctuation risk in trade receivables/payables denominated in foreign currencies. Depending on the foreign currency market condition, the Companies use foreign exchange forward contracts for trade receivables denominated in foreign currencies generated from highly probable forecasted export transactions. Also, the Company and certain consolidated subsidiaries use interest rate swap agreements to limit interest rate fluctuation risk associated with bank loans.

In relation to investment securities, the Companies continuously monitor the related market values and financial condition of the issuers while also taking into consideration their business relationships with the issuers.

In executing and managing the daily operations of derivative transactions, the Companies regularly monitor transaction balances/volumes and profit/loss status. Such information is periodically reported to the responsible management team and is audited by certain administration divisions. Prior approval by an Executive Officer of the Company is generally required to enter into significant transactions, transaction modifications or applications for the use of new financial instruments.

###### (3) Liquidity risk management for financing activities (risk of inability to repay on due date)

The Company manages liquidity risk by preparing cash flow forecasts, led by the finance division, based on relevant information reported from the respective divisions.

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

The fair value of financial instruments is based on market values as well as reasonably determined values in situations where the market fair value is unavailable. The determination of such values is based on certain assumptions, which may result in different outcomes if other assumptions are applied.

**(b) Fair values of Financial Instruments**

The book value of financial instruments in the Consolidated Financial Statements, their fair value and net difference at March 31, 2014 and 2015, respectively, are shown below.

2014	Millions of yen		
	Consolidated amount	Fair value	Difference
Cash and deposits	¥39,902	¥39,902	¥ -
Notes and accounts receivable, trade	140,260		
Less: Allowance for doubtful accounts	(870)		
<b>Total</b>	<b>139,389</b>	<b>139,389</b>	<b>-</b>
Investment securities	32,902	34,898	1,996
Notes and accounts payable, trade	77,740	77,740	-
Short-term borrowings (*1)	50,385	50,385	-
Income taxes payable	1,815	1,815	-
Bonds	50,000	51,033	1,033
Long-term borrowings (*1)	92,042	92,670	628
Derivative Instruments (*2)			
Non-hedge derivative instruments	(18)	(18)	-
Designated hedge instruments	(¥87)	(¥87)	¥ -

(\*1) ¥6,458 million of the Long-term borrowings which mature within 1 year and are recorded in current portion of "Short-term borrowings" in the consolidated balance sheets are included in "Long-term borrowings" above.

(\*2) Net receivables and (liabilities) related to the derivative transactions are presented net.

2015	Millions of yen			Thousands of U.S. dollars		
	Consolidated amount	Fair value	Difference	Consolidated amount	Fair value	Difference
(1) Cash and deposits	¥35,745	¥35,745	¥ -	\$297,503	\$297,503	\$ -
(2) Notes and accounts receivable, trade	157,027			1,306,925		
Less: Allowance for doubtful accounts	(1,217)			(10,129)		
<b>Total</b>	<b>155,809</b>	<b>155,809</b>	<b>-</b>	<b>1,296,787</b>	<b>1,296,787</b>	<b>-</b>
(3) Investment securities	39,252	39,630	377	326,692	329,838	3,138
(4) Notes and accounts payable, trade	78,691	78,691	-	654,940	654,940	-
(5) Short-term borrowings (*1)	61,006	61,006	-	507,749	507,749	-
(6) Commercial papers	4,000	4,000	-	33,292	33,292	-
(7) Income taxes payable	2,030	2,030	-	16,896	16,896	-
(8) Bonds	50,000	50,931	931	416,146	423,895	7,749
(9) Long-term borrowings (*1)	90,104	90,652	548	749,929	754,490	4,561
(10) Derivative Instruments (*2)						
Non-hedge derivative instruments	(261)	(261)	-	(2,172)	(2,172)	-
Designated hedge instruments	¥86	¥86	¥ -	\$716	\$716	\$ -

(\*1) ¥20,483 million (US\$170,483 thousand) of the Long-term borrowings which mature within 1 year and are recorded in current portion of "Short-term borrowings" in the consolidated balance sheets are included in "Long-term borrowings" above.

(\*2) Net receivables and (liabilities) related to the derivative transactions are presented net.

Note 1: Method used to determine fair value of financial instruments, securities and derivative transactions:

**(1) Cash and deposits**

The cost of cash and deposits approximate fair value due to their short term maturities.

**(2) Notes and accounts receivable, trade**

The cost of Notes and accounts receivable, trade approximate fair value because of their short term maturities. For certain accounts receivables, the Companies enter into foreign exchange forward contracts for which a simplified method of determining fair value is applied and allowable under JGAAP. The fair values of such receivables are determined on an aggregate basis with the related foreign exchange forward contract.

**(3) Investment securities**

The fair value of equity securities are determined using quoted market prices for those securities. The fair value of debt securities are determined using quoted market prices or the prices provided by the counterparty financial institutions.

**(4) Notes and accounts payable, trade, (5) Short-term borrowings, (6) Commercial papers and (7) Income taxes payable**

The cost of these items approximate fair value due to their short term maturities.

**(8) Bonds**

The fair value of bonds issued by the Company is determined using quoted market prices.

(9) Long-term borrowings

The fair value of these items are determined based on the present value of the principal and interest discounted at the current interest rate charged for a similar borrowing. For long-term debt with a floating interest rate, the Companies enter into interest swaps for which a simplified method is applied and allowable under JGAAP. Such long-term borrowings are combined with the related interest swaps and their fair values are determined based on the present value of the principal and interest after the swap is discounted at the current interest rate charged for a similar borrowing.

(10) Derivative instruments

The Companies use a forward exchange rate for foreign exchange forward contracts. Commodity forward contracts are calculated based on LME (London Metal Exchange) official prices and current exchange rates. Foreign exchange forward contracts are combined with the accounts receivable designated as hedged items and are treated as one unit. Their fair values are included with the related accounts receivable.

Interest swaps for which a simplified method allowed under JGAAP is applied are combined with the long-term debts designated as hedged item and are treated as one unit. Their fair values are included in long-term debt.

Note 2: Financial instruments for which estimation of fair value is extremely difficult

2014	Millions of yen	
Description	Amount recorded in consolidated balance sheets	
Non-public companies	¥15,934	

2015	Millions of yen		Thousands of U.S. dollars	
Description	Amount recorded in consolidated balance sheets		Amount recorded in consolidated balance sheets	
Non-public companies	¥17,234		\$143,437	

These items are not included in "(3) Investment securities" because it is extremely difficult to determine their fair value as there is no quoted market price for these companies available and there is an inability to estimate the future cash flows of these companies.

Note 3: The aggregate annual maturities of Cash and deposits, receivables, and held-to-maturity investment at March 31, 2014 and 2015 are as follows:

At March 31, 2014	Millions of yen			
	1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	¥39,902	¥ -	¥ -	¥ -
Notes and accounts receivable, trade	139,923	337	-	-
Securities and investment securities Held-to-maturity investment securities	-	62	-	-
<b>Total</b>	<b>¥179,826</b>	<b>¥399</b>	<b>¥ -</b>	<b>¥ -</b>

At March 31, 2015	Millions of yen			
	1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	¥35,745	¥ -	¥ -	¥ -
Notes and accounts receivable, trade	156,242	785	-	-
<b>Total</b>	<b>¥191,987</b>	<b>¥785</b>	<b>¥ -</b>	<b>¥ -</b>

At March 31, 2015	Thousands of U.S. dollars			
	1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	\$297,503	\$ -	\$ -	\$ -
Notes and accounts receivable, trade	1,300,391	6,533	-	-
<b>Total</b>	<b>\$1,597,894</b>	<b>\$6,533</b>	<b>\$ -</b>	<b>\$ -</b>

Note 4: The annual maturities of Bonds and Long-term borrowings during the five years ending March 31, 2020 and 2021 are as follows:

At March 31, 2014

Bonds

	Millions of yen
2016	¥ -
2017	20,000
2018	10,000
2019	20,000
2020	-

Long-term borrowings

	Millions of yen
2016	¥20,402
2017	12,422
2018	16,528
2019	2,226
2020	34,003

At March 31, 2015

Bonds

	Millions of yen	Thousands of U.S. dollars
2017	¥20,000	\$166,459
2018	10,000	83,229
2019	20,000	166,459
2020	-	-
2021	-	-

