

## Fujikura Ltd.

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

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





# “Tsunagu” Technology

## Fujikura Group Corporate Philosophy

### Mission

The Fujikura Group will contribute to the creation of value for customers by using “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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# At a Glance

## Engaged in the Fields of IT, Electronics, and Energy to Help Build Social Infrastructures

Fujikura has been expanding its business in a wide spectrum of fields, including IT, electronics and electric components, and energy to help build social infrastructures through its untiring pursuit of state-of-the-art technologies.

A new five-year plan entitled, 2020 Mid-term Business Plan, began in FY2016. We will focus efforts on improving earning power, maintaining the power of strong metabolism, and strengthening our financial status. We aim to enhance corporate value by meeting the expectations of shareholders, customers, and all other stakeholders.



### Automotive Products Company

The main products offered by this company are wire harnesses and various other types of automotive components.



### Automotive Products 20%

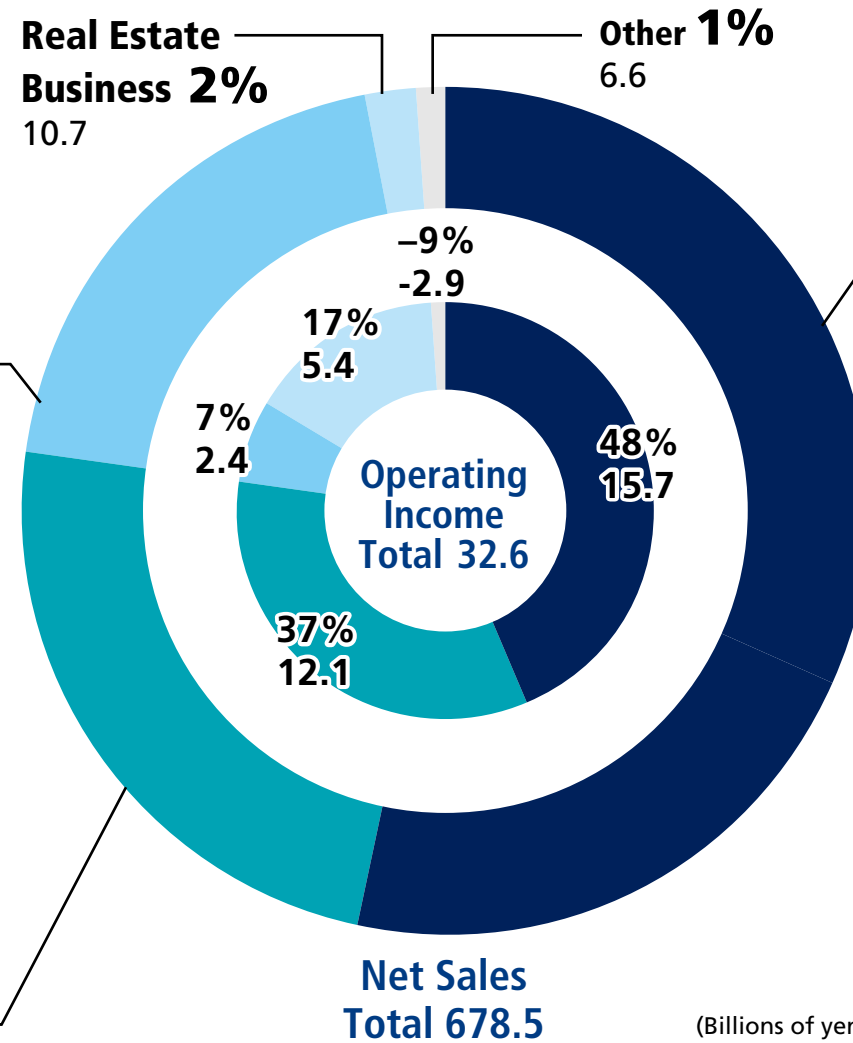
135.9

### Electronics Business Company

The main products offered by this company are electronic components and other products for digital devices, especially mobile devices.

### Electronics Business 24%

161.2



### Power & Telecommunication Systems 53%

364.1

#### Power Systems

212.7

#### Telecommunication Systems

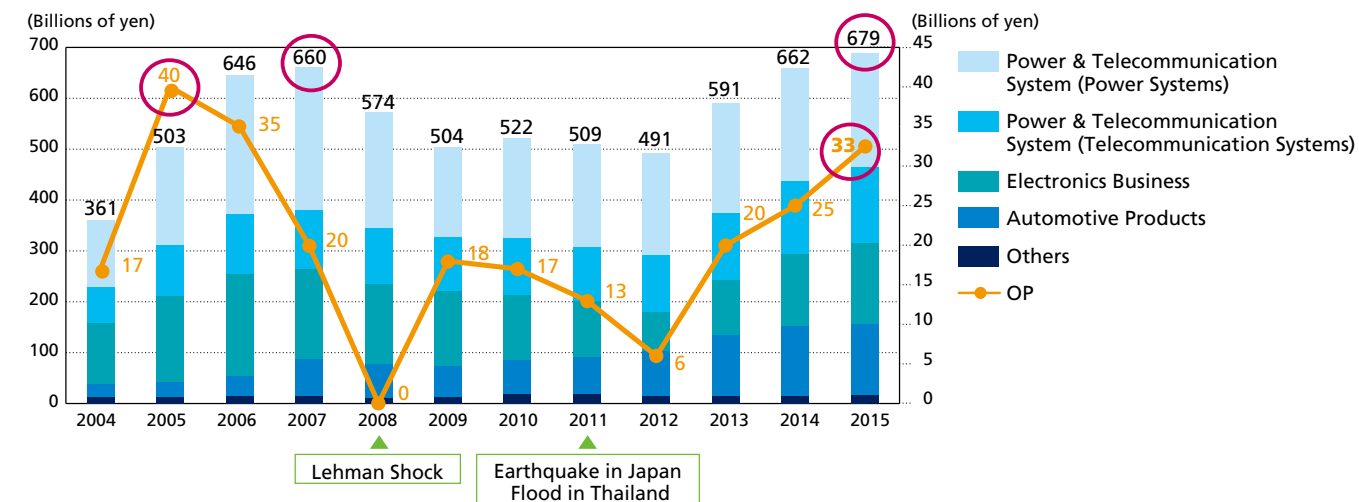
151.4



### Power & Telecommunication Systems Company

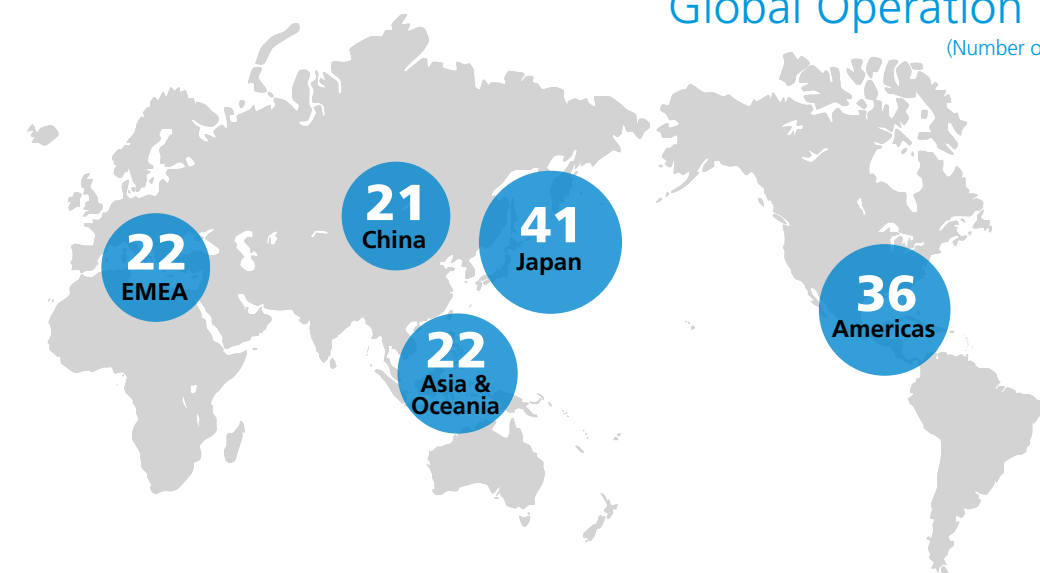
The main products and services offered by this company are an extensive line-up of cables used for industrial purposes, power transmission and distribution, telecommunications, and other purposes; optical fiber and cables and related products used in various kinds of machinery and construction, and in building networks; and configuration of optical networks.

## 10 Years of Business Trend



## Global Operation Network

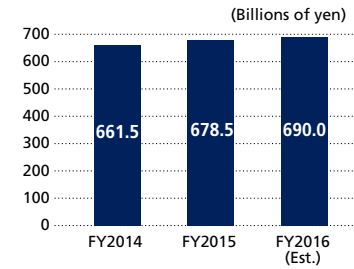
(Number of group companies)



# Financial Highlight

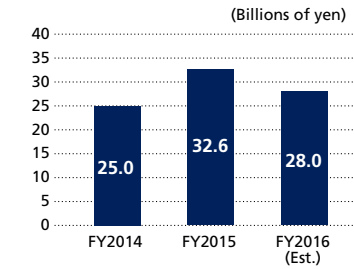
## Net Sales

**+2.5%**



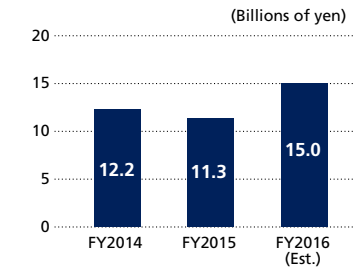
## Operating Income

**+30%**



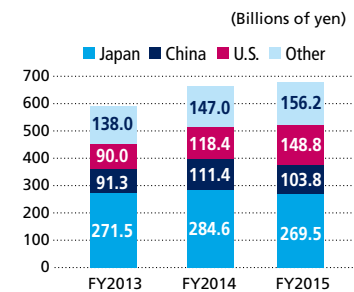
## Net Income Attributable to Owners of Parent

**-7%**

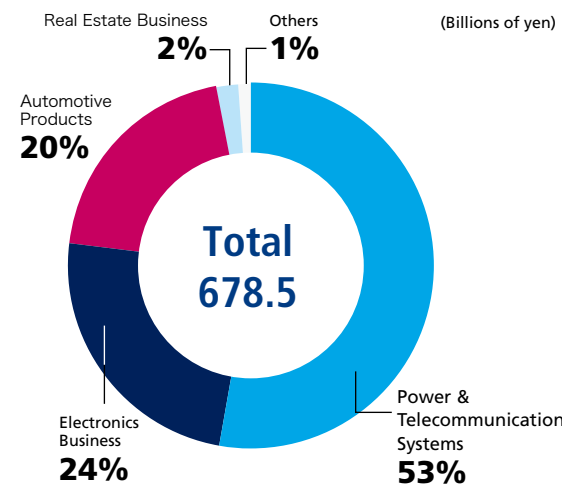


## Overseas Sales Ratio

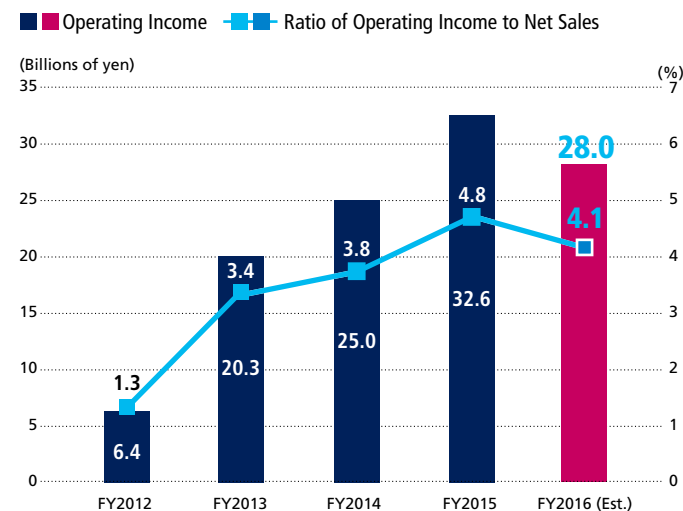
**60%**



## Net Sales by Segment FY 2015



## Operating Income, Ratio of Operating Income to Net Sales



	Millions of yen		Thousands of U.S. dollars			
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2015
<b>For the Year</b>						
Net Sales	¥509,081	¥491,118	¥590,980	¥661,510	¥678,528	\$6,024,933
Operating Income	13,383	6,499	20,345	25,075	32,632	289,753
Net Income Attributable to Owners of Parent	(6,232)	3,049	3,328	12,201	11,317	100,488
Capital Expenditures	30,980	54,594	25,463	24,637	31,979	283,955
R&D Expenditures	14,585	14,917	14,654	15,226	16,210	143,935
<b>At Year-End</b>						
Total Assets	¥489,479	¥528,900	¥537,281	¥577,567	¥552,678	\$4,907,459
Total Net Assets	184,235	204,771	207,242	234,527	217,981	1,935,544
Number of Employees	50,463	52,409	53,409	52,452	54,114	
<b>Per Share Data</b>						
Net Income (Loss)—Primary	¥ (17.28)	¥8.65	¥9.99	¥37.93	¥36.98	\$0.33
Net Income—Fully Diluted	—	—	—	—	—	—
Cash Dividends	5.00	5.00	6.00	7.00	8.00	0.07

## Results Improved

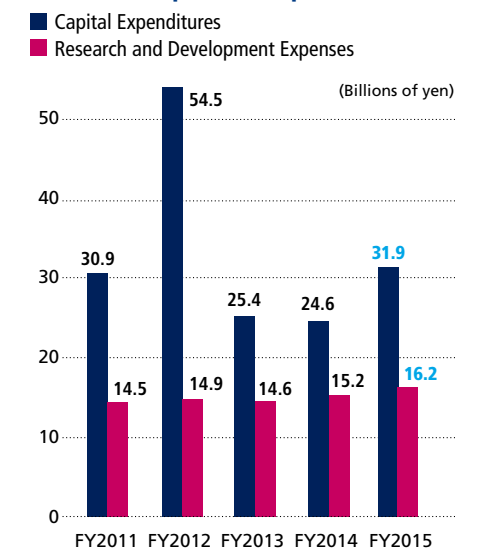
**+¥17.0 bn**  
Net Sales

With regard to sales, although there was a drop in the price of copper, a raw material used in industrial electrical wiring, and a weakening of sales of wire harnesses for automobiles due to economic slowdown in China and South America, the favorable performance of FPCs (Flexible Printed Circuit Boards) for smartphones and the effect of the overall trend of a weaker yen mainly led to an increase in sales.

**+¥7.5 bn**  
Operating Income

As for the operating income, despite a decrease in sales of wire harnesses for automobiles as well as an increase in its personnel costs overseas, there was a significant increase in profit not only due to the effect of a weaker yen, but also increased revenues and improved productivity in the electronics business, notably the FPCs. The results of FPC business in the fiscal year 2015 reflected the accomplishment of recovery in its profitability following upgrades and recovery of production capacity in the fiscal year 2013 after having almost all production sites suffered substantially from floods in the Kingdom of Thailand in 2011.

## Capital Expenditures, Research and Development Expenses





# President's Message

**“We will not simply pursue scale in sales in implementing the 2020 Mid-term Business Plan; our focus will be on profit margin in managing the company. We will aim to reward our shareholders by increasing earnings per share.”**

**Masahiko Ito, President & CEO**

## Main Direction/A Brief Statement on the Mid-term Plan

We want to become a company that holds future promise and will continue into the future based on high earning power and the power of strong metabolism. In quantitative terms, we achieved 80% of the 2015 Mid-term Business Plan. Our goal is to become a company with even greater earning power during the 2020 Mid-term Business Plan. We simultaneously want to transform into a company with sound financial status. The plan for 2016 is consequently the launching point for the 2020 Mid-term Business Plan that we will work to achieve over the next five years. A team approach is important in order to achieve this goal, and we want to be meticulous in preparations so we can guide the company to certain success in achieving the 2020 Mid-term Business Plan.

## Reflecting Back on the Completion of the 2015 Mid-term Business Plan

In 2011, the initial year of the 2015 Mid-term Business Plan, the Great East Japan Earthquake occurred on March 11, and the great floods in the Kingdom of Thailand occurred that fall. The floods in Thailand were a particularly unprecedented disaster, flooding 9 of our 11 sites in Thailand. This caused severe damage to the production capacity of the Electronics Business Company.

We also managed to achieve our goal of commercializing the fiber laser business, one of Fujikura's initiatives in new business areas targeted at the future.

During the course of the 2015 Mid-term Business Plan, we achieved growth in both sales and income for four consecutive periods after hitting bottom in 2012 as a result of the impact suffered in 2011 from the abovementioned disasters. We were also able to achieve roughly 80% of the goal set for the operating margin in the final year of the 2015 Mid-term Business Plan, giving us a real sense of having recovered our earning power in our core business.

## FY2015 Results, the Final Year of the 2015 Mid-term Plan

Ordinary income increased on the back of foreign exchange translation gains from the weak yen and an increase in demand for the Electronics Business Company products. (Income grew even with the foreign exchange gains excluded.) Net income declined as a result of extraordinary losses posted on structural reforms.

	FY2014	FY2015	Change
Net Sales	661.5	678.5	+17.0
Operating Income	25.0	32.6	+7.6
Ordinary Income	21.0	24.6	+3.6
Net Income Attributable to the Parent Company	12.2	11.3	-0.9

(Billions of yen)

## Comparison to the 2015 Mid-term Plan

	2015 Mid-term Plan		FY2015 Results	
	Net Sales	Ratio of Operating Income to Net Sales	Net Sales	Ratio of Operating Income to Net Sales
Total Company	650.0	6.3%	678.5	4.8%
Excluding New Businesses Not Incorporated in the 2015 Mid-term Plan			671.9	5.3%

(Billions of yen)

**The ratio of operating income to net sales in the final year of the 2015 Mid-term Business Plan achieved roughly 80% of the goal.**

## Key Measures in the 2020 Mid-term Business Plan

During the initial year of the 2020 Mid-term Business Plan, we will continue to work on “improving earning power” and “the power of strong metabolism,” the basic policy of the 2015 Mid-term Business Plan. We will also take definitive action on issues that surfaced. We intend to push forward steadfastly on the following four key measures to become a perpetually sustainable company driven by improving earning power and the power of a strong metabolism.

# 2015 Mid-term Business Plan Review

## Key Measures

- Developing Deeper Ties with Strategic Customers**  
Create closer relationship with customers, work to achieve greater growth of existing businesses, and seize new business opportunities.
- Speed Up New Business Creation**  
We want to strengthen the structure for promoting new business and narrow this down to three key areas. We will concentrate on areas where we can apply our core technologies first; namely, automotive-related, industrial machinery, and medical devices.
- Open Innovation**  
Our mission is not simply to sell products; it is to think about how to provide the value sought by customers and provide that value. Consequently, if pieces that will provide value to our customers are missing from our value chain, we want to procure those pieces from elsewhere and fit them into our value chain. To put it in other words, we want to introduce a philosophy of "shifting away from an in-house only approach" and move proactively to develop this with M&A as well.
- Management Reform and Business Structural Reform**  
We will strive to increase the speed with which we respond to the demands of society and increase the sophistication of management of our own company. (Improve the quality and speed of decision-making, and make responsibilities clear.) We also want to produce results quickly in regard to structural reform of the infrastructure business.

