Annual Report 2018

Year Ended March 31, 2018

"Tsunagu" Technology

Fujikura Ltd.
5-1, Kiba 1-chome, Koto-ku, Tokyo 135-8512, Japan
Tel: +81-3-5606-1030
Fax: +81-3-5606-1502
URL: http://www.fujikura.co.jp/eng

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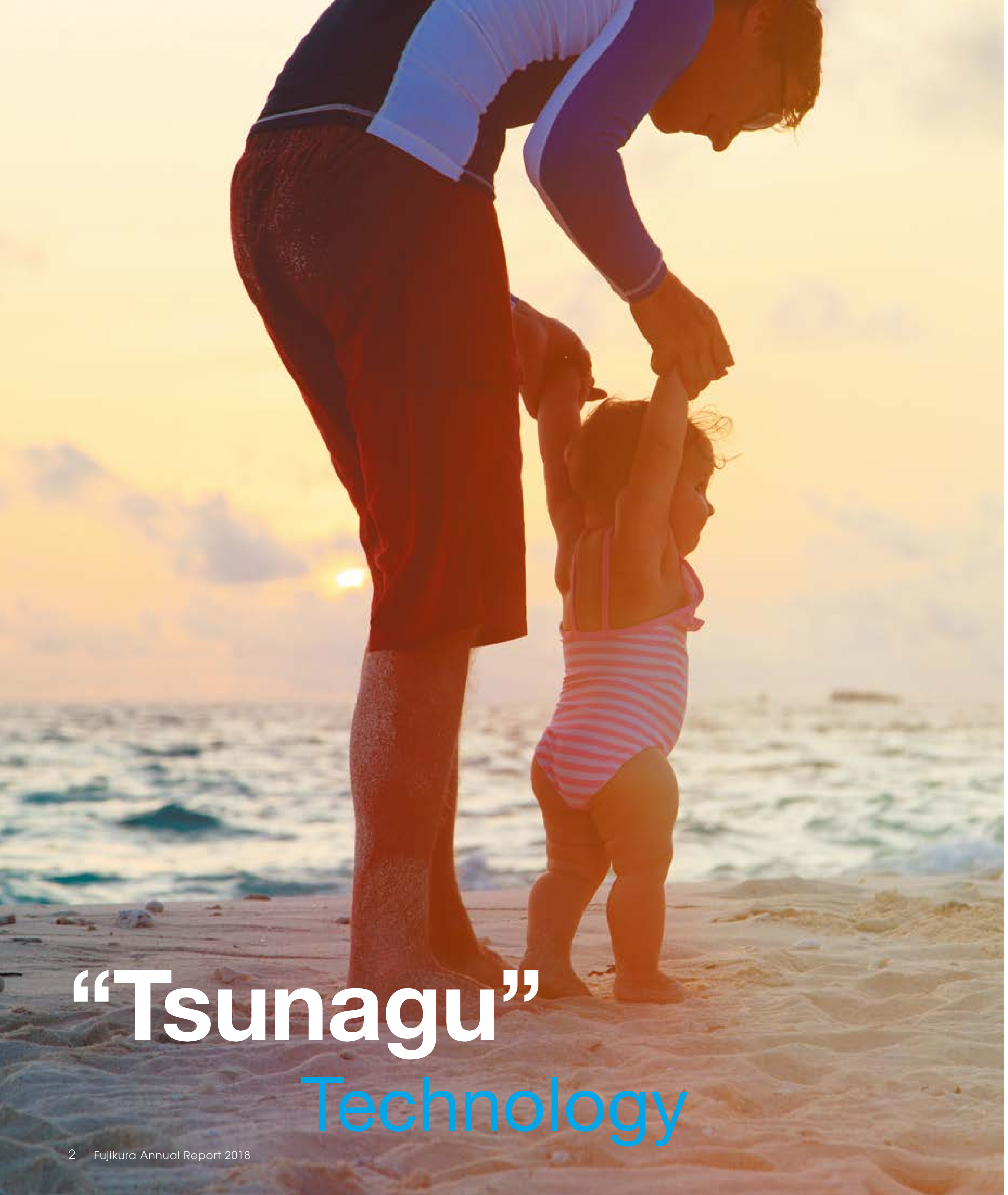

Fujikura Group
Corporate Philosophy

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.

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Fujikura's History

In November 1883, Zenpachi and his brother went to see the arc light demonstration held on Nihonbashi-dori. 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.

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.

1886 Tomekichi Fujikura travels to USA.

Founder, Zenpachi Fujikura

Establishment

1890 Tomekichi Fujikura returns from the USA.

1893 Launch of manufacture of first rubber-insulated wires in Japan.

1901 Founder, Zenpachi Fujikura passes away (59).
Reorganization as an unlimited partnership named Fujikura Electric Wire & Rubber Co., Ltd. was founded.
Representative: Tomekichi Matsumoto
Capital: 25,000 yen

1903 Appointment of Fujikura plant as a Japan's first rubber-insulation factory by the Department of Communication.

1910 Establishment of Fujikura Electric Wire Corporation.
Representative: Tomekichi Fujikura
Capital: 500,000 yen

1916 Launch of copper refining, rolling and wiring operations.

1918 Acquisition of the patent for multi-layered rubber-insulated wires.

1919 Established "Fujikura Gakuen", a special facility for mentally-challenged children, on Oshima island.

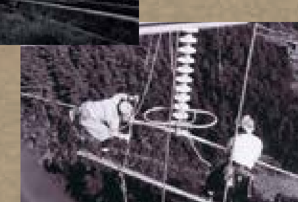
Restoration after the Earthquake and Fujikura of Technology

1923 Completion of the Fukagawa head office and plant.
Total destruction of the Fukagawa head office and plant by fire in the aftermath of the Great Kanto Earthquake.