Long-term borrowings

	Millions of yen	Thousands of U.S. dollars
2017	¥12,819	\$106,692
2018	16,777	139,634
2019	2,020	16,812
2020	27,150	225,968
2021	10,853	90,329

## 5. Investment Securities

The aggregate cost, gross unrealized gains, gross unrealized losses and fair values of Held-to-maturity investment securities at March 31, 2014 and 2015 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Cost	¥62	¥-	\$-
Gross unrealized gains	5	-	-
Gross unrealized losses	-	-	-
Fair value	¥67	¥-	\$-

The aggregate cost, gross unrealized gains, gross unrealized losses and fair values of Available-for-sale investment securities at March 31, 2014 and 2015 consisting primarily of equity securities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Cost	¥17,003	¥16,881	\$140,499
Gross unrealized gains	8,800	14,834	123,462
Gross unrealized losses	(251)	(3)	(25)
Fair value	¥25,551	¥31,712	\$263,937

Available-for-sale investment securities sold during the year ended March 31, 2014 and 2015 are immaterial.

Investments in unconsolidated subsidiaries and affiliates at March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Investments securities	¥20,322	¥21,668	\$180,341
Investments and other assets, other	8,657	10,608	88,290
	¥28,979	¥32,276	\$268,631

## 6. Short-term Borrowings, Long-term Debt

Short-term borrowings at March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Loans, principally from banks, with weighted-average interest rates of 1.9% and 1.6% per year at March 31, 2014 and 2015, respectively	¥50,385	¥61,006	\$507,749
Commercial papers, with weighted-average interest rates of 0.1% per year at March 31, 2015	-	4,000	33,292
	¥50,385	¥65,006	\$541,040

Long-term debt at March 31, 2014 and 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Secured loans from banks and other financial institutions with maturity dates from 2015 to 2028 with weighted-average interest rates of 1.4% at March 31, 2014 and 2015	¥92,042	¥90,104	\$749,929
Lease obligation	1,339	1,564	13,017
Unsecured straight bonds issued from January 31, 2008 to September 7, 2011 with interest rates ranging from 0.5% to 1.8%, maturity dates September 7, 2016 to September 7, 2018	50,000	50,000	416,146
	<u>143,382</u>	<u>141,668</u>	<u>1,179,093</u>
Less: current portion due within one year			
Long term borrowings	(6,458)	(20,483)	(170,479)
Bonds	-	-	-
Lease obligation	(1,026)	(872)	(7,258)
Total	<u>(7,485)</u>	<u>(21,355)</u>	<u>(177,736)</u>
	<u>¥135,897</u>	<u>¥120,312</u>	<u>\$1,001,348</u>

The Companies' assets pledged as collateral for short-term borrowings and other interest-bearing debts at March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Carrying values of property, plant and equipment:			
Land	¥992	¥992	\$8,256

The annual maturities of long-term debts are as follows:

	Millions of yen	Thousands of U.S. dollars
<b>Long term borrowings</b>		
Year ending March 31,		
2017	¥12,819	\$106,692
2018	16,777	139,634
2019	2,020	16,812
2020	27,150	225,968
<b>Lease obligation</b>		
Year ending March 31,		
2017	¥362	\$3,013
2018	215	1,789
2019	104	866
2020	8	67
<b>Bonds</b>		
Year ending March 31,		
2017	¥20,000	\$166,459
2018	10,000	83,229
2019	20,000	166,459
2020	-	-

#### 7. Other Long-term Liabilities

Other than the loans and debts included in note 6, interest-bearing debts, which consisted of guarantee money received amounting to ¥3,847 million and ¥3,278 million (US\$27,283 thousand), were recorded as a part of other long-term liabilities in the Consolidated Balance Sheets as of March 31, 2014 and 2015.

#### 8. Research and Development Costs

Research and development costs included in Selling, general and administrative expenses and Cost of sales, in aggregate, for the years ended March 31, 2014 and 2015, amounted to ¥14,654 million and ¥15,226 million (US\$126,725 thousand), respectively.

9. Severance indemnities and Pension Plans

(a) Outline of retirement and severance benefits plans adopted by the Companies

The Company and its domestic consolidated subsidiaries sponsor various defined benefit plans such as corporate pension plans, employees' pension plans and lump sum retirement plans for their employees. Certain consolidated subsidiaries also sponsor defined contribution plans.

(b) Defined benefit plan

The following tables present summaries of the benefit obligations for defined pension plans, plan assets and the associated funded status recorded in the Consolidated Balance Sheets.

(1) Benefit obligations at the beginning of the period and the end of the period (excluding those plans that adopt the simplified method)

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Balance at the beginning of the period	¥58,420	¥55,974	\$465,868
Cumulative effects of changes in accounting policies	-	(2,153)	(17,919)
Restated balance	58,420	53,820	447,940
Service cost	1,754	2,041	16,987
Interest cost	1,108	657	5,468
Actuarial (gains) or losses	(123)	2,826	23,521
Retirement benefits paid	(5,099)	(3,963)	(32,984)
Other	(86)	97	807
Balance at the end of the period	¥55,974	¥55,480	\$461,756

(2) Plan assets at the beginning of the period and the end of the period (excluding those plans that adopt the simplified method)

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Balance at the beginning of the period	¥64,113	¥58,117	\$483,704
Expected return on plan assets	907	1,072	8,922
Actuarial (gains) or losses	1,653	2,025	16,854
Employer's contributions	560	846	7,041
Retirement benefits paid	(4,346)	(3,299)	(27,457)
Partial refund of plan assets from employee retirement benefits trusts	(5,000)	(3,000)	(24,969)
Other	229	265	2,206
Balance at the end of the period	¥58,117	¥56,028	\$466,317

(3) Defined benefit liability at the beginning of the period and the end of the period for consolidated subsidiaries adopting the simplified method

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Balance at the beginning of the period	¥2,234	¥2,071	\$17,237
Retirement benefit cost	225	164	1,365
Retirement benefit paid	(388)	(142)	(1,182)
Annual contribution	(135)	(184)	(1,531)
Other	135	42	350
Balance at the end of the period	¥2,071	¥1,950	\$16,230

(4) Reconciliation between the liability (assets) recorded in the Consolidated Balance Sheets and the balances of defined benefit obligations and plan assets

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Retirement benefit obligations of the savings plans	¥56,732	¥55,051	\$458,186
Plan assets	(43,686)	(43,754)	(364,161)
Retirement benefit trust	(16,003)	(13,944)	(116,055)
	(2,957)	(2,647)	(22,031)
Retirement benefit obligations of the non-savings plans	2,885	4,050	33,708
Net liabilities and assets recorded on the Consolidated Balance Sheets	(72)	1,402	11,669
Net defined benefit liability	7,714	8,402	69,929
Net defined benefit asset	(7,786)	(6,999)	(58,252)
Net liabilities (assets) recorded on the Consolidated Balance Sheets	(¥72)	¥1,402	\$11,669

(5) Components of net periodic retirement benefits costs

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Service cost	¥1,754	¥2,041	\$16,987
Interest cost	1,108	657	5,468
Expected return on plan assets	(907)	(1,072)	(8,922)
Recognized actuarial (gains) or losses	2,323	2,096	17,445
Amortization of prior service cost	(253)	(253)	(2,106)
Net retirement benefit costs of the plans adopting the simplified method	225	164	1,365
Retirement benefit costs related to the defined benefit plan	¥4,250	¥3,633	\$30,237

Note. Extra retirement payments for the years ended March 31, 2014 and 2015 in the amount of ¥1,158 million and ¥45 million (US\$ 375 thousands) respectively, are accounted for as "Other" of Extraordinary loss.