## FY2016 Business Results Forecast

(Billions of yen)

	FY2016 (Est.)
Net Sales	690
Operating Income	280
Ordinary Income	250
Net Income Attributable to the Parent Company	150

While operating income will decline, the decline is due to exchange rates and there will be no change in earning power. A 33% increase in net income attributable to the parent company over 2015 is projected. This is due to a decline in extraordinary losses recognized in conjunction with the structural business reform that neared completion by 2015.

## Shareholder Return

We will continue to remain flexible in considering purchases of the company's own shares, and will continue to maintain a balance between key investments in growth areas and improving the company's financial status in mind in determining the distribution of profits. We have completed the 2015 Mid-term Business Plan and we are progressively regaining earning power in our core business. During the current Mid-term Business Plan, we will improve earning power and increase dividends paid by increasing earnings per share. Our policy for the future is to declare stable dividends, and we anticipate a higher share price over the medium-term as well. Our dividend policy is to maintain a dividend payout ratio of 20% or higher. We intend to adopt a flexible stance on repurchase of the company's own shares, doing so when necessary, while keeping our eyes on the issues of investment in growth, reduction of interest-bearing debt, and other factors.

## In Conclusion

We will not simply pursue scale in sales in implementing the 2020 Mid-term Business Plan; our focus will be on profit margin in managing the company. We will aim to reward our shareholders by increasing earnings per share.

Despite the extremely rough start to the 2015 Mid-term Business Plan owing the impact from unprecedented disasters, we achieved a ratio of operating income to net sales of 5.3% in the final year of the 2015 Mid-term Plan, excluding new businesses that were not a part of the plan, and achieved roughly 80% of the plan ratio of operating income to net sales.

(Billions of yen)

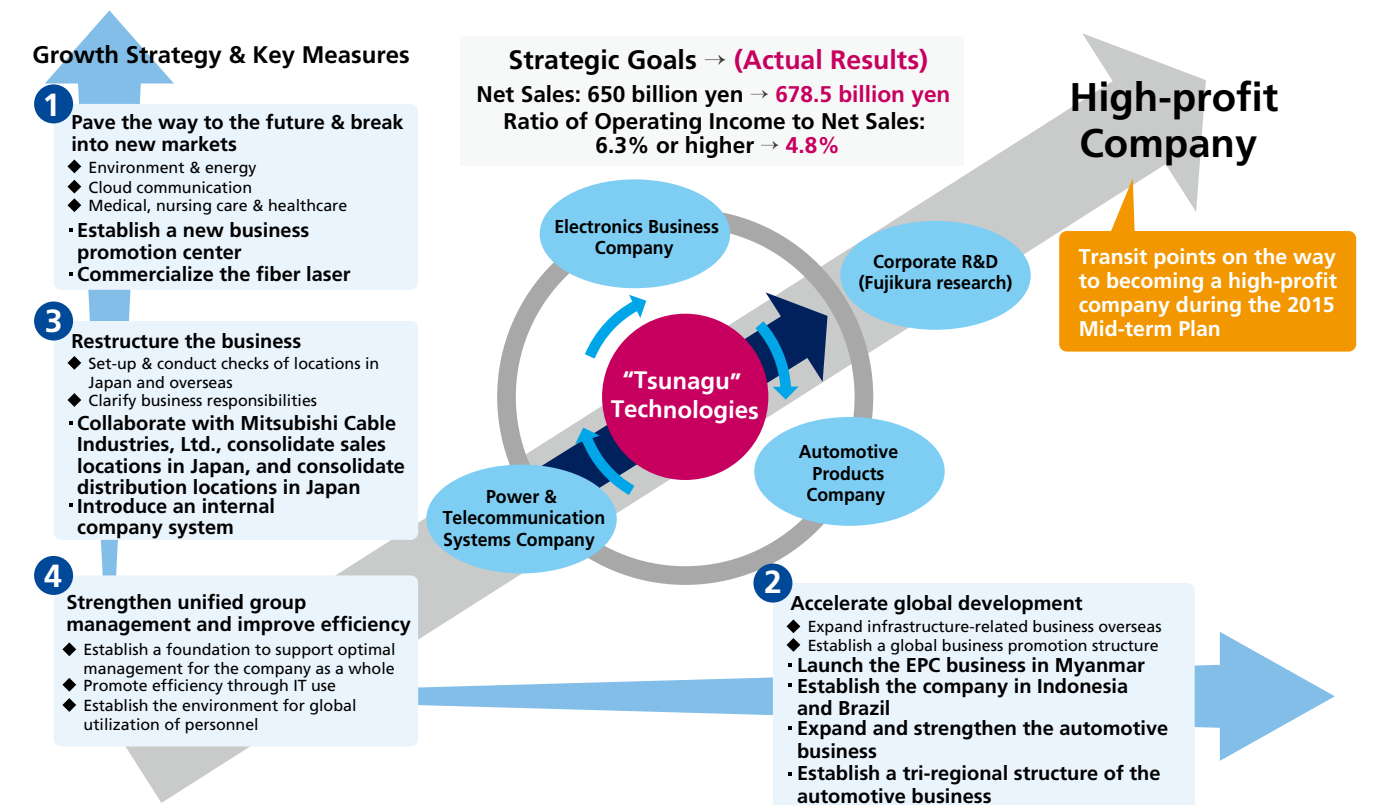
In-house Company Names (Units: Billions of yen, %)	2015 Mid-term Plan		FY2015 Results	
	Net Sales	Ratio of Operating Income to Net Sales	Net Sales	Ratio of Operating Income to Net Sales
Power Systems	190.0		212.7	
Telecommunication Systems	145.0		151.4	
Power & Telecommunication Systems	335.0	5.4%	364.1	4.3%
Electronics Business*	145.0	6.0%	161.2	7.5%
Automotive Products	110.0	5.5%	135.9	1.7%
Real Estate Business	10.0	50.0%	10.7	50.4%
Other	4.0	-25.0%	—	—
New Business Development Area	—	—	6.6	-44.2%

\* After the damage incurred by the flood in Thailand, the only revision made to the Mid-term Plan was to Electronics. The initial plan was 190 billion yen, 6.8%.

<b>Excluding new businesses not included in the 2015 Mid-term Plan</b>	<b>671.9</b>	<b>5.3%</b>
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## Final fiscal year of the 2015 Mid-term Plan: Ratio of operating income to net sales, roughly 80% achieved

Nearly all of the steps set forth in the 2015 Mid-term Business Plan have been initiated and some have been completed, however even greater changes are projected in the market and business environment surrounding Fujikura. We will therefore continue to move forward with these initiatives in the 2020 Mid-term Business Plan.



# 2020 Mid-term Business Plan

The new five-year business plan begins in FY2016.

We intend to accomplish the plan with firm resolve, basically pursuing the same goals throughout the five year period.

We recognize that improving earning power and the power of strong metabolism as the assets of utmost importance in maintaining well-balanced momentum, not only in achieving the goals of the 2020 Mid-term Business Plan, but also the one after that, and on into the future. We will accomplish this 2020 Mid-term Business Plan based on these two key concepts.

## Formulating the Business Plan

We recognize the changes in the business environment surrounding Fujikura, and the following issues which need to be resolved.

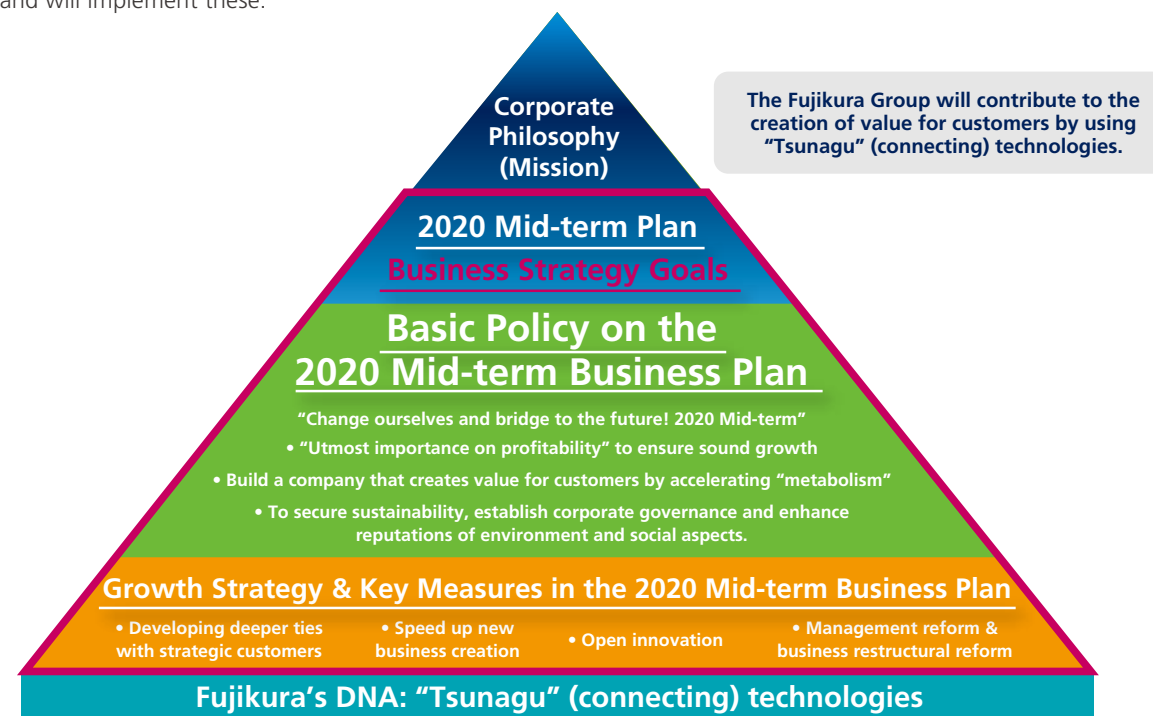
**Changing Business Environment**

- The economic downturn in China is having a spill-over effect on the global economy
- Spread of Free Trade Agreements and equalization of global economies
- Sense of stagnation in Abenomics in Japan
- Spread of evaluation of ESG (Environmental, Social, & Governance aspects of business) and the increasing impact on corporate value

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- Further enhance earning power and achieve sound growth
- Speed up new business creation by strengthening "metabolic" power
- Improve responses to ESG issues
- Prepare for a major disaster, BCP/BCM

We have set forth the following basic guidelines out of recognition of the changing business environment and issues mentioned above, and will implement these.



## Goals of the 2020 Mid-term Business Plan

**Goals to be Achieved in FY2020**

- Ratio of operating income to net sales: **7.0%** or higher
- Net sales: **900** billion yen
- ROE: **10%** or higher
- D/E ratio: **40:60** (0.66 times)



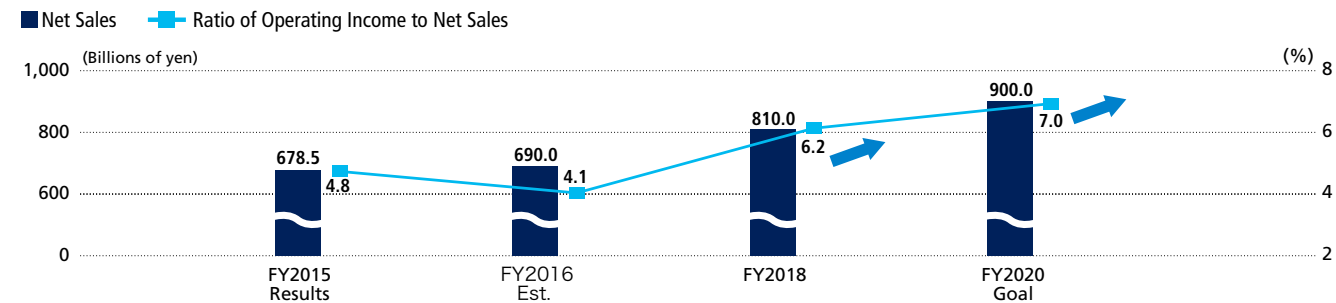
## Growth Strategy and Key Measures

We have adopted the following growth strategy to achieve the goals of the Mid-term plan.

<b>Developing deeper ties with strategic customers</b>	<ul style="list-style-type: none"> <li>Developing deeper ties with strategic customers                             <ul style="list-style-type: none"> <li>- Work to achieve greater business growth</li> <li>- Seize new business opportunities</li> </ul> </li> </ul>
<b>Speed up new business creation</b>	<ul style="list-style-type: none"> <li>Strengthen the structure for promoting new business</li> <li>Key areas                             <ul style="list-style-type: none"> <li>- Automotive-related</li> <li>- Industrial machinery</li> <li>- Medical devices</li> </ul> </li> </ul>
<b>Open innovation</b>	<ul style="list-style-type: none"> <li>Supply the missing pieces of portfolios and value chains and create new value for customers.</li> <li>Speed up technology development, business development, and business growth</li> </ul>
<b>Management reform &amp; business structural reform</b>	<ul style="list-style-type: none"> <li>Response to a Corporate Governance Code</li> <li>Improve the quality and speed of decision-making in a diverse range of businesses</li> <li>Strengthen the management base</li> </ul>

## 2020 Mid-term Business Plan: Capital Investment

### Net Sales and Ratio of Operating Income to Net Sales

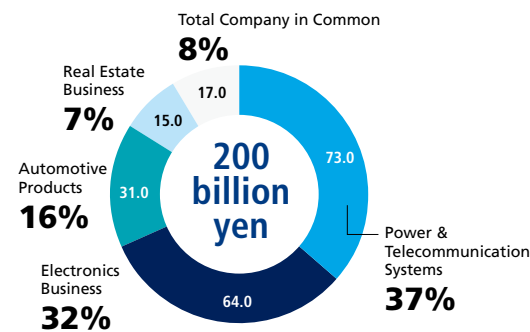


\* Net income attributable to the parent company was divided by net equity at the end of the period to calculate the ROE shown in the FY2015 results.

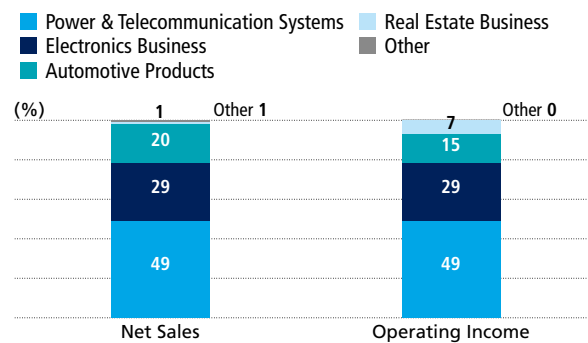
## Capital Investment

Cumulative capital investment for the five years will be 200 billion yen, keeping investment in line with depreciation and amortization expenses, which will also be roughly 200 billion yen. The emphasis will be placed on investing in growth areas and, as indicated in the graph, we will invest in Power & Telecommunications Systems (mostly telecommunications) and the Electronics Business, where the operating margins are high.

### 2020 Mid-term Plan Total Cumulative Capital Investment



### Final Fiscal Year of the 2020 Mid-term Plan Net Sales & Operating Income



## Shareholder Return

Taking a balanced view on the distribution of income is fundamental, and we aim to consistently invest in growth and improve our financial status, with the ultimate goal of increasing earnings per share.

### Take balance into consideration in distributing profits

- Make key investments in growth businesses (to achieve the next stage of growth)
- Improve financial status (equity ratio, D/E ratio)
- Be flexible about acquiring the company's own shares

Increase earnings per share

- Implement stable dividends

### Base shareholder return on providing stable dividends on a consistent basis

Dividend payout ratio of 20% or higher

## Status by Segment

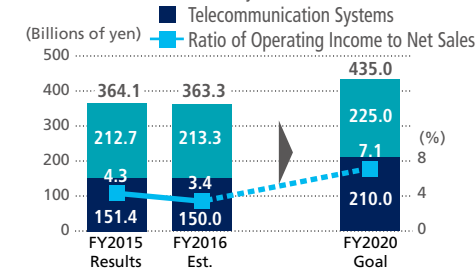
### Power and Telecommunication Systems Company

- Expand and grow business globally
- Generate innovation
- Complete restructuring

#### Power Systems

- Strengthen the EPC business
- Enhance proposals of solutions
- Maximize the benefits of integrating industrial cable and wire
- Finish restructuring the metal cable business

### Net Sales



#### Telecommunication Systems

- Expand business to FTTx and data centers
  - Launch products that differentiate the company on an ongoing basis
- Maintain a firm hold on our top level global ranking in the optical fiber business
  - Expand sales of high-performance fiber and improve productivity
- Continuously introduce new models and improve the profitability of the fusion splicer business
- Expand fiber laser sales

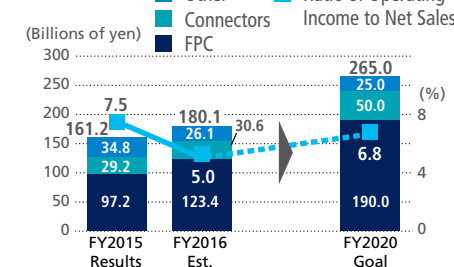
### Electronics Business Company

- Manage with the main focus on "quality"
- Achieve growth by staying closely connected to strategic customers (both existing and new)
- Expand business aimed at automotive market

#### FPC

- Deepen relationships with main customers
  - Respond quickly and efficiently, and reinforce the structure
- Expand the automotive FPC business
  - Pursue automotive quality
- Respond rapidly to technological innovations by customers

### Net Sales



#### Connectors

- Reinforce response to business with main customers
  - Automate and reduce labor to an absolute minimum
- Expand business aimed at automotive market
- Seek out industrial machinery/FA business
  - FA, welding equipment, vehicles, overseas expansion

#### Other

- Use selection and concentration in product groups
- Enhance development of composite products based on connectors

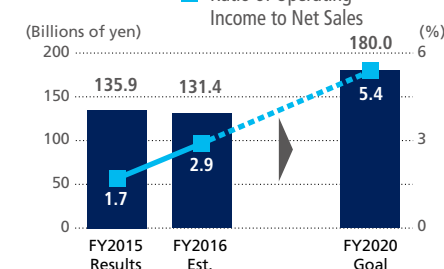
### Automotive Products Company

- Achieve solid growth based on the wire harness business
- Generate new business aimed at the future of the automotive market

#### Automotive Products

- Focus on main customers in expanding business
  - Expand the number of new customers (in the process of jointly developing customers with multiple companies)
- Strengthen the profit structure
  - Move into lower cost areas (transfer production)
- Improve *monozukuri* skills (improve quality and control labor costs)
  - Pursue automation and IT use

### Net Sales



#### New Business Generation

- Configure a structure for all of Fujikura
  - Environmental response (EV-related products, etc.) High voltage, aluminum, etc.
  - New technology applied to advanced electronics equipments for autonomous FPC module, E-BOX, etc.



# Power & Telecommunication Systems Company

We use changes in the business environment to our advantage in working to create value that will make our company globally competitive by focusing on developing new products and process engineering, and in aiming to be a high profit company with sustainable growth.



**Hideyuki Hosoya**  
Senior Vice President & Member of the Board

While the global market for general-purpose infrastructure products used in the electric power and telecommunication sectors has matured and triggered intense price competition, the demand for electric power and telecommunication infrastructure is still brisk in emerging countries, and there is a growing need, not only for the supply of products, but also for total solutions, including system design, construction, maintenance, and inspection. In industrial countries, we aim to expand into the FTTH business with lighter-weight and smaller-diameter optical fiber cables. Demand for renewable energy and data center products has also grown, providing us with more business opportunities.



