Fujikura

Annual Report 2019

Fujikura

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"Tsunagu" Technology

Fujikura Group
Corporate Philosophy

Mission

The Fujikura Group's mission is to create exceptional value for our customers around the world using "tsunagu" (the Japanese word meaning "connecting") technologies. We dedicate ourselves to providing exceptional products and solutions earning our customers' trust and contributing to society.

Vision

- Fujikura's vision is to be the most trusted partner in our markets, to continuously develop innovative and relevant products and solutions, and to positively impact our communities.
- We strive to become the leading player in our markets by utilizing our "tsunagu" technologies, tirelessly developing innovative and useful products and solutions.
- Each individual within the company will endeavor to become an essential player, thus developing a team that can truly help Fujikura make its mark on the world stage.

Core Values

- **Customer Satisfaction**
  "Are you doing enough to ensure customers are perfectly satisfied?"
- **Change for the Better**
  "Are you willing to take up challenges to drive progress?"
- **Collaboration**
  "As a Fujikura associate, are you driven to work together with others to deliver the best possible result for our company?"

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.

"Tsunagu" Technology

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Fujikura's History

1883 In November 1883, Zenpachi and his brother went to see the arc light demonstration held on Nihonbashi-dori. This sparked their interest in electricity and foreseeing the advent of the age of electricity, they subsequently embarked on the electrical wire business after noticing the similarities in braiding technology for the hair ornaments in Zenpachi's home business and the insulation for electrical wire.

Over the more than 130 years since then, Fujikura has been the first to succeed in many things, both in Japan and worldwide. Fujikura was the first company in Japan to manufacture of rubber insulation for wires and "Tokosen" electrical wire for aircraft prior to the war, then was the first to discover the ultra low-loss area of the optical fiber sector after the war. This achievement by Fujikura and other companies was recognized as an IEEE Milestone.

Contributing to the prosperity of society by supplying highly reliable products to the world through innovative technologies, and maintaining high product quality through the unbroken succession of exacting standards of monozukuri (craftsmanship) from our predecessors is what has ensured a relationship of trust between Fujikura and its customers right up to the present.

This is the point from which Fujikura started and by which it lives today.

Since it was founded in 1885, the Fujikura Group has used the "tsunagu" (connecting) technologies the group developed while manufacturing electrical wire and cable to provide a wide variety of products to society. The Fujikura Group creates the new value demanded by the times, forming a bridge that connects customers to the world and to the future. That is the philosophy of the Fujikura Group.

1883–

Beginning

1883 November 3
Zenpachi Fujikura goes to see a demonstration of the arc light on the balcony of the postal service and telegraph office on Nihonbashi-dori with his youngest brother, Tomekichi, and takes an interest in electricity.

1885 Zenpachi Fujikura begins manufacturing silk and cotton insulated winding wires.

1893 Manufacturing of first rubber-insulated wires in Japan is launched.

Establishing the Foundation

1910 Fujikura Electric Wire Corporation is established.

1919 Fujikura Gakuen, a special facility for mentally challenged children, on Oshima island is established.

1923 Fukagawa head office and plant are completed. Fukagawa head office and plant are totally destroyed by fire in the aftermath of the Great Kanto Earthquake (rebuilt the next year).

1931 Manufacturing of "Tokosen", Japan's first electric wire for aircraft, begins (a first in Japan).

1935–

Restoration after the Earthquake and the Era of Technology

1935 Patent is acquired on Fujikura's proprietary technology for high-frequency coaxial cable.

1941 Manufacturing of aluminum electric wire begins.

1943 Manufacturing of Fujikura's 100 kW coaxial cable begins.

Postwar and High Economic Growth Period

1945 Fukagawa plant is completely destroyed in the Tokyo air raids.

1949 Japan's first 24-core TV camera cables are delivered to NHK (Japan Broadcasting Corporation).

1954 Numazu plant begins operations.

1957 Wiring harness manufacturing is launched.

1958 Tama Fujikura Gakuen is established.

1965 Manufacturing of printed circuits using a die stamp method begins.

1970 Suzuka plant begins operation.

1974 Fujikura begins exploring the CVD method for manufacturing optical fiber motherboards.

1979 Manufacture of FPCs for electronic devices begins.

1980–

Period of Upheaval and Hardships

1980 Single-mode optical fusion splicers are developed.

1981 Japan's first OPGWs (Optical Fiber Composite Overhead Ground Wire) are developed.

1984 Fujikura (Thailand) Ltd. is established in Thailand.

1985 World's first core alignment fusion splicer is developed (on Fujikura's 100th anniversary).

1987 Oxide superconducting wires are successfully fabricated. Research on optoelectronics completed.

1988 Development of world's first multi-core optical fiber fusion splicers. Fujikura Europe Ltd. is established in the UK.

Globalization and the New Tech Period

1992 Corporate name is changed to Fujikura Ltd.

1993 Tokyo R&D Center is completed.

2000 Optical parts manufacturing company, Fujikura Fiber Optics Vietnam Ltd., is established in Vietnam.

2001 FTTH optical fiber products are commercialized and marketed.

2005 Corporate philosophy, "MVCV (Mission, Vision, Core Value)", is adopted. America Fujikura Ltd. is established in the U.S. as a manufacturer and seller of telecommunications systems and automotive electronic products.

2007 Critical current record shattered with an yttrium-based oxide superconducting wire.

2008 Wire harness manufacturer in Spain is acquired as a subsidiary and the name is changed to Fujikura Automotive Europe S.A.U.

2009 Fiber laser manufacturing begins.

2010 Fujikura Electronics (Thailand) Ltd. (FETL) is established by integrating seven companies in Thailand. Fukagawa Gatharia (Fukagawa redevelopment project) is completed. Fujikura-Kiba Millennium Woods Biotope and garden is opened.

2011 Great East Japan Earthquake occurs. Floods in the Kingdom of Thailand cause damage.

2013 In-house company system is introduced through organizational restructuring.

2015 VAD method is recognized as a milestone by the IEEE.

2016 Complete recovery from the major flooding in Thailand is declared.

2017 Fujikura switches to a Company with an Audit & Supervisory Committee Structure.

Founder,
Zenpachi Fujikura

Young Tomekichi Fujikura (in later became first President, Tomekichi Matsumoto)

President's Message

To Our Shareholder,

I offer my sincere apologies for having caused our shareholders significant concern and distress over the incidents involving improprieties in quality management of some Fujikura Group products, which were disclosed on August 31 of last year.

The company retained an outside law firm to confirm the facts regarding the incidents and determine the causes, and disclosed the results of the report and measures to prevent recurrence on April 25, 2019.

We are resolute in our determination to never have another such incident occur, and have enlisted the entire company, including group companies, in working steadily on measures to prevent recurrence, to improve governance of the Fujikura Group, and to strengthen and firmly establish a system of quality management to restore the lost trust in our company.

I recognize the restoration of trust as an urgent task because I believe that the strengths of our company over our more that 130-year history grew out of the relationships of trust we have built with our customers.

Last year brought many challenges: The problems with improprieties in quality management, an impairment loss on investment due to the slump in our business in Brazil, and losses in the EPC business overseas. I recognize that these challenges revealed weaknesses in governance of the company. I will put renewed effort into strengthening governance and strengthening risk management to achieve a high level of risk management. I view this year as the inaugural year of those efforts, and intend to reflect sincerely on the past and build a structure that will ensure that these same mistakes are never repeated.

As president, I will take the lead in working to implement strong offensive and defensive business management, by strengthening governance.

In regard to the company's businesses, we will work hard to restructure the energy business while carefully steering our existing telecommunications and electronics businesses, which are the two main sources of revenue.

The automotive products business is experiencing a time of great change as represented by innovations in CASE technology (CASE: Connected, Autonomous, Shared/Services, Electric). I believe that advances in the use of electronics and communication systems will accelerate. The integration of our automotive products and electronics businesses will strengthen our ability to provide amazing solutions to the challenges that we must overcome to realize the new era that we aspire to.

Our approach to customers is steadily changing. Our goal is to stay close to our customers so that we can always provide solutions, and evolve our relationships into deeper relationships that transform the customer experience from one of customer satisfaction to one of customer delight.

We have planted the seeds for the next growth businesses while implementing the Mid-term Business Plan.

I see our company's current circumstances as the bottom.

I would like to show our stakeholders the major changes and growth the Fujikura Group has achieved through the 2020 Mid-term Business Plan and ask for your continued support.

Masahiko Ito

President & CEO

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We have planted the seeds for the next growth businesses while implementing the Mid-term Business Plan.

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2018 at a glance

¥710 billion
in net sales

140 locations
in 30 countries

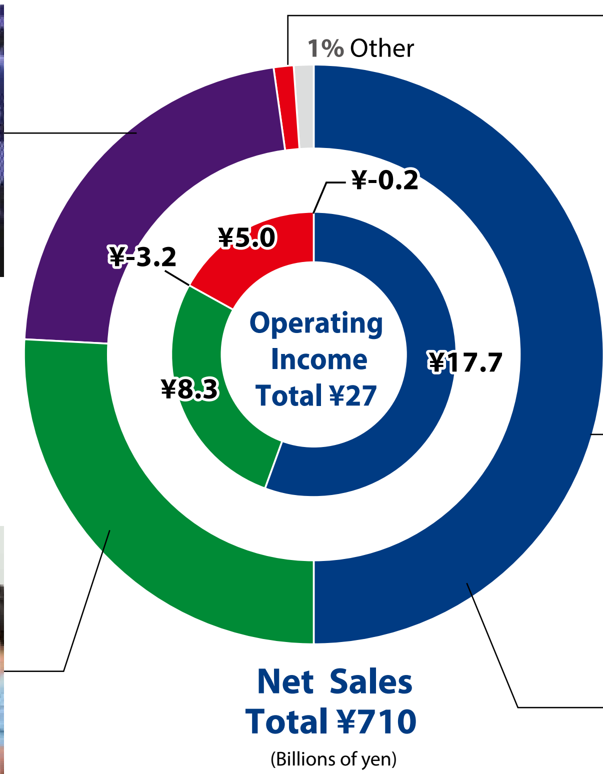
¥27.6 billion
in operating income

57,228
employees

Net Sales

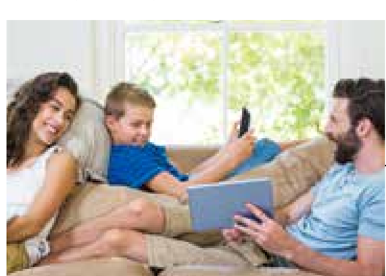
22% ¥154 billion
Automotive Products

1% ¥10 billion
Real Estate Business

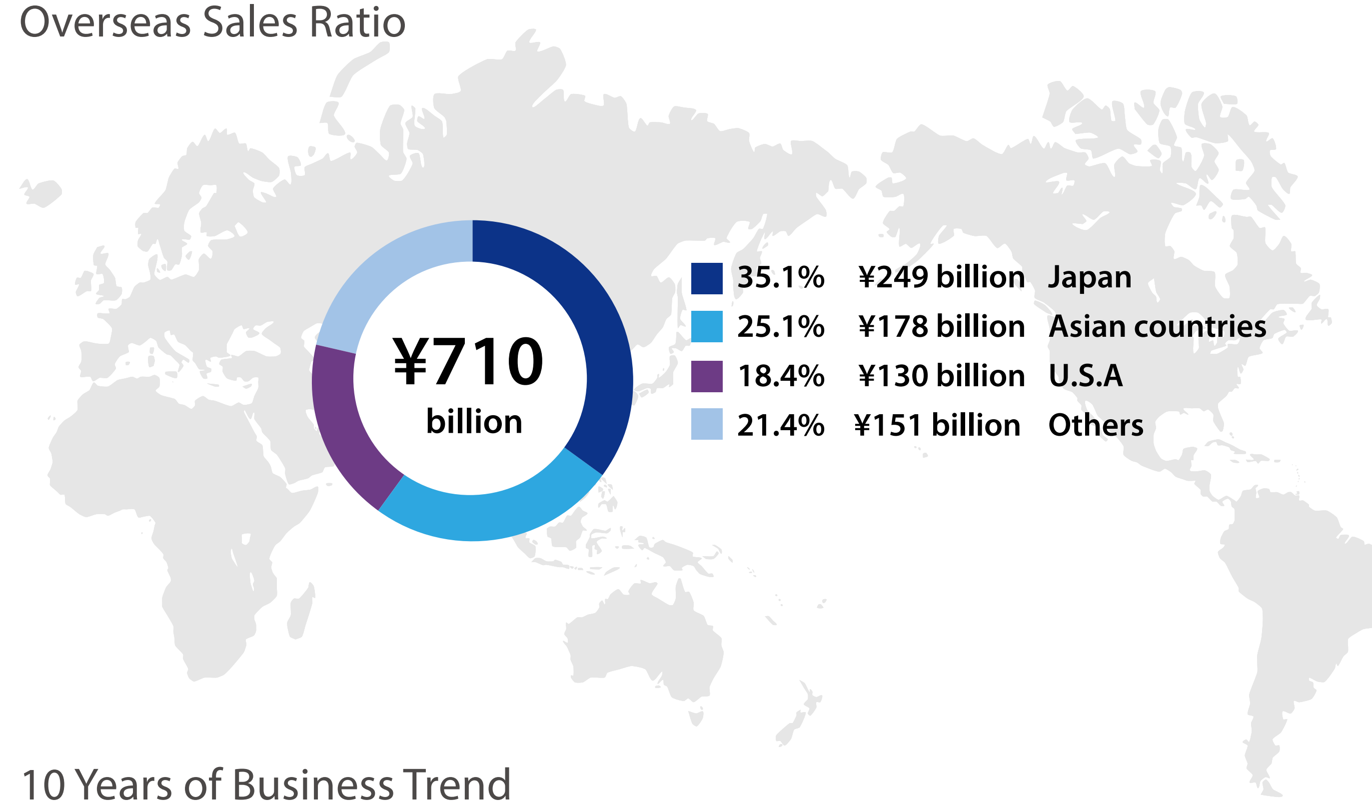


50% ¥354 billion
Power & Telecommunication Systems

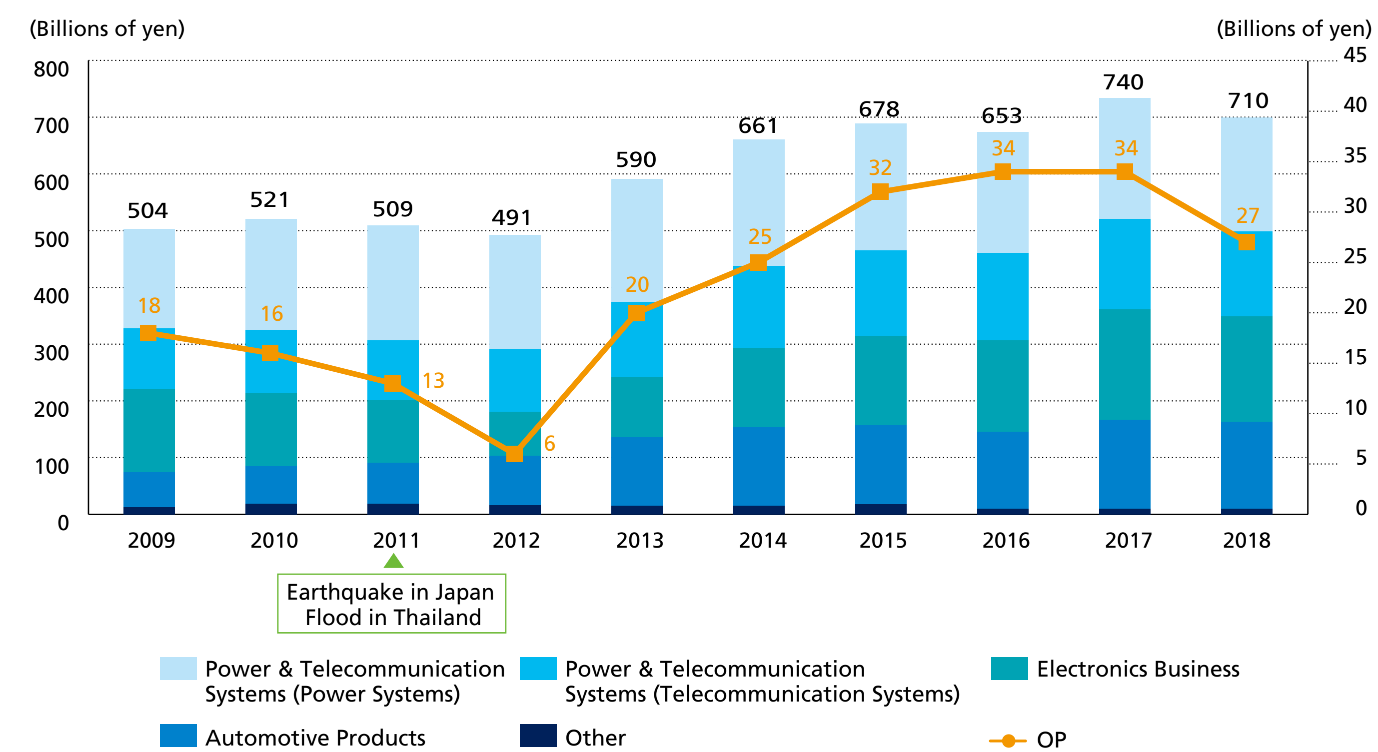
26% ¥185 billion
Electronics Business



Overseas Sales Ratio



10 Years of Business Trend



Financial Highlights

Performance

¥710 billion

Net sales decreased due to a slowdown in demand for smartphones and reorganization of a domestic electric wire sales company

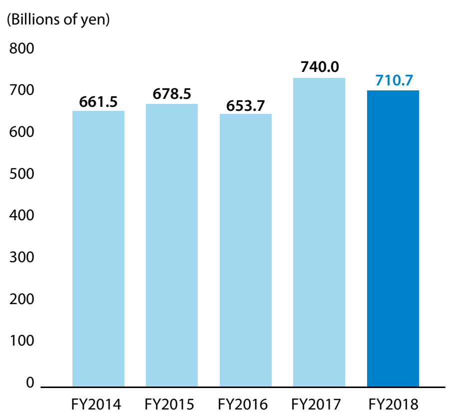
¥27.6 billion

Operating income decreased due to the intensifying competition in the markets, the increasing costs in the overhead transmission cable project in Bangladesh and the effect of a sharp decline in demand for smartphones.

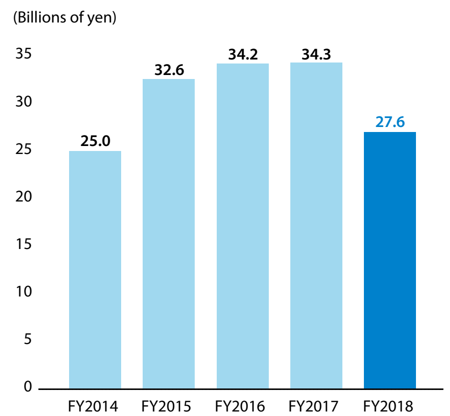
¥1.4 billion

Net income attributable to owners of parent decreased due to the extraordinary losses related to the poor performances of the Brazilian power business and the loss on non-conforming products, in addition to the decrease in ordinary income.