(6) Remeasurements of defined benefit plans before deduction of deferred tax

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Prior service cost	¥ -	¥253	\$2,106
Unrecognized actuarial (gains) or losses	-	(967)	(8,048)
Total	¥ -	(¥713)	(\$5,934)

## (7) Accumulated other comprehensive income before deduction of deferred tax on defined retirement benefit plans

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Unrecognized prior service cost	(¥1,814)	(¥1,561)	(\$12,992)
Unrecognized actuarial (gains) or losses	8,987	8,019	66,742
<b>Total</b>	<b>¥7,173</b>	<b>¥6,458</b>	<b>\$53,749</b>

## (8) Plan assets consisted of the following :

	2014	2015	
Bonds	41	42	%
Shares	19	19	
Cash and deposits	2	8	
General accounts	6	6	
Others	31	25	
<b>Total</b>	<b>100</b>	<b>100</b>	<b>%</b>

Note. Retirement benefit trust contributed to the company pension plan as of March 31, 2014 and 2015 represent approximately 27% and 24% of "Plan assets" respectively .

## (9) Method to establish a long-term expected return on plan assets

To determine the long-term expected return on plan assets, the present and expected allocation of plan assets and the present and expected future return from a variety of plan assets that constitute pension assets have been taken into account.

## (10) The actuarial assumptions used

	2014	2015
Discount rates	Mainly 1.9%	Mainly 0.7%
Expected long-term expected return on plan assets	Mainly 2.2%	Mainly 2.5%
Lump sum election rate	Mainly 59.5%	Mainly 66.3%
Re-evaluation rate	Mainly 1.5%	Mainly 1.5%

## (c) Defined contribution plan

Total annual contribution to the defined contribution plans for the years ended March 31, 2014 and 2015 are ¥388 million and ¥432 million (US\$ 3,596 thousands), respectively.

## 10. Inventories

Inventories are valued at the lower of cost or market and the associated losses on inventory devaluation have been included in "Cost of sales" for the years ended March 31, 2014 and 2015 in the amounts of ¥736 million and ¥1,307 million (US\$10,878 thousand), respectively.

## 11. Gain on sales of fixed assets

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Buildings	¥5,384	¥626	\$5,210
Land	(89)	78	649
<b>Total</b>	<b>¥5,295</b>	<b>¥705</b>	<b>\$5,868</b>

## 12. Gain on refunds of retirement benefit trust

As a result of the partial refunds of plan assets from employed of retirement benefit trust, a part of unrealized actuarial gains and losses were realized in proportion to the fair value of refunds to all plan assets.

## 13. Insurance reimbursement income

Insurance reimbursement income is attributed to partial insurance reimbursements received for a portion of the inventories and fixed assets damaged as a result of the floods in the Kingdom of Thailand in October 2011, the amounts of which are considered to be fixed.

## 14. Loss on retirement of non-current assets

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Buildings	¥ -	¥193	\$1,606
Machinery	-	174	1,448
Tools, furniture and fixtures	-	88	732
Land	-	9	75
<b>Total</b>	<b>¥ -</b>	<b>¥465</b>	<b>\$3,870</b>

## 15. Provision for allowance for antitrust law-related loss

This is provision of reserve for the loss related to the European Union competition law on the consolidated profit-and-loss statement, which relates to the penalty from the Commission of the European Communities on April 2, 2014 regarding European competition law violation.

16. Consolidated Statements of Comprehensive Income  
For the Year Ended March 31, 2014 and 2015

Amount of reclassification and tax effect related to other comprehensive income are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
<b>Valuation difference on available-for-sale securities</b>			
Amount arising during the year	¥3,127	¥6,235	\$51,893
Reclassification adjustment	(249)	(122)	(1,015)
Before tax effect adjustment	2,877	6,113	50,878
Tax effect	(729)	(1,620)	(13,483)
Valuation difference on available-for-sale securities	2,147	4,493	37,395
<b>Deferred gains or losses on hedges</b>			
Amount arising during the year	15	173	1,440
Before tax effect adjustment	15	173	1,440
Tax effect	(5)	(50)	(416)
Deferred gains or losses on hedges	9	123	1,024
<b>Foreign currency translation adjustments</b>			
Amount arising during the year	8,164	18,439	153,467
Before tax effect adjustment	-	18,439	153,467
Tax effect	-	49	408
Foreign currency translation adjustments	8,164	18,489	153,883
<b>Remeasurements of defined benefit plans, net of taxes</b>			
Amount arising during the year	-	(1,130)	(9,405)
Reclassification adjustment	-	1,845	15,356
Before tax effect adjustment	-	714	5,943
Tax effect	-	(501)	(4,170)
Remeasurements of defined benefit plans, net of taxes	-	213	1,773
<b>Share of other comprehensive income of associates accounted for using equity method</b>			
Amount arising during the year	1,026	912	7,591
Reclassification adjustment	(159)	(63)	(524)
Share of other comprehensive income of associates accounted for using equity method	867	849	7,066
<b>Other comprehensive income</b>	<b>¥11,189</b>	<b>¥24,169</b>	<b>\$201,157</b>

17. Impairment of Fixed Assets

Grouping method:

The Companies grouped long-lived assets into asset groups by merchandise category. Idle assets are grouped on an individual asset basis.

For the year ended March 31, 2014, the Company has recorded impairment losses against the following asset groups:

(1) Location: Fujikura Electronics (Thailand) Ltd. (Kingdom of Thailand)

Use: Idle assets

Type: Machinery

Amount of impairment losses: ¥1,143 million

Background leading to the recognition of impairment losses: These assets are no longer in use and their market value had fallen substantially below book values.

Recoverable amount: Net selling price

Calculation method for recoverable amount: Set at zero yen due to difficulty of conversion or sale.

(2) Location: Fuji Materials Ltd. (Japan)

Use: Idle assets

Type: Land

Amount of impairment losses: ¥319 million

Background leading to the recognition of impairment losses: These assets are no longer in use and their market value had fallen substantially below book values.

Recoverable amount: Net selling price

Calculation method for recoverable amount: sale value to a third party.

(3) Location: DDK Ltd. (Japan)

Use: Idle assets

Type: Machinery

Amount of impairment losses: ¥319 million

Background leading to the recognition of impairment losses: These assets are no longer in use and their market value had fallen substantially below book values.

Recoverable amount: Net selling price

Calculation method for recoverable amount: Set at zero yen due to difficulty of conversion or sale.

For the year ended March 31, 2015, the Company has recorded impairment losses against the following asset groups:

(1) Location: Nistica Inc. (United States)

Use: Technology

Type: Intangible Assets

Amount of impairment losses: ¥804 million (US\$6,691 thousand)

Background leading to the recognition of impairment losses: Due to the change of market environment, their recoverable amount had fallen substantially below book values.

Recoverable amount: Value in use

Calculation method for recoverable amount: Set at value in use

18. Supplementary Cash Flow Information

A reconciliation of cash and cash equivalents in the Consolidated Statement of Cash Flows and account balances in the Consolidated Balance Sheets at March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Cash and deposits	¥39,902	¥35,745	\$297,503
Deposits with maturity of over three months	(566)	(2,408)	(20,042)
Cash and cash equivalents	¥39,336	¥33,336	\$277,453

## 19. Income Taxes

The Company and its domestic subsidiaries are subject to a number of different income taxes which, in aggregate, indicate a nominal statutory tax rate in Japan of approximately 37.5% and 35.1% for the years ended March 31, 2014 and 2015.