**One-third**      **8,000 km**

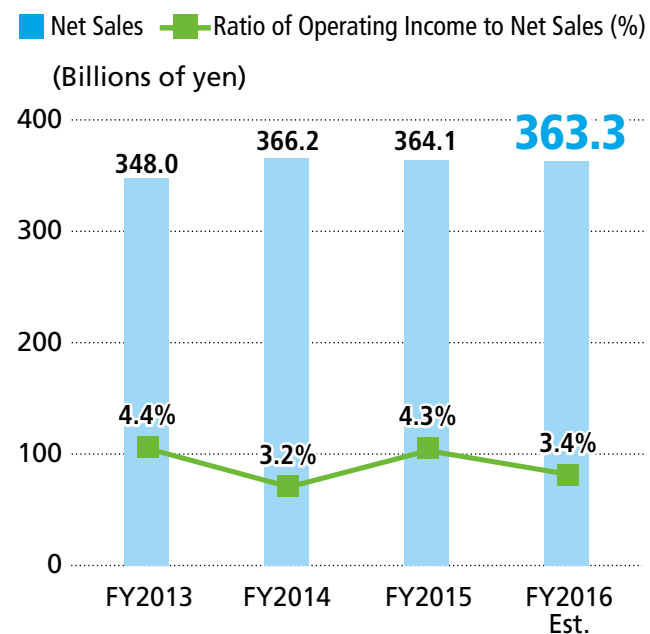
We have developed a new type of optical cable that is significantly lighter, at one-third the weight of existing cables. This dramatically improved environmental performance and cable installation efficiency to the point where it can be termed a "green product."

We have shipped out more than 8,000 km of solar power connection cables to date, and will play a role in increasing the use of renewable energy sources to reduce CO<sub>2</sub> emissions and reduce the use of resources.

In light of these changes in the business environment, we plan to implement our fundamental strategy of structural reform to reallocate our resources to growth businesses and differentiate our products to customers through all aspects of QCDS (Quality, Cost, Delivery, Service) by focusing on developing new products and process engineering. We aim to secure firm footing in the overseas EPC (Engineering, Procurement, Construction) business by working closely with our partners in Southeast Asian countries, Brazil, and other countries that offer growth potential.

We aim to execute these initiatives to achieve our FY2016 plan and become a high profit company.

## Net Sales and Ratio of Operating Income to Net Sales



## Connector with Leads for the Rapid Charger

We have obtained CE certification for application to CHAdeMO rapid chargers used in electric vehicles for Europe. We are also working on developing a connector that is compatible with CCS (Combined Charging System).



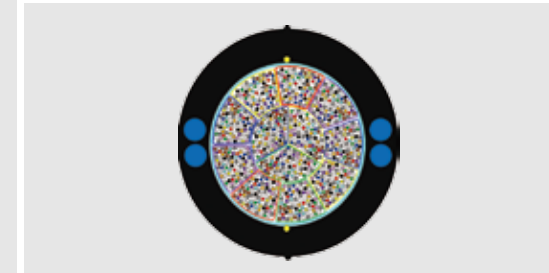
## High Power Continuous Wave Fiber Laser

A high-powered CW fiber laser that offers stable laser light irradiation even in the presence of reflected light, and enables fast and precise metal machining.



## Spider Web Ribbon

Ribbon fiber with intermittent bonding and a variable structure. This structure makes a high-density, small-diameter optical cable (WTC) possible.



## Cross Sectional View of Small-diameter Optical Cable



# Electronics Business Company

We have overcome the challenges of the flood in the Kingdom of Thailand and fully recovered in FY2015. FY2016 will be the launching point for new growth.

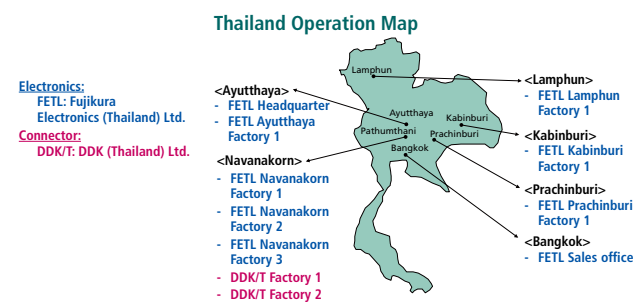


**Takeaki Kitajima**  
Senior Vice President & Member of the Board

FY2015 was positioned as the second phase of recovery. We targeted a full recovery in profits, redoubled efforts to promote automation and improve manufacturing, improved cost competitiveness, and achieved sales of 161.2 billion yen and 12.1 billion yen in operating income. Our main plant suffered catastrophic damage from the flooding in the Kingdom of Thailand and we struggled with major losses, but the entire Fujikura group worked in unison to achieve recovery and we brought income back into the black in FY2014, recovered the trust of our customers, and were able to again make a major contribution to income for the entire company. FY2015 marked the year of full recovery for the electronics business.

FY2016 is positioned as an important year for launching Fujikura on the road to new growth. We will expand

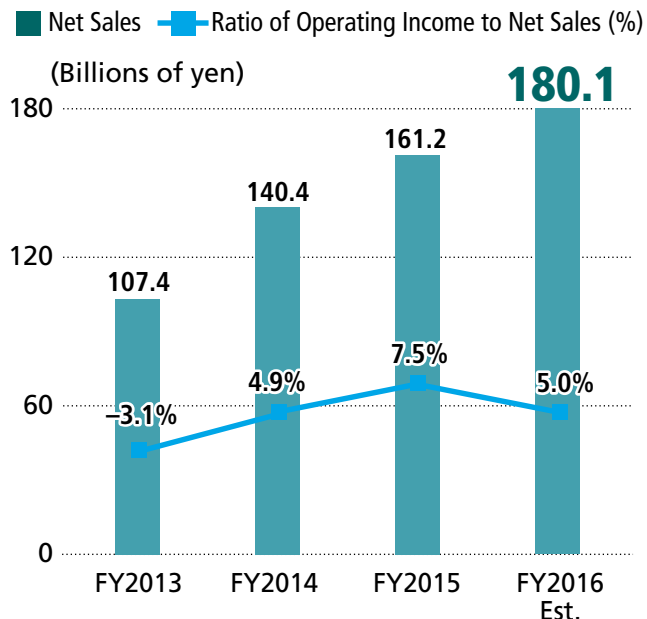
business that is closely connected to our main customers and keep quality at the core in managing our business. We will strengthen our R&D capabilities and combine core technologies to achieve further growth in existing businesses and create new businesses as well. The company will continue to vigorously engage in efforts to automate and improve production with a sense of urgency in order to achieve greater cost competitiveness at manufacturing locations. Our plan calls for 180.1 billion yen in sales and 9 billion yen in operating income in FY2016, and the entire company will work together to achieve our goal.



**No. of locations in Thailand: 11**  
**No. of employees in Thailand: 22,000**

The operations in Thailand, which form the core of the business, consist of 11 locations with the addition of the Kabin Buri plant which was started up after the floods as part of the BCP response. When production is at peak levels, we employ 22,000 people, including temporary employees. We have also been using people from Myanmar since last year due to the labor shortage in Thailand.

## Net Sales and Ratio of Operating Income to Net Sales



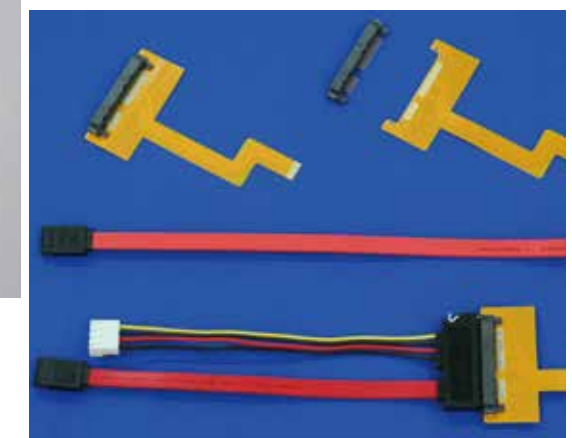
## USB 3.1 Type C Cable Assemblies

A USB 3.1 Type C cable is needed to achieve transmission at even higher speeds than the existing USB 3.0 cables. Fujikura is working to develop USB 3.1 Type C cable assemblies using high-frequency, high-speed cable technology.



## Integrally Molded Harnesses with Connectors for Industrial Network

Use of an O-ring in the plug connector completely prevents intrusion of contaminants such as water droplets, dust, and particulates when fitting it to the opposing jack connector (IP67 specifications for protection against dust and water). Because Fujikura can supply integrally molded cable harnesses incorporating connectors, the additional work involved in wiring connections can be omitted. We have also developed products to meet the recent steady increase in demand for phthalate-free products.



## High-Frequency, High-Speed Transmission Cable Materials

Fujikura handles all types of FPC, connectors, electronic wires, and other cable materials used internally and between electronic devices and suitable for high-frequency, high-speed transmission. We are able to suggest products that offer a combination of Serial ATA connectors, Serial ATA harnesses, and FPC, among other products. We provide optimal design and manufacturing by combining such cable material products, based on what the customer has requested.



# Automotive Products Company

We will work to achieve sound growth based on EDS, primarily for the VW Group, generate new businesses on the automotive platform that will lead us into the future, and contribute to consistent growth of Fujikura.



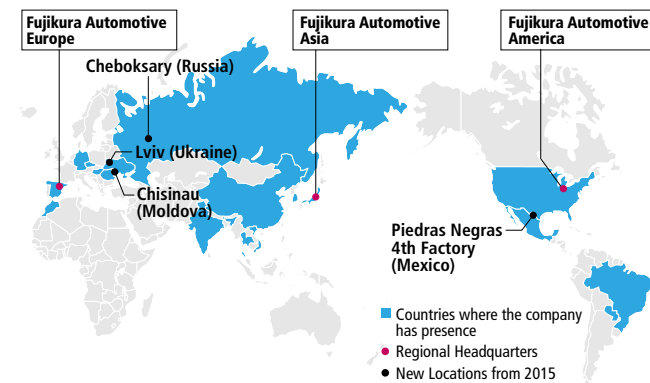
**Akira Sasagawa**  
Senior Vice President & Member of the Board

The company saw a large decline of 4 billion yen in sales compared to last fiscal year to 135.9 billion yen, a decline of 2.9% YoY, as the effects of the softening economies in China and Europe were felt. The soft Chinese economy also caused fluctuations in sales as customers cut back on production, and personnel expenses rose causing operating income to decline.

We will establish a global tri-regional structure with regional headquarters for Europe, North and South America, and Asia and continuously check with these while also developing new products on the automotive platform through the development of electronic components and other integrated products. The Advanced Automotive Technology

Center, which was established in 2013, will also work to invent new products and new technologies targeted at the next generation of automobiles based on all-Fujikura technology, and in line with electric vehicle, environmental friendliness, autonomous car, connected cars, and other trends.

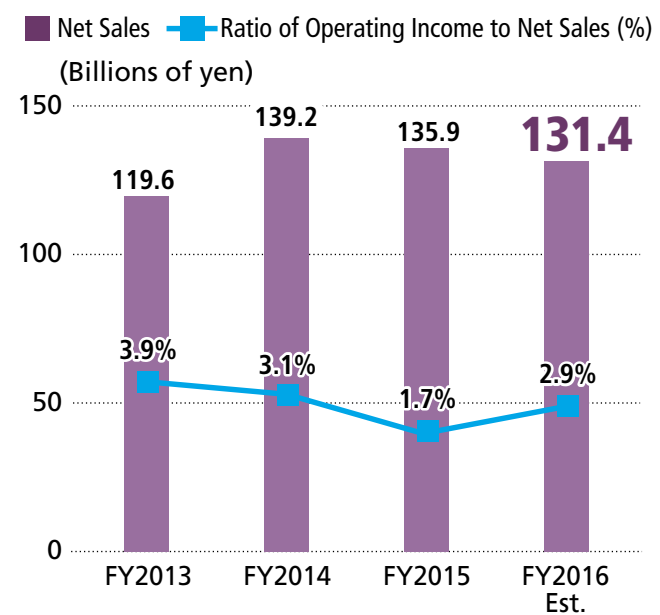
During 2016, we will work to strengthen our profit structure through further innovations in manufacturing in the Asian region and by embarking on LCC and LCA in each location. Our plan calls for 131.4 billion yen in sales and 4.3 billion yen in operating income, an increase of 1.9 billion yen over FY2015, and the three global regional headquarters will work in unison to achieve these goals.



**19 Countries**    **64 Locations**

During FY2016, we will expand globally to 19 countries and 64 locations (37 plants, 27 offices, and 1 CSC), and will build a framework and profit structure capable of meeting customer needs swiftly. The tri-regional global structure mentioned above also establishes a framework that enables decision-making tailored to the specific characteristics of the local region and we will reinforce this framework in the future.

## Net Sales and Ratio of Operating Income to Net Sales



## High-voltage cables

The high-voltage cables that make up electric vehicles offer superior insulation and noise suppression. We offer a highly reliable product, which capitalized on our experience in joint development with auto manufacturers.



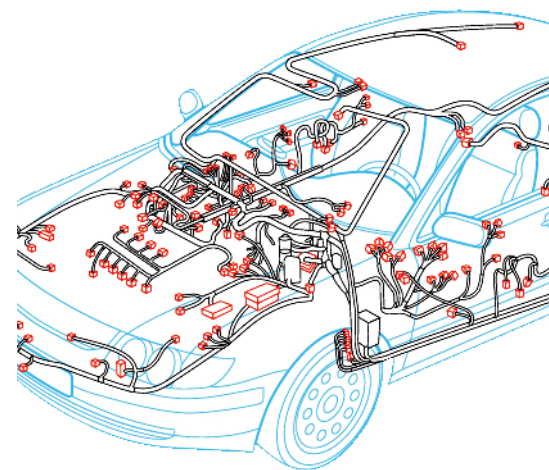
## Joint boxes

It is the fuse box/joint box that distributes power in the vehicle. Fujikura has succeeded in developing small, lightweight joint boxes that are highly reliable through a high-density design employing simulation technology.



## Seat sensors

Seat sensors detect whether a passenger is sitting in the seat. If the person is not wearing a seatbelt, it prompts the person to fasten it. Fujikura offers safe, highly accurate detection sensors.



# Real Estate Business Company

Fujikura entered the real estate business to make effective use of a company-owned plant site adjacent to headquarters that is no longer in use. We still plan to earn a high level of operating income in FY2016, despite a decline in revenues and profits from last fiscal year due to a decline in rental fees for some office tenants, and other factors.



**Tetsu Ito**  
Senior Vice President & Member of the Board

Fujikura has been engaged in the real estate leasing and management business since we began redeveloping the former plant site in FY1998. This business is focused mainly on five office buildings and two commercial buildings. We possess roughly 107,000 m<sup>2</sup> in total leasable office space. Located less than 4 kilometers from Marunouchi in the center of Tokyo, we have used the prime location to our advantage. We have been running at full occupancy since FY2014 thanks to good tenants, which include a bank.

The basic policy of our real estate business has always been to utilize our heritage of land assets effectively and earn income to support the manufacturing business. Our goal is to

improve tenant satisfaction and maintain a high occupancy rate for leased offices over the medium to long-term through systematic investment and renovation to improve the value of the current buildings and facilities.

While a decline in rental fees for some office tenants and other factors will cause a decline in both revenues and income in FY2016, we expect to maintain full occupancy in both the office buildings and commercial buildings, and plan for operating income of ¥4.3 billion. (In FY2017 and beyond, we expect to maintain sales and operating income on par with or greater than in FY2016.)



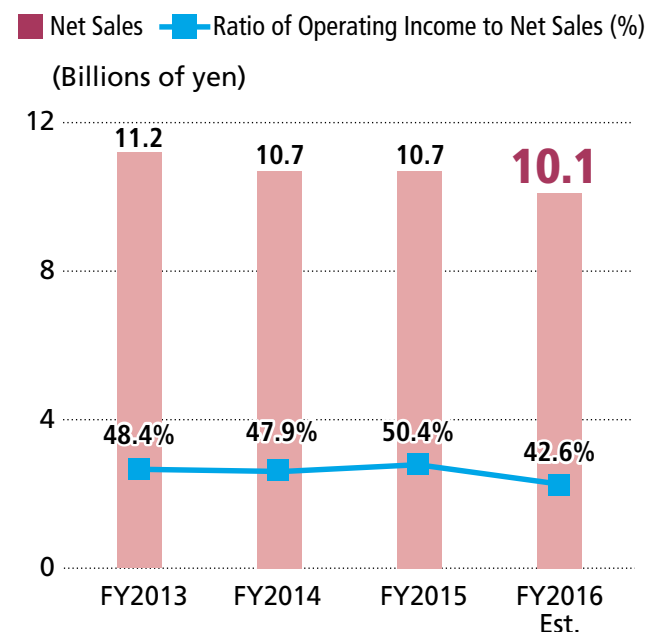
**100%**  
Occupancy Rate

The occupancy rate has been 100% in both the office buildings and commercial buildings since FY2014.

Total area of leased office space:  
Approximately  
**107,000 m<sup>2</sup>**

Fujikura has total office space for lease in the five buildings of approximately 107,000 m<sup>2</sup>, and over 10,000 office workers.

## Net Sales and Ratio of Operating Income to Net Sales



# Recognized as IEEE Milestone

The vapor-phase axial deposition (VAD) method\*<sup>1</sup> for mass production of high-quality optical fibers was recognized as an IEEE Milestone\*<sup>2</sup>. The method was collaboratively developed and successfully commercialized by Nippon Telegraph and Telephone Corporation (hereafter NTT), Furukawa Electric Co., Ltd. (hereafter Furukawa Electric), Sumitomo Electric Industries, Ltd. (hereafter Sumitomo Electric), and Fujikura. The IEEE Milestone is the world's prestigious prize awarded by the world's largest professional association in the field of electrical and electronic engineering, information and communication. Fujikura has been awarded the IEEE Milestone for the first time.

In the 1970s, an optical fiber was expected to become a next-generation communications medium and extensively researched in many countries. In Japan, NTT and other companies launched research into optical fibers and invented the VAD method.

Subsequently, the VAD method for mass production of high-quality optical fibers was applied to commercialization of the products. Optical fibers manufactured by the method was used in NTT's Japan longitudinal fiber optic cable network, which was launched in 1983.

The VAD method continued to advance and became the world's most used method for mass production of optical fibers. Currently, approximately 60% of optical fibers manufactured worldwide for communication use are produced by the VAD method. Fujikura will continue to greatly contribute to building the infrastructure of fiber optic communications networks in the information communications society using our high degree of technological expertise.

\*1 VAD (vapor-phase axial deposition) method  
Using the VAD method, a porous glass (soot) preform is obtained through the deposition of fine glass material onto the end surface of a starting rod via flame hydrolysis. The soot preform is then sintered to create a transparent fiber preform. An optical fiber is fabricated by heating and drawing the preform. Unlike other methods, a major feature of the VAD method is that an optical fiber preform is continuously grown in the axial direction. The method allows the growth of a long, large-diameter preform and thus is excellent in mass producing optical fibers.