Net Sales

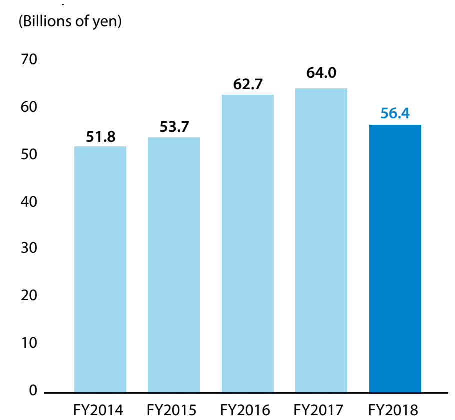


Operating Income



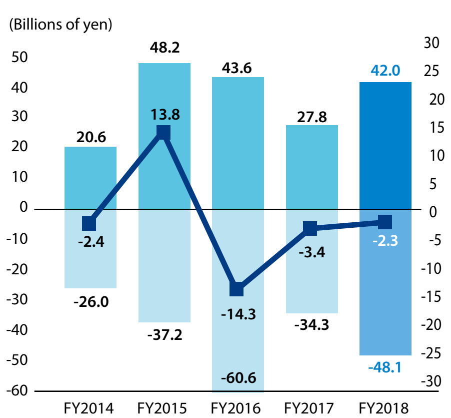
EBITDA

¥56 billion



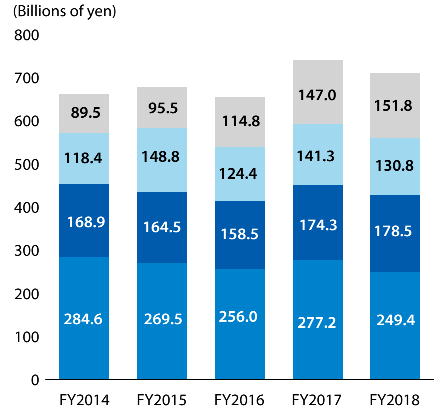
Free Cash Flow

Operating Cash Flow
Investing Cash Flow
Free Cash Flow



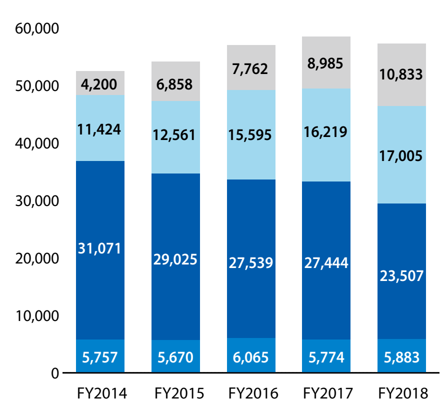
Overseas Sales Ratio

Japan
U.S.A
Asian countries
Other



Number of Employees

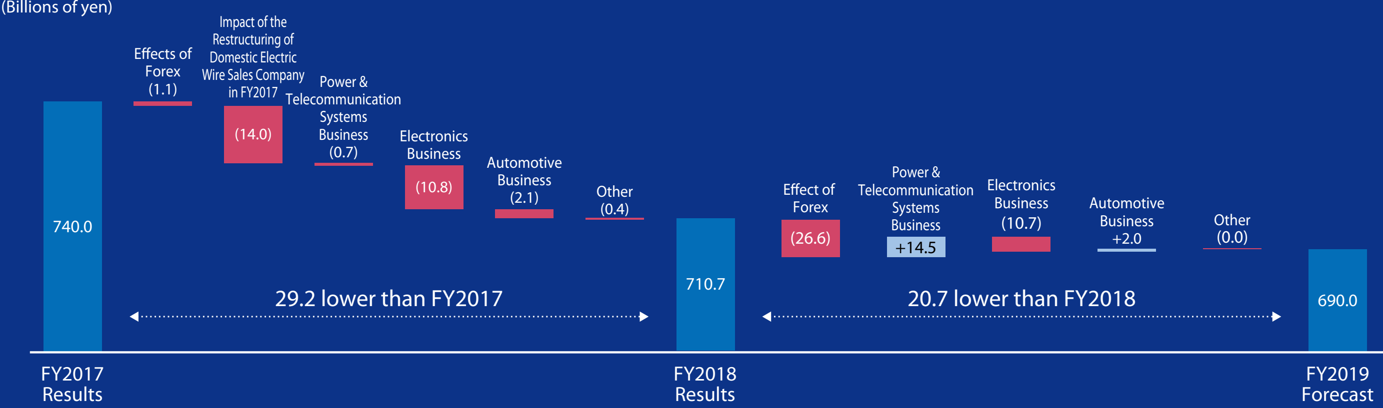
Japan
Asia (excluding Japan)
North & South America
Europe & Africa



	FY2014	FY2015	FY2016	FY2017	FY2018	FY2018
					Millions of yen	Thousands of U.S. dollars
For the Year						
Net Sales	661,510	678,528	653,795	740,052	710,778	$6,403,405
Operating Income	25,075	32,632	34,230	34,343	27,679	249,360
Net Income Attributable to Owners of Parent	12,201	11,317	12,900	18,359	1,453	13,090
Capital Expenditures	24,637	31,979	45,623	42,588	55,785	502,568
R&D Expenditures	15,226	16,210	15,614	16,291	17,466	157,351
At Year-End						
Total Assets	577,567	552,678	588,626	638,055	638,318	5,750,613
Total Net Assets	234,527	217,981	224,546	241,961	240,910	2,170,360
Number of employees	52,452	54,114	56,961	58,422	57,228	
Per Share Data						
Net Income (Loss)—Primary	¥37.93	¥36.98	¥44.61	¥64.36	¥5.09	$0.05
Cash Dividends	7.00	8.00	10.00	14.00	12.00	0.11

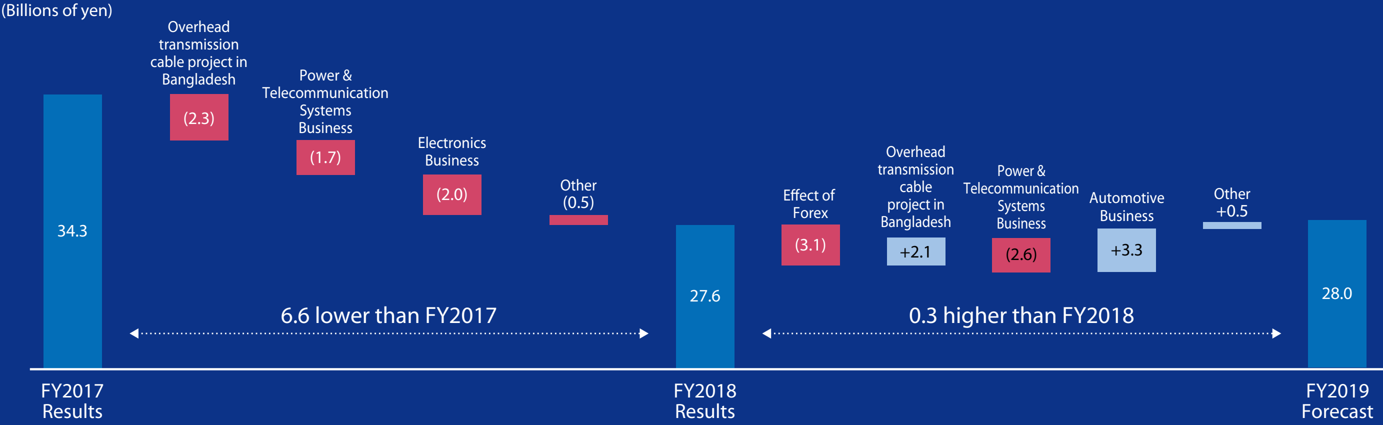
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)



Progress of 2020 Mid-term Business Plan

Fourth year of 2020 Mid-term Business Plan

Re-start for Trust Recovery!

Goals to Achieve by 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)**

Review of FY2018 and Past Three FY of the 2020 Medium-Term Business Plan

▶ Review of FY2018

- Power System business: Loss at overseas EPC business (Bangladesh, Brazil)
- Optical fiber: Change in supply and demand in China and temporary drop in demand in North America
- Hyper-scale data center business: Change in customer's procurement policy, promote expansion of customer base
- FPC: Demand from major customers fell sharply twice in the fall and winter, and both profit and rate decreased compared with the same period last year
- Automotive Products: Delayed business recovery in Europe, combined with declining demand in Asia

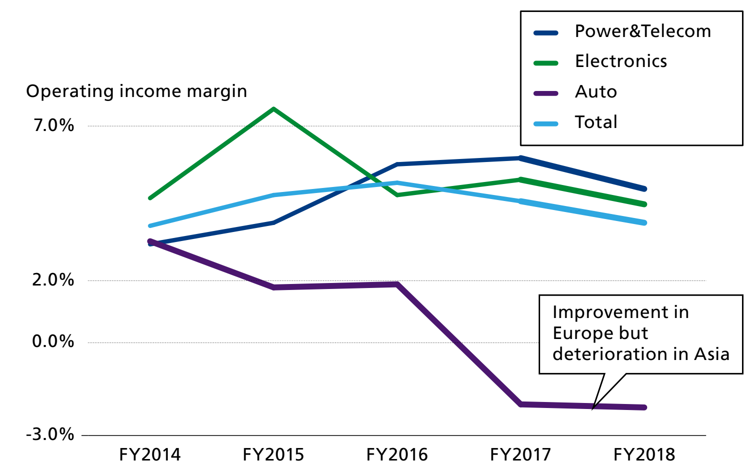
Overall, the major point of reflection is we did not sufficiently identify business risks at the entrance point of a project and we did not give sufficient consideration to countermeasures. We overlooked the signs of emerging risk and subsequently incurred major losses. As a result, those factors resulted in a decline in profitability and a delay in improving our financial position.

Result

FY2016-FY2018 Average operating profit margin: 4.6%

D/E ratio 54 : 46 (as of March 31, 2019)

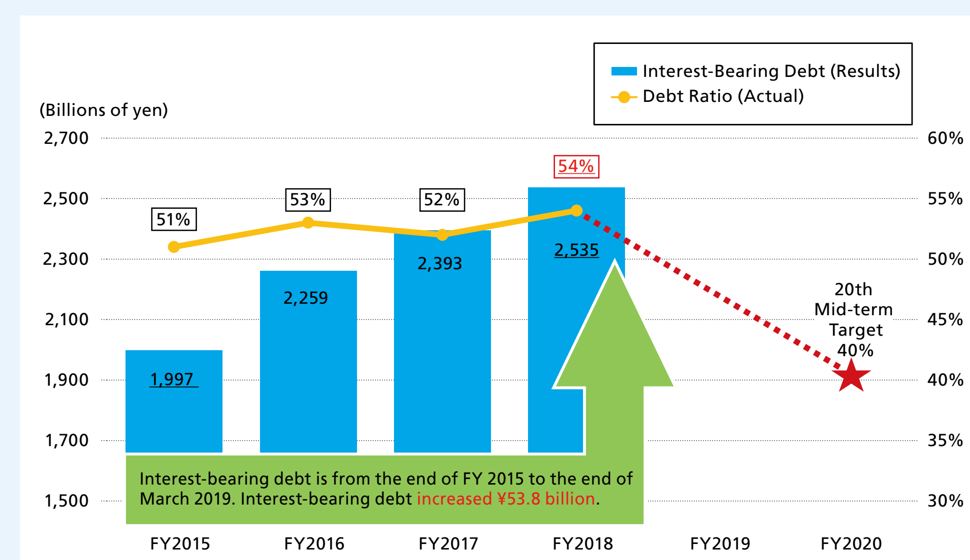
Trend of Operating Income Ratio to Net Sales



▶ Factors behind the deterioration in the operating income margin

- Rapid profitability deterioration and Recovery delay in the Automotive Business
- Sudden deterioration in earnings in EPC and other businesses

Transition of Interest-bearing Debt



▶ Factors behind the increase in interest-bearing debt

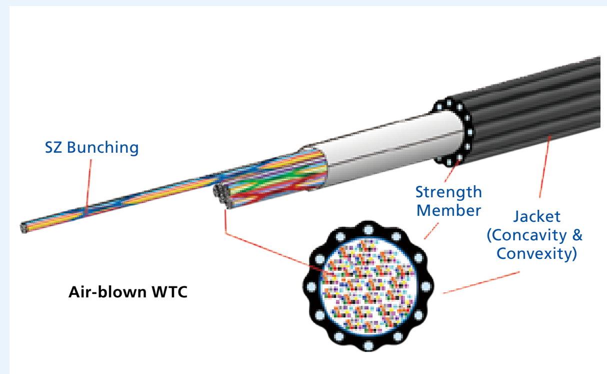
- Delay in harvesting the results of invested businesses (market change)
- Expansion of the business operations

Reap Benefits from Large-scale Investments - Telecommunication Systems

- ▶ Rapid market changes: Demand in China is sluggish but strong in other regions
- ▶ Our strategy remains unchanged. We aim to deploy products that are the optimal solution for needs that differ by customer region and use
  - ■ Deploy SWR™/WTC™* to capture demands in areas outside of China, measures for stagnant fiber demand in China
  - ■ Continue to deploy strategic products to other regions
    - North America: Response to a growing FTTx and its demand for increasing capacity
    - Europe: Break into market by providing new WTC products adapted for local markets

■ Deploys products that are the optimal solution for customer needs

- Supply 6,912-core/200μm ultra multi-core WTC (large capacity)
- Air-Blown WTC (regional requirement in Europe)
- Successfully developed highly fire-retardant WTC and launched on the market (US spec and Europe spec product)
- SWR cable laying solution for Data Center (integration)



*Spider Web Ribbon/Wrapping Tube Cable

Achieve Greater Differentiation Through Digital Innovation — Electronics Business

- ▶ Develop sophisticated functions for various applications: Expand areas of growth for Fujikura
- ▶ Actively engage in growth fields with technological and production strength fostered by high-level demands from major customers (create No. 2 pillar)

Operations with quality at their core + Digital Transformation

- ■ Innovation in digital manufacturing (IT/IoT, AI)
  - Implement digital manufacturing reforms for quality, production and facilities, and build a strong quality chain
- ■ Deal with growth fields by employing technological innovations
  - Respond to requests for higher precision and density in various fields
- ■ Differentiate to expand gap with competitors by shoring up comprehensive strengths with the above mentioned two innovations

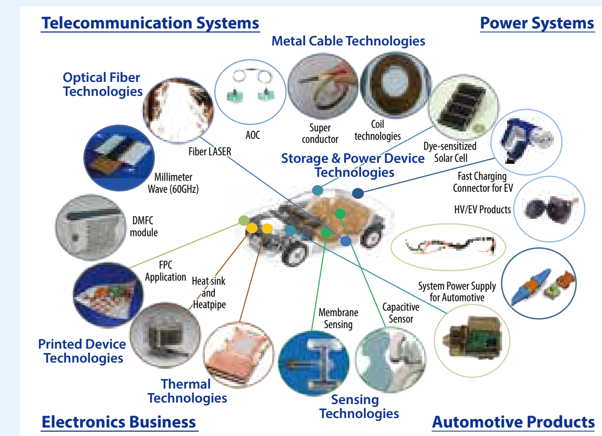
Learn from customers
Grow with customers

Initiatives for New Businesses

Approach to CASE of Automotive

- ▶ Automotive Products Company (adapted for market) + Electronics Business Company (by product) ➔ **Switch to hybrid organization**

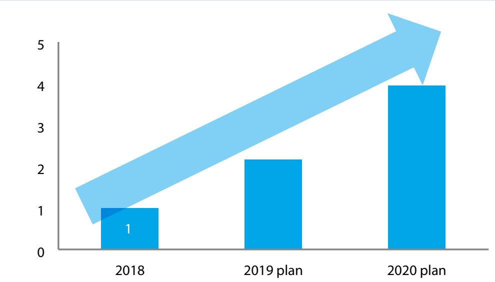
Fujikura automotive related products and technologies



- ■ The WH business continues to be a core platform in the automotive market among our business portfolio.
- ■ Integrate two in-house companies to transform it into a business that adds our technologies / products / solutions and enhances customer value by taking advantage of this core platform.

Fiber Laser Initiatives

- ▶ Start orders and shipments to major customers in 4Q
- ▶ To become business pillar in 2020, final year of mid-term business plan by implementing Core + Innovation
  - ■ FY2019 is the year we will plant seeds for sales growth in and after FY2020



Fiber laser sales image
(Multiple of FY2018 sales)

Establishment of AI Platform for Manufacturing

- ▶ Advanced Initiatives in the Manufacturing Industry: Inserting AI+IoT into the Manufacturing Process
  - ➔ As a result of successful operation for one year, our initiative of AI technology in the manufacturing industry has been established.
  - ■ Promote "manufacturing innovations" by introducing AI and IoT Achieve manufacturing strength that allows customers to perceive value: Turn up the appeal of manufacturing
  - ■ Possible to replace existing processes with AI
  - ■ Expand the solution into other productions Response to labor shortages
    - (1) Fujikura's proprietary AI learning method
    - (2) Make AI response to anomalies visible (White Box)

Being interviewed on response via television.

On-site voices: "I don't want to return to human inspections."

Company Profile

Power & Telecommunication Systems Company

Global roll-out of differentiated products

The Power & Telecommunication Systems Company aims to be a business that possesses high earning power and a powerful metabolism that enables it to reinvent itself.

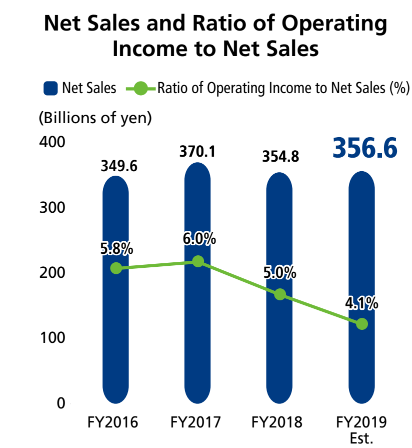
Although the continued robust demand for optical fiber has been impacted by easing in the demand-supply relationship, we are making progress on rolling out solutions, mainly based on high-density, small-diameter optical fiber (SWR™/WTC™*1).

The pace of renewable energy introduction has accelerated to reduce CO_2 emissions and prevent global warming, and a series of solar power plants and wind farms are being built at various locations around Japan. Fujikura is involved in the proliferation and expansion of renewable energy through the EPC business.

*1 Spider Web Ribbon™/Wrapping Tube Cable™

"Fujikura is expanding globally, responding swiftly to the needs of customers and providing solutions based mainly on differentiated products."

Hideyuki Hosoya
Senior Vice President & Member of the Board

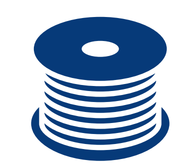


0.83

Thickness of WTC compared to conventional cable (1000-fiber cables)

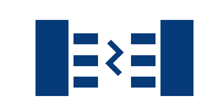
0.6

Weight of WTC compared to conventional cable (1000-fiber cables)



2x

The rated current of EV rapid charging cables is double that of conventional cables.



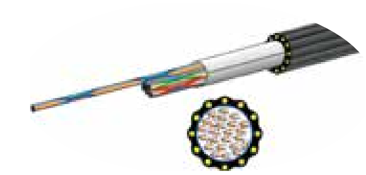
Connection of optical fiber fusion splicer and peripheral tools via Bluetooth

This product increased the efficiency of fiber stripping work and dramatically improved onsite workability.

Air-Blown*2 WTC

We developed optical fiber (SWR™/WTC™) that can be installed in tube cables by using air pressure to blow fibers in.

*2 A method for installing cables by using air pressure to blow them into cable tubes, which is mainly used in Europe.



Used in renewable energy

Fujikura provides one-stop "tsunagu" solutions that encompass everything from design, to procurement and installation for all types of connections for communications, intrusion detection systems, and other systems that use transmission equipment or optical fiber at various kinds of renewable energy power plants.

Company Profile

Electronic Products & Connector Company

Improving Profitability by Improving Productivity

In FY2018, the Electronics Business saw a 5.6% YoY decline in net sales to 185 billion yen and a 20.3% decline in operating income to 8.3 billion yen. This mainly resulted from the impact of the rapid decline in demand for smartphones in the second half.

Our plan for FY2019 calls for 167.7 billion yen in net sales and 8.7 billion yen in operating income. The changes in the market environment caused by the trade policies of the U.S. and China have led to a business environment that requires us to pay attention to elements of uncertainty. To achieve the goals of the 2020 Mid-term Business Plan, we will pursue operational excellence and forcefully push ahead with automation and improvement in productivity.

In FY2018, the Automotive Products Business saw a 1.9% YoY decline in net sales to 154.1 billion yen and an operating loss of 3.2 billion yen. The main factor underlying this was the impact of production cuts by customers in Asia, which was not overcome by diminishment of the cost increases seen at European manufacturing locations due to an increase in the attrition rate that occurred in FY2017. Our plan for FY2019 calls for net sales of 148.3 billion yen and an operating loss of 100 million yen. We will work to create a united team of the three global regions of Asia, North and South America, and Europe by relocating production at the East European manufacturing site in Europe to North Africa and structural reform in Asia, among other efforts.

"Despite the drastic changes in the electronics market, it is our goal to provide world class manufacturing and meet the expectations of our customers by having manufacturing plants that operate with speed and a structure that integrates operations. In FY2019, we will work steadily to regenerate the automotive wire harness business."

Ikuo Kobayashi
Senior Vice President & Member of the Board

2 into 1

Integration of the Electronics and Automotive Products businesses

35 years

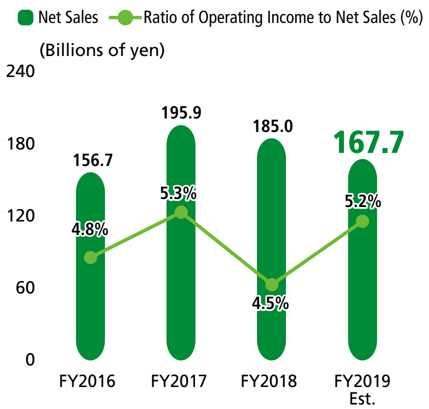
The Electronics Business has manufacturing expertise developed over 35 years after entering Thailand.

19 countries and 58 locations

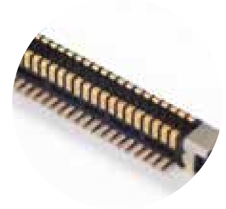
In the Automotive Products Business, Fujikura has global operations in 58 locations in 19 countries (35 plants and 23 offices).

Electronics Business Overview and New Product Initiatives

Net Sales and Ratio of Operating Income to Net Sales



Board-to-board Connectors for Vehicles and Mobile Devices



Fujikura developed board-to-board connectors to meet the need for electronic control and miniaturization in vehicles and has expanded the variety of board-to-board connectors available. These connectors minimize the space required for mounting on printed circuit boards and are highly reliable, with a locking mechanism to resist vibration and prevent disconnection.

Ultra-thin Vapor Chamber

The increasing functional sophistication of smartphones, digital cameras, and other small mobile devices has caused problems with heat. Fujikura developed an ultra-thin 0.4-mm-thick vapor chamber to solve this problem. The vapor chamber uses a flat heat pipe to achieve high performance in dissipating heat.

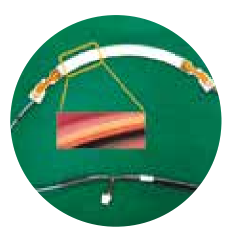
The photo shows an ultra-thin vapor chamber on the left, a flat heat pipe in the center, and a one-yen coin on the right (comparison to 1.5-mm thickness.

Battery-monitoring FPC

Fujikura is working to develop new products such as a battery-monitoring FPC to keep pace with rapid progress in electric vehicles in addition to safe, reliable FPC for vehicle operation. We are using the manufacturing expertise we have developed in the electronics and automotive sectors thus far to provide high value to customers and create new businesses.

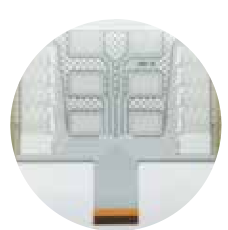
Automotive Products Business Overview and New Product Initiatives

LED light-guide module



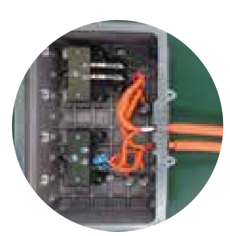
LED light-guide module, a complex model product, is released. A wire harness, an SMT-FPC and a mold plastic parts are assembled. And it is installed into an automobile inner design.

Capacitive sensor film for Touch Switch



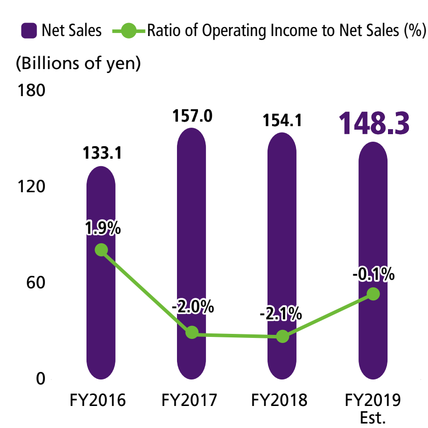
It is a capacitance sensor film used for console boxes, room lamps and steering switches as a replacement for mechanical switches. The market is expected to expand sevenfold in 2025 compared to 2018.