A reconciliation between the nominal statutory income tax rate and the effective income tax rate in the accompanying Consolidated Statements of Income for the years ended March 31, 2014 and 2015 are as follows:

	2014	2015
Nominal statutory tax rate	37.5 %	35.1 %
Effect on tax rate resulting from permanent differences	1.4	0.9
Provision for antitrust payment	3.4	-
Foreign tax credit and payment	1.7	(1.8)
Equity earnings	6.1	0.6
Tax exemption in foreign tax jurisdiction	(1.9)	(3.7)
Valuation allowance	10.8	2.8
Effect of lower tax rates at overseas subsidiaries	(1.1)	(7.3)
Depreciation of Goodwill	5.3	3.8
Other	6.7	3.8
Effective income tax rate	69.8 %	34.2 %

The significant components of deferred tax assets and liabilities at March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of
	2014	2015	U.S. dollars
			2015
Deferred tax assets:			
Inventory revaluation	¥955	¥1,009	\$8,398
Bonus accrual	2,474	2,313	19,251
Net defined benefit liability	4,580	3,701	30,803
Elimination of intercompany profits on inventories	201	468	3,895
Enterprise taxes	122	112	932
Net operating losses carried forward	17,961	18,950	157,720
Loss on valuation of investment securities	2,793	2,564	21,340
Depreciation	2,763	3,152	26,234
Allowance for doubtful accounts	976	1,085	9,030
Impairment losses	2,564	1,435	11,943
Elimination of intercompany profits on fixed assets	814	814	6,775
Foreign tax credit carried forward	1,734	2,147	17,869
Other	5,195	5,367	44,669
Gross deferred tax assets	43,139	43,122	358,901
Less: valuation allowance	(28,063)	(29,185)	(242,905)
Total deferred tax assets	15,075	13,937	115,997
Deferred tax liabilities:			
Special tax-purpose reserve for deferred gain on sale of property	882	786	6,542
Retained earnings of equity-method affiliated company	562	546	4,544
Net defined benefit asset	-	332	2,763
Unrealized gains on investment securities	2,195	3,815	31,752
Other	1,336	361	3,005
Total deferred tax liabilities	4,976	5,842	48,623
Net deferred tax assets	¥10,098	¥8,094	\$67,366

Net deferred tax assets (liabilities) included in the Consolidated Balance Sheets are as follows:

	Millions of yen		Thousands of
	2014	2015	U.S. dollars
			2015
Current assets - Deferred tax assets	¥4,388	¥4,525	\$37,661
Non-current assets - Deferred tax assets	6,409	4,699	39,109
Current liabilities - Other	(8)	(6)	(50)
Non-current liabilities - Deferred tax liabilities	(690)	(1,123)	(9,347)
Net deferred tax assets	¥10,098	¥8,094	\$67,366

Adjustments to deferred tax assets, deferred tax liabilities etc. due to a change in the income tax rate :

Due to promulgation on March 31, 2015 of the "Partial Amendment of the Income Tax Act, etc." and "The Revision of the Local Tax Law", the statutory effective tax rate used to measure deferred tax assets and deferred tax liabilities (limited to settlements made after April 1, 2015) has been changed from the current 35.1% to 32.5% for temporary differences expected to be reversed during the period from the year beginning on April 1, 2015 to the year ending March 31, 2016, and to 31.7% for temporary differences expected to be reversed in the years beginning on April 1, 2016 and thereafter.

As a result of these changes in the tax rate, the amount of deferred tax assets (netted of deferred tax liabilities) as at March 31, 2015 increased by 139 million yen (US\$1,157 thousand), income taxes deferred for the year ended March 31, 2015 increased by 268 million yen (US\$2,231 thousand), valuation difference on available-for-sale securities as at March 31, 2015 increased by 405 million yen (US\$3,371 thousand), deferred gains and losses on hedges as at March 31, 2015 increased by 2 million yen (US\$17 thousand).

## 20. Contingent Liabilities

(a) Guarantees of liabilities	Millions of yen		Thousands of
	2014	2015	U.S. dollars
Guarantees for loans borrowed / notes issued by:			2015
Employees	¥397	¥319	\$2,655
VISCAS corporation, affiliated company	9,180	10,481	87,233
Other unconsolidated subsidiaries and affiliates	3,031	2,568	21,373
	¥12,609	¥13,368	\$111,261

### (b) Other

Fujikura Electronics (Thailand) Ltd. (FETL), a consolidated subsidiary in Thailand, received (1) tax assessments in the amount of 883 million baht from the Revenue Department of Thailand on May 21, 2013, (2) tax assessments in the amount of 29 million baht from the Revenue Department of Thailand on May 28, 2014, and (3) tax assessments in the amount of 7 million baht from the Revenue Department of Thailand on May 21, 2015.

Management does not agree with the assessments of the Revenue Department believing them to be unjust and without legal grounds. For (1), FETL plans to file a lawsuit with the Tax Court of Thailand following the unfavorable ruling to the petition to appeal the tax assessments to the Administrative Appeal Committee of the Revenue Department on June 18, 2013. For (2), FETL filed a petition to appeal the tax assessments to the Administrative Appeal Committee of the Revenue Department on June 19, 2014. For (3), FETL filed a petition to appeal the tax assessments to the Administrative Appeal Committee of the Revenue Department on June 18, 2015.

If the Committee issues an unfavorable ruling, FETL intends to continue contesting the legitimacy of its position with the tax court.

FETL provided bank guarantees to the Revenue Department in place of provisional payments on the same day.

21. Derivative Instruments  
(a) Derivative not designated for hedge accounting  
(1) Foreign forward exchange contracts  
At March 31, 2014

	Millions of yen			
	Notional amount	Nominal amount to be settled in more than one year	Fair value	Gain (loss)
<b>2014</b>				
<b>Sell</b>				
USD	¥4,406	¥ -	¥1	¥1
SGD	594	-	(0)	(0)
EUR	558	-	(2)	(2)
Others	704	-	(0)	(0)
<b>Buy</b>				
USD	9,766	-	15	15
YEN	60	-	(0)	(0)
Others	19	-	0	0
<b>Currency Swaps</b>				
Pay MYR / Rec USD	907	-	4	4
<b>Total</b>	<b>¥17,017</b>	<b>¥ -</b>	<b>¥16</b>	<b>¥16</b>

At March 31, 2015

	Millions of yen				Thousands of U.S. dollars			
	Notional amount	Nominal amount to be settled in more than one year	Fair value	Gain (loss)	Notional amount	Nominal amount to be settled in more than one year	Fair value	Gain (loss)
<b>2015</b>								
<b>Sell</b>								
USD	¥7,521	¥327	(¥341)	(¥341)	\$62,597	\$2,722	(\$2,838)	(\$2,838)
SGD	257	-	(4)	(4)	2,139	-	(33)	(33)
Others	194	-	(2)	(2)	1,615	-	(17)	(17)
<b>Buy</b>								
USD	10,545	-	82	82	87,765	-	682	682
YEN	201	-	(1)	(1)	1,673	-	(8)	(8)
Others	47	6	(0)	(0)	391	50	(0)	(0)
<b>Currency Swaps</b>								
Pay MYR / Rec USD	999	-	76	76	8,315	-	633	633
<b>Total</b>	<b>¥19,767</b>	<b>¥334</b>	<b>(¥192)</b>	<b>(¥192)</b>	<b>\$164,519</b>	<b>\$2,780</b>	<b>(\$1,598)</b>	<b>(\$1,598)</b>

(2) Interest Rate Swaps  
At March 31, 2014  
There were no interest rate swaps.

At March 31, 2015  
There were no interest rate swaps.

(3) Commodity Forward Contracts  
At March 31, 2014

	Millions of yen			
	Notional amount	Nominal amount to be settled in more than one year	Fair value	Gain (loss)
<b>2014</b>				
<b>Sell</b>				
Total	¥956	¥ -	(¥35)	(¥35)
<b>Total</b>	<b>¥956</b>	<b>¥ -</b>	<b>(¥35)</b>	<b>(¥35)</b>

At March 31, 2015

	Millions of yen				Thousands of U.S. dollars			
	Notional amount	Nominal amount to be settled in more than one year	Fair value	Gain (loss)	Notional amount	Nominal amount to be settled in more than one year	Fair value	Gain (loss)
<b>2015</b>								
<b>Sell</b>								
USD	¥2,471	¥ -	(¥57)	(¥57)	\$20,566	\$ -	(\$474)	(\$474)
<b>Buy</b>								
Total	532	-	(11)	(11)	4,428	-	(92)	(92)
<b>Total</b>	<b>¥3,003</b>	<b>¥ -</b>	<b>(¥68)</b>	<b>(¥68)</b>	<b>\$24,994</b>	<b>\$ -</b>	<b>(\$566)</b>	<b>(\$566)</b>

(b) Designated instrument hedges  
(1) Foreign forward exchange contracts  
At March 31, 2014