\*2 IEEE Milestone  
The IEEE began the Milestones program in 1983 to honor historical technological achievements in electrical, electronic, and information and communication. The technology must be at least 25 years old and its achievement must have gained world acclaim. In the past, about 160 technologies were recognized. They include achievements of Benjamin Franklin known for his experiment in lightning, Volta's battery, Bell's telephone, the Edison laboratory, Marconi's radio telegraph system, world's first transistor, TV, computer, Internet and other technologies.



Plaque presented by IEEE



Optical fiber products



Mr. Nagahama, Fujikura's President & CEO at that time receiving the plaque from Dr. Roberto de Marca, former IEEE president and CEO

# New Business Development

## Continuously Creating New Businesses to Maintain the Power of Strong Metabolism

### New Businesses:

Medical business,  
Cloud communications,  
High-temperature superconductors



**Keisuke Okamura**  
Executive Officer

Developing new businesses is critical for a company to continue to prosper. At Fujikura, we are creating an organization and environment that makes it easy to develop new businesses, and also are working to revise and improve the mechanisms for that.

The New Business Development Center has been established under the direct oversight of the president as the organization that will promote the development of new businesses. The head of the center is an executive officer and manages the organization based on that mission.

We have also incorporated the “power of a strong metabolism” in our growth strategy as a key element of the 2020 Mid-term Business Plan and are working to achieve it.

Fujikura is also focusing on developing new products and services in medical devices, industrial equipment, and automotive-related products, all targeted as key areas in the Mid-term Business Plan. We are also working to develop a stronger structure for developing new businesses and to accelerate the speed of new business creation. As we do so, we are concentrating on managing the company in a manner that keeps our businesses highly profitable.

The new businesses derive from three segments. This introduces representative products developed.

### Medical Business

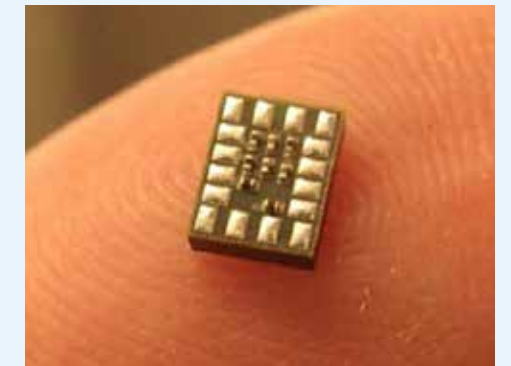
#### 160,000-pixel CMOS Image Sensor Module

Fujikura has begun shipping samples of an image sensor module with a 160,000-pixel CMOS chip embedded. This product consists of an object lens, image sensor, ultra-thin coaxial cable, and connector, and has achieved high-resolution imaging despite the ultra-thin diameter of 1.6 mm at the tip. The features of this product, namely the ultra-thin diameter and high resolution, are extremely useful to medical device manufacturers who are developing new methods of medical diagnosis and treatment. This product is designed to meet the requirements in the medical field in biocompatibility, sterility, and electrical properties, and shipment of the mass-produced product is scheduled to begin in FY2016. Fujikura also offers easy-to-handle processor boards and software and we are receiving good reviews on our products.



### Chip-stack IC Embedded Circuit Boards

Fujikura has developed the world's first commercial Chip-stack WABE Package™, with several IC chips embedded vertically in a circuit board and has begun shipping samples. The multilayer structure of polyamide film and the ultra-thin embedded IC chips have enabled the development of ultra-thin circuit boards with a thickness of only 0.45 mm when two IC chips are stacked vertically, achieving the same thickness as existing multilayer circuit boards that do not have components embedded. The product is unique in enabling a major reduction in space required and is drawing much interest from the leading medical device manufacturers.



### Cloud Communications

#### Active Optical Cable (AOC) Helping to Revolutionize the Manufacturing Industry

Fujikura offers an optical camera link cable (AOC for industrial applications) that is used to connect industrial cameras for machine vision, in addition to AOC used in data centers. Industrial cameras used in manufacturing lines for product inspection and other purposes are becoming increasingly faster and higher resolution. Fujikura's optical camera link cable enables high-speed connection at distances that were impossible with existing metal cables, and is contributing to the expansion of applications for industrial cameras sought amid successive innovations in the manufacturing industry.



### High-temperature Superconductors

#### Application of Yttrium-based High-temperature Superconducting Wire Developed for Use in MRI and Other Medical Equipment

Fujikura has long been engaged in the development of technology for the mass production of long-length high-temperature superconducting wire with the goal of achieving commercialization. There are high expectations for yttrium-based high-temperature superconducting wire that does not require liquid helium and maintains high performance even in strong magnetic fields. Possible applications include NMR for analysis and MRIs and other medical equipment. Fujikura was selected as the contractor for the project on “Development of Practical Applications for High-Temperature Superconducting Wire for High-Field Magnetic Coil” by the New Energy and Industrial Technology Development Organization (NEDO) in FY2016. We are working to improve the properties of yttrium-based high-temperature superconducting wire and develop technology that offers higher productivity aimed at commercialization.



# Research Topics for Future Growth

**Q:** How will R&D be incorporated into the 2020 Mid-term Business Plan?

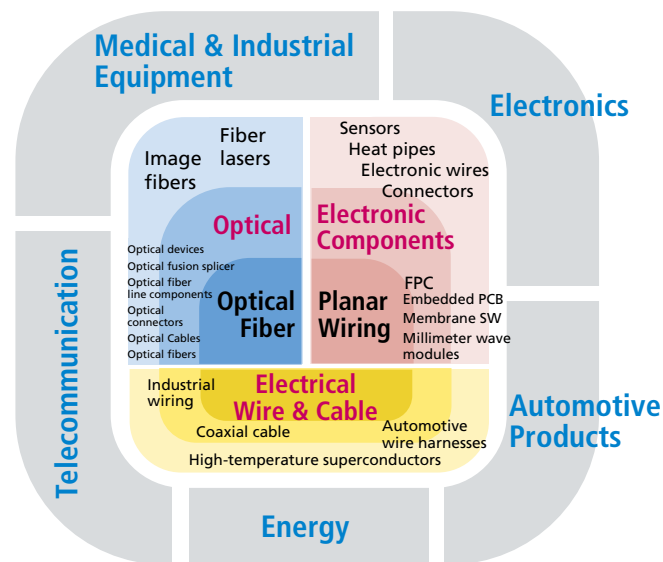
**A:** During the 2020 Mid-term Business Plan, we will concentrate investment of R&D resources in the three key domains of optical, electronic components, and electric wire and cable, which form the core technology base that supports “Tsunagu,” technologies. We will work to expand into areas peripheral to our core technology base while also reinforcing the underlying technology that makes up our technical base further. We will secure the technological superiority of our “Tsunagu” technologies as we also engage in R&D in areas surrounding these technologies.

Based on our “Tsunagu” technologies, Fujikura will develop new products and businesses that anticipate changes in society and customer needs in the five business domains of telecommunication, electronics, energy, automotive products, and medical devices & industrial equipment, and will accelerate the metabolism of Fujikura.

We will keep an eye on global trends in technology and work to introduce R&D themes in a timely manner by building a global research structure. We will also proactively pursue open innovation, making use of external technology to the maximum extent possible. Human resources form the very foundation of research and development and we will strive to utilize global human resources as we also concentrate on developing human resources who are capable of viewing R&D from the perspective of commercial potential.



**Akira Wada**  
Senior Vice President &  
Member of the Board



## Advanced Technology Laboratory

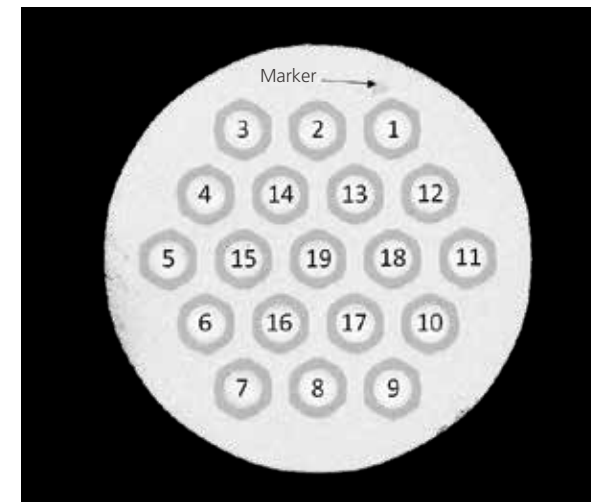
In addition to developing materials that form the foundation of Fujikura, we have been conducting cutting-edge research on energy conservation and renewable energy sources, specifically on the development of functional single crystals, dye-sensitized solar cells, and high-temperatures superconducting wires. In the electronics field, our laboratory has been focusing on developing advanced technologies which include R&D for future technologies such as sensors, printed wiring boards, and high functional printed electronics. In response to the acceleration of technological innovation in telecommunication, we have also been promoting R&D on next-generation optical fibers, optical devices and optical modules, fiber laser technologies, and other applications.



## Intellectual Property Center

The Center protects advanced technologies developed by Fujikura through the acquisition of intellectual property rights, and supports global business expansion of the Fujikura group through strategic action on intellectual property to strengthen the patent position of our technologies.

## Research Fields



### 19-core Multicore Fiber

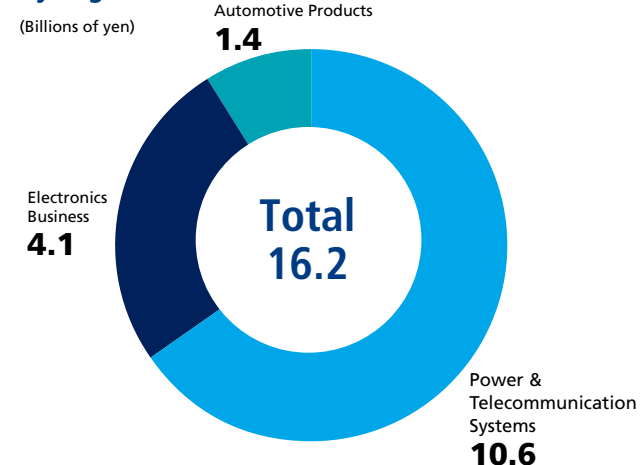
One candidate for surpassing the limitations on transmission capacity of existing optical fiber is multicore fiber. A joint Japanese-EU initiative achieved the PDM-16QAM transmission over more than 1,600 km using 32 core fibers in FY2015. Moreover, a National Institute of Information and Communications Technology (NICT) sponsored research initiative also succeeded in producing few mode multicore fiber with 114 space division multiplexing (6 modes x 19 cores).



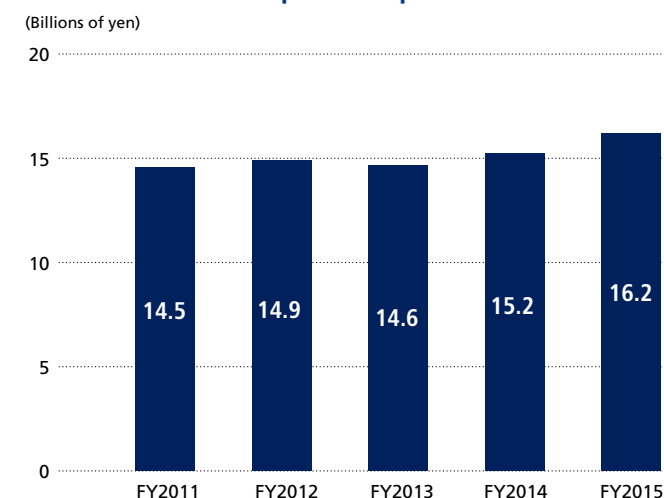
### Millimeter-wave Bandpass Filter

Recently, millimeter-wave technologies are attracting much attention for applications on ultrahigh speed wireless communication, vehicle radar, etc. By applying flexible liquid crystal polymer and ultralow loss silica as substrate, Fujikura is developing some key technologies in millimeter-wave devices such as antennas, filters and packaging technology. For example, a bandpass filter realized in silica-based post-wall waveguide shows a fairly good filtering performance with extremely low-loss.

## Research and Development Expenses by Segment



## Research and Development Expenses



# Corporate Social Responsibility

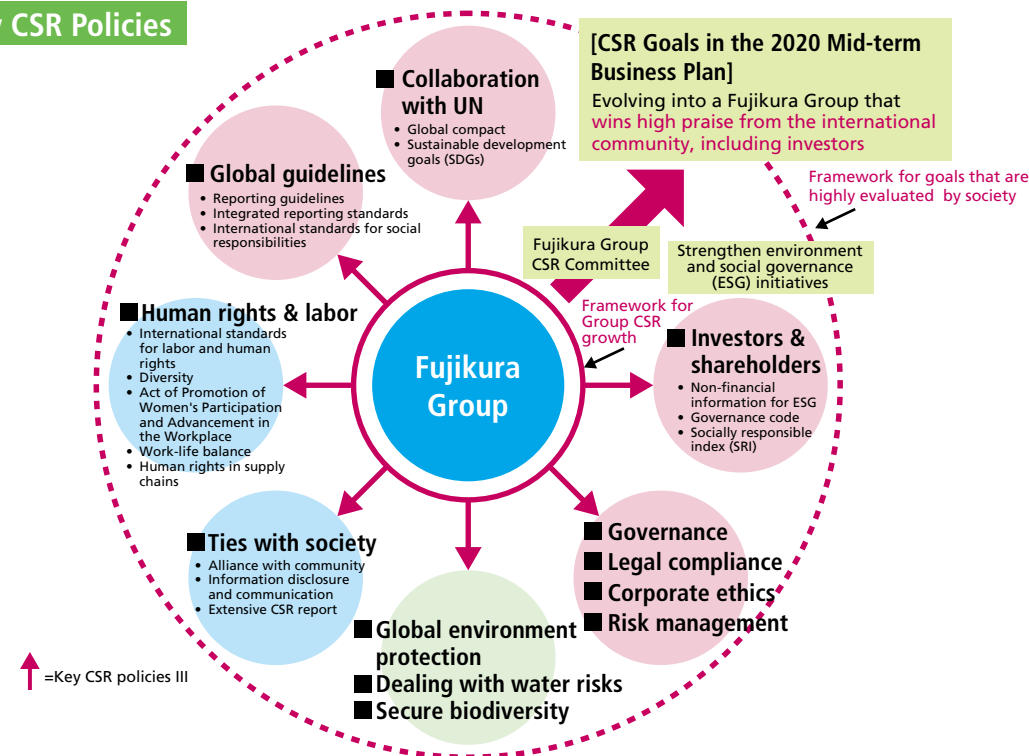
## CSR Activities in 2020 Mid-term Business Plan

The 12 themes of the Priority CSR Measures to address international, domestic, and regional social issues over the five years leading up to 2020 were decided upon by the Fujikura Group CSR Committee (a committee consisting of those charged with execution). Twelve Priority CSR Measures:

- [Environmental Themes (E)] (3 themes)**
  - 1) CO<sub>2</sub> emissions reduction
  - 2) Water-related risks
  - 3) Activities to conserve biodiversity
- [Social Themes (S)] (6 themes)**
  - 4) Respecting human rights
  - 5) Diversity and inclusion
  - 6) Development of global human resources
  - 7) Work-life balance
  - 8) CSR in supply chain management
  - 9) Working with and contributing to local communities
- [Management (Governance) Themes (G)] (3 themes)**
  - 10) Group Corporate Philosophy (Mission, Vision, & Core Values)
  - 11) Connection to the community
  - 12) Information disclosure and communication

The Fujikura Group aims to achieve the CSR goal of “being a group that is highly valued by investors and the international community” in FY2020.

### Functions of Key CSR Policies



## Response to SDGs (United Nations Sustainable Development Goals)

Seventeen future goals targeted by the United Nations and Fujikura:

The Sustainable Development Goals (SDGs) were adopted at a UN summit held at United Nations headquarters in New York in September 2015. Work on implementing these goals by 2030 began this year.

These SDGs consist of 17 goals and 169 targets. The aim of these goals and targets is to build an international community that is sustainable in terms of eradicating poverty and hunger, energy, climate change, and peaceful communities. These goals are not just for countries and our corporate groups. They establish the roles and goals of each of us as individuals.

We launched an educational campaign in January 2016 to disseminate the Sustainable Development Goals (SDGs) to everyone. The Fujikura CSR Committee is taking the lead on this.

Our group has clarified which of the 17 goals and 169 targets we “can” and “cannot” accomplish as development goals to pursue in fulfilling our corporate social responsibilities (CSR). We then determined the “scope” of what we can accomplish on each of the goals that we decided we could accomplish, and will proactively work to accomplish this scope under a 15-year plan leading up to 2030.

We will work on these initiatives in a manner that keeps us among the corporate leaders in CSR, and aim to earn the praise of the (international) community as an “essential corporate group.”



## Fujikura Cube Ltd. Established as a Special Subsidiary

Fujikura Cube Ltd. is a new subsidiary established to help employ people with disabilities.

Fujikura Cube was established as a wholly owned subsidiary on November 2, 2015. It is located on the premises of Sakura Works and actively employs people with disabilities with the goal of being a company where everyone can be successful. The company started operation on April 1, 2016 with 10 employees (5 of which have disabilities) with the goal of obtaining certification as a special subsidiary. The company is responsible for landscaping to increase the greenery on the grounds of Sakura Works, cleaning and maintenance of company housing and dormitories, and work for sending company newsletters, among other tasks. The number of employees will be expanded to 30 within five years and the scope of business expanded to improve operational efficiency of the Fujikura Group as a whole and to promote employment of people with disabilities in the local community.



Having a team discussion

## CSR Activities of Overseas Group Companies

### “Shoe Box” Project:

This is an introduction of a CSR activity launched by FAR of Romania (Fujikura Automotive Romania S.R.L.).

We began a project called “Shoe Box.” Employees become Santa Claus to cheer up less fortunate children in this project.

There are 85 children in a social center near the cities of Cluj-Napoca and Dej.

After asking for the name, gender, age, and wish list of each child, employees wrapped a gift for each child in a decorated shoe box.

The shoe boxes were then collected and sent to the center the next day.



### Incinerator Donated to Elementary School:

DKK (THAILAND) Ltd. (DDK-T) donated a trash incinerator to Nhong-bour Elementary School in Ayutthaya Province, Thailand as one way to support the education of youth.

Six employees participated in this activity. Funds worth around 200,000 yen were donated for installation of the trash incinerator, helping to improve school facilities.



### Participation in the Construction of “Small Dams” to Protect the Natural Environment in Thailand:

Eighty-two volunteers from the Kabinburi Factory of Fujikura Electronics (Thailand) Ltd. (FETL) in Thailand participated in building small dams in the forest to protect the natural environment in Thailand. This was a part of the CSR environmental activity implemented on December 14, 2015.

This activity not only raised the awareness of environmental protection among the employees who participated; it proved to be extremely useful in improving communication among employees.



## Declaration of Recovery from the Floods in Thailand

In October 2011, 10 of the 13 locations of the Fujikura Group in the Kingdom of Thailand were flooded due to heavy rainfall in the short span of two weeks, causing catastrophic damage to main manufacturing bases, particularly those for the electronics business and the connector business.

Despite the devastation, the entire Fujikura Group united under then President Nagahama's exhortation to achieve complete restoration and recovery, and worked to achieve this. Each of the locations was consequently reconstructed or reinforced equipped with countermeasures against floods. This regained the trust of our customers and resulted in many orders.