Junction Box for hybrid articulated bus



Fujikura has developed high voltage Junction Box for the first made-in-Japan hybrid articulated bus. This box is constructed in front car box, back car box and high voltage wire harness. We will start mass production of this box from July 2019.

Net Sales and Ratio of Operating Income to Net Sales



Company Profile

Real Estate Business Company

Maximizing Use of Assets and Maintaining Stable Revenue

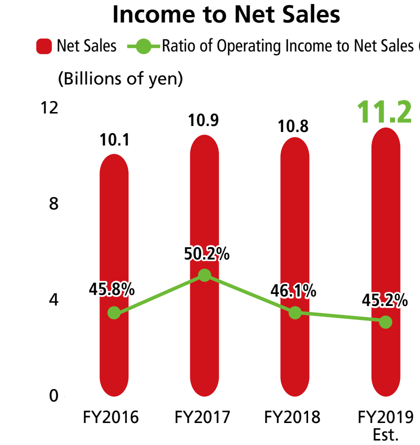
We are effectively utilizing the former plant site next to Fujikura headquarters to expand our real estate business. Redevelopment began in 1998, and we are operating a real estate leasing and management business, mainly for five office buildings and two commercial buildings. The office buildings have a total leasable office space of around 107,000 m^2. This property offers the advantage of being located within 4 km of the Marunouchi district in central Tokyo, and has banks and many other excellent tenants. It has continued to operate at full occupancy since FY2014.

"It has been 19 years since Fukagawa Gatharia first opened for business. We will harness the operating expertise we have accumulated thus far to maintain and improve asset value over the medium and long-term, and to steadily fulfill the role of supporting our main business. We will also contribute to surrounding local communities as we work to co-exist harmoniously and achieve mutual prosperity."

Tetsu Ito

Senior Vice President & Member of the Board

Net Sales and Ratio of Operating Income to Net Sales



Total leasable office space: Approx. 107,000 m^2

The five buildings have a total leasable office space of around 107,000 m^2, occupied by more than 10,000 office workers.

100% occupancy

Both the office buildings and commercial buildings are operating at 100% occupancy.

Operating margin: 46%

The high operating margin of 46% contributes to management of the entire company.

Recovery from a Series of Disasters

(Recovery from the Major Flooding in Thailand in 2011)

Fujikura has faced numerous disasters before and has recovered from them each time. Tough, unwavering resilience in the face of difficulties is one of Fujikura's characteristics, and the major flooding in the Kingdom of Thailand in 2011 illustrates that.

The major flooding that occurred in Thailand in October 2011 flooded 10 of the 13 Fujikura Group locations for two weeks. The core manufacturing sites for the electronics and connectors businesses were dealt a particularly devastating blow.

The flooding reached several meters in height, submerging the first floor of each manufacturing location for an extended period. This caused irreparable damage to the manufacturing equipment and plant infrastructure and facilities. This was especially true for FPC. Because the manufacturing of bare FPC (the circuit boards prior to mounting electronic components) was concentrated in Thailand, nearly all FPC manufacturing capacity was destroyed, and this caused a substantial decline in revenue in the electronics business in FY2011.

Employees throughout the Fujikura Group were absolutely determined to recover and restore operations and subsequently worked as one team to achieve that. This teamwork resulted in the reconstruction of each location with flood prevention measure. On April 28, 2016 at our FETL Ayutthaya Plant, we consequently held an event declaring complete recovery of all Fujikura Group locations in Thailand that had been damaged by the floods in 2011. Our customers continued to give us business opportunities and we were able to recover from damages thanks to the long-standing strong relationships of trust with them.

October 2011
First floor submerged from flooding

Event declaring complete recovery at all locations in Thailand at the FETL Ayutthaya Plant on April 28, 2016

For the Future

Since it was founded in 1885, Fujikura has contributed to the development of society by providing highly reliable products to the world through advanced technology.

Possessing technology developed by Fujikura itself is what first made it possible to create new functions and new value, and enabled Fujikura to become a leader in the field of "tsunagu (connecting)" technology.

Having said that, we do not intend to rely solely on self-sufficiency in a world where technology is rapidly changing. The pursuit of advanced R&D capabilities and open innovation are essential to the sustainable growth of our company.

On the following pages, we describe initiatives that are aimed at the future and how we are approaching and pursuing R&D by Fujikura and open innovation. Please understand that both are essential and key to the sustainable growth of Fujikura.

26 Research & Development
30 New Business Development
32 Open Innovation

Research & Development

Accelerating pace of R&D evolution at Fujikura

With a history of manufacturing and selling wire and cable that stretches back more than 130 years, Fujikura has established a solid base in the areas of power line systems and telecommunication line systems. In the area of telecommunication systems, Fujikura has continually been at forefront in researching and developing technology relating to optical fiber and peripheral products, which became the mainstream alternative to electrical cable in the 1980s, and we have maintained global top-level technology. We are rolling out such wire cable and optical fiber-related technology across electronic devices and automotive products, and are building a technology platform that will generate high value-added in the areas of telecommunication systems, electronics, and energy.

At Fujikura, we have restructured our Advanced Technology Research Institute, which has spearheaded R&D thus far, and are accelerating our efforts to achieve even greater innovations in "tsunagu" (connecting) technologies based on the technology platform we have established.

Akira Wada

Exective Vice President & Member of the Board, Representative Director, in charge of Corporate R&D Unit, Corporate Production Unit

R&D Based on a Technology Platform

With the proliferation of smartphones and video content, the volume of data traffic is projected to triple by 2021, compared to the level in 2016.

At our Optical Technologies R&D Center, we are working to developing practical applications for ultra low-loss optical fiber for advanced optical telecommunications networks that transmits over long distances without deterioration in communication quality. Thus far, we have developed SWR™/WTC™ optical cable products that contain a large number of optical fibers densely packed into thin cables as a solution to increase capacity. We are working on commercialization of a multicore fiber that contains up to 19 cores within one optical fiber glass strand to further increase transmission capacity.

Fujikura has combined a broad range of optical technologies developed for optical fiber for telecommunications to develop a high voltage fiber laser for use in industrial equipment. Fiber lasers are used to cut metal, weld, and in other processes. We have already created a 12 kW multimode fiber laser product and are pursuing research and development of a single mode fiber laser that concentrates a light beam into a narrow line and can provide high-precision, high-quality processing at a rapid speed.

At our Electronic Technologies R&D Center, we are pursuing research and development aimed at broadband wireless transmission involving passive components that use millimeter wave communications modules, quartz substrates, and other technologies suitable for 5th generation mobile communication systems (5G) that show promise as the next generation of mobile communication systems. We are also proceeding with PoC testing of a wireless system with energy-harvesting sensors equipped with dye-sensitized solar cells we developed as the power source. Another area of research and development we are working on is Yttrium-based high-temperature superconducting wire that achieves superconductivity at liquid nitrogen temperatures, which is targeted at application to medical MRIs and superconducting motors.

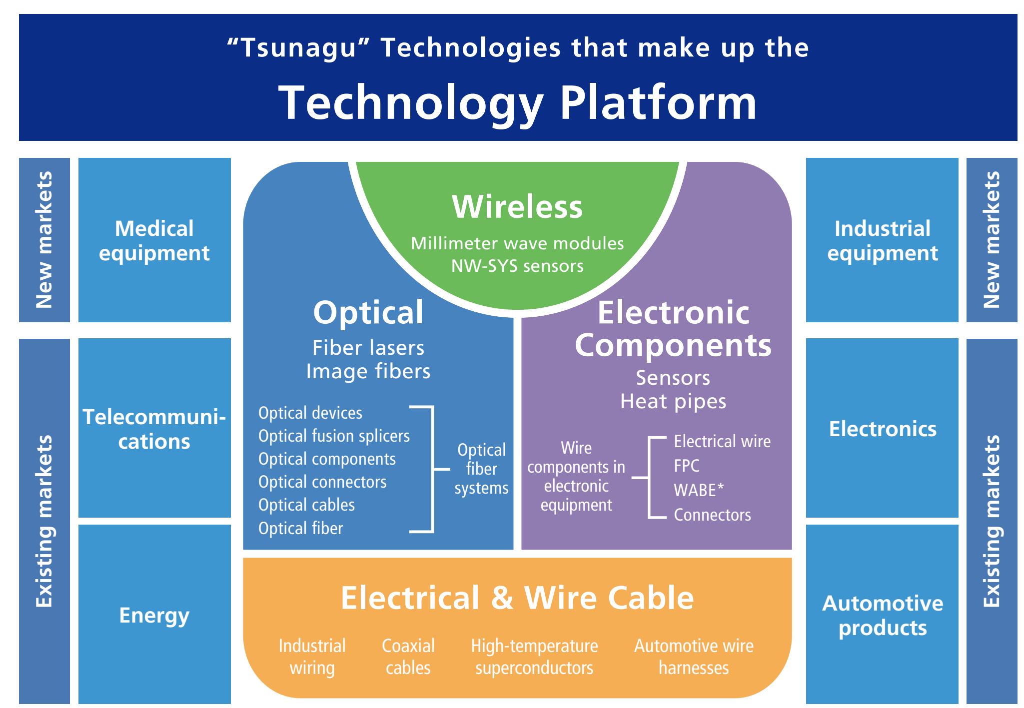
Our Automotive Electrical System R&D Center is working with Fujikura Technology Europe GmbH, our European R&D Center which was established in Frankfurt in FY2018, on research and development for the increasing electrification of vehicles, including high-voltage wire harnesses, battery charging components, high-speed in-vehicle Ethernet, and battery cable systems.

R&D Based on a Technology Platform

As digital transformation progresses in industry, social infrastructure, lifestyles, and a host of other areas, we also need to repurpose the core technologies Fujikura has developed in our "tsunagu" technologies, from the fresh perspective of using ICT technology to more closely connect people with information. At Fujikura, we are in the process of searching for an R&D framework that will generate new value through global collaboration with external research institutions, and through open innovation.

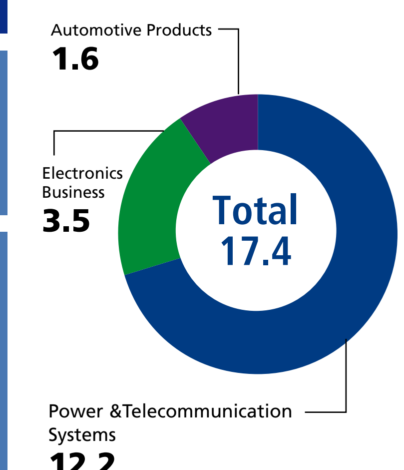
The Japanese government is pursuing Society 5.0, a concept for realizing an abundant society that integrates big data and people to a high degree. With "Tsunagu" Technology 2.0, which integrates new underlying technologies into our technology platform, Fujikura will provide solutions to social problems and create an abundant future.

"With "Tsunagu" Technology 2.0, which integrates new underlying technologies into our technology platform, Fujikura will provide solutions to social problems and create an abundant future."



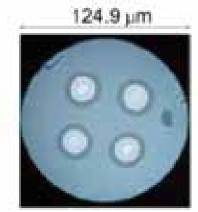
*Wafer and Board Level Embedded Package

Research and Development Expenses by Segment
(Billions of yen)



Research Fields

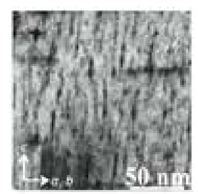
4-Core, 3-Mode Optical Fiber for High-capacity Transmission



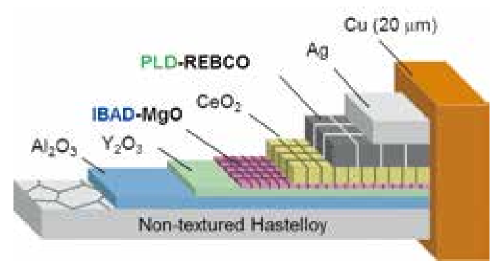
Fujikura is researching spatial multiplexing via multicore optical fiber as next-generation optical fiber transmission technology capable of handling big data, 5G service, and other aspects of constantly expanding global data communications. Together with the National Institute of Information and Communications Technology (NICT), Hokkaido University and others, we recently succeeded in 1.2 Pb/s optical transmission using the world's first 0.16 mm-diameter 4-core 3-mode optical fiber. This multicore optical fiber has a high-density data transmission capacity that is more than 10 times greater than conventional optical fiber. Because this optical fiber is roughly the same size as conventional optical fiber, it is easy to install and can be used for existing equipment so we anticipate rapid application.

Rare-earth-coated High-temperature Superconductor Wire with Artificial Pins Introduced

Rare-earth-coated high-temperature superconductor wire that has impurities called artificial pins added is known to increase the critical current density in the magnetic field. Fujikura recently completed development of this type of rare-earth-coated high-temperature superconductor wire doped with artificial pins, which it had been working on. It is nearing the point of mass production and Fujikura began supplying the wire from fiscal 2019. This high-temperature superconductor wire can be expected to increase the critical current density by 40% or more compared to conventional wire in the temperature and magnetic field domains envisioned for industrial applications. We are also making progress on our proprietary manufacturing method which will enable consistent production of long lengths of high-performance wire. In the future, we anticipate being able to contribute to the commercialization of equipment that uses high-temperature superconductors together with conventional equipment.

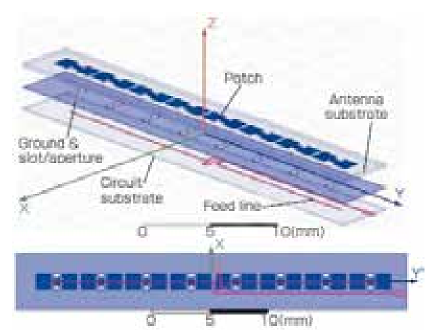


Artificial Pinning Centers-doped REBCO layer



Beam-forming Millimeter Wave Device Using Ultra-high-speed Wireless Transmission

The devices used in 5G that will be introduced in the future will need the high-gain broadband antennas required for high-capacity transmission. Fujikura recently developed an antenna array for the 60 GHz bandwidth. The structure consists of a liquid crystal polymer (LCP) substrate with low-loss properties for the antenna substrate and electromagnetic coupling of the feed line and radiating element through the ground slot apertures. This antenna can be used in the 58 to 63 GHz frequency range, and the radiation direction can be changed by coupling multiple antennas and adjusting the phase of the feed line for each antenna. This enables limitation of the gain loss to 2 dB compared to the frontal direction, even for beam-forming at ±45 degrees. This enables superior beam-forming action in the millimeter bandwidth.



Energy-harvesting LoRaWAN-compliant Sensor Node

Fujikura has developed and commenced sales of an energy-harvesting sensor node equipped with LoRaWAN wireless, one of the LPWA (Low Power Wide Area) technologies applicable to wide areas, as a wireless sensing device that will accelerate the use of IoT. This sensor node uses a DSC (Dye-sensitized Solar Cell) as the power source. DSC are capable of efficiently harvesting energy from surrounding ambient light. The sensor node is equipped with sensors for temperature, humidity, luminous intensity, barometer pressure, and other measurements. The use of DSC enables highly efficient power supply in low-light environments such as interior lighting and outdoor shade, and provides an optimal device for IoT sensing because it does not require installation of a power source, battery replacement, or other maintenance.

Sensor node inside building

EH unit + Indoor sensor node

Outside sensor node Whole EH unit

Research Function Organization

R&D Function

- **Electronic Technologies R&D Center**

  As rapid advances are made in broadband and the use of IoT, the center is pursuing R&D on millimeter wave band high performance devices for high-speed high-capacity data transmission, sensing systems that use dye-sensitized solar cells, and other technologies. It is also pursuing R&D on advanced technologies such as printed electronics for creating high performance devices. Another area of R&D the center is working on is loss-free energy transport and superconductor wires that produce high-efficiency electric power equipment.

- **Optical Technologies R&D Center**

  The volume of data carried by optical communications networks continues to increase at an astounding rate. To respond to the accelerating pace of technological innovation in information and communications, the center is pursuing R&D such as next-generation optical fiber capable of ultra-high capacity data transmission, various types of optical devices and optical modules to support the optical communications networks of the future, and fiber laser and fiber sensor technology equipped with optical technology. Our research not only targets information and communications, but a wide range of applications that extend beyond the communications sector.

- **Automotive Electrical System R&D Center**

  The Automotive Electrical System R&D Center is pursuing R&D on EDS (Electric Distribution Systems) and electronic components, mainly for wire harnesses designed for next-generation vehicles. Through a partnership with Fujikura Technology Europe, the center is pursuing R&D aimed at the latest trends overseas. Such research includes an in-vehicle network system capable of high-speed communications that enables high-capacity transmission, high-voltage harnesses required for electronic operation, and high-current charging technology.

- **Advanced Material Technology & Analysis Center**

  In addition to development of materials to support Fujikura products, the center is also pursuing R&D in the fields of metals, ceramics, and polymers to develop new materials that offer new functions. The center is also equipped with analytical technology capable of responding to the various environmental regulations, which become stricter every year, and has acquired certification as an ISO testing center. It is working on development of new analytical technology to contribute to the evaluation and analysis supporting product quality assurance and R&D.

New Business Development

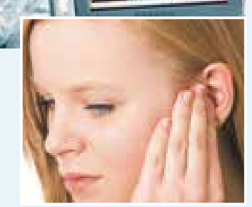
New Business Development Center

The New Business Development Center serves as an incubator to develop R&D results into new businesses. We recognize the need to expand the scope of global top-level "tsunagu" technologies, and are steadily developing medical technology based on the core technologies of imaging and miniaturization and high-temperature superconductor technology that holds promise for use in the areas of MRIs and energy. These technologies are expected to see major growth as businesses. In the future, we will also focus on IoT solution technology, functional materials, millimeter wave technology, and other new underlying technologies to expand the scope of the "tsunagu" technologies that Fujikura provides, in addition to these technologies which are considered pillars of our business. We will turn the results of research into new products and services that anticipate the expectations of customers and society, and provide these to the world.

Moreover, the 2030 Vision that we formulated describes our goal of using "tsunagu" technologies to solve the problems of people and communities in a MIRAI (future) society in the four target market areas of Advanced Communication, Energy & Industry, Life-Assistance, and Vehicles. We will further accelerate the pace of open innovation through our Silicon Valley office, which we opened in 2017, and the BRIDGE Fujikura Innovation Hub established in Kiba, Japan, in 2018, and will work together with partners around the world to solve the challenges of society.

Masato Inaba
Senior Vice President &
Member of the Board

Initiatives in the Medical Sector

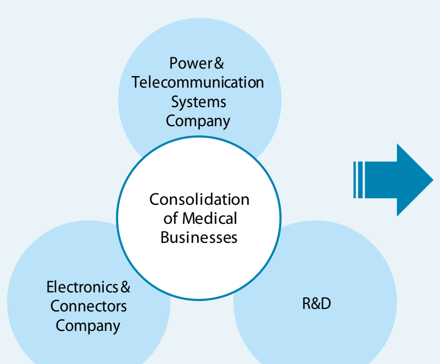


The Fujikura Group has been developing medically related businesses in various business domains up to this point, but we are now consolidating related business to mount a more proactive response because of the highly technical nature of areas involving medicine and because we anticipate future expansion in society's needs.

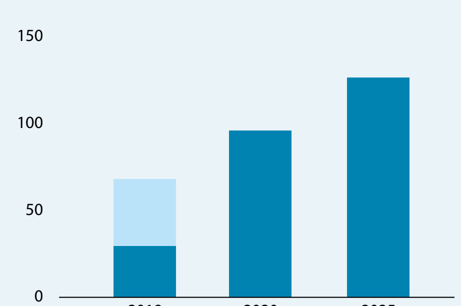
We have also positioned the life assistance business, which will lead to improved quality of life (QOL), as one of our targets to achieve in the 2030 Vision from a medium to long-term perspective, and are actively expanding open innovation from a long-term perspective.

The Fujikura Group has positioned our core technologies in the medical field as imaging and miniaturization, based on the various specialty optical fibers, optical components, and optical information processing technologies generated from our optical fiber technology, and the high-precision, ultra-compact mounting technology and high-frequency technology generated from our electronics technology.

We are already involved in the whole range of technology for direct imaging inside the body, and are working to expand business in hearing aids and other electronic technology where there is a strong need for thinness and miniaturization.



Net Sales Forecast for the Medical Business

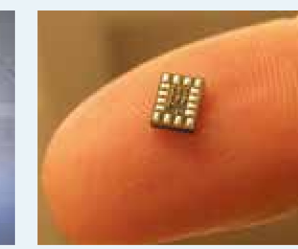


Fujikura is active in initiatives that contribute to meeting the high-level needs of medical facilities shown below.

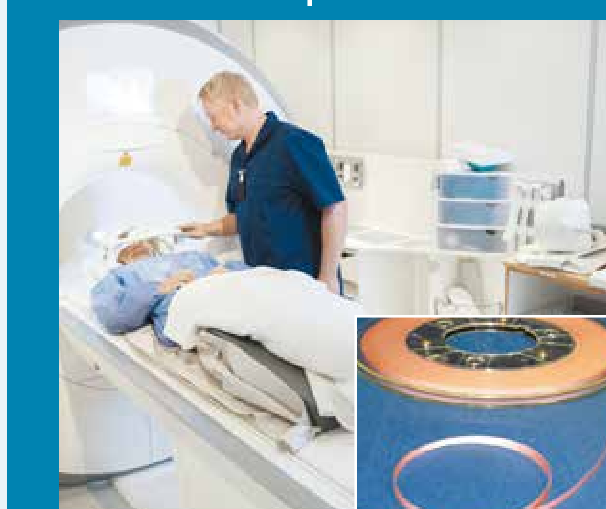
Needs of Medical Facilities	Contribution by Fujikura Technology
Obtain various kinds of information about internal organs	Small diameter endoscope + multiple functions
Small diameter & flexible	Electronic components & micro assembly
Safety against transmission of infections = Disposable	Mass production at Asian locations

We are currently using our optical fiber technology and our electronics technology, which are our core technologies, as door openers to conduct proof-of-concept testing with major overseas medical companies and are participating in other initiatives in co-creation from the initial stages of medical device development.