	Millions of yen		
	Notional amount	Nominal amount to be settled in more than one year	Fair value
<b>2014</b>			
<b>Transfer process of foreign forward exchange contracts</b>			
Accounts receivable, trade			
<b>Sell</b>			
USD	¥15,155	¥ -	¥ -
EUR	1,608	-	-
<b>Processing method in principle</b>			
Accounts receivable, trade			
<b>Sell</b>			
USD	6,162	-	(22)
EUR	500	-	(1)
<b>Total</b>	<b>¥23,427</b>	<b>¥ -</b>	<b>(¥24)</b>

At March 31, 2015	Millions of yen			Thousands of U.S. dollars		
	Notional amount	More than one year of Notional amount	Fair value	Notional amount	More than one year of Notional amount	Fair value
2015						
Transfer process of foreign forward exchange contracts						
Accounts receivable, trade						
Sell						
USD	¥26,628	¥ -	¥ -	\$221,623	\$ -	\$ -
EUR	1,042	-	-	8,672	-	-
Processing method in principle						
Accounts receivable, trade						
Sell						
USD	10,198	46	(17)	84,877	383	(141)
EUR	441	-	(2)	3,670	-	(17)
Expected transaction						
Buy						
USD	591	-	107	4,919	-	891
<b>Total</b>	<b>¥38,902</b>	<b>¥46</b>	<b>¥86</b>	<b>\$323,779</b>	<b>\$383</b>	<b>\$716</b>

(2) Interest Rate Swaps

At March 31, 2014

	Millions of yen		
	Notional amount	More than one year of Notional amount	Fair value
2014			
Special treatment of interest rate swaps			
Interest Rate Swaps			
Long-term debt			
Pay Fixed interest / Rec. Floating interest	¥68,800	¥68,800	¥ -
Processing method in principle			
Interest Rate Swaps			
Long-term debt			
Pay Fixed interest / Rec. Floating interest	4,000	4,000	(63)
<b>Total</b>	<b>¥72,800</b>	<b>¥72,800</b>	<b>(¥63)</b>

At March 31, 2015

	Millions of yen			Thousands of U.S. dollars		
	Notional amount	More than one year of Notional amount	Fair value	Notional amount	More than one year of Notional amount	Fair value
2015						
Special treatment of interest rate swaps						
Interest Rate Swaps						
Long-term debt						
Pay Fixed interest / Rec. Floating interest	¥71,800	¥58,800	¥ -	\$597,586	\$489,388	\$ -
<b>Total</b>	<b>¥71,800</b>	<b>¥58,800</b>	<b>¥ -</b>	<b>\$597,586</b>	<b>\$489,388</b>	<b>\$ -</b>

22. Supplementary Information for the Consolidated Statements of Net Assets  
For the Year Ended March 31, 2014

(a) Type and number of outstanding shares

Type of shares	Year ended March 31, 2014			
	Thousands of shares			
	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Issued stock:				
Common stock	360,863	-	-	360,863
Total	360,863	-	-	360,863
Treasury stock:				
Common stock (*1, *2)	19,371	14,732	628	33,471
Total	19,371	14,732	628	33,471

(\*1) Treasury stock increased due to the repurchase of 14,732,000 shares.

(\*2) Treasury stock decreased by share exchanges of 628,000 shares.

(b) Dividends

(1) Dividends paid to shareholders:

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount per share (Yen)	Shareholders' cut-off date	Effective date
June 27, 2013	Annual general meeting of shareholders	Common stock	¥853	¥2.5	March 31, 2013	June 28, 2013
October 28, 2013	Board of directors	Common stock	¥1,010	¥3.0	September 30, 2013	December 3, 2013

(2) Dividends with a shareholders' cut-off date during the current fiscal year but an effective date subsequent to the current fiscal year:

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Paid from	Amount per share (Yen)	Shareholders' cut-off date	Effective date
June 27, 2014	Annual general meeting of shareholders	Common stock	¥982	Retained earnings	¥3.0	March 31, 2014	June 30, 2014

For the Year Ended March 31, 2015  
(a) Type and number of outstanding shares

Type of shares	Year ended March 31, 2015			
	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Issued stock:				
Common stock	360,863	-	-	360,863
Total	360,863	-	-	360,863
Treasury stock:				
Common stock (*1)	33,471	18,266	-	51,738
Total	33,471	18,266	-	51,738

(\*1) Treasury stock increased due to the repurchase of 18,266,000 shares.

(b) Dividends

(1) Dividends paid to shareholders:

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Amount per share (Yen)	Amount per share (U.S. dollars)	Shareholders' cut-off date	Effective date
June 27, 2014	Annual general meeting of shareholders	Common stock	¥982	\$8,173	¥3.0	\$0.02	March 31, 2014	June 30, 2014
October 27, 2014	Board of directors	Common stock	¥1,135	\$9,447	¥3.5	\$0.03	September 30, 2014	December 2, 2014

(2) Dividends with a shareholders' cut-off date during the current fiscal year but an effective date subsequent to the current fiscal year:

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Paid from	Amount per share (Yen)	Amount per share (U.S. dollars)	Shareholders' cut-off date	Effective date
June 26, 2015	Annual general meeting of shareholders	Common stock	¥1,082	\$9,005	Retained earnings	¥3.5	\$0.03	March 31, 2015	June 29, 2015

### 23. Investment and Rental Property

The Companies own office buildings including land for rent in Tokyo and other districts. Profits generated from these investments and rental properties were ¥5,311 million and ¥5,001 million (US\$41,623 thousand) for the fiscal years ended March 31, 2014 and 2015, respectively. The majority of rental revenues were recorded in Net Sales and majority of rental costs were recorded in Cost of sales in the Consolidated Statements of Income. The investment and rental property at March 31, 2014 and 2015, included in the Consolidated Balance Sheets and respective increases and decreases fair value are as follows;

For the Year Ended March 31, 2014

Millions of yen			
Amounts in the consolidated balance sheet (*1)			
Balance at beginning of the year	Increase and decrease in property during the year (*2)	Balance at end of the year	Fair value at end of the year (*3)
¥44,601	(¥1,528)	¥43,073	¥103,794

(\*1) Amounts in the consolidated balance sheet were computed based on acquisition costs after deducting accumulated depreciation and impairment charges.

(\*2) The primary decrease in property during the year includes the sale of office buildings for rent ¥2,129 million.

(\*3) Fair value at end of year was primarily based on "Real Estate Appraisal Standards".

For the Year Ended March 31, 2015

Millions of yen			
Amounts in the consolidated balance sheet (*1)			
Balance at beginning of the year	Increase and decrease in property during the year (*2)	Balance at end of the year	Fair value at end of the year (*3)
¥43,073	(¥1,738)	¥41,334	¥103,325

Thousands of U.S. dollars			
Amounts in the consolidated balance sheet (*1)			
Balance at beginning of the year	Increase and decrease in property during the year (*2)	Balance at end of the year	Fair value at end of the year (*3)
\$358,494	(\$14,465)	\$344,020	\$859,967

(\*1) Amounts in the consolidated balance sheet were computed based on acquisition costs after deducting accumulated depreciation and impairment charges.

(\*2) The primary decrease in property during the year includes the depreciation of office buildings for rent ¥1,882 million (US\$15,664 thousand).

(\*3) Fair value at end of year was primarily based on "Real Estate Appraisal Standards".

24. Segment Information  
(Segment Information)  
(a) Summary of reporting segments

The Group's reporting segments are components of the Group for which separate financial statements are available that are regularly evaluated by the management in deciding how to allocate resources and in assessing performance.

The Group classifies our businesses into 4 segments, which are "Power & Telecommunication Systems Company", "Electronics Business Company", "Automotive Products Company", "Real Estate Company", considering similarity in the production methods, production process, applications and sales methods.

Definitions of the four segments for the year ended March 31, 2015 are as follows:

The Power & Telecommunication Systems Company deals with power cables, telecommunication cables, aluminum wires, enameled wires, optical fibers, optical fiber cables, telecommunication components, optical components, fiber optic equipment, network equipment, installation, etc.