A declaration of complete recovery of Fujikura Group locations in the Kingdom of Thailand that were damaged by the 2011 floods was made at the FETL Ayutthaya Works on April 28, 2016.



### Summary of the Declaration of Recovery

**Takashi Sato**

**Senior Executive Vice President & Representative Director**

I hereby declare the complete recovery of Fujikura's electronics business and connector business from the damaged caused by the floods in the Kingdom of Thailand in October 2011.

This was achieved through warm understanding and support of our customers throughout the world and from the Board of Investment of Thailand and other organizations, and through the selfless efforts of everyone involved in the Fujikura Group. I would like to thank all of you once again.

The unprecedented floods in October and November of 2011 flooded our main plants in succession, plunging us into catastrophic business conditions. This caused some customers to leave us, the withdrawal from several businesses, and caused tremendous hardship for all of our employees. Amid this crisis, President Nagahama, our president at the time, exhibited strong resolve, stating that the operations in Thailand would survive and that we

would not withdraw from Thailand. He also declared that we would achieve complete restoration and recovery. The words “Make the recovery happen!” were communicated at every opportunity. All of us shared the strong will of our leader with deep conviction. As a result, the business returned to the black during the latter half of FY2013 and, by 2015, we were able to grow the business to a point where it was stronger than before the floods.

We are all celebrating the fact that we were able to declare a complete recovery, and we will all unite to develop the electronics and connector businesses into core businesses that the company can rely on despite the projected severe business environment during the 2020 Mid-term Business Plan, which has already begun. We will accomplish this by strengthening our efforts more than ever to achieve automation that lowers costs dramatically and management with a passionate focus on quality.



# Board of Directors, Auditors and Officers



Front row from left: Yoichi Nagahama, Masahiko Ito, Takashi Sato  
Back row from left: Tetsu Ito, Takeaki Kitajima, Akira Sasagawa, Akira Wada, Hideyuki Hosoya, Takashi Takizawa, Kenichiro Abe

## Members of the Board

Chairman of the Board & Representative Director

### Yoichi Nagahama

President & CEO & Representative Director

### Masahiko Ito

Senior Executive Vice President & Representative Director

### Takashi Sato

## Independent Board Member

Kenichiro Abe

## Corporate Auditors

Standing Corporate Auditors

### Masato Koike

Yasuyuki Oda

## Executive Officers

Senior Managing Executive Officers

### Hideo Naruse

Hideo Shiwa

Managing Executive Officers

### Jody Gallagher

Toru Aizawa

Masahiro Ikegami

Ichiro Kamada

### Teiji Suzuki

Ikuo Kobayashi

Takeshi Sato

Senior Vice Presidents & Members of the Board

### Akira Wada

Akira Sasagawa

Hideyuki Hosoya

### Takeaki Kitajima

Takashi Takizawa

Tetsu Ito

Outside Corporate Auditors

### Soichiro Sekiuchi

Masaaki Shimojima

Executive Officers

### Kiminori Sato

Morio Suzuki

Keisuke Okamura

Kenji Nishide

Ryoichi Hara

### Yukihiro Nakayama

Masaaki Kimpara

Toru Nakazawa

Kinya Takimura

# Corporate Governance

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

Fujikura employs an executive officer system. To be specific, the business operations for the entire group, including group companies, are divided into business segments and functions, and an executive officer is assigned responsibility for each of these. Directors also serve concurrently as executive officers when certain business operations are assigned to them. This system of executive responsibilities consists of vertical lines of reporting in a pyramidal hierarchy headed by the President and CEO. The Board of Directors makes decisions regarding the entire structure.

Fujikura's business consists of four segments: the Power & Telecommunication Systems Company, Electronics Business Company, Automotive Products Company, and Real Estate Business Company. Each of these company segments possesses the functions of technology, manufacturing, and sales for the corresponding areas of business. The director in charge of each company has the means to accomplish his or her business responsibilities.

The adoption of the above operating system has clarified the scope of the executive responsibilities of each director who has been assigned certain operations. Such directors also serve in an exclusively monitorial and supervisory role for areas and matters outside the scope of the executive responsibilities assigned specifically to each of them. We believe that they are therefore capable of fulfilling the same objective checking functions as external directors in regard to the appropriateness of and legal compliance in execution required under the Companies Act.

Fujikura has also adopted a corporate auditor system to provide a means of monitoring and supervision external to the Board of Directors. This Board of Auditors has the authority to monitor and supervise the process by which management decisions are made. The appropriateness of and legal compliance in the execution of daily operations is also monitored continuously by the Internal Audit Division, the relevant departments at headquarters, and administrative organizations within each business segment. We have established and employ management rules for documents and electronic information in

regard to storage and control of important management information. We have also developed systems for assessing company-wide risks, ensuring compliance, and maintain a whistle-blowing system through the Risk Management Committee.

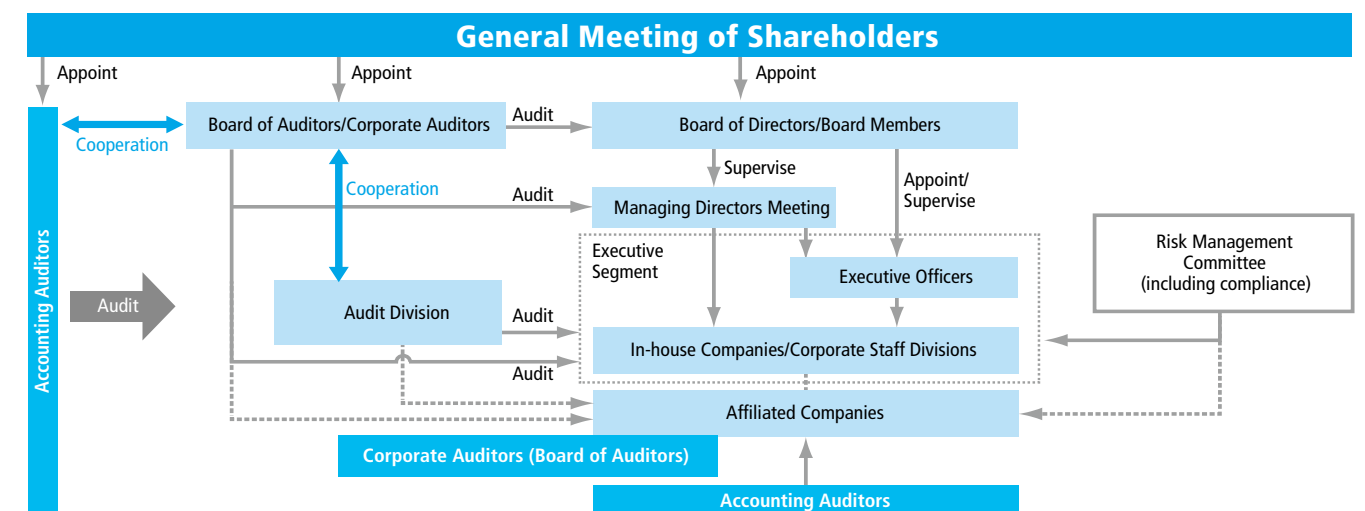
To ensure proper operation of our subsidiaries, we have established a system in which each group company is overseen by the in-house company or corporate division (hereafter, "in-house company etc.") with which it is affiliated. Management of these companies is within the scope of executive responsibilities defined for the head of the in-house company etc. The specific responsibilities of each in-house company etc. are: 1) to develop a system of reporting for business results, personnel and organizational matters, capital investment, product quality, and other important matters; 2) to develop a certain level of accountability and a system for provision of support and guidance by each in-house company etc. in regard to risk management; 3) to formulate a corporate group management plan, and manage reconciliation of results vs. the budget and human resources exchanges; and 4) to obligate each group company to appoint a compliance administrator and develop an official whistle-blowing system for each of the group companies overseen.

Pursuant to Article 427, Paragraph 1 of the Companies Act, Fujikura has concluded contracts with all independent director and outside corporate auditors setting the minimum limit on liability set forth in Article 425, Paragraph 1 of the Companies Act, provided that they are not intentionally or grossly negligent in the performance of their duties with respect to liability for damages under Article 423, Paragraph 1 of the Companies Act.

## (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,



# Risks

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 FY2015, 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. Oda has accumulated many years of experience in the Finance and Accounting Division of our company and possesses considerable knowledge of finance and accounting. 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. We note that he was previously a Representative Partner at PricewaterhouseCoopers Aarata, which is our accounting firm, but left the company in June 2012. He was not an audit partner for Fujikura while at PricewaterhouseCoopers Aarata.

Mr. Soichiro Sekiuchi, an outside corporate auditor, is a 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, is capable of objectively carrying out an audit of our management, and is 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 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 related to meetings of the Board of Directors and Board of Auditors in advance.

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 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 29, 2016).

## (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.

# Financial Section

## (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.

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# Management Discussion & Analysis

**Q1.** You are forecasting growth in FPC (flexible printed circuit) sales despite the impact of yen appreciation. Please explain the underlying factors that will really enable that much growth.

**A.** The types of products we carry have increased considerably in number, year after year. There has also been an increase in mounting components supplied for a charge, and our current forecast calls for an increase in sales. We base our planning on forecasts received from customers and examination of many other factors. While sales will be affected by the market trends for end-products, we are working to expand business for FPC for vehicles and other uses at a rapid pace.

**Q2.** Please tell us the status of optical fiber.

**A.** Market demand is very strong and Fujikura is running production at full capacity, both in Japan and overseas. In particular, we think that demand for optical cables will increase even more in the future in the FTTx and DC markets in North America and Europe. Fujikura has already released a strategic product in optical cables, and it is receiving good reviews. This segment is a growth market, and we will make appropriate investments in the business, while keeping country risk in mind.

**Q3.** Please give the details on capital investment and M&A during the 2020 Mid-term Business Plan.

**A.** The term of the 2020 Mid-term Business Plan is five years and we have set quite a large goal of 200 billion yen, however, cumulative depreciation and amortization is also projected at roughly 200 billion yen over the same period. This will be invested in segments based on our growth strategy, so it will be mainly invested in telecommunication-related projects in the Power & Telecommunication Systems Company, and invested mainly in expansion and automation and other types of streamlining in the Electronics Business Company. We are interested in proactive investment in M&A, although we have no concrete plans at the moment. Please understand that M&A investment is not included in this number.

**Q4.** What is the status of new business?

**A.** In the 2015 Mid-term Business Plan, we aimed for rapid commercialization, and we think we succeeded in tracking the milestones for the commercialization of the fiber laser. We have shifted this business into the telecommunication business from this period onward. While we still need to search out more demand this period, we are targeting a rapid contribution to profits from next period onward. We will also work to strengthen the structure further under the 2020 Mid-term Business Plan which began this period, and will inject resources into three key areas: automotive-related, industrial equipment, and medical devices.

**Q5.** Please explain what the “open innovation” listed as a key measure in the Mid-term plan involves.

**A.** Our mission is not simply to sell products; it is to think about how to provide the value sought by our customers and provide that value. Consequently, if pieces that will provide value to our customers are missing from our value chain, we want to procure those pieces from elsewhere and fit them into our value chain. To put it in other words, we will adopt a position of “shifting away from an in-house only approach.” M&A is also one way to supply the missing pieces. We intend to pursue M&A proactively.

**Q6.** What is the forecast for ROE? The market focuses on ROE.

**A.** We set 10% or higher as our goal in the 2020 Mid-term Business Plan. ROE declined in FY2015 as a result of impairment losses recognized, but ROE will rebound from next period onward, and we plan for it to increase. We have adopted the policy of repurchasing the company’s own shares and retiring treasury shares from the standpoint of achieving the proper capital structure for achieving our ROE goal. In the future, we intend to improve ROE by increasing profitability, and thereby achieve the goals of the Mid-term Plan.

**Q7.** Has your thinking on purchasing the company’s own shares changed?

**A.** Our existing policy has not changed. We are sticking to our basic view on returning the money recovered on invested capital through the sale of assets acquired in past fiscal years and other means to the market, and we are repurchasing company shares. However, we are remaining flexible on the timing, and are keeping an eye on the overall balance of capital investment, income, and other factors.

**Q8.** Please describe your views on shareholder return.

**A.** Our basic policy is to maintain a balance in distributing dividends on earnings. We will continue to invest in growth and improve our financial status with the goal of ultimately linking this to increased earnings per share. We aim to declare stable dividends in the future, and increase the dividend amount by increasing earnings per share.

We have adopted the policy of maintaining a dividend payout ratio of 20% or higher over the next five years. Our forecast for net income in FY2016 is 15 billion yen. There are currently 300 million shares outstanding and a dividend of 10 yen would mean a dividend payout ratio of approximately 20%. A dividend of 10 yen means an increase of 2 yen/year compared to FY2015.

**Q9.** Please describe your views on governance.

**A.** We recognize that maintaining transparency and fairness is fundamental to governance. We will be thorough in our response to the Corporate Governance Code set forth by the Tokyo Stock Exchange last year. The governance structure is not established for purposes of appearance only; we believe it is essential to ensure that the structure has sufficient content. We intend to implement it after allowing a provisional period to verify the structure.



# Consolidated Balance Sheets

Fujikura Ltd. and its Consolidated Subsidiaries  
At March 31, 2015 and 2016

Assets	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2016	2016
<b>Current assets:</b>			
Cash and deposits	¥35,745	¥34,961	\$310,433
Notes and accounts receivable, trade	157,027	143,857	1,277,366
Finished goods (Note 10)	30,160	32,189	285,820
Goods in process (Note 10)	19,601	19,168	170,201
Raw materials and supplies (Note 10)	28,778	27,910	247,825
Deferred tax assets (Note 17)	4,525	5,263	46,732
Other	20,104	19,845	176,212
Allowance for doubtful accounts	(1,265)	(759)	(6,739)
<b>Total current assets</b>	<b>294,677</b>	<b>282,438</b>	<b>2,507,885</b>
<b>Non-current assets (Notes 6):</b>			
Tangible fixed assets			
Buildings and structures, net	85,843	80,052	710,815
Machinery, equipment and vehicles, net	61,553	56,067	497,842
Land	16,499	15,732	139,691
Lease assets, net	4,516	2,657	23,593
Construction in progress	6,734	15,888	141,076
Other, net	10,792	9,554	84,834
<b>Total tangible fixed assets</b>	<b>185,940</b>	<b>179,953</b>	<b>1,597,878</b>
Intangible assets			
Goodwill	6,215	10,949	97,221
Other	8,229	10,346	91,866
<b>Total intangible assets</b>	<b>14,444</b>	<b>21,295</b>	<b>189,087</b>
Investments and other assets			
Investment securities (Note 5)	56,487	38,533	342,151
Net defined benefit asset (Note 9)	6,999	1,547	13,736
Deferred tax assets (Note 17)	4,699	10,643	94,504
Other (Note 5)	16,063	20,452	181,602
Allowance for doubtful accounts	(1,745)	(2,149)	(19,082)
Allowance for investment loss	-	(36)	(320)
<b>Total investments and other assets</b>	<b>82,504</b>	<b>68,990</b>	<b>612,591</b>
<b>Total non-current assets</b>	<b>282,889</b>	<b>270,239</b>	<b>2,399,565</b>
<b>Total assets</b>	<b>¥577,567</b>	<b>¥552,678</b>	<b>\$4,907,459</b>

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

Liabilities	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2016	2016
<b>Current liabilities:</b>			
Notes and accounts payable, trade	¥78,691	¥73,734	\$654,715
Short-term borrowings (Note 6)	81,489	66,328	588,954
Current portion of bonds	-	20,000	177,588
Income taxes payable (Note 17)	2,030	2,029	18,016
Provision for business structure improvement	-	1,907	16,933
Other	39,063	37,920	336,708
<b>Total current liabilities</b>	<b>201,276</b>	<b>201,919</b>	<b>1,792,923</b>
<b>Non-current liabilities:</b>			
Bonds (Note 6)	50,000	30,000	266,383
Long-term borrowings (Note 6)	69,620	81,317	722,048
Deferred tax liabilities (Note 17)	1,123	766	6,802
Provision for business structure improvement	-	578	5,132
Provision for loss on guarantees	664	213	1,891
Other provision	51	32	284
Net defined benefit liability (Note 9)	8,402	9,218	81,850
Other (Notes 6 and 7)	11,901	10,649	94,557
<b>Total non-current liabilities</b>	<b>141,764</b>	<b>132,777</b>	<b>1,178,982</b>
<b>Total liabilities</b>	<b>343,040</b>	<b>334,697</b>	<b>2,971,914</b>

Contingent liabilities (Note 18)

Net assets	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2016	2016
<b>Shareholders' equity:</b>			
Common stock	53,075	53,075	471,275
Additional paid-in capital	55,035	57,333	509,084
Retained earnings	99,539	108,553	963,887
Treasury stock	(19,762)	(25,353)	(225,120)
<b>Total shareholders' equity (Note 20)</b>	<b>187,888</b>	<b>193,608</b>	<b>1,719,126</b>
<b>Accumulated other comprehensive income (loss):</b>			
Valuation difference on available-for-sale securities	11,078	5,607	49,787
Deferred gains (losses) on hedges	71	(8)	(71)
Foreign currency translation adjustments	24,059	8,010	71,124
Remeasurements of defined benefit plans	(4,516)	(8,644)	(76,754)
<b>Total accumulated other comprehensive income</b>	<b>30,692</b>	<b>4,964</b>	<b>44,077</b>
<b>Non-controlling interests</b>	<b>15,946</b>	<b>19,407</b>	<b>172,323</b>
<b>Total net assets</b>	<b>234,527</b>	<b>217,981</b>	<b>1,935,544</b>
<b>Total liabilities and net assets</b>	<b>¥577,567</b>	<b>¥552,678</b>	<b>\$4,907,459</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, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2016	2016
<b>Net sales</b>	¥661,510	¥678,528	\$6,024,933
<b>Cost of sales (Notes 8, 9 and 10)</b>	547,359	551,920	4,900,728
Gross profit	114,150	126,607	1,124,196
<b>Selling, general and administrative expenses (Notes 8 and 9):</b>			
Packing and transportation expenses	17,254	16,592	147,327
Personnel expenses	35,625	39,623	351,829
Other	36,195	37,758	335,269
Total selling, general and administrative expenses	89,075	93,974	834,434
Operating income	25,075	32,632	289,753
<b>Non-operating income:</b>			
Interest income	271	227	2,016
Dividend income	1,077	1,210	10,744
Foreign exchange gains	883	134	1,190
Reversal for product repair expenses	222	313	2,779
Other	1,173	838	7,441
Total non-operating income	3,627	2,725	24,196
<b>Non-operating expenses:</b>			
Interest expenses	3,016	2,783	24,711
Share of loss of entities accounted for using equity method	343	2,918	25,910
Litigation expenses	1,426	1,389	12,334
Other	2,834	3,635	32,277
Total non-operating expenses	7,620	10,727	95,250
Ordinary income	21,082	24,629	218,691
<b>Extraordinary gains:</b>			
Gain on sales of investment securities	128	2,420	21,488
Gain on sales of fixed assets (Note 11)	705	325	2,886
Gain on bargain purchase	817	-	-
Gain on refunds of retirement benefit trust (Note 12)	576	-	-
Other	23	-	-
Total extraordinary gains	2,250	2,745	24,374
<b>Extraordinary losses:</b>			
Business structure improvement expenses (Note 13)	276	7,801	69,268
Litigation settlement	-	1,155	10,256
Other	2,820	1,227	10,895
Total extraordinary losses	3,097	10,183	90,419
Income before income taxes	20,235	17,191	152,646
<b>Income taxes (Note 17):</b>			
Current	7,381	8,711	77,349
Deferred	(471)	(4,069)	(36,130)
Total income taxes	6,910	4,641	41,209
<b>Profit</b>	13,324	12,549	111,428
<b>Profit attributable to non-controlling interests</b>	1,123	1,232	10,939
Profit attributable to owners of parent	¥12,201	¥11,317	\$100,488