We are aiming to grow net sales of Fujikura Group businesses to around 10 billion yen in the next Mid-term Business Plan.



Initiatives in Superconductors



Development of Yttrium-coated High-temperature Superconductor Wire for MRIs and Other Medical Applications

Fujikura has been working on developing the technology for mass production of long lengths of high-temperature superconductor wire aimed at commercialization for many years, and have received high acclaim for this technology and its properties, both from Japan and overseas. There have long been loud warnings about the insufficient supplies of helium worldwide. Our Yttrium-coated high-temperature superconducting wire does not need liquid helium and works even in strong magnetic fields. It is very promising for MRIs and other medical applications, and has the latent potential to be an important product for solving future social challenges.

Open Innovation

2030 Vision

The Fujikura Group solves problems in a comfortable and sustainable "Mirai" (future) society by providing "tsunagu" (connecting) solutions and thereby enhances corporate value.

In March 2017, we formulated and announced our Fujikura Group 2030 Vision as our long-term vision for our group. We declared that we would continually increase corporate value by providing solutions to problems facing society.

Based on the slogan "2030 Vision", we are working to create new value through open innovation in four envisioned market areas (Advanced Communication, Energy & Industry, Life-Assistance, and Vehicle).

Advanced Communication

We will contribute to the realization of a comfortable society that is full of vitality and that erases the boundaries between people, goods, and information by providing even more advanced communication in various forms, based on the evolution of sensing networks.

Energy & Industry

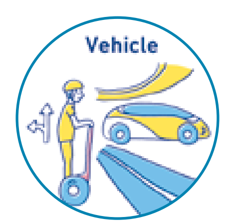
We will contribute to the realization of sustainable planet by building systems for highly sustainable power sources, storage, and management that will result in a stable supply of energy, and by using processing technology and digital technology powered by highly efficient, high density energy to achieve advanced manufacturing.

Life-Assistance

We will improve healthcare, increase health literacy, and contribute to extending the healthy lifespan of people and improving QoL that extends through a person's entire life by providing various solutions aimed at advanced healthcare, local communities, and occupations based on a QoL platform.

Vehicle

We will contribute to the realization of a society that enables comfortable and safe mobility and transport by providing new means of mobility that anyone can enjoy, the means to transport goods on-demand at a low cost, and the transportation infrastructure and systems to support those means.



Collaboration with Start-ups

We are collaborating with many different start-up companies to create new value in these four areas.

A process of trial and error is absolutely essential just to take on the challenge of solving the issues of a "Mirai" (future) society. However, we will steadily cultivate the beginnings of products and solutions that would be difficult to achieve on our own by collaborating with partners that offer a wealth of unique characteristics.

NCDC Design Everything | WORKS | Activate Lab | HERBIO
edison.ai | ipvive | CODE Meee | Kenpal

Fujikura Innovation Hub "BRIDGE" Established

BRIDGE Fujikura Innovation Hub

BRIDGE Initiative

The two processes of problem identification and problem solving are important to realizing our goal of solving the problems of a "Mirai" (future) society set forth in our 2030 Vision. How do we identify the potential problems that lie hidden in this world? When we considered that question, it occurred to us that the key lies in diversity. A new future will be revealed by combining different cultures, different technologies, different styles, and the ideas that emerge from those differences. BRIDGE emerged from the idea that we can create not just the future that lies beyond the technologies we have developed thus far, but an even more magnificent future.

The name, BRIDGE, incorporates the meaning of the bridge that connects us to all of our stakeholders. It also evokes the image of targeting a location rooted in Koto-ku, Tokyo, where there are numerous bridges.

Since July 2018, we have been forming a community created through interaction and collaboration extending beyond organizational boundaries by holding workshops based on the theme of the four market areas, seminars relating to design concepts and other innovations, symposiums targeting solutions to local problems, and a wide variety of other programs. We are also using several internal projects relating to the four market areas as a base for these efforts.

PLUG AND PLAY JAPAN

Consecutive Corporate Innovation Awards Received

Fujikura received a Corporate Innovation Award from Plug and Play Japan, a group which supports corporate innovation and which Fujikura has entered a partner agreement with. This award is presented to companies that have been pursuing open innovation in particular during a six-month program, and we succeeded in earning another award following the award we received in September of last year. We think that these awards resulted from the evaluation of our continuous pursuit of open innovation and results from proof-of-concept testing.

Corporate Social Responsibility

Long-term Response to Climate Change

13 CLIMATE ACTION

External Environment

According to the forecasts of OECD and other international organizations, the global environment is moving toward crisis conditions. Abnormal weather caused by climate change resulting from greenhouse gases has become a threat to our daily lives. Combined with water shortages, resource depletion, serious air pollution, decreasing biodiversity, and other problems accompanying population growth and expansion of economic activity, environmental issues are broad in scope and are growing worse on a global scale.

Policy and Governance

The Fujikura Group established its Long-term Environmental Vision 2050 in 2016. The Fujikura Group is active in business globally and, as a global citizen, has set its sights on 2050 and is working on the Four Challenges, which include the "Zero in 2050" challenge for zero CO_2 emissions at plants by 2050 to minimize the environmental burden imposed by the Fujikura Group. Reduction in CO_2 emissions is one of the urgent problems and we have formulated and are following a road map based on economic feasibility toward the goal of achieving zero emissions in 2050.

Scenario analysis using IPCC RCP2.6
(Intergovernmental Panel on Climate Change, Representative Concentration Pathway 2.6)

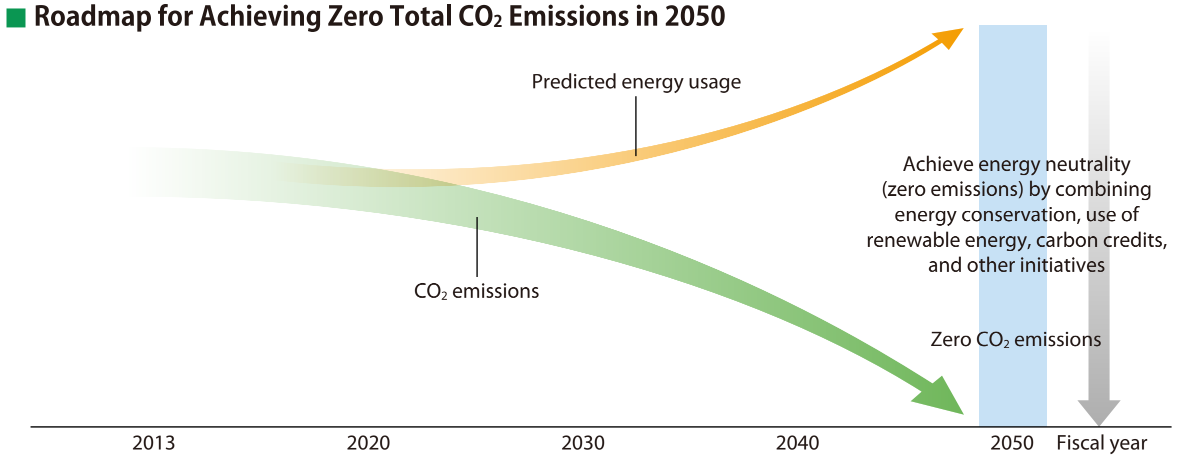
The Global Environment Committee (chaired by the officer in charge of the environment) sets targets, monitors progress, and reports to the CSR Committee (chaired by the president)

Fujikura Group Long-term Environmental Vision 2050

The Four Challenges

[Challenge 1]	[Challenge 2]	[Challenge 3]	[Challenge 4]
"Zero in 2050" challenge for zero CO_2 emissions at plants by 2050	Minimization of water use at plants and wastewater management	Symbiosis between plant workers and nature	Effective use of resources and resource cycle

■ Roadmap for Achieving Zero Total CO_2 Emissions in 2050



Strategy

The Fujikura Group targets increasing corporate value from an ESG perspective as part of its basic policy in the 2020 Mid-term Business Plan. To state this in concrete terms, developing environmentally friendly products is one of the steps we are taking. We are also taking a systematic approach to identifying and responding to transitional and physical risks from the impact of climate change.

2020 Mid-term Business Plan Basic Policy on ESG
To secure sustainability, establish corporate governance and enhance reputations of environment and social aspects.

Main Initiatives
- Develop environmentally friendly products.
- Ascertain transitional risk and physical risk.

Risk Specification

Type	Main Risks	Main Response
Transition Risks	• Increase in capital investment, depreciation, and operating costs from stricter regulations on reducing emissions, introduction of a carbon tax, and other measures • Deterioration in competitiveness in the event that we cannot meet customer demands • Reputational risk in the event we cannot meet the disclosure demands of investors and rating institutions	• Promote use of renewable energy in business activities (at headquarters, plants, and elsewhere). • Collect information and strengthen initiatives by joining external initiatives. • Regularly monitor and respond to ESG rating indicators.
Physical Risks	• Risk of suspension of operations due to inadequate response to natural disasters • Risk to employee health due to rising temperatures, etc. in regions where the company has operations • Procurement risk in the event that a physical risk materializes in the supply chain	• Maintain slopes near offices and prepare response to high tide and tsunami at plants that are near the ocean shore. • FETL in Thailand used the lessons learned from the 2011 floods and diversified locations, built water retaining walls near offices, and took other steps from the perspective of BCP.

External Collaboration

The Fujikura Group engages in various kinds of communication about response to climate change with outside experts and is using this information in future initiatives.

Main Initiatives

- Dialog between members of the Global Environment Committee and the Vice President of Conservation International Japan, an international environmental NGO.
- Responding to the CDP Climate Change Questionnaire.

Handling of the Improper Cases Related to the Quality Control of Our Products

(Background, analysis of the causes and measures to prevent recurrences)

Following the Cases announced on August 31, 2018, the Company will thoroughly implement recurrence prevention measures and work to restore the trust that was lost with a firm determination to never repeat such a case.

Background

In view of the disclosure of quality control issues by industry peers, the Company conducted in October 2017 three voluntary inspections across the Group, some of which involved deployment of an external law office. This series of inspections discovered issues related to JIS-certified products, including inadequacy in the procedure to alter quality control framework for the purpose of the certification maintenance audit, and quality-related misconduct concerning general-purpose products, which led to the aforementioned announcement on August 31, 2018.

In the investigation conducted thereafter by the external law office, the consistency between the official standards and our product specifications in the entire records and account books during the past year, as well as the consistency between the actual inspection results and the data recorded in the inspection reports submitted to our customers, etc., were confirmed in accordance with the guideline of the law office. In addition, interviews by attorneys as well as collection and analysis of electronic data by experts and reviews by attorneys were conducted. Furthermore, a dedicated hotline was established at the external law office to collect information regarding any quality-related improper acts.

Results of the investigation conducted by the external law office

1) Inspection period
From September 2018 to April 2019
2) Types, etc. in which existence of quality-related improper acts was confirmed
Wires, parts, and components for power transmission and distribution; cables for industrial; cables and components for communication; and etc. (75 types of products)
3) Types and number of quality-related improper acts Non-performance or insufficient frequency of some inspection items: 47 cases
Discrepancies with specifications or quality control process charts: 20 cases
Recording of results different from the actual results in the test and inspection documents: 68 cases
Failure to submit prior application for change of manufacturing method: 17 cases
Total: 152 cases
4) Number of sites where existence of quality-related improper acts was confirmed
15 locations (4 locations of the Company and 11 subsidiaries)
5) Period during which existence of quality-related improper acts was confirmed
From October 1986 to March 2019
6) Customers using products for which existence of quality-related improper acts was confirmed
99 companies (excluding customers using general-purpose products)

Explanation to Customers and Confirmation of Safety

We are successively providing explanation to customers and implementing measures concerning the Cases and most customers have completed confirmations on performance, soundness and safety of the products or have told us that there are no problems.

Causes of Quality-Related Improper Acts

Our analysis found that the factors behind the Cases are as follows.
1) Insufficient function of the quality assurance departments
2) Agreeing on the customer specifications in a rubber-stamping manner
3) Lack of awareness of quality compliance
4) Insufficient function of supervisory duties by supervisors at site
5) Corporate culture that prioritizes securing profits
6) The deficiency of company-wide governance systems

Measures to Prevent Recurrence

In response to the recommendations of the external law firm that conducted the investigation, we formulated the following measures to prevent recurrence through the deliberation at the Risk Management Committee and the Executive Officers Meeting as well as discussions at the Board of Directors.
1) Governance reforms
In order to ensure thorough quality compliance across the Group, all quality assurance departments currently belonging to each in-house company has been integrated as a company-wide oversight body, and placed it under the direct control of the President & CEO & Representative Director to ensure its independence.
Meanwhile, the Company has implemented structural reinforcement through personnel management, clarification of responsibility and authority of managers and additional staffing as well as staff training improvement.
2) Improvement of awareness of the quality compliance
In order to reform and establish a corporate culture that always places the highest priority on quality compliance, we have decided to review our quality control policy, conduct questionnaire surveys on awareness for all Group employees, raise awareness through holding dialogues between top management and on-site employees, and offer training periodically.
In addition to the above, we will establish training programs and spread the utilization of internal reporting systems so as not to forget about the Cases.

Top Management

Front raw: Tetsu Ito, Hideyuki Hosoya, Akira Wada, Masahiko Ito, Takeaki Kitajima, Takashi Takizawa, Joseph E. Gallagher
Back row: Hamako Hanazaki, Yoshio Shirai, Masaaki Shimojima, Masato Inaba, Ikuo Kobayashi, Yasuyuki Oda, Kenichiro Abe, Tsuneko Murata

Directors

President & CEO & Representative Director

Masahiko Ito

Executive Vice President & Member of the Board

Akira Wada
Takeaki Kitajima

Senior Vice Presidents & Members of the Board

Hideyuki Hosoya
Takashi Takizawa
Tetsu Ito
Joseph E. Gallagher
Ikuo Kobayashi
Masato Inaba

Director Full-time Audit & Supervisory Committee Member

Yasuyuki Oda

Director (Outside director) Audit & Supervisory Committee Members

Masaaki Shimojima
Kenichiro Abe
Yoshio Shirai
Tsuneko Murata
Hamako Hanazaki

Executive Officers Other Than Members of the Board

Managing Executive Officers

Takeshi Sato
Yukihiro Nakayama
Kenji Nishide
Ryoichi Hara
Kinya Takimura
Hideo Goto
Akira Saita
Shigeo Sekikawa
Junji Fukuhara
Koji Ueda

Executive Officers

Kiminori Sato
Masataka Mito
Tomoharu Morimoto
Daiichiro Tanaka
Shigeo Ueki
Toshiyuki Takeshima
Norihiro Yokoyama
Munehisa Fujimaki
Toshio Shimma

Global Executive Officers

Global Executive Officers

Gordon Tan
Takaaki Habu
Jason Peng
Jenny Hui

Corporate Governance

(1) Overview of Corporate Governance Structure and the Reasons for Adopting this Structure

Fujikura views the corporate governance structure described below as the optimal structure for implementing the Company's growth strategy. We have therefore adopted the corporate structure of a company with an Audit & Supervisory Committee as the foundation for our corporate governance structure.

(i) Enhancing Decision-making by the Board of Directors

The Company thinks it important to build a structure that enables the Board of Directors to make decisions after sufficient, thorough deliberation of the annual and mid-term business plans, large M&A deals, and other matters that are central to the policy and growth strategy of the Company. We therefore elect multiple outside directors who possess a broad range of expertise and have objective opinions that are not influenced by internal company circumstances, in addition to electing internal executive directors who are well-versed in and oversee the business of each in-house company. We think this enables the Board of Directors to engage in sufficient, thorough deliberation in making decisions on important matters. We also believe it desirable for the composition of outside directors to include individuals who have experience in corporate management, legal experts, and individuals who are knowledgeable in finance and accounting, from the perspective of ensuring a diverse range of knowledge and expertise.

(ii) Delegation of Authority to Executive Directors

Fujikura is organized into three in-house companies which operate the main businesses of the Company. These in-house companies are the Power & Telecommunication Systems Company, the Electronics Business Company, and the Automotive Products Company (the Electronics Business Company and the Automotive Products Company were integrated on April 1, 2019 to form the Electronics, Automotive & Connector Business Company). An executive director is assigned to be in charge of each of these in-house companies. We think this is necessary to create an agile structure that enables the executive director in charge of each company to make decisions swiftly and decisively on matters that are exclusive to each company and on matters that do not have a significant impact on company-wide performance. We believe that delegating broad authority to the executive director in charge of each company enables the Company to achieve this.

(iii) Strengthening the Supervisory Function of the Board of Directors

The Company has established an effective system of internal controls to ensure the legality and appropriateness of the performance of duties by each executive director to whom the Board of Directors has delegated broad authority. We believe this implements the necessary controls over the executive function, and that the combination of this system with a structure that includes multiple outside directors who are independent of corporate management enables appropriate supervision. The Company has also established a Nominating Advisory Committee and a Remuneration Advisory Committee, the majority of committee members of which are outside directors. These committees serve as advisory bodies to the Board of Directors on decisions concerning nomination and remuneration of executive directors to exercise fair and appropriate supervision of the performance of duties by each executive director. We think that deliberations by these committees ensure objectivity and transparency in decisions on the nomination and remuneration of directors.

(2) Overview of Corporate Governance Structure

The corporate governance structure for the Company described above specifically achieves the following: (1) It enables sufficient, thorough deliberation by narrowing the scope of matters requiring approval of the Board of Directors to business plans and other important matters, thereby reducing the number of matters requiring deliberation by the Board of Directors, which consists of nine directors who are not audit & supervisory committee members and five directors who are audit & supervisory committee members (four of which are outside directors; a full-time audit & supervisory committee member is also elected to ensure that effectiveness of Audit & Supervisory Committee activities). It also enables the reflection of diverse, independent perspectives by taking advantage of the broad range of experience possessed by the four outside directors (consisting of two outside directors with expertise in corporate management in the financial and manufacturing sectors, one attorney, and one C.P.A., all of whom are independent of management). (2) The Articles of Incorporation also specify that decisions on important operational matters may be delegated to directors, and this enables agile management by the executive director in charge of a specific business by delegating decisions concerning that business to that executive director. At the annual General Meeting of Shareholders held on June 27, 2019, the number of audit & supervisory committee members was increased to six, five of whom are outside directors.

The Company has also established the following three discretionary committees and operates each of them.

(i) Risk Management Committee

The Company has established this committee to consider risks that are shared by the entire company, establish a compliance structure, share information on the status of risk management throughout the company, monitor progress on specific incidents, and provide instructions when necessary. The committee consists of executive directors and is chaired by the president & representative director. Once the Risk Management Committee knew of the cases of impropriety regarding quality control on some products of the Fujikura Group, which were disclosed in August 2018, it immediately organized a response framework consisting of an internal investigation and an external response, issued individual instructions, monitored progress, shared information with relevant divisions, and took other diligent steps to correct the problems, provide explanations to customers, and prevent recurrence.

(ii) Nominating Advisory Committee

This committee was established as an advisory body to the Board of Directors to ensure objectivity and transparency in General Meeting of Shareholders resolutions pertaining to the selection or dismissal of directors who are not audit & supervisory committee members and are not outside directors. The committee consists of two directors who are not audit & supervisory committee members and three outside directors who are audit & supervisory committee members, and is chaired by a committee member who is an outside director. The committee met four times in FY2018 to provide advice on the draft list of candidates for director that the Board of Directors should present to the annual General Meeting of Shareholders. It considered the standards for director selection and the reasons for selection, including the performance record of each candidate, and found the decision-making process to be fair and appropriate.

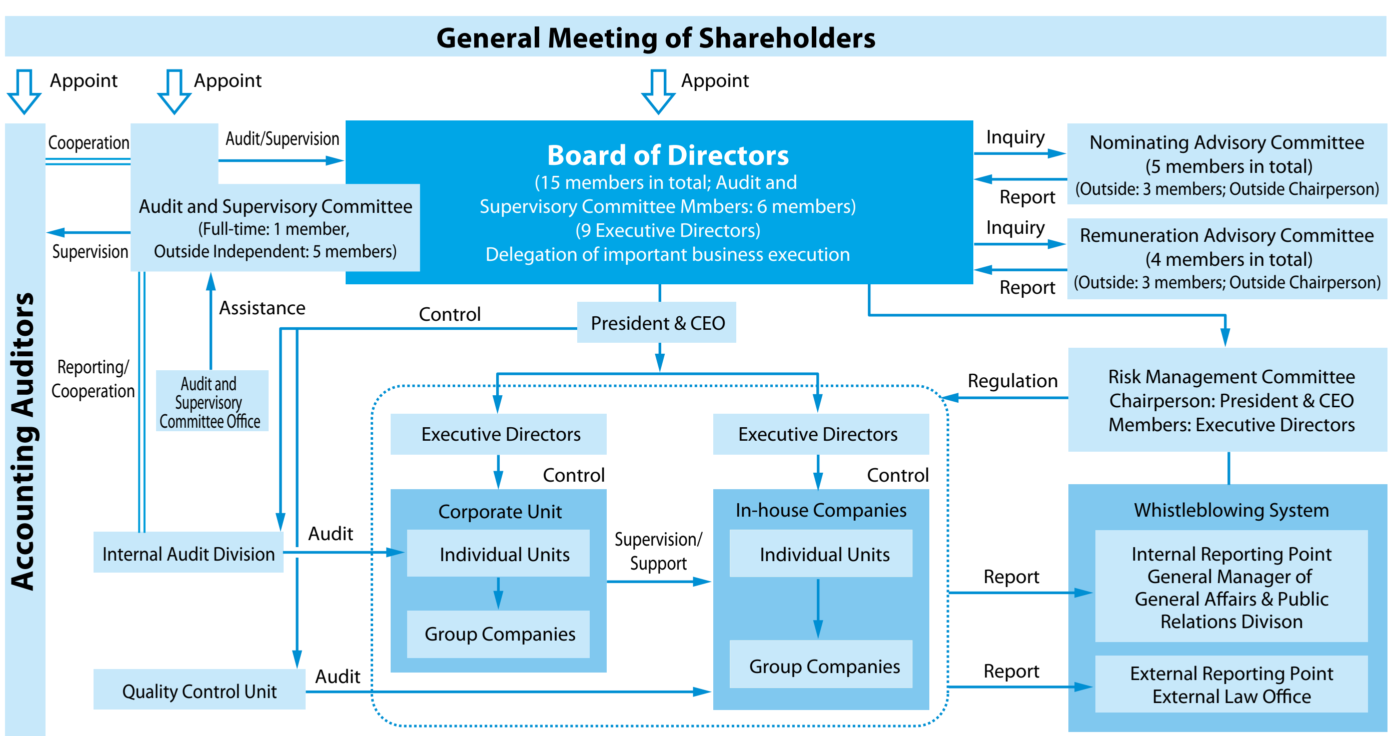
(iii) Remuneration Advisory Committee

This committee was established as an advisory body to the Board of Directors to ensure objectivity and transparency in the remuneration of directors who are not audit & supervisory committee members and are not outside directors. The committee consists of one director who is not an audit & supervisory committee member and three outside directors who are audit & supervisory committee members, and is chaired by a committee member selected from among committee members who are outside directors. The committee met four times in FY2018 to evaluate the performance of each director, determine whether the level of compensation was in line with the market, and verify the remuneration structure and specific remuneration amounts. The committee found the decision-making process for determining the remuneration of each executive director to be fair and appropriate.