The Electronics Business Company deals with flexible printed circuits, electronic wiring, HDD components, various kinds of connectors, etc.

The Automotive Products Company deals with automotive wire harnesses, accessories & installation, etc.

The Real Estate Company deals with real estate, etc.

(b) Basis of calculation for sales, profits or losses, assets, liabilities and other items by reporting segments

"Notes to the Consolidated Financial Statements."

Profits by reporting segment are based on operating income.

(c) Information on sales, profit or loss, assets, liabilities, and other items by reporting segment

For the year ended March 31, 2014								
Millions of yen								
Reporting segments	Power & Telecommunication Systems Company	Electronics Business Company	Automotive Products Company	Real Estate Company	Other (*1)	Total	Adjustment (* 2,3,4)	Consolidated total
Sales to outside customers	¥348,028	¥103,180	¥123,814	¥11,199	¥4,756	¥590,980	-	¥590,980
Inter-segment sales	585	187	76	-	8	858	(858)	-
Total sales	348,614	103,368	123,890	11,199	4,764	591,838	(858)	590,980
Segment profit (loss)	15,306	(3,951)	5,254	5,420	(1,684)	20,345	-	20,345
Segment total assets	217,568	98,939	75,700	38,929	4,597	435,735	101,545	537,281
Depreciation and amortization	8,359	9,540	3,054	2,144	367	23,466	2,255	25,721
Impairment losses	594	1,788	-	-	-	2,383	-	2,383
Capital expenditures	¥7,463	¥8,585	¥5,234	¥278	¥1,000	¥22,562	¥2,900	¥25,463

Notes:

(\*1) "Others" includes new businesses to launch and others which are excluded from the aforementioned 4 segments.

(\*2) Adjustment of ¥101,545 million in "Segment total assets" represents common assets not allocated to each reporting segment ¥121,818 million and elimination of inter-segment transactions ¥(20,272) million.

Common assets mainly consisted of assets related to investment securities, research and development and administrative divisions of Company.

(\*3) Adjustment of ¥2,255 million to "Depreciation and amortization" represents depreciation and amortization associated with common assets not allocated to each reporting segment.

(\*4) Adjustment of ¥2,900 million to "Capital expenditures" represents an increase in common assets not allocated to each reporting segment.

For the year ended March 31, 2015								
Millions of yen								
Reporting segments	Power & Telecommunication Systems Company	Electronics Business Company	Automotive Products Company	Real Estate Company	Other (*1)	Total	Adjustment (* 2,3,4)	Consolidated total
Sales to outside customers	¥366,271	¥136,186	¥143,567	¥10,663	¥4,821	¥661,501	-	¥661,510
Inter-segment sales	509	234	42	-	38	825	(825)	-
Total sales	366,780	136,420	143,610	10,663	4,859	662,335	(825)	661,510
Segment profit (loss)	11,741	6,449	4,786	5,104	(3,006)	25,075	-	25,075
Segment total assets	233,148	128,135	84,313	37,158	7,449	490,206	87,361	577,567
Depreciation and amortization	9,330	10,124	3,521	1,924	714	25,614	2,117	27,732
Impairment losses	811	20	-	-	-	832	-	832
Capital expenditures	¥7,948	¥7,173	¥5,165	¥182	¥762	¥21,231	¥3,406	¥24,637

Thousands of U.S. dollars								
Reporting segments	Power & Telecommunication Systems Company	Electronics Business Company	Automotive Products Company	Real Estate Company	Other (*1)	Total	Adjustment (* 2,3,4)	Consolidated total
Sales to outside customers	\$3,048,448	\$1,133,467	\$1,194,898	\$88,747	\$40,125	\$5,505,626	-	\$5,505,701
Inter-segment sales	4,236	1,948	350	-	316	6,866	(6,866)	-
Total sales	3,052,684	1,135,414	1,195,256	88,747	40,441	5,512,568	(6,866)	5,505,701
Segment profit (loss)	97,720	53,675	39,834	42,480	(25,019)	208,697	-	208,697
Segment total assets	1,940,474	1,066,459	701,731	309,263	61,998	4,079,950	727,099	4,807,050
Depreciation and amortization	77,653	84,261	29,305	16,013	5,943	213,184	17,620	230,811
Impairment losses	6,750	166	-	-	-	6,925	-	6,925
Capital expenditures	\$66,151	\$59,700	\$42,988	\$1,515	\$6,342	\$176,704	\$28,348	\$205,052

Notes:

(\*1) "Others" includes new businesses to launch and others which are excluded from the aforementioned 4 segments.

(\*2) Adjustment of ¥87,361 million (US\$727,099 thousand) in "Segment total assets" represents common assets not allocated to each reporting segment ¥110,389 million (US\$918,760 thousand) and elimination of inter-segment transactions ¥(23,028) million (US\$(191,660) thousand).

Common assets mainly consisted of assets related to investment securities, research and development and administrative divisions of Company.

(\*3) Adjustment of ¥2,117 million (US\$17,620 thousand) to "Depreciation and amortization" represents depreciation and amortization associated with common assets not allocated to each reporting segment.

(\*4) Adjustment of ¥3,406 million (US\$28,348 thousand) to "Capital expenditures" represents an increase in common assets not allocated to each reporting segment.

(Related information)

(a) Geographical segment information

Sales

2014	Millions of yen				Total
	Japan	U.S.	China	Others	
Sales to external customers	¥271,517	¥90,074	¥91,329	¥138,059	¥590,980

Tangible fixed assets

2014	Millions of yen				Total
	Japan	Thailand	China	Others	
Tangible fixed assets	¥93,401	¥41,330	¥23,262	¥21,865	¥179,858

Sales

2015	Millions of yen				Total
	Japan	U.S.	China	Others	
Sales to external customers	¥284,668	¥118,405	¥111,412	¥147,024	¥661,510

2015	Thousands of U.S. dollars				Total
	Japan	U.S.	China	Others	
Sales to external customers	\$2,369,272	\$985,476	\$927,274	\$1,223,670	\$5,505,701

Tangible fixed assets

2015	Millions of yen				Total
	Japan	Thailand	China	Others	
Tangible fixed assets	¥91,411	¥45,227	¥23,924	¥25,376	¥185,940

2015	Thousands of U.S. dollars				Total
	Japan	Thailand	China	Others	
Tangible fixed assets	\$760,807	\$376,421	\$199,118	\$211,203	\$1,547,566

(b) Major customer information

This information has been omitted as there were no customers to whom the Group individually recorded external sales representing 10% or more of consolidated net sales for the years ended March 31, 2014 and 2015.

(c) Goodwill information

For the year ended March 31, 2014

Reporting segments	Millions of yen				Total
	Power & Telecommunication Systems Company	Electronics Business Company	Automotive Products Company	Real Estate Company	
Amortization	¥1,935	¥2	-	-	¥1,937
Unamortized goodwill	7,435	16	-	-	7,451

For the year ended March 31, 2015

Reporting segments	Millions of yen				Total
	Power & Telecommunication Systems Company	Electronics Business Company	Automotive Products Company	Real Estate Company	
Amortization	¥2,342	¥4	-	-	¥2,346
Unamortized goodwill	6,203	12	-	-	6,215

Thousands of U.S. dollars

Reporting segments	Thousands of U.S. dollars				Total
	Power & Telecommunication Systems Company	Electronics Business Company	Automotive Products Company	Real Estate Company	
Amortization	\$19,492	\$33	-	-	\$19,526
Unamortized goodwill	51,627	100	-	-	51,727

25. Related Party Information  
(Related party transactions)

The tables below summarize the related party transactions with unconsolidated affiliated companies and affiliated companies accounted for using the equity method for the year ended March 31:

2014 (Millions of yen)