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, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2016	2016
<b>Profit</b>	¥13,324	¥12,549	\$111,428
<b>Other comprehensive income</b>			
Valuation difference on available-for-sale securities	4,493	(5,409)	(48,029)
Deferred gains (losses) on hedges	123	(13)	(115)
Foreign currency translation adjustments	18,489	(16,314)	(144,859)
Remeasurements of defined benefit plans, net of taxes	213	(4,185)	(37,160)
Share of other comprehensive income of associates accounted for using equity method	849	(508)	(4,511)
Other comprehensive income (Note 14)	24,169	(26,431)	(234,692)
<b>Comprehensive income</b>	37,493	(13,881)	(123,255)
(Breakdown)			
Comprehensive income attributable to owners of parent	35,245	(14,410)	(127,952)
Comprehensive income attributable to non-controlling interests	¥2,248	¥529	\$4,697

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, 2015 and 2016

	Millions of yen					Total shareholders' equity
	Shareholders' equity					
	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	
<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)
Profit attributable to owners of parent	-	-	-	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
Dividends paid	-	-	-	(2,303)	-	(2,303)
Profit attributable to owners of parent	-	-	-	11,317	-	11,317
Purchase of treasury stock	-	-	-	-	(5,590)	(5,590)
Disposal of treasury stock	-	-	0	-	0	0
Change in treasury shares of parent arising from transactions with non-controlling shareholders	-	-	2,282	-	-	2,282
Purchase of shares of consolidated subsidiaries	-	-	15	-	-	15
Change of scope of equity method	-	-	-	(0)	-	(0)
Net changes of items other than shareholders' equity	-	-	2,297	9,013	(5,590)	5,720
Total changes of items during period	-	-	2,297	9,013	(5,590)	5,720
<b>Balance at March 31, 2016</b>	360,863,421	¥53,075	¥57,333	¥108,553	(¥25,353)	¥193,608

	Millions of yen						Total net assets
	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	Non-controlling interests	
<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)
Profit attributable to owners of parent	-	-	-	-	-	-	12,201
Purchase of treasury shares	-	-	-	-	-	-	(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
Dividends paid	-	-	-	-	-	-	(2,303)
Profit attributable to owners of parent	-	-	-	-	-	-	11,317
Purchase of treasury stock	-	-	-	-	-	-	(5,590)
Disposal of treasury stock	-	-	-	-	-	-	0
Change in treasury shares of parent arising from transactions with non-controlling shareholders	-	-	-	-	-	-	2,282
Purchase of shares of consolidated subsidiaries	-	-	-	-	-	-	15
Change of scope of equity method	-	-	-	-	-	-	(0)
Net changes of items other than shareholders' equity	(5,471)	(80)	(16,048)	(4,127)	(25,727)	3,461	(22,266)
Total changes of items during period	(5,471)	(80)	(16,048)	(4,127)	(25,727)	3,461	(16,545)
<b>Balance at March 31, 2016</b>	¥5,607	(¥8)	¥8,010	(¥8,644)	¥4,964	¥19,407	¥217,981

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

## Balance at March 31, 2015

Dividends paid	-	-	(20,449)	-	(20,449)	
Profit attributable to owners of parent	-	-	100,488	-	100,488	
Purchase of treasury stock	-	-	-	(49,636)	(49,636)	
Disposal of treasury stock	-	0	-	-	0	
Change in treasury shares of parent arising from transactions with non-controlling shareholders	-	20,263	-	-	20,263	
Purchase of shares of consolidated subsidiaries	-	133	-	-	133	
Change of scope of equity method	-	-	(1)	-	(1)	
Net changes of items other than shareholders' equity	-	-	-	-	-	
Total changes of items during period	-	20,396	80,030	(49,636)	50,790	
<b>Balance at March 31, 2016</b>	360,863,421	\$471,275	\$509,084	\$963,887	(\$225,120)	\$1,719,126

## Balance at March 31, 2015

Dividends paid	-	-	-	-	-	(20,449)
Profit attributable to owners of parent	-	-	-	-	-	100,488
Purchase of treasury stock	-	-	-	-	-	(49,636)
Disposal of treasury stock	-	-	-	-	-	0
Change in treasury shares of parent arising from transactions with non-controlling shareholders	-	-	-	-	-	20,263
Purchase of shares of consolidated subsidiaries	-	-	-	-	-	133
Change of scope of equity method	-	-	-	-	-	(1)
Net changes of items other than shareholders' equity	(48,579)	(710)	(142,497)	(36,645)	(228,441)	30,732
Total changes of items during period	(48,579)	(710)	(142,497)	(36,645)	(228,441)	30,732
<b>Balance at March 31, 2016</b>	\$49,787	(\$71)	\$71,124	(\$76,754)	\$44,077	\$172,323

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	\$471,275	\$488,679	\$883,848	(\$175,475)	\$1,668,336
Dividends paid	-	-	-	(20,449)	-	(20,449)
Profit attributable to owners of parent	-	-	-	100,488	-	100,488
Purchase of treasury stock	-	-	-	-	(49,636)	(49,636)
Disposal of treasury stock	-	-	0	-	-	0
Change in treasury shares of parent arising from transactions with non-controlling shareholders	-	-	20,263	-	-	20,263
Purchase of shares of consolidated subsidiaries	-	-	133	-	-	133
Change of scope of equity method	-	-	-	(1)	-	(1)
Net changes of items other than shareholders' equity	-	-	-	-	-	-
Total changes of items during period	-	-	20,396	80,030	(49,636)	50,790
<b>Balance at March 31, 2016</b>	360,863,421	\$471,275	\$509,084	\$963,887	(\$225,120)	\$1,719,126

	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	Non-controlling interests	Total net assets
<b>Balance at March 31, 2014</b>	\$98,366	\$630	\$213,630	(\$40,099)	\$272,527	\$141,591	\$2,082,463
Dividends paid	-	-	-	-	-	-	(20,449)
Profit attributable to owners of parent	-	-	-	-	-	-	100,488
Purchase of treasury stock	-	-	-	-	-	-	(49,636)
Disposal of treasury stock	-	-	-	-	-	-	0
Change in treasury shares of parent arising from transactions with non-controlling shareholders	-	-	-	-	-	-	20,263
Purchase of shares of consolidated subsidiaries	-	-	-	-	-	-	133
Change of scope of equity method	-	-	-	-	-	-	(1)
Net changes of items other than shareholders' equity	(48,579)	(710)	(142,497)	(36,645)	(228,441)	30,732	(197,709)
Total changes of items during period	(48,579)	(710)	(142,497)	(36,645)	(228,441)	30,732	(146,910)
<b>Balance at March 31, 2016</b>	\$49,787	(\$71)	\$71,124	(\$76,754)	\$44,077	\$172,323	\$1,935,544

# Consolidated Statements of Cash Flows

Fujikura Ltd. and its Consolidated Subsidiaries  
For the Years Ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2016	2016
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥20,235	¥17,191	\$152,646
Depreciation and amortization	27,732	26,311	233,626
Amortization of goodwill	2,346	3,149	27,961
Increase (decrease) in provisions	(1,189)	396	3,516
Interest and dividend income	(1,348)	(1,437)	(12,760)
Interest expenses	3,016	2,783	24,711
Equity in (earnings) losses of affiliates	343	2,918	25,910
Business structure improvement expenses	165	6,358	56,455
Changes in assets and liabilities:			
Notes and accounts receivable, trade	(1,410)	4,432	39,354
Inventories	(8,857)	(4,579)	(40,659)
Notes and accounts payable, trade	(10,398)	559	4,964
Decrease (increase) in net defined benefit asset	4,443	1,367	12,138
Increase (decrease) in net defined benefit liability	283	(642)	(5,701)
Other, net	(6,281)	(887)	(7,876)
Sub-total	29,080	57,923	514,323
Interest and dividend income received	1,807	2,018	17,919
Interest paid	(3,019)	(2,876)	(25,537)
Income taxes (paid) refund	(7,224)	(8,791)	(78,059)
Net cash provided by (used in) operating activities	20,643	48,274	428,645
<b>Cash flows from investing activities:</b>			
Net decrease (increase) in time deposits	(516)	(1,099)	(9,758)
Payments for purchase of property, plant and equipment and other assets	(24,257)	(30,821)	(273,673)
Proceeds from sales of property, plant and equipment and other assets	4,341	2,481	22,030
Proceeds from sales of investment securities	513	4,313	38,297
Payments of loans receivable	(852)	(791)	(7,024)
Collection of loans receivable	1,474	225	1,998
Purchase of long-term prepaid expenses	(850)	(2,464)	(21,879)
Proceeds from transfer of business	-	1,802	16,001
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 16)	-	(9,731)	(86,406)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	45	400
Purchase of shares of subsidiaries and associates	(1,694)	-	-
Payments for investments in capital of subsidiaries and affiliates	(2,405)	(1,222)	(10,851)
Purchase of stocks of affiliates accounted for by equity method-treasury stock	(1,500)	-	-
Other, net	(323)	(19)	(169)
Net cash provided by (used in) investing activities	(26,071)	(37,283)	(331,051)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans payable	5,195	(3,402)	(30,208)
Net increase (decrease) in commercial papers	4,000	(2,000)	(17,759)
Proceeds from long-term loans payable	4,000	22,808	202,522
Repayment of long-term loans payable	(7,005)	(20,378)	(180,945)
Proceeds from share issuance to non-controlling shareholders	638	1,500	13,319
Cash dividends paid	(2,118)	(2,303)	(20,449)
Purchase of treasury stock	(8,759)	(5,590)	(49,636)
Dividends paid to non-controlling interests	(316)	(565)	(5,017)
Other, net	-	0	0
Net cash provided by (used in) financing activities	(4,366)	(9,932)	(88,190)
<b>Effect of exchange rate change on cash and cash equivalents</b>	2,965	(2,304)	(20,458)
<b>Net increase (decrease) in cash and cash equivalents</b>	(6,828)	(1,245)	(11,055)
<b>Cash and cash equivalents at beginning of period</b>	39,336	33,336	296,004
<b>Increase in cash and cash equivalents from newly consolidated subsidiaries</b>	314	-	-
<b>Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries</b>	514	-	-
<b>Cash and cash equivalents at end of year (Note 15)</b>	¥33,336	¥32,091	\$284,949

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, 2015 and 2016

## 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, Mar 26, 2015) 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 (99 subsidiaries at March 31, 2015 and 2016). 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 (8 companies at March 31, 2015 and 10 companies at March 31, 2016) 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 on guarantees

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

### (k) Provision for business structure improvement

Provision for business structure improvement are to cover losses incurred due to improvements made to the business structure. Accordingly, a reasonably estimated amount is posted to this allowance to cover expenses that are likely to arise going forward.



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

- a. Attribution method for the estimated amount of retirement benefits  
In calculating retirement benefits obligations, the method to attribute the estimated amount of retirement benefits to a period until the end of the consolidated fiscal year 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 fiscal year next to the fiscal year when incurred using a straight-line method mainly based on determined years (principally fifteen years) within the average remaining years of service of employees when incurred.

**(m) 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.

**(n) 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 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 resulting 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 to 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.

**(o) 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.

**(p) Appropriations of retained earnings**

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

**(q) 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.

**(r) Reclassification**

Certain accounts in the Consolidated Financial Statements for the year ended March 31, 2015 have been reclassified to conform to the 2016 presentation.

**(New Accounting Pronouncements and Accounting Change)**

(Application of Accounting Standards for Business Combination)  
Effective from the fiscal year ended March 31, 2016, the Company has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), etc. As a result, the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the fiscal year ended March 31, 2016, the accounting method was changed to one in which the revised acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the consolidated financial statements for the fiscal year to which the date of business combination belongs. In addition, the presentation method for "net income" and other related items has been changed, and the presentation of "minority interests" has been changed to "non-controlling interests." To reflect these changes, the Company has reclassified its consolidated financial statements for the fiscal year ended March 31, 2015.  
Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standards for Consolidated Financial Statements and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company is applying the said standard, etc. prospectively from the beginning of the fiscal year ended March 31, 2016.

As a result, net income before income taxes decreased by 2,242 million yen (US\$19,908 thousand) in this fiscal year. Moreover, capital surplus increased by 2,297 million yen (US\$20,396 thousand) and foreign currency translation adjustment decreased by 54 million yen (US\$479 thousand) in this fiscal year.

In the Consolidated Statements of Cash Flows for the fiscal year ended March 31, 2016, the method of recording cash flows from the purchase or sales of investment in subsidiaries not related to changes in scope of consolidation has been changed, and these cash flows are now classified under "Cash flows from financing activities." Moreover, the method of recording cash flows relating to costs arising from the purchase of investment in subsidiaries related to changes in scope of consolidation and costs arising from the purchase or sales of investment in subsidiaries not related to changes in scope of consolidation has been changed, and these cash flows are now classified under "Cash flows from operating activities."

As a result, the net income per share decreased by 7.33 yen (US\$0.065) this fiscal year.

(Accounting Standards that were issued but not applied this fiscal year.)  
Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 issued on March 28, 2016)

**(a) Summary**

Authority over the practical guidance for accounting and auditing standards (where it is related to the accounting treatment) for tax effect accounting was transferred from the Japanese Institute of Certified Public Accountants (JICPA) to the Accounting Standards Board of Japan (ASBJ). The ASBJ basically continues to apply the framework for estimating the amount of deferred tax assets in accordance with the five categories for classifying corporate entities as prescribed within various standards but primarily in the "Audit Treatment of Judgments with Regard to Recoverability of Deferred Tax Assets" (Report No. 66, the audit committee of the JICPA). After the transfer of authority, the ASBJ conducted a revision of certain categorization requirements for corporate entities and the standards for the treatment of deferred tax assets amounts based on such categorization. Accordingly, the Implementation Guidance on Recoverability of Deferred Tax Assets is a guideline for applying the Accounting Standards for Tax Effect Accounting, issued by the Business Accounting Council, for the purpose of the recoverability of deferred tax assets.

- (Revision of classification requirements and standards for treatment of deferred tax assets amounts)
- Treatment of companies that do not fulfill any of the requirements for classification from Category 1 to Category 5
  - Requirements for classification as Category 2 and Category 3
  - Treatment of deductible temporary differences that cannot be scheduled for companies applicable to Category 2
  - Treatment concerning the reasonable estimable period of future taxable income not reflecting temporary differences for companies applicable to Category 3
  - Treatment in cases where a company fulfilling the requirements of Category 4 is also applicable to Category 2 or Category 3

(b) Planned date to apply  
The Company expects to apply the implementation guidance from the beginning of the fiscal year beginning on April 1, 2016

(c) The impact on the application of these Accounting Standards etc.  
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, 2016 (¥112.62=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 less than 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, 2015 and March 31, 2016.

(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, 2015 and 2016, respectively, are shown below:

2015	Millions of yen		
	Book value	Fair value	Difference
Cash and deposits	¥35,745	¥35,745	¥ -
Notes and accounts receivable, trade	157,027		
Less: Allowance for doubtful accounts	(1,217)		
<b>Total</b>	<b>155,809</b>	<b>155,809</b>	<b>-</b>
Investment securities	39,252	39,630	377
Notes and accounts payable, trade	78,691	78,691	-
Short-term borrowings (*1)	61,006	61,006	-
Commercial papers	4,000	4,000	-
Income taxes payable	2,030	2,030	-
Bonds	50,000	50,931	931
Long-term borrowings (*1)	90,104	90,652	548
Derivative Instruments (*2)			
Derivative instruments not accounted for under hedge accounting	(261)	(261)	-
Derivative instruments accounted for under hedge accounting	¥86	¥86	¥ -

(\*1) ¥20,483 million of the Long-term borrowings which mature within 1 year and are recorded in "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.

2016	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and deposits	¥34,961	¥34,961	¥ -	\$310,433	\$310,433	\$ -
(2) Notes and accounts receivable, trade	143,857			1,277,366		
Less: Allowance for doubtful accounts	(745)			(6,615)		
<b>Total</b>	<b>143,111</b>	<b>143,111</b>	<b>-</b>	<b>1,270,742</b>	<b>1,270,742</b>	<b>-</b>
(3) Investment securities	30,745	29,070	(1,675)	272,998	258,125	(14,873)
(4) Notes and accounts payable, trade	73,734	73,734	-	654,715	654,715	-
(5) Short-term borrowings (*1)	52,982	52,982	-	470,449	470,449	-
(6) Commercial papers	2,000	2,000	-	17,759	17,759	-
(7) Income taxes payable	2,029	2,029	-	18,016	18,016	-
(8) Bonds	50,000	50,688	688	443,971	450,080	6,109
(9) Long-term borrowings (*1)	94,663	95,685	1,021	840,552	849,627	9,066
(10) Derivative Instruments (*2)						
Non-hedge derivative instruments	(60)	(60)	-	(533)	(533)	-
Designated hedge instruments	¥58	¥58	¥ -	\$515	\$515	\$ -

(\*1) ¥13,346 million (US\$118,505 thousand) of the Long-term borrowings which mature within 1 year and are recorded in "Short-term borrowings" in the consolidated balance sheets are included in "Long-term borrowings" above.

(\*2) ¥20,000 million (US\$177,588 thousand) of the bonds which mature within 1 year and are recorded in "Bonds" in the consolidated balance sheets are included in "Current portion of bonds" above.

(\*3) 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 instruments:

**(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 listed 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 costs of these items approximate fair values 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 is 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 reflecting the swap 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 fair values are calculated based on LME (London Metal Exchange) official prices and current exchange rates. Foreign exchange forward contracts are accounted for combined with the accounts receivable designated as hedged items, and their fair values are included in 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 items, and their fair values are included in long-term debt.