(3) Establishment and Operation of the System of Internal Controls

The system of internal controls consists of an internal Audit Division, a management division for the entire company, and management divisions within each in-house company. These organizations monitor the legality and appropriateness of the execution of daily business. The retention and management of important management information is handled by specifying and following rules on management of documents and electronic information. The Risk Management Committee mentioned above is responsible for identifying common company-wide risks, establishing a compliance structure, and operating an internal whistleblowing system, among other duties.

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 business results, personnel and organizational matters, capital investment, product quality, and other important matters in the group companies each in-house company oversees; 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 business 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.



(4) Outside Officers

The Company has five outside directors: Mr. Masaaki Shimojima, Mr. Kenichiro Abe, Mr. Yoshio Shirai, Ms. Tsuneko Murata, and Ms. Hamako Hanazaki. All are directors who are audit & supervisory committee members. Mr. Shimojima has experience in corporate management (finance), Mr. Abe is a certified public accountant, Mr. Shirai has experience in corporate management (manufacturing industry), Ms. Murata has experience in corporate management (in the legal division), and Ms. Hanazaki is an attorney. The backgrounds of each of these directors enable them to utilize their extensive expertise at Board of Directors meetings and voice a broad range of independent opinions.

Each of the outside directors audits the performance of duties by directors from the perspective of legality and appropriateness. They accomplish this through onsite audits of each corporate division and Group company, examining important documents, and attending Board of Directors meetings. They communicate with the full-time audit & supervisory committee member by reporting and discussing their findings at monthly Audit & Supervisory Committee meetings. Materials for Board of Directors meetings and Audit & Supervisory Committee meetings are also distributed in advance.

Mr. Masaaki Shimojima has considerable knowledge in finance and accounting, derived from many years of experience in a key position at a major city bank. He is also well-versed in corporate management. Mr. Shimojima was previously an executive officer at Sumitomo Mitsui Banking Corporation, which is one of Fujikura's main banks, but retired in June 2003. Mr. Shimojima therefore meets the Fujikura's criteria for independence and is qualified to serve as an outside director, which requires that he maintain an independent status. Fujikura has reported Mr. Shimojima as an independent officer to the Tokyo Stock Exchange.

Mr. Kenichiro Abe possesses highly specialized expertise as a certified public accountant and ample knowledge of corporate management gleaned from many years working as an accounting auditor for numerous companies. We note that Mr. Abe 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. Abe therefore meets Fujikura's criteria for independence and is qualified to serve as an outside director, which requires that he maintain an independent status. Fujikura has reported Mr. Abe as an independent officer to the Tokyo Stock Exchange.

Mr. Yoshio Shirai has ample experience and knowledge as a manager through his career history as a senior managing officer of Toyota Motor Corporation, president & CEO of Hino Motors, Ltd., and vice chairman of Toyota Tsusho Corporation. Mr. Shirai also possesses experience as an outside director from service as an outside director and audit & supervisory committee member for Seiko Epson Corporation from FY2016. Purchase and sale transactions between Fujikura, Ltd. and Toyota Motor Corporation, Hino Motors, Ltd., and Toyota Tsusho Corporation, where Mr. Shirai formerly served as an executive officer, amount to less than 1% of consolidated net sales of Fujikura Ltd. and of these companies. Mr. Shirai therefore meets Fujikura's criteria for independence and is qualified to serve as an outside director, which requires that he maintain an independent status. Fujikura has reported Mr. Shirai as an independent officer to the Tokyo Stock Exchange.

Ms. Tsuneko Murata possesses considerable experience and insight into compliance and corporate governance from her work as head of the Legal Affairs Department in the Panasonic Group. She also has experience in both management and auditing as executive director and auditor at the Japan Pension Service. Purchase and sale transactions between Fujikura, Ltd. and Panasonic Corporation, where Ms. Murata formerly served as an executive officer, amount to less than 1% of consolidated net sales of Fujikura Ltd. and of Panasonic Corporation. Ms. Murata therefore meets the criteria for independence specified by Fujikura and is qualified to serve as an outside director, which requires that she maintain an independent status. Fujikura has reported Ms. Murata as an independent officer to the Tokyo Stock Exchange.

Ms. Hamako Hanazaki possesses highly specialized expertise as an attorney and ample knowledge of corporate management gleaned from her many years of work in corporate law. She is an attorney affiliated with Kitaaoyama Law Office; however, the Company has no transactions with the law office and Ms. Murata therefore meets the criteria for independence specified by Fujikura and is qualified to serve as an outside director, which requires that she maintain an independent status. Fujikura has reported Ms. Murata as an independent officer to the Tokyo Stock Exchange.

(5) Audits by the Audit & Supervisory Committee

Upon approval of the annual General Meeting of Shareholders on June 27, 2019, the number of audit & supervisory committee members increased by one to six, five of whom are outside directors. The members of the Audit & Supervisory Committee elect a Full-time Audit &

Supervisory Committee Member from among themselves to ensure the effectiveness of Audit & Supervisory Committee activities. Mr. Yasuyuki Oda, the full-time audit & supervisory committee member, possesses many years of experience in the Finance and Accounting Division of our company. Mr. Masaaki Shimojima, an audit & supervisory committee member, possesses many years of management experience in a key position in a major city bank. Mr. Kenichiro Abe, an audit & supervisory committee member, is a certified public accountant. All of these committee members possess considerable knowledge of finance and accounting. Ms. Hamako Hanazaki, an audit & supervisory committee member, is a registered attorney and has worked in corporate law for many years. She has considerable knowledge of corporate legal matters. Ms. Tsuneko Murata, an audit & supervisory committee member, has considerable knowledge of compliance and corporate governance from her work in these areas as the head of a corporate legal department.

Audits confirm that the execution of duties by the Board of Directors complies with laws and regulations and the corporate Articles of Incorporation and that company operations are being executed appropriately. This is accomplished by establishing a system of internal controls and monitoring and verifying the status of operations and other aspects. Audits are conducted from the perspectives of legality and appropriateness. This is accomplished by conducting onsite audits of each in-house company and Group company, examining important documents, and attending key meetings.

The Audit & Supervisory Committee convenes once a month, in principle, to report on and debate matters, based on the basic audit policy and audit plans formulated at the beginning of the year. The Company's system also ensures that the full-time audit & supervisory committee member can attend and voice his opinions at key meetings where management decisions on business operations are discussed. The Company also ensures opportunities for audit & supervisory committee members to request a venue in which they can exchange opinions with executive officers on a regular basis.

The Audit & Supervisory Committee receives reports from the accounting auditors regarding their audit plans for accounting audits at the beginning of the year, confirms the plans, performs interim audits based on those plans, and receives a report from the accounting auditors on the results of the audit at the end of the fiscal year. To facilitate an adequate exchange of opinions, audit & supervisory committee members also hold discussions with accounting auditors several times a year to confer on details, the audit system, and other issues. The Audit & Supervisory Committee also meets with the internal Audit Division at least once a month, in principle, receives reports on the status of the internal audit activities, and instructs the internal Audit Division to perform audits as necessary. The committee also exchanges opinions with and receives reports from other divisions responsible for internal controls as necessary. The Audit & Supervisory Committee also establishes opportunities to exchange opinions with the auditors of subsidiaries and shares information and works with these auditors.

An Audit & Supervisory Committee Office has been established to support the Audit & Supervisory Committee and an administrator to manage the office has been appointed. The Audit & Supervisory Committee Office reports directly to the Audit & Supervisory Committee and maintains independence from executive officers within the company. It provides support to the Audit & Supervisory Committee as directly ordered by the Audit & Supervisory Committee.

The Audit & Supervisory Committee sets up three-way conferences with the accounting auditor and the internal Audit Division to ensure effective implementation of audits. These conferences are formal meetings that are held quarterly and were set up to replace the previous exchange of opinions as needed. Participants in these conferences share information on the operational status of the internal control system and the status of individual audits, and exchange opinions on how to mitigate the risk of fraud.

(6) Internal Audits

The Company has established the Audit Division as the organization in charge of internal audits. The six members of the Audit Division audit individual divisions and group companies and performed audits of 15 divisions and 14 group companies in FY2018.

The Audit Division reports internal audit plans and the status of audits performed to the Audit & Supervisory Committee at least once a month, in principle. It also performs audit tasks at the direction of the Audit & Supervisory Committee as necessary. The Audit Division also holds three-way conferences with the Audit & Supervisory Committee and the accounting auditors on a quarterly basis to share information.

On April 1, 2019, the Company established the Internal Audit Department as an organization that is completely independent of the divisions and companies subject to audits, and which reports directly to the president and representative director. The Internal Audit Department began operating with five team members. This newly established Internal Audit Department mainly performs audits on themes selected by the areas subject to audits, based on risk and other factors.

In addition to this, the Internal Audit Department exchanges information with the Audit & Supervisory Committee at least once a month and reports on plans and the status of performance of theme-based audits. It also works with the accounting auditors and exchanges information with them on a regular basis.

A four-person team from the Internal Control Department is now in charge of planning and performing the operating audits of individual divisions and group companies which had previously been performed by the Audit Division.

The Internal Control Department will also schedule opportunities to exchange information with the Audit & Supervisory Committee at least once a month, report on the status of performance of operating audits, and work together with the Audit & Supervisory Committee.

Risks

Risks that could potentially have an adverse impact to the business performance, share price, and financial health of the Fujikura Group are discussed below. It should be noted that the risks involved with the forward-looking statements herein are those identified by the Fujikura Group in its securities report filed with the Ministry of Finance (submitted on June 29, 2018).

(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

The Fujikura Group operates its business in Japan and overseas through the Power & Telecommunication Systems Company, the Electronics Business Company, the Automotive Products Company, and other businesses. The Group's business performance may therefore be impacted by changes in the political conditions in each country, in the economies of emerging countries, and other factors.

(8) Interest Rate Fluctuations

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

(9) Intellectual Properties

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

(10) Information Leak

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

(11) Disaster Risk

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

(12) Response to Cases of Impropriety Related to Quality Control

We have discovered cases of impropriety relating to quality control for some products of the Fujikura Group (hereafter, "these cases").

These cases included cases of impropriety relating to some products in which the numerical data submitted to customers on testing and inspection differed from the actual measurements, cases in which the quality inspections decided on with the customer were not performed, and cases in which part of the manufacturing method was modified without the consent of the customer. These cases also included cases in which procedural errors in changes to the quality control system in the screening to maintain JIS certification were confirmed for products carrying the JIS mark, and cases in which products were used for general purposes.

In light of these circumstances, we retained an external law firm to verify the facts of these cases and investigate the causes, and have received the report on the results of the investigation. As publicly disclosed on April 25 of this year, we have completed notification of the customers involved concerning the facts discovered in the investigation relating to the cases of impropriety, and are working to verify product performance, soundness, and safety for some customers.

If compensation of customers and others for costs and other new losses arise in the future as our investigation progresses, this could have an impact on the performance of the Group.

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Management Discussion & Analysis from President Masahiro Ito

Q1 Please tell us about the conditions in the telecommunications systems business.

Upon entering this year, the supply-demand balance for optical fiber deteriorated in China, which is the largest source of demand among countries, and the price fell substantially. (The market change was faster than we expected.)
Growth of the communications networks in China was promising and we actively pursued investment in base materials. We will refrain from investment in base materials in the future and will put greater effort into SWR™/WTC™ optical cable, where we have a competitive strength. We will accelerate business expansion in terms of sales for FTTX and hyperscale data center customers in the U.S,, where demand is strong. We will also work to break into Europe and other regions which are new markets for our product and we will work to maintain and strengthen our profit margins by actively expanding sales of differentiated products and utilizing our strengths in directions that will provide value.

Q2 Please explain the status of initiatives in the automotive business.

In Europe, we saw improvements according to plan during the second half of FY2018. We will implement our location strategy of relocating manufacturing from Eastern Europe to North Africa while maintaining those improvements. We also want to streamline the back office operations and change the cost structure in the Asian region, mainly in Japan. In North and South America, where operations have been stable up to this point, we will also bear in mind the decline in demand in the U.S. and the risk of tariffs in managing the business.

Q3 In regard to FPCs, you mentioned that you were cautious on smartphone demand and project a decline in revenue. Please tell us your plans for future initiatives.

Although the smartphone market is reaching the point of saturation, it is still a large market in terms of volume, and we will grow revenue by building a production structure with resilient flexibility to respond to changes in volume and product mix to a certain extent. We are also focusing on FPCs for vehicles as a new area. Several products with potential have emerged so we will diligently work on those.

Q4 You said that you were targeting synergies from the recent integration of the electronics and automotive products businesses, and to respond to the next-generation vehicles. What type of approach will you take?

We want to enter the market for greater use of electronics in vehicles represented by CASE technology (CASE: Connected, Autonomous, Shared/Services, Electric). We are providing electronic components to the automotive market, mainly involving the high quality FPC technology, which is our strength. In terms of synergies, we think that we can provide new value through human resource exchanges, including exchanges with customers, that are focused on the special characteristics of FPC and other electronic technologies that are differentiable in terms of quality, while also maintaining a relationship of trust with the strategic customers we have built through wire harnesses in the automotive market. There are also synergies in responding to commercial practices that are unique to autos, and I think that will enable Fujikura to provide proposals for solutions more quickly. We anticipate that the integration will make it easier to multiply, add to, and generate a chemical reaction to achieve synergies.

Q5 Please tell us your views on capital investment and improving cash flow.

Lower cash flow plans and cash outflow according to plan has resulted in a deterioration in financial status. We aim to first control cash outflow and spend an appropriate amount on capital investment, then exercise strict management of ROIC to earn free cash flow.

Q6 What do you mean by open innovation, which is one of the key measures in the Mid-term Business Plan?

Our mission is not just to sell things; we believe it is to determine how to provide the value that customers seek and provide that value. Therefore, if something is lacking in our value chain, we intend to procure that from elsewhere to fill in the missing piece in the value chain in order to provide that value. In other words, we will move away from total self-reliance.
I think open innovation means to imagine what society will look like in 2030 and 2050, and achieve the innovation necessary to create solutions to social problems in order to achieve that. I think it is absolutely essential to extricate ourselves from self-reliance and collaborate with other industries to achieve that.
We do not intend remain doggedly self-reliant amid the extremely rapid changes in technology that are occurring today. M&A is also one option to supply the missing pieces and we intend to actively pursue M&A.
Last year we established an innovation hub in the Fukagawa area based on the concept of open innovation. We are pushing forcefully ahead on open innovation with the Silicon Valley office that was established year before last to search for ventures for open innovation. We have already contacted close to 400 companies and are pursuing PoC (proof of concept) with some. I expect open innovation to be the driver of growth aimed at 2030 and 2050.

Q7 What is your view on shareholder return?

Our basic policy is consider balance in allocating profits. Our goal is to invest in growth and improve the company's financial condition while ultimately increasing earnings per share and to tie these together. We will target increasing dividends as a result of higher earnings per share.
For the dividend payout ratio, we set a five-year target of 20% or higher in the 2020 Mid-term Business Plan as the core policy. The FY2019 forecast for profit attributable to owners of parent is 12 billion yen. If treasury shares are excluded from the number of shares issued, this put the number of shares outstanding at 285 million shares, which amounts to a dividend payout ratio of 23.8% on dividends of 10 yen per share, or a payout ratio of around 20%. Dividends of 10 yen per share represent a reduction of 2 yen compared to FY2018. This is because we expect operating income on par with the second half of FY2018 due to changes in the business environment.

Q8 Please explain your views on governance.

I recognize that transparency and fairness are extremely important because they are the foundations of governance. We also increased the number of outside directors with legal expertise by one at the General Meeting of Shareholders this year, out of recognition of the need to strengthen governance from the perspective of risk management. This put the composition of the Board of Directors at one-third outside directors. We also elected two women as outside directors. I think the addition of the women directors on top of the addition of a director who is a U.S. citizen last year will enable the Board of Directors to achieve even greater diversity in management.

Q9 I have the impression that there are some high hurdles to overcome in order to achieve the goals of the 2020 Mid-term Business Plan.

I realize that 7% operating margin target for FY2020 seems like a high number that will be difficult to achieve, considering the results for FY2018. However, our new businesses (in fiber laser, medical, and other areas) are also growing during term of the Mid-term Business Plan, so we will work hard to achieve the plan.
Achieving the numerical goals also naturally involves maintaining a sense of the big mission to change the company in implementing the Mid-term Business Plan.
I sense real change in the company as we adapt to changes in society, in the sense that, over the course of five years, we extricated ourselves from ultra-high-voltage transmission cable manufacturing, then extricated ourselves from a reliance on domestic business and raised overseas sales to more than 60% of total sales.

Consolidated Balance Sheets

Fujikura Ltd. and its Consolidated Subsidiaries
At March 31, 2018 and 2019

Assets	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars (Note 3) 2019
Current assets:			
Cash and deposits	¥34,285	¥36,794	$331,477
Notes and accounts receivable, trade (Note 8)	151,237	141,568	1,275,387
Finished goods (Note 12)	44,820	43,844	394,991
Goods in process (Note 12)	29,244	36,176	325,910
Raw materials and supplies (Note 12)	39,810	37,833	340,838
Other	25,476	27,511	247,847
Allowance for doubtful accounts	(697)	(469)	(4,225)
Total current assets	324,178	323,259	2,912,243
Non-current assets:			
Property, plant and equipment			
Buildings and structures, net	92,019	92,881	836,766
Machinery, equipment and vehicles, net	76,197	86,179	776,387
Land (Note 6)	15,635	15,244	137,333
Leased assets, net	219	295	2,658
Construction in progress	16,014	24,221	218,207
Other, net	11,202	13,002	117,135
Total property, plant and equipment	211,288	231,825	2,088,514
Intangible assets			
Goodwill	4,236	2,671	24,063
Other	9,857	9,054	81,568
Total intangible assets	14,094	11,726	105,640
Investments and other assets			
Investment securities (Note 5)	38,435	32,526	293,027
Net defined benefit asset (Note 11)	2,419	4,547	40,964
Deferred tax assets (Note 17)	16,556	15,690	141,351
Other (Note 5)	33,264	18,989	171,072
Allowance for doubtful accounts	(2,145)	(247)	(2,225)
Allowance for investment loss	(37)	-	-
Total investments and other assets	88,493	71,506	644,198
Total non-current assets	313,876	315,058	2,838,360
Total assets	¥638,055	¥638,318	$5,750,613

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

Liabilities	Millions of yen 2018	Millions of yen 2019	U.S. dollars (Note 3) 2019
Current liabilities:			
Notes and accounts payable, trade (Note 8)	¥77,166	¥64,999	$585,577
Short-term borrowings (Note 6)	76,778	137,536	1,239,063
Current portion of bonds (Note 6)	20,000	-	-
Income taxes payable (Note 17)	2,612	2,126	19,153
Provision for loss on guarantees	1,593	3,019	27,198
Provision for loss due to inappropriate cases in quality control	-	1,514	13,640
Other provision	35	191	1,721
Other (Notes 6 and 7)	54,982	49,786	448,523
Total current liabilities	233,168	259,174	2,334,901
Non-current liabilities:			
Bonds (Note 6)	20,000	20,000	180,180
Long-term borrowings (Note 6)	120,591	95,968	864,577
Other provision	200	264	2,378
Net defined benefit liability (Note 11)	8,479	9,356	84,288
Other (Notes 6 and 7)	13,654	12,643	113,901
Total non-current liabilities	162,925	138,233	1,245,342
Total liabilities	396,094	397,408	3,580,252

Contingent liabilities (Note 18)

Net assets	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars (Note 3) 2019
Shareholders' equity:			
Common stock	53,075	53,075	478,153
Capital surplus	29,989	29,571	266,405
Retained earnings	133,775	131,255	1,182,477
Treasury stock	(6,388)	(6,327)	(57,000)
Total shareholders' equity (Note 20)	210,452	207,575	1,870,045
Accumulated other comprehensive income (loss):			
Valuation difference on available-for-sale securities	8,380	4,753	42,820
Deferred gains (losses) on hedges	170	(345)	(3,108)
Foreign currency translation adjustments	5,519	8,241	74,243
Remeasurements of defined benefit plans	(5,213)	(3,560)	(32,072)
Total accumulated other comprehensive income	8,856	9,089	81,883
Non-controlling interests	22,651	24,245	218,423
Total net assets	241,961	240,910	2,170,360
Total liabilities and net assets	¥638,055	¥638,318	$5,750,613