Relationship	Name of company	Location	Paid-in-Capital or Advance	Description of business	Share of voting rights (%)	Relations with related parties	Description of transaction	Amount of transactions (Note 4)	Financial statement line-item	Amount outstanding at end of year (Note 4)
Affiliated company	VISCAS Corporation	Shinagawa, Tokyo	12,100	Power & Telecommunication Systems Company	Directly owned (50%)	Supply of raw materials from the Company and sales of products to the Company	Supply of raw materials for value (Note 1)	8,053	Other current assets	4,264
							Purchase of raw materials (Note 2)	7,783	Accounts payable, trade	3,451
							Guarantees (Note 3)	9,180	-	-
Affiliated company	Unimac Ltd.	Inabe, Mie	480	Power & Telecommunication Systems Company	Directly owned (45%)	Supply of raw materials from the Company and sales of products to the Company	Supply of raw materials (Note 2)	7,599	Accounts receivable, trade	4,301

2015 (Millions of yen)

Relationship	Name of company	Location	Paid-in-Capital or Advance	Description of business	Share of voting rights (%)	Relations with related parties	Description of transaction	Amount of transactions (Note 4)	Financial statement line-item	Amount outstanding at end of year (Note 4)
Affiliated company	VISCAS Corporation	Shinagawa, Tokyo	13,600	Power & Telecommunication Systems Company	Directly owned (50%)	Supply of raw materials from the Company and sales of products to the Company	Supply of raw materials for value (Note 1)	8,353	Other current assets	4,556
							Guarantees (Note 3)	10,481	-	-
Affiliated company	Unimac Ltd.	Inabe, Mie	480	Power & Telecommunication Systems Company	Directly owned (45%)	Supply of raw materials from the Company and sales of products to the Company	Supply of raw materials (Note 2)	7,466	Accounts receivable, trade	2,661

2015 (Thousands of U.S. dollars)

Relationship	Name of company	Location	Paid-in-Capital or Advance	Description of business	Share of voting rights (%)	Relations with related parties	Description of transaction	Amount of transactions (Note 4)	Financial statement line-item	Amount outstanding at end of year (Note 4)
Affiliated company	VISCAS Corporation	Shinagawa, Tokyo	113,192	Power & Telecommunication Systems Company	Directly owned (50%)	Supply of raw materials from the Company and sales of products to the Company	Supply of raw materials for value (Note 1)	69,521	Other current assets	37,919
							Guarantees (Note 3)	87,233	-	-
Affiliated company	Unimac Ltd.	Inabe, Mie	3,995	Power & Telecommunication Systems Company	Directly owned (45%)	Supply of raw materials from the Company and sales of products to the Company	Supply of raw materials (Note 2)	62,139	Accounts receivable, trade	22,147

Terms and conditions of the above transactions and the policy to determine the terms and conditions:

(Note) 1. For supply of raw materials for value, terms and conditions were determined with consideration of market prices.

2. For purchase and supply of raw materials, terms and conditions were determined based on calculation reference to market prices and negotiation for each transactions.

3. The Company provided guarantees for borrowings from banks and for fulfillment of contracts.

4. Consumption taxes are not included in the amounts of transactions but is included in the amount outstanding at year-end.

(Corporate pension for employees)

2014

(Millions of yen)

Relationship	Name of company	Location	Paid-in-Capital or Advance	Description of business	Share of voting rights (%)	Relations with related parties	Description of transaction	Amount of transactions (Note 4)	Financial statement line-item	Amount outstanding at end of year (Note 4)
Corporate pension	Employee pension trust	-	-	-	-	Pension assets of retirement benefit accounting	Return of contribution of securities to retirement benefit trust	5,000	-	-

2015

(Millions of yen)

Relationship	Name of company	Location	Paid-in-Capital or Advance	Description of business	Share of voting rights (%)	Relations with related parties	Description of transaction	Amount of transactions (Note 4)	Financial statement line-item	Amount outstanding at end of year (Note 4)
Corporate pension	Employee pension trust	-	-	-	-	Pension assets of retirement benefit accounting	Return of contribution of securities to retirement benefit trust	3,000	-	-

2015

(Thousands of U.S. dollars)

Relationship	Name of company	Location	Paid-in-Capital or Advance	Description of business	Share of voting rights (%)	Relations with related parties	Description of transaction	Amount of transactions (Note 4)	Financial statement line-item	Amount outstanding at end of year (Note 4)
Corporate pension	Employee pension trust	-	-	-	-	Pension assets of retirement benefit accounting	Return of contribution of securities to retirement benefit trust	24,969	-	-

## 26. Per share information

Per share:	Yen		U.S. dollars
	2014	2015	2015
Net income - basic	¥9.99	¥37.93	\$0.316
Net income - fully diluted (*1)	-	-	-
Cash dividends	6.00	7.00	0.058
Net assets per share	¥589.79	¥707.09	\$5.885

(\*1) As the Company does not have any instruments that have a dilutive effect, the Company has not included Net income (loss) - fully diluted per share data.

Basis for computation of per share data:	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Net income	¥3,328	¥12,201	\$101,548
Net income attributable to common shareholders	¥3,328	¥12,201	\$101,548

Number of weighted average shares	Thousands of shares	
	2014	2015
	333,164	321,667

## 27. Subsequent Events

There are no subsequent events.



## Independent Auditor's Report

To the Board of Directors of  
Fujikura Ltd.

We have audited the accompanying consolidated financial statements of Fujikura Ltd. ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### 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 such internal control as management determines is necessary to enable the preparation of 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 comply with ethical requirements and 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. In making those risk assessments, the auditor considers internal control 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, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. 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.

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*PricewaterhouseCoopers Aarata  
Sumitomo Fudosan Shiodome Hamarikyu Bldg., 8-21-1 Ginza, Chuo-ku, Tokyo 104-0061, Japan  
T: +81 (3) 3546 8450, F: +81 (3) 3546 8451, [www.pwc.com/jp/assurance](http://www.pwc.com/jp/assurance)*



To the Board of Directors of  
Fujikura Ltd.  
Page 2

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2015, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

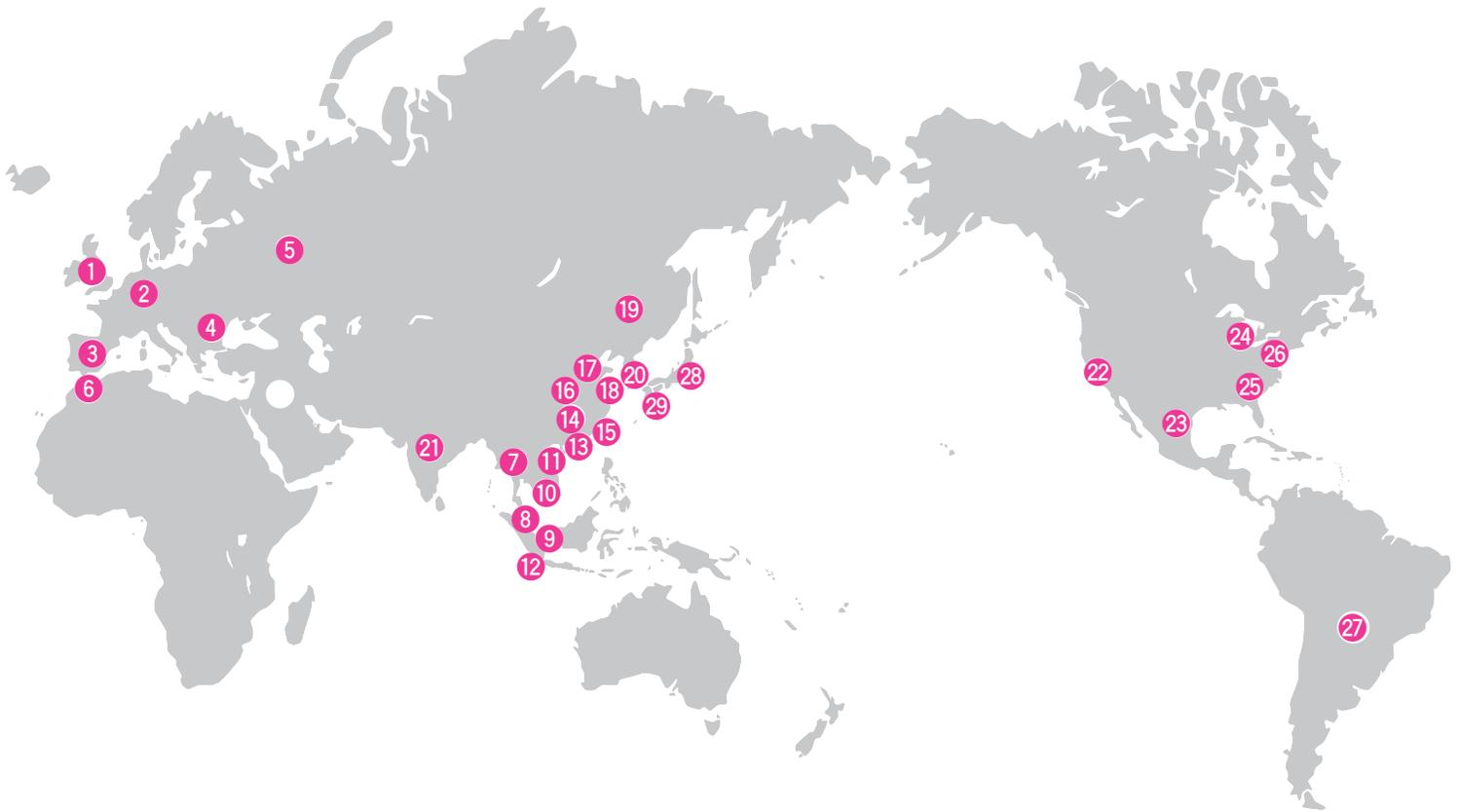
Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