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

2015	Millions of yen		Thousands of U.S. dollars
	Description	Amount recorded in consolidated balance sheets	
	Non-public companies	¥17,234	
2016	Millions of yen		Thousands of U.S. dollars
	Description	Amount recorded in consolidated balance sheets	
	Non-public companies	¥7,787	\$69,144

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, 2015 and 2016 are as follows:

At March 31, 2015	Millions of yen			
	Due within 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	-	-
Total	¥191,987	¥785	¥ -	¥ -

At March 31, 2016	Millions of yen			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	¥34,961	¥ -	¥ -	¥ -
Notes and accounts receivable, trade	142,790	1,067	-	-
Total	¥177,752	¥1,067	¥ -	¥ -

At March 31, 2016	Thousands of U.S. dollars			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	\$310,433	\$ -	\$ -	\$ -
Notes and accounts receivable, trade	1,267,892	9,474	-	-
Total	\$1,578,334	\$9,474	\$ -	\$ -

Note 4: The annual maturities of bonds and long-term borrowings excluding current portion and within one year are as follows:

At March 31, 2015

Bonds	Millions of yen
Year ending March 31, 2017	¥20,000
2018	10,000
2019	20,000
2020	-
2021 and thereafter	-
Long-term borrowings	Millions of yen
Year ending March 31, 2017	¥12,819
2018	16,777
2019	2,020
2020	27,150
2021 and thereafter	10,853

At March 31, 2016

Bonds	Millions of yen	Thousands of U.S. dollars
Year ending March 31, 2018	¥10,000	\$88,794
2019	20,000	177,588
2020	-	-
2021	-	-
2022 and thereafter	-	-
Long-term borrowings	Millions of yen	Thousands of U.S. dollars
Year ending March 31, 2018	¥17,359	\$154,138
2019	2,696	23,939
2020	27,826	247,079
2021	33,432	296,857
2022 and thereafter	2	18

## 5. Investment Securities

The aggregate cost, gross unrealized gains, gross unrealized losses and fair value of Held-to-maturity investment securities at March 31, 2015 and 2016 consisting primarily of equity securities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Cost	¥16,881	¥16,003	\$142,097
Gross unrealized gains	14,834	7,991	70,955
Gross unrealized losses	(3)	(912)	(8,098)
Fair value	¥31,712	¥23,081	\$204,946

Available-for-sale investment securities sold during the year ended March 31, 2015 and 2016 are as follows:

At March 31, 2015

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

At March 31, 2016

	Millions of yen	Thousands of U.S. dollars
	2016	2016
Investment securities		
Sales amount	¥4,313	\$38,297
Gain on sales of investment securities	2,420	21,488
Loss on sales of securities	8	71

Investments in unconsolidated subsidiaries and affiliates at March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Investments securities	¥21,668	¥13,444	\$119,375
Investments and other assets, other	10,608	11,518	102,273
	¥32,276	¥24,962	\$221,648

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

Short-term borrowings at March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Loans, principally from banks, with weighted-average interest rates of 1.6% and 1.5% per year at March 31, 2015 and 2016, respectively	¥61,006	¥52,982	\$470,449
Commercial papers, with weighted-average interest rates of 0.1% and 0.0% per year at March 31, 2015 and 2016, respectively.	4,000	2,000	17,759
	¥65,006	¥54,982	\$488,208

Long-term debt at March 31, 2015 and 2016 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Unsecured loans from banks and other financial institutions with maturity dates from 2016 to 2028 with weighted-average interest rates of 1.4% and 1.2% at March 31, 2015 and 2016, respectively.	¥90,104	¥94,663	\$840,552
Lease obligations	1,564	609	5,408
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	443,971
	141,668	145,273	1,289,940
Less: current portion due within one year			
Long term borrowings	(20,483)	(13,346)	(118,505)
Bonds	-	(20,000)	-
Lease obligations	(872)	(340)	(3,019)
Total	(21,355)	(33,687)	(299,121)
	¥120,312	¥111,586	\$990,819

The Companies' assets pledged as collateral for other interest-bearing debts at March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Carrying values of property, plant and equipment:			
Land	¥992	¥992	\$8,808

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Long term borrowings			
Year ending March 31,			
2018		¥17,359	\$154,138
2019		2,696	23,939
2020		27,826	247,079
2021		33,432	296,857
Lease obligation			
Year ending March 31,			
2018		¥154	\$1,367
2019		53	471
2020		35	311
2021		19	169
Bonds			
Year ending March 31,			
2018		¥10,000	\$88,794
2019		20,000	177,588
2020		-	-
2021		-	-

#### 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 ¥3,278 million and ¥2,704 million (US\$24,010 thousand), were recorded as a part of other long-term liabilities in the Consolidated Balance Sheets as of March 31, 2015 and 2016.

#### 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, 2015 and 2016, amounted to ¥15,226 million and ¥16,210 million (US\$143,935 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 funds 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 as discussed (3) below)

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Balance at the beginning of the period	¥55,974	¥55,480	\$492,630
Cumulative effects of changes in accounting policies	(2,153)	-	-
Restated balance	53,820	55,480	492,630
Service cost	2,041	2,239	19,881
Interest cost	657	476	4,227
Actuarial (gains) or losses	2,826	4,281	38,013
Retirement benefits paid	(3,963)	(4,098)	(36,388)
Other	97	(184)	(1,634)
Balance at the end of the period	¥55,480	¥58,195	\$516,738

(2) Plan assets at the beginning of the period and the end of the period (excluding those plans that adopt the simplified method as discussed (3) below)

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Balance at the beginning of the period	¥58,117	¥56,028	\$497,496
Expected return on plan assets	1,072	1,090	9,679
Actuarial (gains) or losses	2,025	(2,442)	(21,684)
Employer's contributions	846	1,447	12,849
Retirement benefits paid	(3,299)	(3,472)	(30,829)
Partial refund of plan assets from employee retirement benefits trusts	(3,000)	-	-
Other	265	-	-
Balance at the end of the period	¥56,028	¥52,651	\$467,510

(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
	2015	2016	2016
Balance at the beginning of the period	¥2,071	¥1,950	\$17,315
Retirement benefit cost	164	393	3,490
Retirement benefit paid	(142)	(144)	(1,279)
Annual contribution	(184)	(73)	(648)
Other	42	-	-
Balance at the end of the period	¥1,950	¥2,126	\$18,878

(4) Reconciliation between the liabilities (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
	2015	2016	2016
Retirement benefit obligations of the savings plans	¥55,051	¥57,679	\$512,156
Plan assets	(43,754)	(41,571)	(369,126)
Retirement benefits trusts	(13,944)	(12,753)	(113,239)
	(2,647)	3,353	29,773
Retirement benefit obligations of the non-savings plans	4,050	4,317	38,332
Net liabilities and assets recorded on the Consolidated Balance Sheets	1,402	7,670	68,105
Net defined benefit liability	8,402	9,218	81,850
Net defined benefit asset	(6,999)	(1,547)	(13,736)
Net liabilities (assets) recorded on the Consolidated Balance Sheets	¥1,402	¥7,670	\$68,105

(5) Components of net periodic retirement benefits costs

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Service cost	¥2,041	¥2,239	\$19,881
Interest cost	657	476	4,227
Expected return on plan assets	(1,072)	(1,090)	(9,679)
Recognized actuarial (gains) or losses	2,096	2,136	18,966
Amortization of prior service cost	(253)	(258)	(2,291)
Net retirement benefit costs of the plans adopting the simplified method	164	393	3,490
Retirement benefit costs related to the defined benefit plans	¥3,633	¥3,896	\$34,594

Note. Extra retirement payments for the years ended March 31, 2015 and 2016 in the amount of ¥45 million and ¥1,263 million (US\$ 11,215 thousands) respectively, are accounted for as "Business structure improvement expenses" of Extraordinary loss.

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Unrecognized prior service cost	¥253	¥258	\$2,291
Unrecognized actuarial (gains) or losses	(967)	4,618	41,005
Total	(¥713)	¥4,876	\$43,296

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Unrecognized prior service cost	(¥1,561)	(¥1,303)	(\$11,570)
Unrecognized actuarial (gains) or losses	8,019	12,638	112,218
Total	¥6,458	¥11,335	\$100,648

(8) Plan assets consisted of the following :

	2015	2016	%
Bonds	42	44	
Equity securities	19	17	
Cash and deposits	8	18	
General accounts	6	6	
Others	25	15	
Total	100	100	

Note. Employee retirement benefits trusts contributed to the company pension plan as of March 31, 2015 and 2016 represent approximately 24% and 23% 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 have been taken into account.

(10) The actuarial assumptions used

	2015	2016
Discount rates	Mainly 0.7%	Mainly 0.2%
Expected long-term expected return on plan assets	Mainly 2.5%	Mainly 2.5%
Lump sum election rate	Mainly 66.3%	Mainly 56.9%
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, 2015 and 2016 are ¥432 million and ¥420 million (US\$ 3,729 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, 2015 and 2016 in the amounts of ¥1,307 million and ¥1,621 million (US\$14,394 thousand), respectively.

11. Gain on Sales of Fixed Assets

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Buildings	¥626	¥418	\$3,712
Land	78	(92)	(817)
Total	¥705	¥325	\$2,886

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. Business Structure Improvement Expenses

	Millions of yen	Thousands of U.S. dollars
Extraordinary loss due to reorganization and liquidation of Viscas Corporation("Viscas")	¥6,358	\$56,455
Special retirement pay and other outlays paid to early retirees at overseas subsidiaries	1,442	12,804
	¥7,801	\$69,268

Extraordinary loss due to reorganization and liquidation of Viscas Corporation

On April 25, 2016, the Company and Furukawa Electric Co., Ltd. ("Furukawa") signed a basic agreement for the reorganization and liquidation of their joint venture Viscas. Under this agreement, the Distribution and Overhead Transmission Businesses are to be transferred to the Company on October 1, 2016, and the Underground Transmission and Submarine Cable Businesses are to be transferred to Furukawa on the same date. The 6,358 million yen included in extraordinary loss for the reorganization and liquidation of Viscas mainly reflects expected business transfer losses and expected losses on doubtful accounts and the transfer of equity interest due to the liquidation and sale of Viscas' overseas subsidiaries.

14. Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2015 and 2016

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Valuation difference on available-for-sale securities			
Amount arising during the year	¥6,235	(¥5,615)	(\$49,858)
Reclassification adjustment	(122)	(2,180)	(19,357)
Before tax effect adjustment	6,113	(7,795)	(69,215)
Tax effect	(1,620)	2,386	21,186
Valuation difference on available-for-sale securities	4,493	(5,409)	(48,029)
Deferred gains or losses on hedges			
Amount arising during the year	173	(24)	(213)
Before tax effect adjustment	173	(24)	(213)
Tax effect	(50)	11	98
Deferred gains or losses on hedges	123	(13)	(115)
Foreign currency translation adjustments			
Amount arising during the year	18,439	(16,416)	(145,765)
Reclassification adjustment	-	102	906
Before tax effect adjustment	18,439	(16,314)	(144,859)
Tax effect	49	-	-
Foreign currency translation adjustments	18,489	(16,314)	(144,859)
Remeasurements of defined benefit plans, net of taxes			
Amount arising during the year	(1,130)	(6,763)	(60,052)
Reclassification adjustment	1,845	1,879	16,684
Before tax effect adjustment	714	(4,883)	(43,358)
Tax effect	(501)	698	6,198
Remeasurements of defined benefit plans, net of taxes	213	(4,185)	(37,160)
Share of other comprehensive income of associates accounted for using equity method			
Amount arising during the year	912	(755)	(6,704)
Reclassification adjustment	(63)	247	2,193
Share of other comprehensive income of associates accounted for using equity method	849	(508)	(4,511)
Other comprehensive income	¥24,169	(¥26,431)	(\$234,692)

15. 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, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Cash and deposits	¥35,745	¥34,961	\$310,433
Deposits with original maturities of over three months	(2,408)	(2,870)	(25,484)
Cash and cash equivalents	¥33,336	¥32,901	\$292,142

16. Breakdown of Assets and Liabilities of the Newly Consolidated Subsidiaries Which Were Acquired through the Acquisition of Shares during This Fiscal Year

The Group newly consolidated AFL IG, LLC as a result of the acquisition of its shares. A breakdown of the assets and liabilities of AFL IG, LLC at the time of consolidation, and a reconciliation between acquisition cost and net cash payment for the acquisition are as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥2,807	\$24,925
Non-current assets	13,755	122,136
Current liabilities	(791)	(7,024)
Non-current liabilities	(2,650)	(23,530)
Non-controlling interests	(1,747)	(15,512)
Acquisition cost of AFL IG, LLC	11,372	100,977
Revaluation value of equity in a consolidated subsidiary (investment in kind)	(2,834)	(25,164)
Cash and cash equivalents of AFL IG, LLC	(126)	(1,119)
Payment of AFL IG, LLC investment purchase	8,411	74,685

## 17. Income Taxes

The Company and its domestic subsidiaries are subject to a number of different income taxes which, in aggregate, indicate a normal statutory tax rate in Japan of approximately 35.1% and 32.6% for the years ended March 31, 2015 and 2016, respectively.

A reconciliation between the normal statutory income tax rate and the effective income tax rate in the accompanying Consolidated Statements of Income for the years ended March 31, 2015 and 2016 are as follows:

	2015	2016
Normal statutory tax rate	35.1 %	32.5 %
Effect on tax rate resulting from permanent differences	0.9	0.6
Foreign tax credit and payment	(1.8)	3.5
Equity in losses of affiliates	0.6	(0.9)
Tax exemption in foreign tax jurisdiction	(3.7)	(8.1)
Valuation allowance	2.8	(3.0)
Effect of lower tax rates at overseas subsidiaries	(7.3)	(12.1)
Amortization of Goodwill	3.8	6.0
Other	3.8	8.4
Effective income tax rate	34.2 %	27.0 %

The significant components of deferred tax assets and liabilities at March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
<b>Deferred tax assets:</b>			
Inventory devaluations	¥1,009	¥877	\$7,787
Bonus accrual	2,313	2,323	20,627
Net defined benefit liability	3,701	4,566	40,543
Elimination of intercompany profits on inventories	468	162	1,438
Enterprise taxes	112	132	1,172
Net operating losses carried forward	18,950	18,837	167,262
Loss on valuation of investment securities	2,564	2,310	20,511
Depreciation	3,152	3,160	28,059
Allowance for doubtful accounts	1,085	1,016	9,021
Impairment losses	1,435	1,242	11,028
Elimination of intercompany profits on fixed assets	814	814	7,228
Foreign tax credit carried forward	2,147	1,708	15,166
Other	5,367	6,164	54,733
Gross deferred tax assets	43,122	43,317	384,630
Less: valuation allowance	(29,185)	(24,641)	(218,798)
Total deferred tax assets	13,937	18,676	165,832
<b>Deferred tax liabilities:</b>			
Special tax-purpose reserve for deferred gain on sale of property	786	733	6,509
Retained earnings of equity-method affiliated company	546	543	4,822
Net defined benefit asset	332	-	-
Unrealized gains on investment securities	3,815	1,428	12,680
Other	361	847	7,521
Total deferred tax liabilities	5,842	3,552	31,540
Net deferred tax assets	¥8,094	¥15,123	\$134,283

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Current assets - Deferred tax assets	¥4,525	¥5,263	\$46,732
Non-current assets - Deferred tax assets	4,699	10,643	94,504
Current liabilities - Other	(6)	(16)	(142)
Non-current liabilities - Deferred tax liabilities	(1,123)	(766)	(6,802)
Net deferred tax assets			

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

Due to approval in the Diet on March 29, 2016 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, 2016) has been changed from the current 31.7% to 30.4% for temporary differences expected to be reversed during the period from the year beginning on April 1, 2016 to the year ending March 31, 2018, and to 30.2% for temporary differences expected to be reversed in the years beginning on April 1, 2018 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, 2016 increased by 175 million yen (US\$1,554 thousand), valuation difference on available-for-sale securities as at March 31, 2016 increased by 67 million yen (US\$595 thousand), remeasurements of defined benefit plans as at March 31, 2016 increased by 83 million yen (US\$737 thousand), income taxes deferred for the year ended March 31, 2016 decreased by 24 million yen (US\$213 thousand).

## 18. Contingent Liabilities

(a) Guarantees for liabilities

Guarantees for loans borrowed / notes issued by:	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Employees	¥319	¥260	\$2,309
VISCAS corporation, affiliated company	10,481	7,667	68,078
Other unconsolidated subsidiaries and affiliates	2,568	3,411	30,288
	¥13,368	¥11,339	\$100,684

(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, (3) tax assessments in the amount of 7 million baht from the Revenue Department of Thailand on May 21, 2015, and (4) tax assessments in the amount of 1 million baht from the Revenue Department of Thailand on January 14, 2016.

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. For (4), FETL filed a petition to appeal the tax assessments to the Administrative Appeal Committee of the Revenue Department on February 12, 2016.

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.

On May 16, 2016 the Supreme Court of the Kingdom of Thailand dismissed the claim made by another company which is similar to the lawsuit or petition by FETL mentioned above, while on June 16, 2016, notification of "The Time Extension for Submission of Corporate Income Tax Return Pursuant to the Revenue Code" has been issued by Ministry of Finance of the Kingdom of Thailand.

We are thoroughly reviewing the judgement and the notification as discussed about and studying carefully these impacts on the consolidated financial statements of the Company.

19. Derivative Instruments

(a) Derivative instruments not accounted for under hedge accounting

(1) Foreign forward exchange contracts

At March 31, 2015

	Millions of yen			
	Notional amount	Notional amount to be settled in more than one year	Fair value	Gain (loss)
2015				
Sell				
USD	¥7,521	¥327	(¥341)	(¥341)
SGD	257	-	(4)	(4)
Others	194	-	(2)	(2)
Buy				
USD	10,545	-	82	82
YEN	201	-	(1)	(1)
Others	47	6	(0)	(0)
Currency Swaps				
Pay MYR / Rec USD	999	-	76	76
Total	¥19,767	¥334	(¥192)	(¥192)

At March 31, 2016

	Millions of yen				Thousands of U.S. dollars			
	Notional amount	Notional amount to be settled in more than one year	Fair value	Gain (loss)	Notional amount	Notional amount to be settled in more than one year	Fair value	Gain (loss)
2016								
Sell								
USD	¥6,130	¥501	¥75	¥75	\$54,431	\$4,449	\$666	\$666
YEN	129	-	(0)	(0)	1,145	-	(0)	(0)
Others	228	-	0	0	2,025	-	0	0
Buy								
USD	6,751	139	(103)	(103)	59,945	1,234	(915)	(915)
YEN	713	-	7	7	6,331	-	62	62
Others	8	-	(0)	(0)	71	-	(0)	(0)
Total	¥13,961	¥640	(¥21)	(¥21)	\$123,966	\$5,683	(\$186)	(\$186)

(2) Interest Rate Swaps

At March 31, 2015

There were no interest rate swaps.

At March 31, 2016

There were no interest rate swaps.