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, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2019	2019
Net sales	¥740,052	¥710,778	$6,403,405
Cost of sales (Notes 10, 11 and 12)	606,544	585,770	5,277,207
Gross profit	133,508	125,007	1,126,189
Selling, general and administrative expenses (Notes 9, 10 and 11):			
Packing and transportation expenses	18,513	18,727	168,712
Personnel expenses	42,438	40,391	363,883
Other	38,212	38,209	344,225
Total selling, general and administrative expenses	99,164	97,328	876,829
Operating income	34,343	27,679	249,360
Non-operating income:			
Interest income	317	492	4,432
Dividend income	1,660	1,266	11,405
Foreign exchange gains	1,307	-	-
Share of profit of entities accounted for using equity method	1,504	1,237	11,144
Other	1,454	1,411	12,712
Total non-operating income	6,242	4,407	39,703
Non-operating expenses:			
Interest expenses	3,019	3,807	34,297
Foreign exchange losses	-	2,428	21,874
Loss on retirement of non-current assets	897	1,247	11,234
Other	2,547	3,582	32,270
Total non-operating expenses	6,464	11,066	99,694
Ordinary income	34,122	21,020	189,369
Extraordinary gains:			
Gain on sales of investment securities	1,073	3,327	29,973
Gain on sales of business	-	2,410	21,712
Other	15	9	81
Total extraordinary gains	1,089	5,747	51,775
Extraordinary losses:			
Loss on valuation of investments in capital of subsidiaries and associates	1,496	8,872	79,928
Impairment loss (Note 14)	775	1,784	16,072
Loss due to inappropriate cases in quality control	-	1,752	15,784
Business structure improvement expenses (Note 13)	2,450	1,747	15,739
Other	1,812	2,102	18,937
Total extraordinary losses	6,535	16,260	146,486
Income before income taxes	28,676	10,507	94,658
Income taxes (Note 17):			
Current	8,621	7,654	68,955
Deferred	(1,078)	(89)	(802)
Total income taxes	7,542	7,564	68,144
Profit	21,134	2,943	26,514
Profit attributable to non-controlling interests	2,774	1,489	13,414
Profit attributable to owners of parent	¥18,359	¥1,453	$13,090

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, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2019	2019
Profit	¥21,134	¥2,943	$26,514
Other comprehensive income			
Valuation difference on available-for-sale securities	1,048	(3,530)	(31,802)
Deferred gains (losses) on hedges	(554)	(563)	(5,072)
Foreign currency translation adjustments	1,394	2,697	24,297
Remeasurements of defined benefit plans, net of taxes	296	1,650	14,865
Share of other comprehensive income of entities accounted for using equity method	15	(317)	(2,856)
Other comprehensive income (Note 15)	2,200	(65)	(586)
Comprehensive income	23,334	2,877	25,919
(Breakdown)			
Comprehensive income attributable to owners of parent	20,512	1,685	15,180
Comprehensive income attributable to non-controlling interests	¥2,822	¥1,192	$10,739

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, 2018 and 2019

	Millions of yen					
		Shareholders' equity				
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2017	295,863,421	¥53,075	¥30,012	¥118,867	(¥5,942)	¥196,013
Dividends paid		-	-	(3,431)	-	(3,431)
Profit attributable to owners of parent		-	-	18,359	-	18,359
Purchase of treasury stock		-	-	-	(1,038)	(1,038)
Disposal of treasury stock		-	443	-	592	1,036
Change in ownership interest of parent due to transactions with non-controlling interests		-	(465)	-	-	(465)
Change of scope of equity method		-	-	(19)	-	(19)
Net changes of items other than shareholders' equity		-	-	-	-	-
Total changes of items during period		-	(22)	14,907	(445)	14,439
Balance at March 31, 2018	295,863,421	¥53,075	¥29,989	¥133,775	(¥6,388)	¥210,452
Dividends paid		-	-	(4,009)	-	(4,009)
Profit attributable to owners of parent		-	-	1,453	-	1,453
Purchase of treasury stock		-	-	-	(0)	(0)
Disposal of treasury stock		-	-	-	62	62
Change in ownership interest of parent due to transactions with non-controlling interests		-	(415)	-	-	(415)
Change of scope of consolidation		-	(2)	36	-	33
Net changes of items other than shareholders' equity		-	-	-	-	-
Total changes of items during period		-	(418)	(2,520)	61	(2,876)
Balance at March 31, 2019	295,863,421	53,075	29,571	131,255	(6,327)	207,575

	Millions of yen						
	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
Balance at March 31, 2017	¥7,284	¥465	¥4,459	(¥5,500)	¥6,709	¥21,823	¥224,546
Dividends paid	-	-	-	-	-	-	(3,431)
Profit attributable to owners of parent	-	-	-	-	-	-	18,359
Purchase of treasury stock	-	-	-	-	-	-	(1,038)
Disposal of treasury stock	-	-	-	-	-	-	1,036
Change in ownership interest of parent due to transactions with non-controlling interests	-	-	-	-	-	-	(465)
Change of scope of equity method	-	-	-	-	-	-	(19)
Net changes of items other than shareholders' equity	1,096	(295)	1,059	286	2,147	828	2,975
Total changes of items during period	1,096	(295)	1,059	286	2,147	828	17,415
Balance at March 31, 2018	¥8,380	¥170	¥5,519	(¥5,213)	¥8,856	¥22,651	¥241,961
Dividends paid	-	-	-	-	-	-	(4,009)
Profit attributable to owners of parent	-	-	-	-	-	-	1,453
Purchase of treasury stock	-	-	-	-	-	-	(0)
Disposal of treasury stock	-	-	-	-	-	-	62
Change in ownership interest of parent due to transactions with non-controlling interests	-	-	-	-	-	-	(415)
Change of scope of consolidation	-	-	-	-	-	-	33
Net changes of items other than shareholders' equity	(3,627)	(515)	2,722	1,652	232	1,593	1,825
Total changes of items during period	(3,627)	(515)	2,722	1,652	232	1,593	(1,051)
Balance at March 31, 2019	¥4,753	(¥345)	¥8,241	(¥3,560)	¥9,089	¥24,245	¥240,910

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	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2018	295,863,421	$478,153	$270,171	$1,205,180	($57,550)	$1,895,964
Dividends paid		-	-	(36,117)	-	(36,117)
Profit attributable to owners of parent		-	-	13,090	-	13,090
Purchase of treasury stock		-	-	-	(0)	(0)
Disposal of treasury stock		-	-	-	559	559
Change in ownership interest of parent due to transactions with non-controlling interests		-	(3,739)	-	-	(3,739)
Change of scope of consolidation		-	(18)	324	-	297
Net changes of items other than shareholders' equity		-	-	-	-	-
Total changes of items during period		-	(3,766)	(22,703)	550	(25,910)
Balance at March 31, 2019	295,863,421	$478,153	$266,405	$1,182,477	($57,000)	$1,870,045

	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
Balance at March 31, 2018	$75,495	$1,532	$49,721	($46,964)	$79,784	$204,063	$2,179,829
Dividends paid	-	-	-	-	-	-	(36,117)
Profit attributable to owners of parent	-	-	-	-	-	-	13,090
Purchase of treasury stock	-	-	-	-	-	-	(0)
Disposal of treasury stock	-	-	-	-	-	-	559
Change in ownership interest of parent due to transactions with non-controlling interests	-	-	-	-	-	-	(3,739)
Change of scope of consolidation	-	-	-	-	-	-	297
Net changes of items other than shareholders' equity	(32,676)	(4,640)	24,523	14,883	2,090	14,351	16,441
Total changes of items during period	(32,676)	(4,640)	24,523	14,883	2,090	14,351	(9,468)
Balance at March 31, 2019	$42,820	($3,108)	$74,243	($32,072)	$81,883	$218,423	$2,170,360

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

Consolidated Statements of Cash Flows

Fujikura Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2019	2019
Cash flows from operating activities:			
Income before income taxes	¥28,676	¥10,507	$94,658
Depreciation and amortization	26,870	31,598	284,667
Impairment loss	775	1,784	16,072
Amortization of goodwill	2,618	1,894	17,063
Increase (decrease) in provision for loss due to inappropriate cases in quality control	-	1,514	13,640
Increase (decrease) in provision for loss on guarantees	1,593	1,426	12,847
Interest and dividend income	(1,977)	(1,759)	(15,847)
Interest expenses	3,019	3,807	34,297
Foreign exchange losses (gains)	(2,126)	1,940	17,477
Share of (profit) loss of entities accounted for using equity method	(1,504)	(1,237)	(11,144)
Loss (gain) on sales of investment securities	(971)	(3,327)	(29,973)
Loss on valuation of investments in capital of subsidiaries and associates	1,496	8,872	79,928
Business structure improvement expenses	2,016	1,320	11,892
Loss (gain) on sale of businesses	-	(2,410)	(21,712)
Decrease (increase) in notes and accounts receivable, trade	(3,780)	9,700	87,387
Decrease (increase) in inventories	(22,089)	(4,689)	(42,243)
Increase (decrease) in notes and accounts payable, trade	2,089	(12,141)	(109,378)
Other, net	1,694	1,709	15,396
Sub-total	38,399	50,511	455,054
Interest and dividend income received	2,677	2,356	21,225
Interest paid	(3,076)	(3,756)	(33,838)
Income taxes (paid) refund	(10,182)	(7,098)	(63,946)
Net cash provided by (used in) operating activities	27,818	42,013	378,495
Cash flows from investing activities:			
Payments for purchase of property, plant and equipment and other assets	(40,950)	(56,096)	(505,369)
Proceeds from sales of property, plant and equipment and other assets	852	1,838	16,559
Proceeds from sales of investment securities	5,008	6,637	59,793
Proceeds from sale of business	-	5,303	47,775
Payments for investments in capital of subsidiaries and affiliates	-	(4,220)	(38,018)
Other, net	722	(1,620)	(14,595)
Net cash provided by (used in) investing activities	(34,367)	(48,157)	(433,847)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	11,854	21,435	193,108
Net increase (decrease) in commercial papers	2,000	(2,000)	(18,018)
Proceeds from long-term loans payable	36,541	33,815	304,640
Repayment of long-term loans payable	(26,709)	(20,507)	(184,748)
Redemption of bonds	(10,000)	(20,000)	(180,180)
Cash dividends paid	(3,431)	(4,009)	(36,117)
Other, net	(634)	(366)	(3,297)
Net cash provided by (used in) financing activities	9,620	8,366	75,369
Effect of exchange rate change on cash and cash equivalents	(199)	459	4,135
Net increase (decrease) in cash and cash equivalents	2,871	2,683	24,171
Cash and cash equivalents at beginning of period	30,680	33,552	302,270
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	1	9
Cash and cash equivalents at end of period (Note 16)	¥33,552	¥36,236	$326,450

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, 2018 and 2019

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 Standards Board of Japan ("ASBJ") PITF No. 18, Sep 14, 2018) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (PITF No. 24, Sep 14, 2018) 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, 2018 and 102 subsidiaries at March 31, 2019). 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 by the equity method (9 companies at March 31, 2018 and 2019) 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 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 Statements 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

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) Derivatives

Derivative financial instruments are measured at fair value, if determinable.

(f) Inventories

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

(g) Property, plant and equipment, Intangible assets

Property, plant and equipment are depreciated using the straight-line method over estimated useful lives.
Intangible assets are amortized in line with the same method.
The estimated useful lives are as follows:

Buildings: mainly 50 years
Machinery and equipment: mainly 7 years
Intangible assets: mainly 5 years

(h) Lease assets

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

(i) 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.

(j) 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.

(k) Provision for loss on guarantees

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

(l) Provision for loss due to inappropriate cases in quality control

Allowance for losses related to products that do not conform to quality standards: allowance for estimated costs of responding to instances where products do not satisfy public standards or customer specifications, including reparations for the exchange of products to customers and other users, and product inspections.

(m) Accounting method for retirement benefits

I. 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.

II. 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 subsequent 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.

(n) 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.

(o) Hedge accounting

The Companies apply hedge accounting for certain derivative financial instruments, which include foreign currency forward exchange contracts, interest rate swap agreements and commodity futures contracts. The companies utilize these hedging instruments to hedge risks of future changes in foreign exchange rates, interest rates and prices of raw materials within the normal course of the Companies' operations.

Foreign currency exchange forward contracts:

The Companies utilize 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 Companies have 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 utilize 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.

Commodity futures contracts:

The Companies utilize commodity futures contracts to hedge the risk of future price fluctuations in some raw materials.

(p) Goodwill

Goodwill is amortized using the straight-line method mainly 5 years.

(q) Income taxes

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

(r) Consumption tax

The tax-excluded method is used with respect to consumption tax and local consumption taxes.

(s) Appropriations of retained earnings

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

(t) 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 there to do not necessarily agree with the sum of the individual account balances.

(u) Unapplied accounting standard

Overseas consolidated subsidiary
·"Lease"(IFRS No. 16 January 13, 2016, ASU No. 2016-February 25）
(1) Overview
This accounting standard requires the lessee of a lease to recognize assets and liabilities for all leases in principle.

(2) Expected date of application
IFRS 16 is expected to be applied from the beginning of the consolidated fiscal year beginning on January 1, 2019.
ASU 2016-02 will be applied from the begining of the fiscal year ending December 31, 2020

(3) Impact of the application of the accounting standards, etc.
The impact on consolidated financial statements is under evaluation at the time of consolidated financial statement preparation.

(v) Reclassification

Certain accounts in the Consolidated Financial Statements for the year ended March 31, 2018 have been reclassified to conform to the 2019 presentation.

(Changes in tandem with the application of the partial revision to the Accounting Standard for Tax Effect Accounting)

Fujikura began implementing Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) from the start of FY2018. In accordance with this, deferred tax assets are now posted under the category of “investments and other assets” while deferred tax liabilities now recorded under the category of “non-current liabilities.”

Reflecting this, the 4,066 million yen in deferred tax assets under current assets in the consolidated balance sheets for FY2017 is included in the 16,556 million yen in deferred tax assets under investments and other assets in FY2018. Similarly, the 46 million yen in deferred tax liabilities included in the 55,029 million yen in the “other” item under current liabilities in FY2017 is included in the 13,654 million yen in the “other” item under non-current liabilities.

Also, the Company added to the notes related to tax effect accounting details stipulated in the explanatory notes (Notes 8 & 9) (excluding the total for the valuation allowance) to the Accounting Standard for Tax Effect Accounting, as specified in Items 3 to 5 in the partial revision to the Accounting Standard for Tax Effect Accounting. However, the details related to the previous consolidated fiscal year provided for in the said content are not stated in accordance with the transitional treatment stipulated in Item 7 of the partial revision to the Accounting Standard for Tax Effect Accounting.

(w) Additional Information

(Stock-based compensation plan for the Company’s directors)
In accordance with a resolution passed at the 169th Annual General Shareholders' Meeting held on June 29, 2017, the Company introduced a stock-based compensation plan for Company’s Directors (limited to directors not serving as Audit and Supervisory Committee Members and excluding Outside Directors; hereinafter the same shall apply) and Executive Officers (hereinafter collectively referred to as "Directors") . The purpose of the plan is to clarify the correlation between the Company’s share price and Director compensation and to boost awareness of contribution to the improvement of corporate value by having the Directors share the benefits and risks of stock price fluctuation with shareholders—i.e. not only benefit when the share price rises but also shoulder the risk of a decline in share price.
The accounting procedures for this system conform with the Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts (PITF No. 30, March 26, 2015).

I. Transaction summary

The Company will set up a monetary trust. This trust will be used to acquire common shares of the Company. A director shall be granted points in each fiscal year according to the Stock Distribution Regulations set forth by the Board of Directors. The stock-based compensation will be delivered to the Directors via the trust. Note that in principle the Directors will receive delivery of said shares at the time of retirement.

II. Shares remaining in the trust

The shares of the Company that remain in the trust are recorded as treasury stock under net assets at book value (excluding associated costs).
The book value of these treasury stock shares at the years ended March 31, 2018 and 2019 in the amounts of ¥1,035 million and 1,056 thousand shares and ¥973 million (US$8,766 thousand) and 992 thousand shares.

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, 2019 (¥111.00=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, 2018 and March 31, 2019.

(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 the 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, 2018 and 2019, respectively, are shown below:

2018	Millions of yen: Book value	Millions of yen: Fair value	Millions of yen: Difference
(1) Cash and deposits	¥34,285	¥34,285	¥ -
(2) Notes and accounts receivable, trade	151,237		
Less: Allowance for doubtful accounts	(666)		
Total	150,570	150,570	-
(3) Investment securities	30,627	31,541	914
(4) Notes and accounts payable, trade	77,166	77,166	-
(5) Short-term borrowings (*1)	63,374	63,374	-
(6) Income taxes payable	2,612	2,612	-
(7) Bonds (*2)	40,000	39,985	(15)
(8) Long-term borrowings (*1)	133,995	133,475	(519)
(9) Derivative Instruments (*3)			
Non-hedge derivative instruments	(1,668)	(1,668)	-
Designated hedge instruments	¥209	¥209	¥ -

(*1) ¥13,404 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) ¥20,000 million of the bonds which mature within 1 year and are recorded in "Current portion of bonds" in the consolidated balance sheets are included in "Bonds" above.
(*3) Net receivables and (liabilities) related to the derivative transactions are presented net.

2019	Millions of yen: Book value	Millions of yen: Fair value	Millions of yen: Difference	Thousands of U.S. dollars: Book value	Thousands of U.S. dollars: Fair value	Thousands of U.S. dollars: Difference
(1) Cash and deposits	¥36,794	¥36,794	¥ -	$331,477	$331,477	$ -
(2) Notes and accounts receivable, trade	141,568			1,275,387		
Less: Allowance for doubtful accounts	(431)			(3,883)		
Total	141,137	141,137	-	1,271,505	1,271,505	-
(3) Investment securities	23,888	22,752	(1,136)	215,207	204,973	(10,234)
(4) Notes and accounts payable, trade	64,999	64,999	-	585,577	585,577	-
(5) Short-term borrowings (*1)	84,078	84,078	-	757,459	757,459	-
(6) Income taxes payable	2,126	2,126	-	19,153	19,153	-
(7) Bonds	20,000	20,012	12	180,180	180,288	108
(8) Long-term borrowings (*1)	149,426	149,590	164	1,346,180	1,347,658	1,477
(9) Derivative Instruments (*2)						
Non-hedge derivative instruments	863	863	-	7,775	7,775	-
Designated hedge instruments	(¥525)	(¥525)	¥ -	($4,730)	($4,730)	$ -

(*1) ¥53,458 million (US$481,604 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) 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 due to 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 and (6) Income taxes payable
The costs of these items approximate fair values due to their short term maturities.

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

(8) 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 borrowings 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.

(9) Derivative instruments
The Companies use a forward exchange rate for foreign exchange forward contracts. Commodity futures contracts fair values are calculated based on LME (London Metal Exchange) and SHFE (Shanghai Futures Exchange) official prices and current exchange rates. Foreign exchange forward contracts are accounted for combined with the accounts receivables 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 borrowings designated as hedged items, and their fair values are included in long-term borrowings.

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

2018 Description	Millions of yen: Amount recorded in consolidated balance sheets
Non-public companies	¥7,808

2019 Description	Millions of yen: Amount recorded in consolidated balance sheets	Thousands of U.S. dollars: Amount recorded in consolidated balance sheets
Non-public companies	¥8,637	$77,811

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 it is difficult to estimate the future cash flows of these companies.

Note 3: The aggregate annual maturities of cash and deposits, and receivables at March 31, 2018 and 2019 are as follows:

	Millions of yen			
At March 31, 2018	Due within 1year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	¥34,285	¥ -	¥ -	¥ -
Notes and accounts receivable, trade	151,237	-	-	-
Total	¥185,523	¥ -	¥ -	¥ -

	Millions of yen			
At March 31, 2019	Due within 1year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	¥36,794	¥ -	¥ -	¥ -
Notes and accounts receivable, trade	141,364	204	-	-
Total	¥178,158	¥204	¥ -	¥ -

	Thousands of U.S. dollars			
At March 31, 2019	Due within 1year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	$331,477	$ -	$ -	$ -
Notes and accounts receivable, trade	1,273,550	1,838	-	-
Total	$1,605,027	$1,838	$ -	$ -

Note 4: The annual maturities of bonds and long-term borrowings at March 31, 2018 and 2019 are as follows:

At March 31, 2018

Bonds

	Millions of yen
Year ending March 31, 2019	¥20,000
2020	-
2021	-
2022	10,000
2023	-
2024 and thereafter	10,000

Long-term borrowings

	Millions of yen
Year ending March 31, 2019	¥13,404
2020	42,807
2021	47,237
2022	13,424
2023	17,120
2024 and thereafter	1

At March 31, 2019

Bonds

	Millions of yen	Thousands of U.S. dollars
Year ending March 31, 2020	¥ -	$ -
2021	-	-
2022	10,000	90,090
2023	-	-
2024	10,000	90,090
2025 and thereafter	-	-

Long-term borrowings

	Millions of yen	Thousands of U.S. dollars
Year ending March 31, 2020	¥53,458	$481,604
2021	61,212	551,459
2022	17,539	158,009
2023	17,215	155,090
2024	0	0
2025 and thereafter	0	0

5. Investment Securities

The aggregate cost, gross unrealized gains, gross unrealized losses and fair value of held-to-maturity investment securities at March 31, 2018 and 2019 consisting primarily of equity securities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cost	¥11,495	¥9,508	$85,658
Gross unrealized gains	10,714	6,411	57,757
Gross unrealized losses	(87)	(667)	(6,009)
Fair value	¥22,122	¥15,252	$137,405

Available-for-sale investment securities sold during the year ended March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Investment securities			
Sales amount	¥5,541	¥6,103	$54,982
Gain on sales of investment securities	1,073	3,327	29,973
Loss on sales of securities	101	0	0

Investments in unconsolidated subsidiaries and affiliates at March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Investments securities	¥14,535	¥15,650	$140,991
Investments and other assets, other	11,069	5,595	50,405
	¥25,604	¥21,245	$191,396

6. Borrowings and Other Financial Liabilities

Borrowings and other financial liabilities at March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Short-term loans, principally from banks, with weighted-average interest rates of 1.6% and 1.3% per year at March 31, 2018 and 2019, respectively.	¥63,374	¥84,078	$757,459
Current portion of unsecured long-term loans from banks and other financial institutions with weighted-average interest rates of 2.3% and 1.8% at March 31, 2018 and 2019, respectively.	13,404	53,458	$481,604
Current portion of lease obligations	113	87	$784
Non-current portion of unsecured long-term loans from banks and other financial institutions with maturity dates from 2020 to 2028 with weighted-average interest rates of 1.2% and 1.5% at March 31, 2018 and 2019, respectively.	120,591	95,968	$864,577
Non-current portion of lease obligations	135	203	$1,829
Commercial papers, with weighted-average interest rates of (0.0)% per year at March 31, 2018.	2,000	-	-
	¥199,618	¥233,796	$2,106,270

The Companies' assets pledged as collateral for other interest-bearing debts at March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Carrying values of property, plant and equipment:			
Land	¥992	¥992	$8,937

The Companies' debt pledged as collateral for other interest-bearing debts at March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Carrying values of liabilities:			
Current liabilities Other	¥606	¥606	$5,459
Non-current liabilities Other	2,446	1,854	16,703

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

Long term borrowings	Millions of yen	Thousands of U.S. dollars
Year ending March 31,		
2021	¥61,212	$551,459
2022	17,539	158,009
2023	17,215	155,090
2024	0	0

Lease obligations	Millions of yen	Thousands of U.S. dollars
Year ending March 31,		
2021	¥70	$631
2022	54	486
2023	43	387
2024	30	270

Bonds	Millions of yen	Thousands of U.S. dollars
Year ending March 31,		
2021	¥ -	$ -
2022	10,000	90,090
2023	-	-
2024	10,000	90,090

7. Other Long-term Liabilities

Other than the loans and debts included in note 6, interest-bearing debts, which consisted of guarantee money received in the amounts of ¥1,538 million and ¥947 million (US$8,532 thousand), were recorded as a part of other long-term liabilities in the Consolidated Balance Sheets as of March 31, 2018 and 2019, respectively.