*PricewaterhouseCoopers Arata*

June 26, 2015

# GLOBAL NETWORK



## Europe

- ① Fujikura Europe Ltd.
- ② Fujikura Automotive Enterprise GmbH
  - Fujikura Automotive Europe GmbH
- ③ Fujikura Automotive Europe, S.A.U.
- ④ Fujikura Automotive Romania S.R.L.
- ⑤ Joint Stock Company Moskabel-Fujikura
  - Fujikura Automotive Russia Cheboksary LLC
- ⑥ Fujikura Automotive Morocco Tangier, S.A.
  - Fujikura Automotive Morocco Kenitra, S.A.

## Thailand

- ⑦ Fujikura Electronics (Thailand) Ltd.
  - DDK (Thailand) Ltd.
  - Fujikura Automotive (Thailand) Ltd.

## Southeast Asia

- ⑧ Fujikura Federal Cables Sdn. Bhd.
  - Fujikura Asia (Malaysia) Sdn. Bhd.
- ⑨ Fujikura Asia Ltd.
- ⑩ Fujikura Fiber Optics Vietnam Ltd.
  - DDK VIETNAM Ltd.
  - Fujikura Electronics Vietnam Ltd.
- ⑪ Fujikura Automotive Vietnam Ltd.
- ⑫ PT Fujikura Indonesia

## China

- ⑬ Fujikura Zhuhai Co., Ltd.
- ⑭ Fujikura Automotive Guangzhou Co., Ltd.
- ⑮ Fujikura Hong Kong Ltd.

- ⑯ Fujikura Fiber-Home Opto-Electronics Material Technology Co., Ltd.
- ⑰ Nanjing Fiberhome Fujikura Optical Communication Ltd.
- ⑱ Fujikura (China) Co., Ltd.
  - Fujikura Electronics Shanghai Ltd.
  - Shanghai Fujikura Grandway Co., Ltd.
  - DDK (Shanghai) Co., Ltd.
  - Fujikura Hengtong Aerial Cable System Ltd.
- ⑲ Fujikura Changchun Ltd.

## Korea

- ⑳ Fujikura Korea Automotive Ltd.

## India

- ㉑ Fujikura Automotive India Private Ltd.

## Americas

- ㉒ Fujikura America, Inc.
- ㉓ Fujikura Automotive Mexico S. de R.L. de C.V.
- ㉔ Fujikura Automotive America LLC.
- ㉕ America Fujikura Ltd.
- ㉖ Nistica Inc.
- ㉗ Fujikura Automotive Paraguay S.A.

## Japan

- ㉘ DDK Ltd.
  - Fujikura Automotive Asia Ltd.
- ㉙ Nishi Nippon Electric Wire & Cable Co., Ltd.

# MAIN CONSOLIDATED SUBSIDIARIES

As of March 31, 2015

Company Name	Equity Ownership Percentage, Including Indirect Ownership	Paid-in Capital (Millions)	Major Line of Businesses
Nishi Nippon Electric Wire & Cable Co., Ltd.	60.70%	¥960	Electric wires and cables, multifunction electric wires, unit cables for indoor wiring, eco electric wires, machines and equipment for uninterruptible power supply construction work, machines and equipment for laying electric wires and cables underground, optical fiber cables and optical fiber cables with connectors
Yonezawa Electric Wire Co., Ltd.	94.80%	¥400	Electric wires and cables
Shinshiro Cable, Ltd.	60.70%	¥480	Electric wires and cables
America Fujikura Ltd.	100.00%	US\$202	Supervision and management of group companies in the U.S. and possession of shares OPGW, cable connection parts, optical fiber cables, optical fusion splicers, optical measuring instruments, optical fibers cables with connectors, optical parts and telecommunications related work Wire harnesses for automobiles
DDK Ltd.	99.8%	¥1,075	Various connectors
Fujikura Electronics (Thailand) Ltd.	100.00%	THB11,552	FPCs, various electronic wires, heat sinks, micro heat pipes, HDD components, membrane switches, optical fiber cables with connectors and optical couplers
Fujikura Electronics Shanghai Ltd.	100.00%	RMB97	FPCs
Fujikura Automotive Asia Ltd.	100.00%	¥1,722	Wire harnesses for automobiles, wire harnesses for equipment, automotive products
Fujikura Automotive Europe S.A.U.	100.00%	EUR10	Wire harnesses for automobiles and automotive products
Fujikura Zhuhai Co., Ltd.	100.0%	RMB132	Wire harnesses for automobiles and automotive products

## INVESTOR INFORMATION

### ■ Head Office

1-5-1, Kiba, Koto-ku, Tokyo 135-8512, Japan  
URL: [www.fujikura.co.jp/eng](http://www.fujikura.co.jp/eng)

### ■ Year of Foundation

1885

### ■ Date of Incorporation

March 18, 1910

### ■ Common Stock

Authorized: 1,190,000,000 shares  
Issued: 360,863,421 shares  
Capital: ¥53,075,807,507

### ■ Number of Shareholders

25,186

### ■ Independent Auditors

PricewaterhouseCoopers Aarata

### ■ Further Information

For further information on this Annual Report, please contact the Investor & Public Relations Group at the Head Office.

### ■ Contact

Investor & Public Relations Group  
Tel: +81-03-5606-1112  
Fax: +81-03-5606-1501  
E-mail: [wwwadmin@jp.fujikura.com](mailto:wwwadmin@jp.fujikura.com)

### ■ Major Shareholders

As of March 31, 2015

	Number of Shares Held (Thousands)	Ratio of Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	20,086	6.49
Japan Trustee Services Bank, Ltd. (Trust Account)	13,389	4.32
Mitsui Life Insurance Company Limited	10,192	3.29
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	9,415	3.04
Sumitomo Mitsui Banking Corporation	8,456	2.73
The Shizuoka Bank, Ltd.	7,713	2.49
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Trust Bank, Limited Retirement Benefit Trust Account)	6,777	2.19
Dowa Metals & Mining Co., Ltd.	6,563	2.12
RBC ISB A/C DUB NON RESIDENT - TREATY RATE	6,250	2.02
Fujikura Employees Shareholding Association	5,596	1.80

Note: The percentage values presented in "Percentage of total shares issued" are calculated excluding treasury stock.

# Fujikura Ltd.

5-1, Kiba 1-chome, Koto-ku, Tokyo 135-8512, Japan

Tel: +81-3-5606-1030

Fax: +81-3-5606-1502

URL: <http://www.fujikura.co.jp/eng>



*Awabuki* (Sweet Viburnum) tree  
commemorating the founding of  
the Company

Even after 130 years with Fujikura,  
we still treat it with great care.



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