(3) Commodity Forward Contracts

At March 31, 2015

	Millions of yen			
	Notional amount	Notional amount to be settled in more than one year	Fair value	Gain (loss)
2015				
Sell	¥2,471	¥-	(¥57)	(¥57)
Buy	532	-	(11)	(11)
Total	¥3,003	¥-	(¥68)	(¥68)

At March 31, 2016

	Millions of yen				Thousands of U.S. dollars			
	Notional amount	Notional amount to be settled in more than one year	Fair value	Gain (loss)	Notional amount	Notional amount to be settled in more than one year	Fair value	Gain (loss)
2016								
Sell	¥2,326	¥-	¥18	¥18	\$20,654	\$-	\$160	\$160
Buy	372	39	(57)	(57)	3,303	346	(506)	(506)
Total	¥2,699	¥39	(¥38)	(¥38)	\$23,966	\$346	(\$337)	(\$337)

(b) Derivative instruments accounted for under hedge accounting

(1) Foreign forward exchange contracts

At March 31, 2015

	Millions of yen		
	Notional amount	Notional amount to be settled in more than one year	Fair value
2015			
Accounted for combined with the accounts designated as hedged items (allowed under JGAAP)			
Accounts receivable, trade			
Sell			
USD	¥26,628	¥-	¥-
EUR	1,042	-	-
Accounted for the method in principle			
Accounts receivable, trade			
Sell			
USD	10,198	46	(17)
EUR	441	-	(2)
Expected transaction			
Buy			
USD	591	-	107
Total	¥38,902	¥46	¥86

At March 31, 2016

	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
2016						
Accounted for combined with the accounts designated as hedged items (allowed under JGAAP)						
Accounts receivable, trade						
Sell						
USD	¥25,558	-	¥-	\$226,940	-	\$-
EUR	1,080	-	-	9,590	-	-
Accounted for by the method in the principle						
Accounts receivable, trade						
Sell						
USD	5,734	71	76	50,915	630	675
EUR	687	-	(1)	6,100	-	(9)
Total	¥33,060	¥71	¥74	\$293,554	\$630	\$657

(2) Interest Rate Swaps

At March 31, 2015

	Millions of yen		
	Notional amount	More than one year of Notional amount	Fair value
2015			
Accounted for by the simplified method allowed under JGAAP			
Interest Rate Swaps			
Long-term debt			
Pay Fixed interest / Rec. Floating interest	¥71,800	¥58,800	¥-
Total	¥71,800	¥58,800	¥-

At March 31, 2016

	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
2016						
Accounted for by the simplified method allowed under JGAAP						
Interest Rate Swaps						
Long-term debt						
Pay Fixed interest / Rec. Floating interest	¥72,500	¥63,500	¥-	\$643,758	\$563,843	\$-
Accounted for by the method in the principle						
Interest Rate Swaps						
Long-term debt						
Pay Fixed interest / Rec. Floating interest	1,000	1,000	(16)	8,879	8,879	(142)
Total	¥73,500	¥64,500	(¥16)	\$652,637	\$572,722	(\$142)

20. Supplementary Information for the Consolidated Statements of Changes in Net Assets

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 per share (Yen)	Shareholders' cut-off date	Effective date
June 27, 2014	Annual general meeting of shareholders	Common stock	¥982	¥3.0	March 31, 2014	June 30, 2014
October 27, 2014	Board of directors	Common stock	¥1,135	¥3.5	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-end:

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 26, 2015	Annual general meeting of shareholders	Common stock	¥1,082	Retained earnings	¥3.5	March 31, 2015	June 29, 2015

For the Year Ended March 31, 2016

(a) Type and number of outstanding shares

Type of shares	Year ended March 31, 2016			
	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Issued stock:				Thousands of shares
Common stock	360,863	-	-	360,863
Total	360,863	-	-	360,863
Treasury stock:				
Common stock (*1)(*2)	51,738	9,589	0	61,327
Total	51,738	9,589	0	61,327

(\*1) Treasury stock increased due to the repurchase of 9,589,000 shares.

(\*2) Treasury stock decreased due to the selling of stock less than one unit.

(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 26, 2015	Annual general meeting of shareholders	Common stock	¥1,082	\$9,608	¥3.5	\$0.03	March 31, 2015	June 29, 2015
October 29, 2015	Board of directors	Common stock	¥1,221	\$10,842	¥4.0	\$0.04	September 30, 2015	December 2, 2015

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

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 29, 2016	Annual general meeting of shareholders	Common stock	¥1,198	\$10,638	Retained earnings	¥4.0	\$0.04	March 31, 2016	June 30, 2016

21. 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 ¥5,001 million and ¥5,426 million (US\$48,180 thousand) for the fiscal years ended March 31, 2015 and 2016, 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. Book value, increase and decrease during the year and fair value of the investment and rental property at March 31, 2015 and 2016 are as follows;

For the Year Ended March 31, 2015

Millions of yen			
Amounts in the Consolidated Balance Sheets (*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

(\*1) Amounts in the Consolidated Balance Sheets are computed based on acquisition costs after deducting accumulated depreciation and impairment charges.

(\*2) The primary decrease in property during the year is the depreciation of office buildings for rent in the amount of ¥1,882 million.

(\*3) Fair value at end of the year is primarily estimated by the Company based on "Real Estate Appraisal Standards".

For the Year Ended March 31, 2016

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)
¥41,334	(¥1,147)	¥40,187	¥99,057

Thousands of U.S. dollars			
Amounts in the Consolidated Balance sheets (*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)
\$367,022	(\$10,185)	\$356,837	\$879,568

(\*1) Amounts in the Consolidated Balance Sheets are computed based on acquisition costs after deducting accumulated depreciation and impairment charges.

(\*2) The primary decrease in property during the year is the depreciation of office buildings for rent in the amount of ¥1,720 million (US\$15,273 thousand).

(\*3) Fair value at end of the year is primarily estimated by the Company based on "Real Estate Appraisal Standards".

22. Notes Regarding Business Combinations

(Business Combination by Acquisition)

(a) Summary of business combinations

(1) Name of acquired company and description of its business operations

Name of acquired company: AFL IG, LLC  
Description of Business: Manufacturing and sales of optic connectors

(2) Primary Reason for Business Combination

Through this business combination, the Group establishes a joint venture with NetIG, LLC (US; hereinafter Net IG), a company with customers that operate large-scale data centers in the US and overseas, and expands related businesses.

(3) Date of Business Combination

December 1, 2015

(4) Legal Form of Business Combination

Establish a joint venture by contributing investment in kind and cash

(5) Name of Company after Business Combination

AFL IG, LLC

(6) Percentage of Voting Rights Acquired

Percentage of voting rights prior to the business combination	- %
Percentage of voting rights acquired on the date of the business combination	65%
Voting rights ratio after acquisition	65%

(7) Primary Basis for Determination of Acquiring Company

The Group established a joint venture with NetIG by contributing through America Fujikura Ltd., a 100% owned consolidated subsidiary in the US. As a result of business combination, America Fujikura Ltd., holds 65% of total voting rights of a joint venture. In light of its controlling interest, the Group determined America Fujikura Ltd., to be the acquiring company.

(b) Accounting period of financial results of the acquired company which were included in the Consolidated Statements of Income.

From December 1, 2015 to March 31, 2016

(c) Acquisition cost and breakdown by the type of considerations

	Millions of yen	Thousands of U.S. dollars
Cash	¥8,537	\$75,804
Equity in consolidated subsidiary (investment in kind)	1,939	17,217
Acquisition cost	10,477	\$93,030

(d) Acquisition-related costs

Advisory fees, etc. : 71 million yen(US\$630 thousand)

(e) Amount, reason for recognition, amortization method and period of goodwill

As of the business combination date for AFL IG, LLC, which was acquired in the third quarter of the consolidated fiscal year, the allocation of acquisition costs has not been completed as the types of identifiable assets and liabilities had not been specified and the market value had not been calculated yet. Provisional accounting treatment was implemented at the time of preparation of the third quarter consolidated financial statements based on reasonable information available at that time. The allocation of acquisition costs was completed at the end of this fiscal year.

a. Goodwill	Millions of yen	Thousands of U.S. dollars
Prior to revision	¥10,008	\$88,865
After revision	8,126	72,154

b. Reason for incurrence

The acquisition cost exceeded the fair value of net assets at the time of business combination therefore the excess was posted as goodwill.

c. The Method of amortization and period

Straight-line method over 5 years

(f) Assets and liabilities acquired at the business combination date and primary breakdown

	Millions of yen	Thousands of U.S. dollars
Current assets	¥2,807	\$24,925
Non-current assets	13,755	122,136
Total assets	16,562	147,061
Current liabilities	791	7,024
Non-current liabilities	2,650	23,530
Total liabilities	3,442	30,563

(g) Pro forma impact on the consolidated statement of income assuming the business combination was completed at the beginning of the fiscal year.

Pro forma impact on the consolidated statements of income has been omitted due to the difficulties involved in calculating for this fiscal year.



23. 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 monitored by the management in deciding how to allocate resources and in assessing performance.

The Group classifies its 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.

Starting from the consolidated this fiscal year, some businesses that were traditionally included in the Automotive Products Company have been transferred over to the Electronics Business Company, after a review was conducted of the management system for the purpose of business expansion.

Definitions of the four segments for the years ended March 31, 2015 and 2016 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

Accounting policy and method used for segment information by reporting segments are identical to those as described in "2. Summary of Significant Accounting Policies" above.

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, 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	¥140,477	¥139,276	¥10,663	¥4,821	¥661,510	-	¥661,510
Inter-segment sales	509	234	42	-	38	825	(825)	-
Total sales	366,780	140,711	139,319	10,663	4,859	662,335	(825)	661,510
Segment profit (loss)	11,741	6,932	4,304	5,104	(3,006)	25,075	-	25,075
Segment total assets	233,148	129,484	82,964	37,158	7,449	490,206	87,361	577,567
Depreciation and amortization	9,330	10,358	3,286	1,924	714	25,614	2,117	27,732
Impairment losses	811	20	-	-	-	832	-	832
Capital expenditures	¥7,948	¥7,262	¥5,075	¥182	¥762	¥21,231	¥3,406	¥24,637

Notes:

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

(\*2) Adjustment of ¥87,361 million in "Segment total assets" represents common assets not allocated to each reporting segment in the amount of ¥110,389 million and elimination of inter-segment transactions in the amount of ¥(23,028) million.

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

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

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

For the year ended March 31, 2016								
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	¥364,140	¥161,166	¥135,876	¥10,709	¥6,634	¥678,528	-	¥678,528
Inter-segment sales	203	99	41	-	13	359	(359)	-
Total sales	364,344	161,265	135,918	10,709	6,648	678,887	(359)	678,528
Segment profit (loss)	15,747	12,081	2,363	5,394	(2,934)	32,632	-	32,632
Segment total assets	239,381	124,337	77,136	36,177	8,063	485,096	67,581	552,678
Depreciation and amortization	8,682	9,167	3,335	1,739	660	23,585	2,725	26,311
Impairment losses	302	116	-	-	-	419	-	419
Capital expenditures	¥6,898	¥15,178	¥6,036	¥679	¥564	¥29,356	¥2,623	¥31,979

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	\$3,233,351	\$1,431,060	\$1,206,500	\$95,090	\$58,906	\$6,024,933	-	\$6,024,933
Inter-segment sales	1,803	879	364	-	115	3,188	(3,188)	-
Total sales	3,235,162	1,431,939	1,206,873	95,090	59,030	6,028,121	(3,188)	6,024,933
Segment profit (loss)	139,824	107,095	20,982	47,896	(26,052)	289,753	-	289,753
Segment total assets	2,125,564	1,104,040	684,923	321,231	71,595	4,307,370	600,080	4,907,459
Depreciation and amortization	77,091	81,398	29,613	15,441	5,860	209,421	24,196	233,626
Impairment losses	2,682	1,030	-	-	-	3,720	-	3,720
Capital expenditures	\$61,250	\$134,772	\$53,596	\$6,029	\$5,008	\$260,664	\$23,291	\$283,955

Notes:

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

(\*2) Adjustment of ¥67,581 million (US\$600,080 thousand) in "Segment total assets" represents common assets not allocated to each reporting segment in the amount of ¥90,624 million (US\$804,688 thousand) and elimination of inter-segment transactions in the amount of ¥(23,042) million (US\$(204,600) thousand).

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

(\*3) Adjustment of ¥2,725 million (US\$24,196 thousand) of "Depreciation and amortization" represents depreciation and amortization associated with common assets not allocated to each reporting segment.

(\*4) Adjustment of ¥2,623 million (US\$23,291 thousand) of "Capital expenditures" represents an increase in common assets not allocated to each reporting segment.

(Related information)  
(a) Geographical segment information

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

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

Sales					
Millions of yen					
2016	Japan	U.S.	China	Others	Total
Sales to external customers	¥269,528	¥148,891	¥103,849	¥156,258	¥678,528

Thousands of U.S. dollars				
2016	Japan	U.S.	China	Others
Sales to external customers	\$2,393,252	\$1,322,065	\$922,119	\$1,387,480

Tangible fixed assets					
Millions of yen					
2016	Japan	Thailand	China	Others	Total
Tangible fixed assets	¥91,033	¥44,508	¥19,862	¥24,549	¥179,953

Thousands of U.S. dollars				
2016	Japan	Thailand	China	Others
Tangible fixed assets	\$808,320	\$395,205	\$176,363	\$217,981

(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, 20

(c) Goodwill information

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	Total
Amortization	¥2,342	¥4	-	-	¥2,346
Unamortized goodwill	6,203	12	-	-	6,215

For the year ended March 31, 2016					
Millions of yen					
Reporting segments	Power & Telecommunication Systems Company	Electronics Business Company	Automotive Products Company	Real Estate Company	Total
Amortization	¥3,145	¥4	-	-	¥3,149
Unamortized goodwill	10,941	8	-	-	10,949

Thousands of U.S. dollars					
Reporting segments	Power & Telecommunication Systems Company	Electronics Business Company	Automotive Products Company	Real Estate Company	Total
Amortization	\$27,926	\$36	-	-	\$27,961
Unamortized goodwill	97,150	71	-	-	97,221

24. Related Party Information

(Related party transactions)

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

**2015** (Millions of yen)

Relationship	Name of company	Location	Paid-in-Capital	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 the 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 with charge (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

**2016** (Millions of yen)

Relationship	Name of company	Location	Paid-in-Capital	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 the 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	Supply of raw materials with charge (Note 1)	7,633	Other current assets	3,735
						Guarantees Concurrent service as director	Guarantees (Note 3)	7,667	-	-

**2016** (Thousands of U.S. dollars)

Relationship	Name of company	Location	Paid-in-Capital	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 the year (Note 4)
Affiliated company	VISCAS Corporation	Shinagawa, Tokyo	120,760	Power & Telecommunication Systems Company	Directly owned (50%)	Supply of raw materials from the Company	Supply of raw materials with charge (Note 1)	67,777	Other current assets	33,165
						Guarantees Concurrent service as director	Guarantees (Note 3)	68,078	-	-

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

- (Note) 1. For supply of raw materials with charge, 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 the negotiation for each transactions, with reference to market price.  
 3. The Company provided guarantees for borrowings from banks and for fulfillment of contracts.  
 4. Consumption taxes are not included in the amount of transaction but is included in the amount outstanding at year-end.

(Corporate pension plan for employees)

**2015** (Millions of yen)

Relationship	Name of company	Location	Paid-in-Capital	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 the year (Note 4)
Corporate pension plan	Employee retirement benefit trust	-	-	-	-	Plan assets under retirement benefit accounting	Refund of plan assets from retirement benefit trust	3,000	-	-

**2016**

There are no significant events.

(Condensed financial information of significant affiliates)

The condensed financial information of VISCAS Corporation for the year ended March 31, 2016 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Total current assets	-	¥23,243	\$206,384
Total non-current assets	-	6,262	55,603
Total current liabilities	-	29,735	264,029
Total non-current liabilities	-	2,780	24,685
Total net assets	-	(3,009)	(26,718)
Net Sales	-	45,742	406,162
Loss before income taxes	-	(19,722)	(175,120)
Loss	-	(¥19,731)	(\$175,200)

Note: The Company regards VISCAS Corporation as a significant affiliate from the year ended March 31, 2016 since its materiality has increased.

25. Per Share Information

	Yen		U.S. dollars
	2015	2016	2016
Per share:			
Net income - basic	¥37.93	¥36.98	\$0.328
Net income - fully diluted (*1)	-	-	-
Cash dividends	7.00	8.00	0.071
Net assets per share	¥707.09	¥662.93	\$5.886

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Basis for computation of per share data:			
Profit attributable to owners of parent	¥12,201	¥11,317	\$100,488
Profit attributable to common shareholders	¥12,201	¥11,317	\$100,488

	Thousands of shares	
	2015	2016
Number of weighted average shares	321,667	306,006

26. Subsequent Events

(Retirement of treasury stock)

The company decided to retire treasury stock on the Board of Director's resolution on May 10, 2016 in accordance with Article 178 of the Companies Act.

- (a) Retired shares to return profit to shareholders  
 (b) Type of shares to be retired: Common shares  
 (c) Number of shares to be retired: 65,000,000 common shares (18.01% of total shares outstanding prior to share retirement)  
 (d) Scheduled date of retirement: May 18, 2016



### 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, 2016, 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.

PricewaterhouseCoopers Aarata  
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To the Board of Directors of  
Fujikura Ltd.  
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#### 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, 2016, 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, 2016 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 Aarata*

June 29, 2016

# Global Network



## EMEA

- 1 Fujikura Europe Ltd.
- 2 Fujikura Automotive Enterprise GmbH
  - Fujikura Automotive Europe GmbH
- 3 Fujikura Automotive Europe, S.A.U.
- 4 Fujikura Automotive Ukraine Lviv, LLC
- 5 Fujikura Automotive Russia Cheboksary LLC
- 6 Fujikura Automotive Romania S.R.L.
- 7 Fujikura Automotive Morocco Tangier, S.A.
  - Fujikura Automotive Morocco Kenitra, S.A.

## Thailand

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

## Southeast Asia

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

## China

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

- 17 Fujikura Fiber-Home Opto-Electronics Material Technology Co., 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.

## Korea

- 19 Fujikura Korea Automotive Ltd.

## India

- 20 Fujikura Automotive India Private Ltd.

## Americas

- 21 Fujikura America, Inc.
- 22 Fujikura Automotive Mexico S. de R.L. de C.V.
- 23 Fujikura Automotive America LLC.
- 24 America Fujikura Ltd.
- 25 Fujikura Automotive Paraguay S.A.
- 26 Fujikura Cabos Para Energia e Telecomunicacoes Ltda

## Japan

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

# Main Consolidated Subsidiaries

As of March 31, 2016

Company Name	Equity Ownership Percentage, Including Indirect Ownership	Paid-in Capital (Millions)	Major Line of Businesses
Nishi Nippon Electric Wire & Cable Co., Ltd.	60.7%	¥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.	94.8%	¥400	Electric wires and cables
Shinshiro Cable, Ltd.	100.0%	¥480	Electric wires and cables
America Fujikura Ltd.	100.0%	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%	¥100	Various connectors
Fujikura Electronics (Thailand) Ltd.	100.0%	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.	100.0%	RMB97	FPCs
Fujikura Automotive Asia Ltd.	100.0%	¥1,722	Wire harnesses for automobiles, wire harnesses for equipment, automotive products
Fujikura Automotive Europe S.A.U.	100.0%	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

## 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

22,171

## Independent Auditors

PricewaterhouseCoopers Aarata

## Further Information

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

## Contact

Investor Relations Group  
Tel: +81-3-5606-1112  
Fax: +81-3-5606-1501  
E-mail: fjk\_ir@jp.fujikura.com

## Major Shareholders

As of March 31, 2016

	Number of Shares Held (Thousands)	Ratio of Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	20,955	6.99
Japan Trustee Services Bank, Ltd. (Trust Account)	16,733	5.58
Mitsui Life Insurance Company Limited	10,192	3.40
Sumitomo Mitsui Banking Corporation	8,456	2.82
The Shizuoka Bank, Ltd.	7,713	2.57
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	7,655	2.55
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Trust Bank, Limited Retirement Benefit Trust Account)	6,777	2.26
Dowa Metals & Mining Co., Ltd.	6,563	2.19
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	5,531	1.84
Fujikura Employees Shareholding Association	5,336	1.78

Notes:

1. Although the Company owns 61,224,746 shares of treasury stock, this is excluded from the above table.
2. The percentage values presented in "Percentage of total shares issued" are calculated excluding treasury stock.
3. On May 18 2016, the Company retired 65 million of treasury stock it possessed.