8. Notes Maturing at the year end

The Companies had Notes receivable and payable which had a maturity date at March 31, 2018 and 2019 but were not settled until April 2, 2018 and April 1, 2019 due to a bank holiday. For accounting purposes, these notes have been treated as settled.
The amount of Notes receivables were ¥1,420 million and ¥954 million (US$8,595 thousand) and Notes payable were ¥694 million and ¥796 million (US$7,171 thousand) at March 31, 2018 and 2019 respectively.

9. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Depreciation and amortization	¥2,775	¥2,607	$23,486
Retirement benefit cost	1,782	1,690	15,225

10. 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, 2018 and 2019, amounted to ¥16,291 million and ¥17,466 million (US$157,351 thousand), respectively.

11. Severance Indemnities and Pension Plans

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

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

(b) Defined benefit plan

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

(1) Benefit obligations at the beginning of the period and the end of the period (excluding those plans that adopt the simplified method as discussed in (3) below)

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at the beginning of the period	¥53,897	¥53,584	$482,739
Service cost	2,429	2,582	23,261
Interest cost	265	216	1,946
Actuarial (gains) or losses	685	1,114	10,036
Past service cost accrual	-	(3,335)	(30,045)
Retirement benefits paid	(3,614)	(3,615)	(32,568)
Other	(78)	5	45
Balance at the end of the period	¥53,584	¥50,552	$455,423

(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 in (3) below)

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at the beginning of the period	¥51,105	¥49,841	$449,018
Expected return on plan assets	733	679	6,117
Actuarial (gains) or losses	(365)	(1,099)	(9,901)
Employer's contributions	1,412	1,407	12,676
Retirement benefits paid	(3,045)	(2,764)	(24,901)
Other	-	8	72
Balance at the end of the period	¥49,841	¥48,073	$433,090

(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
	2018	2019	2019
Balance at the beginning of the period	¥2,160	¥2,317	$20,874
Retirement benefit cost	305	328	2,955
Retirement benefits paid	(95)	(65)	(586)
Annual contribution	(215)	(179)	(1,613)
Other	162	(70)	(631)
Balance at the end of the period	¥2,317	¥2,330	$20,991

(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
	2018	2019	2019
Retirement benefit obligations of the savings plans	¥52,150	¥48,317	$435,288
Plan assets	(37,213)	(35,492)	(319,748)
Retirement benefits trusts	(13,628)	(13,608)	(122,595)
	1,307	(782)	(7,045)
Retirement benefit obligations of the non-savings plans	4,752	5,590	50,360
Net liabilities and assets recorded on the Consolidated Balance Sheets	6,060	4,809	43,324
Net defined benefit liability	8,479	9,356	84,288
Net defined benefit asset	(2,419)	(4,547)	(40,964)
Net liabilities (assets) recorded on the Consolidated Balance Sheets	¥6,060	¥4,809	$43,324

(5) Components of net periodic retirement benefits costs

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Service cost	¥2,429	¥2,582	$23,261
Interest cost	265	216	1,946
Expected return on plan assets	(733)	(679)	(6,117)
Recognized actuarial (gains) or losses	1,720	1,437	12,946
Amortization of prior service cost	(263)	(374)	(3,369)
Net retirement benefit costs of the plans adopting the simplified method	305	328	2,955
Retirement benefit costs related to the defined benefit plans	¥3,723	¥3,509	$31,613

Note. Extra retirement payments for the years ended March 31, 2018 and 2019 in the amount of ¥1,976 million and ¥1,588 million (US$14,306 thousand) 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 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Unrecognized prior service cost	¥263	(¥2,941)	($26,495)
Unrecognized actuarial (gains) or losses	(649)	728	6,559
Total	(¥386)	(¥2,212)	($19,928)

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

	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Unrecognized prior service cost	(¥796)	(¥3,737)	($33,667)
Unrecognized actuarial (gains) or losses	8,008	8,735	78,694
Total	¥7,212	¥4,998	$45,027

(8) Plan assets consisted of the following :

	2018	2019	
Bonds	25	16	%
Equity securities	22	16	
Cash and deposits	19	35	
General accounts	7	7	
Others	27	26	
Total	100	100	%

Note. Employee retirement benefits trusts contributed to the company pension plan as of March 31, 2018 and 2019 represent approximately 27% and 28% 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 returns from a variety of plan assets have been taken into account.

(10) The actuarial assumptions used

	2018	2019
Discount rates	Mainly 0.3%	Mainly 0.1%
Expected long-term expected return on plan assets	Mainly 1.9%	Mainly 1.9%
Lump sum election rate	Mainly 69.0%	Mainly 77.7%
Re-evaluation rate	Mainly 0.5%	Mainly 0.5%

(c) Defined contribution plan
Total annual contributions to the defined contribution plans for the years ended March 31, 2018 and 2019 are ¥445 million and ¥463 million (US$4,171 thousand), respectively.

12. 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, 2018 and 2019 in the amounts of ¥2,918 million and ¥ 6,404 million (US$57,694 thousand), respectively.

13.Business Structure Improvement Expenses

For the Year Ended March 31, 2018	Millions of yen
Special retirement pay in tandem with liquidation of a subsidiary's site	¥1,976
Retirement of assets in tandem with the liquidation of a subsidiary's site	474
Total	¥2,450

For the Year Ended March 31, 2019	Millions of yen	U.S. dollars
Special retirement pay in tandem with liquidation of a subsidiary's site	¥1,588	$14,306
Retirement of assets in tandem with the liquidation of a subsidiary's site	159	1,432
Total	¥1,747	$15,739

14.Impairment loss
Grouping method:
The Companies grouped long-lived assets into asset groups by merchandise category.
Idle assets are grouped on an individual asset basis.

For the year ended March 31, 2018, the Company has recorded impairment losses against the following asset groups:

Location: Fujikura Ltd. (Moka, Tochigi)
Use: Connector manufacturing plant, etc
Type: Land, etc
Amount of impairment losses: ¥345 million

The sale of the above real estate to a third party has been finalized. Therefore the difference between the selling price and the book value was posted as impairment loss.

For the year ended March 31, 2019, the Company has recorded impairment losses against the following asset groups:

Location: Fujikura Electronics（Thailand）Ltd. (Thailand)
Use: Idle assets
Type: Machinery and equipment
Amount of impairment losses: ¥429 million (US$3,865 thousand)

Location: Fujikura Changchun Ltd. (China)
Use: Wire harness manufacturing plant
Type: Buildings, etc.
Amount of impairment losses: ¥415 million (US$3,739 thousand)

The Company no longer plans to use the machinery and equipment due to the change in market environment.
Accordingly, a recoverable value of 0 yen was recognized with the previously undepreciated book value recorded as an impairment loss.
The Company no longer plans to use the buildings, etc. following reorganization of production sites.
Accordingly, the difference between the real estate appraisal value and the book value was recorded as an impairment loss.

15. Consolidated Statements of Comprehensive Income
For the Years Ended March 31, 2018 and 2019
Amount of reclassification and tax effect related to other comprehensive income are summarized as follows:

	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Valuation difference on available-for-sale securities			
Amount arising during the year	¥2,288	(¥1,727)	($15,559)
Reclassification adjustment	(909)	(3,136)	(28,252)
Before tax effect adjustment	1,379	(4,863)	(43,811)
Tax effect	(330)	1,333	12,009
Valuation difference on available-for-sale securities	1,048	(3,530)	(31,802)
Deferred gains or losses on hedges			
Amount arising during the year	173	(812)	(7,315)
Remeasurements of acquisition cost for asset	(704)	107	964
Before tax effect adjustment	(530)	(704)	(6,342)
Tax effect	(23)	141	1,270
Deferred gains or losses on hedges	(554)	(563)	(5,072)
Foreign currency translation adjustments			
Amount arising during the year	1,394	2,769	24,946
Tax effect	-	(72)	-
Foreign currency translation adjustments	1,394	2,697	24,297
Remeasurements of defined benefit plans, net of taxes			
Amount arising during the year	(1,072)	1,037	9,342
Reclassification adjustment	1,458	1,174	10,577
Before tax effect adjustment	386	2,212	19,928
Tax effect	(90)	(562)	(5,063)
Remeasurements of defined benefit plans, net of taxes	296	1,650	14,865
Share of other comprehensive income of associates accounted for using equity method			
Amount arising during the year	0	(339)	(3,054)
Reclassification adjustment	15	22	198
Share of other comprehensive income of associates accounted for using equity method	15	(317)	(2,856)
Other comprehensive income	¥2,200	(¥65)	($586)

16. 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, 2018 and 2019 are as follows:

	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Cash and deposits	¥34,285	¥36,794	$331,477
Deposits with original maturities of over three months	(733)	(557)	(5,018)
Cash and cash equivalents	¥33,552	¥36,236	$326,450

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 30.4% and 30.2% for the years ended March 31, 2018 and 2019.
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, 2018 and 2019 are as follows:

	2018	2019
Normal statutory tax rate	30.4 %	30.2 %
Permanently non-deductible expenses such as entertainment expenses	0.4	0.9
Permanently non-taxable income such as dividend income	(0.9)	(0.4)
Withholding tax on dividends from foreign subsidiaries	0.3	1.8
Per capita rate of local tax	0.3	0.8
Elimination of intercompany dividend income	0.5	2.8
Special tax credit	(1.7)	(3.5)
Equity in losses of affiliates	(1.6)	(3.5)
Tax exemption in foreign tax jurisdiction	(3.0)	(5.1)
Valuation allowance	3.7	58.7
Effect of lower tax rates at overseas subsidiaries	(3.4)	(11.9)
Amortization of Goodwill	2.9	2.6
Retained earnings of overseas subsidiaries	0.1	3.4
Income taxes for prior periods	(1.2)	(6.4)
Other	(0.5)	1.8
Effective income tax rate	26.3 %	72.0 %

The significant components of deferred tax assets and liabilities at March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Deferred tax assets:			
Net operating losses carried forward (*2)	¥16,186	¥14,038	$126,468
Net defined benefit liability	4,482	4,605	41,486
Loss on valuation of investments in capital of subsidiaries and associates	498	3,153	28,405
Allowance for doubtful accounts	2,751	2,568	23,135
Foreign tax credit carried forward	976	2,409	21,703
Depreciation	2,688	2,234	20,126
Bonus accrual	2,015	2,128	19,171
Loss on valuation of investment securities	2,202	1,918	17,279
Inventory devaluations	853	1,099	9,901
Provision for loss on guarantees	480	911	8,207
Elimination of intercompany profits on fixed assets	764	803	7,234
Impairment losses	1,170	774	6,973
Enterprise taxes	347	215	1,937
Elimination of intercompany profits on inventories	279	196	1,766
Other	4,064	5,069	45,667
Gross deferred tax assets	39,764	42,126	379,514
Valuation allowance related to net operating losses carried forward (*2)	-	(10,744)	(96,793)
Valuation allowance related to total deductible temporary difference, etc.	-	(12,677)	(114,207)
Subtotal of valuation allowance (*1)	(19,137)	(23,422)	(211,009)
Total deferred tax assets	20,626	18,704	168,505
Deferred tax liabilities:			
Retained earnings of equity-method affiliated company	969	1,326	11,946
Unrealized gains on investment securities	2,361	1,027	9,252
Special tax-purpose reserve for deferred gain on sale of property	637	633	5,703
Other	261	104	937
Total deferred tax liabilities	4,231	3,094	27,874
Net deferred tax assets	¥16,394	¥15,609	$140,622

Notes: 1. There is no significant change in the valuation allowance.
2. Net operating losses carried forward for tax purposes and correlating deferred tax assets by carry forward period.

FY2018 (consolidated fiscal year ended March 31, 2019)

Millions of yen

	Within 1 year	More than 1 year, less than 2 years	More than 2 years, less than 3 years	More than 3 years, less than 4 years	More than 4 years, less than 5 years	More than 5 years	Total
Net operating losses carried forward*1	974	1,244	947	327	1,539	9,005	14,038
Valuation allowance	(932)	(1,213)	(947)	(227)	(839)	(6,585)	(10,744)
Deferred tax assets	42	31	-	99	700	2,419	*2 3,293

Thousands of U.S. dollars

	Within 1 year	More than 1 year, less than 2 years	More than 2 years, less than 3 years	More than 3 years, less than 4 years	More than 4 years, less than 5 years	More than 5 years	Total
Net operating losses carried forward*1	8,775	11,207	8,532	2,946	13,865	81,126	126,468
Valuation allowance	(8,396)	(10,928)	(8,532)	(2,045)	(7,559)	(59,324)	(96,793)
Deferred tax assets	378	279	-	892	6,306	21,793	*2 29,667

*1: Figures for net operating losses carried forward are the amounts multiplied by effective statutory tax rate.
*2: For the net operating losses carried forward of 14,038 million yen (US$124,468 thousands) (amount multiplied by effective statutory tax rate), deferred tax assets of 3,293 million yen (US$29,667 thousands) have been recorded.
The net operating losses carried forward was determined to be recoverable as future taxable income is anticipated, and therefore valuation allowance has not been recognized based on "Implementation Guidance on Recoverability of Deferred Tax Assets", ASBJ Guidance No. 26.

18. Contingent Liabilities

(1) Guarantees	Millions of yen		Thousands of U.S. dollars
Guarantees for loans borrowed / notes issued by:	2018	2019	2019
Employees	¥184	¥156	$1,405
Fujikura Cabos Para Energia e Telecomunicações Ltda.	2,519	857	7,721
Unimac Ltd.	250	310	2,793
PT. Fujikura Indonesia	253	272	2,450
ProCable Energia e Telecomunicações S.A.	2,390	-	-
Other unconsolidated subsidiaries and affiliates	25	20	180
	¥5,622	¥1,617	$14,568

(2) Contingent liabilities

Quality control improprieties (hereinafter “cases”) were discovered in respect of certain products sold by Fujikura Group.

These include cases where the figures shown in test and inspection documents submitted to customers differed from actual values, cases where quality inspections agreed upon with the customer were not carried out, and cases where partial changes were made to manufacturing methods that were not approved by customers. It was also found that in respect of JIS certified products among the cases of quality impropriety, procedures for making revisions to the quality control system for screening to maintain JIS certification were inadequate and improper quality control conduct was confirmed for general-use products.

In light of these circumstances, Fujikura received a survey report from an external law firm which confirmed the facts of these cases and determined the cause of the quality improprieties. Fujikura disclosed the results of this investigation on April 25, 2019.
Related customers have been notified of the facts associated with the improper conduct discovered in the investigation.
Some customers are currently confirming the performance, soundness and safety of these products.

Depending on the progress made going forward, additional losses are likely to incur, including cost of reparation to customers.
These losses could potentially impact the Company’s consolidated earnings performance.

19. Derivative Instruments
(a) Derivative instruments not accounted for under hedge accounting
(1) Foreign forward exchange contracts
At March 31, 2018

2018	Notional amount	Notional amount to be settled in more than one year	Fair value	Gain (loss)
	Millions of yen			
Sell				
USD	¥6,643	-	¥99	¥99
YEN	81	-	1	1
Others	104	-	2	2
Buy				
USD	47,738	-	(1,788)	(1,788)
YEN	402	-	0	0
Others	536	-	3	3
Total	¥55,505	-	(¥1,682)	(¥1,682)

Calculation method of fair value.
It is calculated based on the price etc. presented by the trading financial institution.

At March 31, 2019

2019	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)
	Millions of yen				Thousands of U.S. dollars			
Sell								
USD	¥6,319	-	(¥58)	(¥58)	$56,928	-	($523)	($523)
YEN	198	-	(2)	(2)	1,784	-	(18)	(18)
Others	154	-	0	0	1,387	-	0	0
Buy								
USD	49,637	-	512	512	447,180	-	4,613	4,613
YEN	723	-	0	0	6,514	-	0	0
Others	45	-	(2)	(2)	405	-	(18)	(18)
Total	¥57,078	-	¥449	¥449	$514,216	-	$4,045	$4,045

Calculation method of fair price.
It is calculated based on the price etc. presented by the trading financial institution.

(2) Interest Rate Swaps
At March 31, 2018 N/A

At March 31, 2019 N/A

(3) Commodity Futures Contracts
At March 31, 2018

2018	Notional amount	Notional amount to be settled in more than one year	Fair value	Gain (loss)
	Millions of yen			
Sell	¥3,195	¥ -	¥69	¥69
Buy	4,717	1,035	(55)	(55)
Total	¥7,913	¥1,035	¥14	¥14

Calculation method of fair price.
It is calculated based on LME(London Metal Exchange) official price and current exchange rate.

At March 31, 2019

2019	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)
	Millions of yen				Thousands of U.S. dollars			
Sell	¥2,299	¥ -	(¥41)	(¥41)	$20,712	$ -	($369)	($369)
Buy	8,668	973	455	455	78,090	8,766	4,099	4,099
Total	¥10,967	¥973	¥414	¥414	$98,802	$8,766	$3,730	$3,730

Calculation method of fair price.
It is calculated based on LME(London Metal Exchange) official price and current exchange rate.

(b) Derivative instruments accounted for under hedge accounting
(1) Foreign forward exchange contracts
At March 31, 2018

2018	Notional amount	Notional amount to be settled in more than one year	Fair value
	Millions of yen		
Accounted for combined with the accounts designated as hedged items (allowed under JGAAP)			
Accounts receivable, trade			
Sell			
USD	¥26,189	¥ -	(*1) ¥ -
EUR	1,311	-	-
Accounted for by the method in the principle			
Accounts receivable, trade			
Sell			
USD	11,223	276	352
EUR	1,117	24	(15)
Total	¥39,842	¥300	¥337

(*1) Designated hedge accounting on forward exchange contracts etc. are treated as one with the accounts receivables to be hedged.
The fair value is included in the fair value of the trade receivables. (Reference : 4.Financial Instruments (b)Fair values of financial instruments)
(*2) Calculation method of fair price ··· It is calculated based on the price etc. presented by the trading financial institution.

At March 31, 2019

2019	Notional amount	More than one year of Notional amount	Fair value	Notional amount	More than one year of Notional amount	Fair value
	Millions of yen			Thousands of U.S. dollars		
Accounted for combined with the accounts designated as hedged items (allowed under JGAAP)						
Accounts receivable, trade						
Sell						
USD	¥27,454	¥ -	¥ -	$247,333	$ -	$ -
EUR	1,463	-	-	13,180	-	-
Accounted for by the method in the principle						
Accounts receivable, trade						
Sell						
USD	6,944	-	(18)	62,559	-	(162)
EUR	316	-	5	2,847	-	45
Accounts payable, trade						
Buy						
EUR	51	-	(5)	459	-	(45)
Total	¥36,229	¥ -	(¥18)	$326,387	$ -	($162)

(*1) Designated hedge accounting on forward exchange contracts etc. are treated as one with the accounts receivables to be hedged.
The fair value is included in the fair value of the trade receivables. (Reference : 4.Financial Instruments (b)Fair values of financial instruments)
(*2) Calculation method of fair price … It is calculated based on the price etc. presented by the trading financial institution.

(2) Interest Rate Swaps
At March 31, 2018

2018	Notional amount	More than one year of Notional amount	Fair value
	Millions of yen		
Accounted for by the simplified method allowed under JGAAP			
Interest Rate Swaps			
Long-term borrowings			
Pay Fixed interest / Rec. Floating interest	¥74,249	¥67,041	(*1) ¥ -
Total	¥74,249	¥67,041	¥ -

(*1)The special treatment of interest rate swaps is treated as one with the long-term debt being hedged.
Therefore, the fair price is included in the fair value of the long-term debt. (Reference : 4.Financial Instruments (b)Fair values of financial instruments)
(*2) Calculation method of fair price … It is calculated based on the price etc. presented by the trading financial institution.

At March 31, 2019

2019	Notional amount	More than one year of Notional amount	Fair value	Notional amount	More than one year of Notional amount	Fair value
	Millions of yen			Thousands of U.S. dollars		
Accounted for by the simplified method allowed under JGAAP						
Interest Rate Swaps						
Long-term borrowings						
Pay Fixed interest / Rec. Floating interest	¥77,795	¥40,230	(*1) ¥ -	$700,856	$362,432	$ -
Accounted for by the method in the principle						
Interest Rate Swaps						
Long-term borrowings						
Pay Fixed interest / Rec. Floating interest	¥29,015	¥28,434	(¥488)	$261,396	$256,162	($4,396)
Total	¥106,810	¥68,664	(¥488)	$962,252	$618,595	($4,396)

(*1)The special treatment of interest rate swaps is treated as one with the long-term debt being hedged.
Therefore, the fair price is included in the fair value of the long-term debt. (Reference : 4.Financial Instruments (b)Fair values of financial instruments)
(*2) Calculation method of fair price … It is calculated based on the price etc. presented by the trading financial institution.

(3) Commodity Futures Contracts
At March 31, 2018

2018	Notional amount	More than one year of Notional amount	Fair value
	Millions of yen		
Accounted for by the method in the principle			
Commodity Futures Contracts			
Raw materials			
Sell	¥8,125	¥ -	(¥128)
Total	¥8,125	¥ -	(¥128)

Calculation method of fair price.
It is calculated based on SHFE(Shanghai Futures Exchange) official price and current exchange rate.

At March 31, 2019

2019	Notional amount	More than one year of Notional amount	Fair value	Notional amount	More than one year of Notional amount	Fair value
	Millions of yen			Thousands of U.S. dollars		
Accounted for by the method in the principle						
Commodity Futures Contracts						
Raw materials						
Sell	¥2,051	¥ -	(¥18)	$18,477	$ -	($162)
Total	¥2,051	¥ -	(¥18)	$18,477	$ -	($162)

Calculation method of fair price.
It is calculated based on SHFE(Shanghai Futures Exchange) official price and current exchange rate.

20. Supplementary Information for the Consolidated Statements of Changes in Net Assets
For the Year Ended March 31, 2018
(a) Type and number of outstanding shares

Type of shares	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
	Year ended March 31, 2018 — Thousands of shares			
Issued stock:				
Common stock	295,863	-	-	295,863
Total	295,863	-	-	295,863
Treasury stock:				
Common stock (*1)(*2)(*3)	10,610	1,058	1,056	10,612
Total	10,610	1,058	1,056	10,612

(*1) The 1,058 thousand share increase in common shares of treasury stock are mainly attributable to the increased acquisition of shares of the stock-based compensation plan for the Company's directors.
(*2) The 1,056 thousand share decline in common shares of treasury stock are mainly attributable to the sale of shares for the stock-based compensation plan for the Company's directors.
(*3) The number of common shares of treasury stock at the end of the fiscal year under review are included in the 1,056 thousand shares of Fujikura stock held in the trust account for the stock-based compensation plan for directors.

(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 29, 2017	Annual general meeting of shareholders	Common stock	¥1,426	¥5.0	March 31, 2017	June 30, 2017
October 27, 2017	Board of directors	Common stock	¥2,004	¥7.0	September 30, 2017	December 4, 2017

Note: The total dividend payout approved by the Board of directors meeting at the October 27, 2017 includes 7 million yen in dividends for the shares in the trust account for the stock-based compensation plan for directors.

(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 28, 2018	Annual general meeting of shareholders	Common stock	¥2,004	Retained earnings	¥7.0	March 31, 2018	June 29, 2018

Note: The total dividend payout approved by the Board of directors meeting at the June 28, 2018 includes 7 million yen in dividends for the shares in the trust account for the stock-based compensation plan for directors.

For the Year Ended March 31, 2019
(a) Type and number of outstanding shares

	Year ended March 31, 2019			
	Thousands of shares			
Type of shares	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Issued stock:				
Common stock	295,863	-	-	295,863
Total	295,863	-	-	295,863
Treasury stock:				
Common stock (*1)(*2)(*3)	10,612	1	63	10,550
Total	10,612	1	63	10,550

(*1) The 1 thousand share increase in common shares of treasury stock is mainly attributable to the acquisition of odd-lot shares.
(*2) The 63 thousand share decrease in common shares of treasury stock reflects the delivery of shares to the Company's directors from the trust account for the stock-based compensation plan.
(*3) The number of common shares of treasury stock at the end of the fiscal year under review are included in the 992 thousand shares of Fujikura stock held in the trust account for the stock-based compensation plan for directors.

(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 28, 2018	Annual general meeting of shareholders	Common stock	¥2,004	$18,054	¥7.0	$0.06	March 31, 2018	June 29, 2018
October 31, 2018	Board of directors	Common stock	¥2,004	$18,054	¥7.0	$0.06	September 30, 2018	December 4, 2018

Note: The total dividend payout approved by the Annual general meeting of shareholders at the June 28, 2018 includes 7 million yen in dividends for the shares in the trust account for the stock-based compensation plan for directors.
The total dividend payout approved by the Board of directors meeting at the October 31, 2018 includes 6 million yen in dividends for the shares in the trust account for the stock-based compensation plan for directors.

(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 27, 2019	Annual general meeting of shareholders	Common stock	¥1,432	$12,901	Retained earnings	¥5.0	$0.05	March 31, 2019	June 28, 2019

Note: The total dividend payout approved by the Annual general meeting of shareholders at the June 27, 2019 includes 4 million yen in dividends for the shares in the trust account for the stock-based compensation plan for directors.

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 ¥5,487 million and ¥5,015 million (US$45,180 thousand) for the fiscal years ended March 31, 2018 and 2019, 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, 2018 and 2019 are as follows:

For the Year Ended March 31, 2018

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)
¥47,404	(¥2,834)	¥44,569	¥109,033

(*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 ¥1,920 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, 2019

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)
¥44,569	(¥1,113)	¥43,456	¥113,929

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)
$401,523	($10,027)	$391,495	$1,026,387

(*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 ¥1,939 million (US$17,486 thousand).
(*3) Fair value at end of year was primarily based on "Real Estate Appraisal Standards".

22. 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 Business Company", considering similarities in production methods, production process, applications and sales methods.

Starting from the consolidated fiscal year, some of the businesses previously reported as "Power & Telecommunication Systems Company" have been transferred to "Other", as a result of a review of management structure in order to improve the efficiency of these businesses.

Definitions of the four segments for the years ended March 31, 2018 and 2019 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 Business Company deals with Real estate rental, 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 as stated in the Consolidated Statements of Income.

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

	For the year ended March 31, 2018							
	Millions of yen							
Reporting segments	Power & Telecommuni-cation Systems Company	Electronics Business Company	Automotive Products Company	Real Estate Business Company	Other (*1)	Total	Adjustment (* 2,3,4)	Consolidated total
Sales to outside customers	¥370,130	¥195,982	¥157,055	¥10,962	¥5,921	¥740,052	¥ -	¥740,052
Inter-segment sales	540	255	43	-	8	848	(848)	-
Total sales	370,671	196,238	157,099	10,962	5,929	740,901	(848)	740,052
Segment profit (loss)	22,357	10,441	(3,174)	5,501	(782)	34,343	-	34,343
Segment total assets	261,599	150,013	110,274	43,332	4,712	569,933	68,121	638,055
Depreciation and amortization	7,950	10,293	4,345	1,990	271	24,851	2,018	26,870
Impairment losses	2	348	424	-	0	775	-	775
Increase in property, plant and equipment and intangible assets	¥20,944	¥10,386	¥5,975	¥2,461	¥192	¥39,960	¥2,627	¥42,588

Notes:
(*1) "Other" includes new businesses to launch which are excluded from the aforementioned 4 segments.
(*2) Adjustment of ¥68,121 million in "Segment total assets" represents common assets not allocated to each reporting segment in the amount of ¥99,523 million and elimination of inter-segment transactions in the amount of ¥(31,401) million.
Common assets mainly consisted of assets related to investment securities, research and development and administrative divisions of the Company.
(*3) Adjustment of ¥2,018 million of "Depreciation and amortization" represents depreciation and amortization associated with common assets not allocated to each reporting segment.
(*4) Adjustment of ¥2,627 million of "Increase in property, plant and equipment and intangible assets" represents an increase in common assets not allocated to each reporting segment.

	For the year ended March 31, 2019							
	Millions of yen							
Reporting segments	Power & Telecommuni-cation Systems Company	Electronics Business Company	Automotive Products Company	Real Estate Business Company	Other (*1)	Total	Adjustment (* 2,3,4)	Consolidated total
Sales to outside customers	¥354,856	¥185,065	¥154,141	¥10,883	¥5,831	¥710,778	¥ -	¥710,778
Inter-segment sales	542	253	41	-	10	848	(848)	-
Total sales	355,398	185,319	154,182	10,883	5,842	711,626	(848)	710,778
Segment profit (loss)	17,775	8,319	(3,208)	5,021	(229)	27,679	-	27,679
Segment total assets	269,584	158,397	96,164	42,780	5,215	572,143	66,175	638,318
Depreciation and amortization	9,885	12,000	4,914	2,095	298	29,193	2,404	31,598
Impairment losses	608	429	746	-	-	1,784	-	1,784
Increase in property, plant and equipment and intangible assets	¥21,081	¥24,983	¥4,760	¥1,397	¥278	¥52,501	¥3,283	¥55,785

	Thousands of U.S. dollars							
Reporting segments	Power & Telecommuni-cation Systems Company	Electronics Business Company	Automotive Products Company	Real Estate Business Company	Other (*1)	Total	Adjustment (* 2,3,4)	Consolidated total
Sales to outside customers	$3,196,901	$1,667,252	$1,388,658	$98,045	$52,532	$6,403,405	$ -	$6,403,405
Inter-segment sales	4,883	2,279	369	-	90	7,640	(7,640)	-
Total sales	3,201,784	1,669,541	1,389,027	98,045	52,631	6,411,045	(7,640)	6,403,405
Segment profit (loss)	160,135	74,946	(28,901)	45,234	(2,063)	249,360	-	249,360
Segment total assets	2,428,685	1,427,000	866,342	385,405	46,982	5,154,441	596,171	5,750,613
Depreciation and amortization	89,054	108,108	44,270	18,874	2,685	263,000	21,658	284,667
Impairment losses	5,477	3,865	6,721	-	-	16,072	-	16,072
Increase in property, plant and equipment and intangible assets	$189,919	$225,072	$42,883	$12,586	$2,505	$472,982	$29,577	$502,568

Notes:
(*1) "Other" includes new businesses to launch which are excluded from the aforementioned 4 segments.
(*2) Adjustment of ¥66,175 million (US$596,171 thousand) in "Segment total assets" represents common assets not allocated to each reporting segment in the amount of ¥98,627 million (US$888,532 thousand) and elimination of inter-segment transactions in the amount of ¥(32,451) million (US$(292,351) thousand).
Common assets mainly consisted of assets related to investment securities, research and development and administrative divisions of the Company.
(*3) Adjustment of ¥2,404 million (US$21,658 thousand) of "Depreciation and amortization" represents depreciation and amortization associated with common assets not allocated to each reporting segment.
(*4) Adjustment of ¥3,283 million (US$29,5777 thousand) of "Increase in property, plant and equipment and intangible assets" represents an increase in common assets not allocated to each reporting segment.

(Related information)
(a) Geographical segment information

Sales

2018	Millions of yen				
	Japan	U.S.	China	Others	Total
Sales to external customers	¥277,267	¥141,310	¥106,642	¥214,832	¥740,052

Property, plant and equipment

2018	Millions of yen				
	Japan	Thailand	China	Others	Total
Property, plant and equipment	¥112,982	¥52,013	¥20,083	¥26,208	¥211,288

Sales

2019	Millions of yen					Thousands of U.S. dollars				
	Japan	U.S.	China	Others	Total	Japan	U.S.	China	Others	Total
Sales to external customers	¥249,483	¥130,884	¥97,525	¥232,884	¥710,778	$2,247,595	$1,179,135	$878,604	$2,098,054	$6,403,405

Property, plant and equipment

2019	Millions of yen					Thousands of U.S. dollars				
	Japan	Thailand	China	Others	Total	Japan	Thailand	China	Others	Total
Property, plant and equipment	¥115,970	¥64,111	¥25,690	¥26,053	¥231,825	$1,044,775	$577,577	$231,441	$234,712	$2,088,514

(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, 2018 and 2019.

(c) Goodwill information

	For the year ended March 31, 2018				
	Millions of yen				
Reporting segments	Power & Telecommuni-cation Systems Company	Electronics Business Company	Automotive Products Company	Real Estate Business Company	Total
Amortization	¥2,614	¥4	¥ -	¥ -	¥2,618
Unamortized goodwill	4,236	-	-	-	4,236

	For the year ended March 31, 2019				
	Millions of yen				
Reporting segments	Power & Telecommuni-cation Systems Company	Electronics Business Company	Automotive Products Company	Real Estate Business Company	Total
Amortization	¥1,894	¥ -	¥ -	¥ -	¥1,894
Unamortized goodwill	2,671	-	-	-	2,671

	Thousands of U.S. dollars				
Reporting segments	Power & Telecommuni-cation Systems Company	Electronics Business Company	Automotive Products Company	Real Estate Business Company	Total
Amortization	$17,063	$ -	$ -	$ -	$17,063
Unamortized goodwill	24,063	-	-	-	24,063

23. Related Parties
(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:

2018 (Millions of yen)

Relationship	Name of company	Location	Paid-in-Capital	Description of business	Share of voting rights (%)	Transactions with related parties	Description of transaction	Amount of transactions (Note 6)	Financial statement line-item	The fiscal year-end balance (Note 6)
Unconsolidated subsidiaries	OPTOENERGY Inc.	Sakura, Chiba	¥489 million	Power & Telecommuni-cation Systems Company	Directly owned (99.1%)	Supply of raw materials from the Company, Interlocking directorate	Supply of raw materials with charge (Note 1)	¥793 million	-	-
Unconsolidated subsidiaries	ProCable Energia e Telecomunicações S.A.	Brazil	R$55,454 thousand	Power & Telecommuni-cation Systems Company	Directly owned (53.3%)	Guarantees	Guarantees (Note 2)	¥3,983 million (Note 3)	-	-
Affiliated companies	VISCAS Corporation	Ota, Tokyo	¥10 million	Power & Telecommuni-cation Systems Company	Directly owned (50.0%)	Financial assistance	Loan (Note 4)	-	Long-term loans receivable	¥6,746 million

2019

Relationship	Name of company	Location	Paid-in-Capital	Description of business	Share of voting rights (%)	Transactions with related parties	Description of transaction	Amount of transactions (Note 6)	Financial statement line-item	The fiscal year-end balance (Note 6)
Unconsolidated subsidiaries	ProCable Energia e Telecomunicações S.A.	Brazil	R$190,453 thousand	Power & Telecommuni-cation Systems Company	Directly owned (100.0%)	Capital transaction	Underwriting of capital increase	¥4,068 million	-	-
Unconsolidated subsidiaries	Fujikura Cabos Para Energia e Telecommunicações Ltda.	Brazil	R$92,000 thousand	Power & Telecommuni-cation Systems Company	Directly owned (100.0%)	Guarantees	Guarantees (Note 2)	¥3,790 million (Note 3)	-	-
Affiliated companies	VISCAS Corporation	Ota, Tokyo	¥10 million	Power & Telecommuni-cation Systems Company	Directly owned (50.0%)	Financial assistance	Loan (Note 4)	¥600 million	Long-term loans receivable	¥6,446 million

2019 (Thousands of U.S. dollars)

Relationship	Name of company	Location	Paid-in-Capital	Description of business	Share of voting rights (%)	Transactions with related parties	Description of transaction	Amount of transactions (Note 6)	Financial statement line-item	The fiscal year-end balance (Note 6)
Unconsolidated subsidiaries	ProCable Energia e Telecomunicações S.A.	Brazil	48,814	Power & Telecommuni-cation Systems Company	Directly owned (100.0%)	Capital transaction	Underwriting of capital increase	7,144	-	-
Unconsolidated subsidiaries	Fujikura Cabos Para Energia e Telecommunicações Ltda.	Brazil	23,580	Power & Telecommuni-cation Systems Company	Directly owned (100.0%)	Guarantees	Guarantees (Note 2)	34,144 (Note 3)	-	-
Affiliated companies	VISCAS Corporation	Ota, Tokyo	90	Power & Telecommuni-cation Systems Company	Directly owned (50.0%)	Financial assistance	Loan (Note 4)	5,405	Long-term loans receivable	58,072

Terms and conditions of the above transactions and the policy to determine the terms and conditions:
(Notes) 1. The payment for raw materials is determined after consultation and consideration of the market price.
2. The Company provided guarantees for borrowings from banks.
3. Taking into consideration the year-end balance for debt guarantees, ¥2,932 million (US$26,414 thousand) was recorded to the reserve for Provision for loss on guarantees.
4. Interest rates are determined by taking market rates into account.
5. The underwriting of a capital increase was for a subsidiary that increased its capital.
6. Consumption taxes are not included in the amount of transactions but are included in the fiscal year-end balance.

24. Per Share Information

Per share:	Yen 2018	Yen 2019	U.S. dollars 2019
Net income per share- basic	¥64.36	¥5.09	$0.046
Net income per share- fully diluted (*1)	-	-	-
Cash dividends	14.00	12.00	0.108
Net assets per share	¥768.83	¥759.40	$6.841

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

Note:
In calculating "Net assets per share", the Company's shares held by the trust account related to the share delivery trust established for the share-based payment system for directors etc. are included in treasury stock deducted from the total number of issued shares at the end of the fiscal year (1,056 thousand shares at the end of the previous consolidated fiscal year, 992 thousand shares at the end of the current consolidated fiscal year).
Also, in calculating "Net income per share", they are included in treasury stock deducted from the average number of shares during the term (704 thousand shares in the previous consolidated fiscal year, 1,019 thousand shares in the current consolidated fiscal year).

Basis for computation of per share data:	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Profit attributable to owners of parent	¥18,359	¥1,453	$13,090
Profit attributable to common shareholders	¥18,359	¥1,453	$13,090

	Thousands of shares 2018	Thousands of shares 2019
Number of weighted average shares	285,251	285,286

25. Subsequent Events
There are no significant subsequent events.

Independent Auditor's Report

To the Board of Directors of
Fujikura Ltd.

We have audited the accompanying consolidated financial statements of Fujikura Ltd. ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements 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 statement 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 LLC
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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, 2019, 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, 2019 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 LLC

June 27, 2019

Global Network

EMEA
1. Fujikura Europe Ltd.
2. 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 MLD S.R.L.
8. Fujikura Automotive Morocco Tangier, S.A.
   Fujikura Automotive Morocco Kenitra, S.A.

Thailand
9. Fujikura Electronics (Thailand) Ltd.
   DDK (Thailand) Ltd.
   Fujikura Automotive (Thailand) Ltd.

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

China
15. Fujikura Zhuhai Co., Ltd.
16. Fujikura Automotive Guangzhou Co., Ltd.
17. Fujikura Hong Kong Ltd.
18. Fujikura Fiber-Home Opto-Electronics Material Technology Co., Ltd.
19. Fujikura (China) Co., Ltd.
    Fujikura Electronics Shanghai Ltd.
    Fujikura Shanghai Optical Components Co., Ltd.
    DDK (Shanghai) Co., Ltd.

Korea
20. Fujikura Korea Automotive Ltd.

India
21. Fujikura Automotive India Private Ltd.

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

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

Main Consolidated Subsidiaries

As of March 31, 2019

Company Name	Equity Ownership Percentage, Including Indirect Ownership	Paid-in Capital (Million)	Major Line of Businesses
Fujikura Dia Cable Ltd.	60.0%	¥5,400	Electric wires and cables
Nishi Nippon Electric Wire & Cable Co., Ltd.	60.8%	¥960	Electric wires and cables and optical cables
Yonezawa Electric Wire Co., Ltd.	94.9%	¥400	Electric wires and cables
America Fujikura Ltd.	100.0%	US$202	OPGW, optical cables, optical fusion splicers, optical connection parts and telecommunications related work
Fujikura Electronics (Thailand) Ltd.	100.0%	THB11,552	FPCs and electronic components
Fujikura Electronics Shanghai Ltd.	100.0%	RMB97	FPCs
DDK (Shanghai) Co., Ltd.	100.0%	RMB102	Connectors
Fujikura Automotive Asia Ltd.	100.0%	¥1,772	Wire harnesses for automobiles
Fujikura Automotive Europe S.A.U.	100.0%	EUR10	Wire harnesses for automobiles
Fujikura Automotive America LLC.	100.0%	US$3	Wire harnesses for automobiles

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: 295,863,421 shares
Capital: ¥53,075 million

■ Number of Shareholders
36,623

■ Independent Auditors
PricewaterhouseCoopers Aarata

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

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■ Major Shareholders

As of March 31, 2019

	Number of Shares Held (Thousands)	Ratio of Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	31,320	10.94
Japan Trustee Services Bank, Ltd. (Trust Account)	20,723	7.24
Mitsui Life Insurance Company Limited	10,192	3.56
Sumitomo Mitsui Banking Corporation	8,456	2.95
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Trust Bank, Limited Retirement Benefit Trust Account)	6,777	2.37
Dowa Metals & Mining Co., Ltd.	6,563	2.29
The Shizuoka Bank, Ltd.	5,788	2.02
Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,676	1.63
Fujikura Employees Shareholding Association	4,627	1.62
DFA INTL SMALL CAP VALUE PORTFOLIO	4,562	1.59

Notes:
1. The numbers presented in "Number of shares held" are based on the list of shareholders.
2. Mitsui Life Insurance Company Limited changed its name to the Taiju Life Insurance Company Limited on April 1, 2019.
3. Although the Company owns 9,453,051 shares of treasury stock, this is excluded from the above table. Treasury stock does not include 992,715 shares held by the trust account relating to the stock distribution trust established for the stock-based compensation plan for Directors (excluding Outside Directors) and Executive Officers.
4. The percentage values presented in "Percentage of total shares issued" are calculated excluding treasury stock.