1925 Delivery of 1200 mm twisted pair cables made of domestically manufactured insulated paper to the Department of Communication.

1930 Launch manufacturing of unit-type city cables.

1931 Launch manufacturing of "Tokosen", Japan's first electric wire for aircraft.



Postwar and high economic growth period

1945 Complete destruction of Fukagawa plant in Tokyo Air Raid.

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

1957 Launch of wiring harness manufacturing.

1958 First-time delivery of 154 kV OF cables to Tokyo Electric Power Co., Inc.
Establishment of Tama Fujikura Gakuen.

1964 Development of equipment for the manufacture of SZ-twisted telecommunications cable.

1965 Launch manufacturing of printed circuits using a die stamp method.

1968 Relocation of head office to the Kasumigaseki Bldg.

Period of upheaval and hardships

1975 Joint optical fiber research agreement signed by Nippon Telegraph and Telephone Public Corporation, Furukawa Electric Co., Ltd., Sumitomo Electric Industries, Ltd. and Fujikura.
Development of Japan's first flat-type elevator cables.

1976 Development of world's first long-wavelength/ultralow loss optical fiber in cooperation with Nippon Telegraph and Telephone Public Corporation.

1977 Relocation of the head office to the Fujikura Bldg. in Gotanda.

1979 Launch manufacture of FPCs for electronic devices.
World's first transmission loss of only 0.27 dB/km achieved with a low-loss single-mode optical fiber.

1980 Development of single-mode optical fusion splicers.

1981 Development of heat pipes for snow melting.
Development of Japan's first OPGWs (Optical Fiber Composite Overhead Ground Wire).

1982 Development of semiconductor pressure sensors.
Launch of membrane switch manufacturing.

1983 Delivery of optical fiber for the Pan-Japan (longitudinal) optical fiber transmission line.

1985 Development of the world's first core alignment fusion splicer.

1987 Successful fabrication of oxide superconducting wires.

1988 Development of world's first CS trolley wires.
Development of world's first multi optical fiber fusion splicers.

1990 Development of EDFA (erbium-doped optical fiber amplifier).
Completion of New Fukagawa Head Office Building.

Globalization newtech

1992 The corporate name changed to Fujikura Ltd.

1993 Delivery of 500 kV CV cables and Hokkaido-Honshu optical fiber integrated submarine cables.

1995 Development of super low loss multi-fiber optical connectors.

1998 Delivery of World's largest 500 kV DC OF submarine cables to Kansai Electric Power Co., Inc. and J Power (Electric Power Development Co., Ltd.)
Development of the first recyclable, ecological electrical wire in the world.

1999 Development of a new signal cable for the "Shinkansen" bullet train.

2000 Completion of a major urban redevelopment project on the site of the previous Fukagawa Plant, and opening of the "Fukagawa Gatharia" complex.

2001 Commercialization and marketing of FTTH optical fiber products.
Development of a seat sensor for automobiles.

2002 Live wire insulation diagnostic device for high-voltage CV cables wins Shibusawa Award.
Delivery of cables for a deep-earth exploration vessel.

2003 Development of dye-sensitized solar cells.

2004 Delivery of cables for ultra-high speed elevators.

Period of major global competition

2005 Adoption of corporate philosophy: "MVCV (Mission, Vision, Core Value)"
Establishment of Fujikura Dia Cable Ltd. in a joint venture with Mitsubishi Cable Industries Ltd.

2007 Shatters the critical current record with an yttrium-based oxide superconducting wire.

2010 Completion of 'Fukagawa Gatharia' (Fukagawa re-development project)
Open "Millennium Woods", Fujikura Bio-Garden.

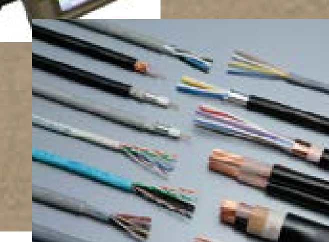
2011 Damage from floods in the Kingdom of Thailand.

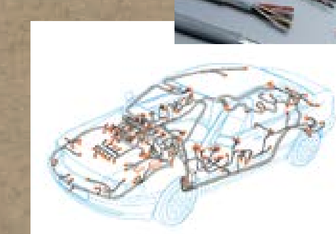
2013 Introduction of in-house company system through organizational restructuring.

2015 Establishment of AFLIG, LLC, a company in the U.S. that manufactures and sells optical fiber splicing products.
The VAD method is recognized as a milestone by the IEEE.

2016 Consolidation of all manufacture and sale of industrial electrical wire in Fujikura Dia Cable Ltd.

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

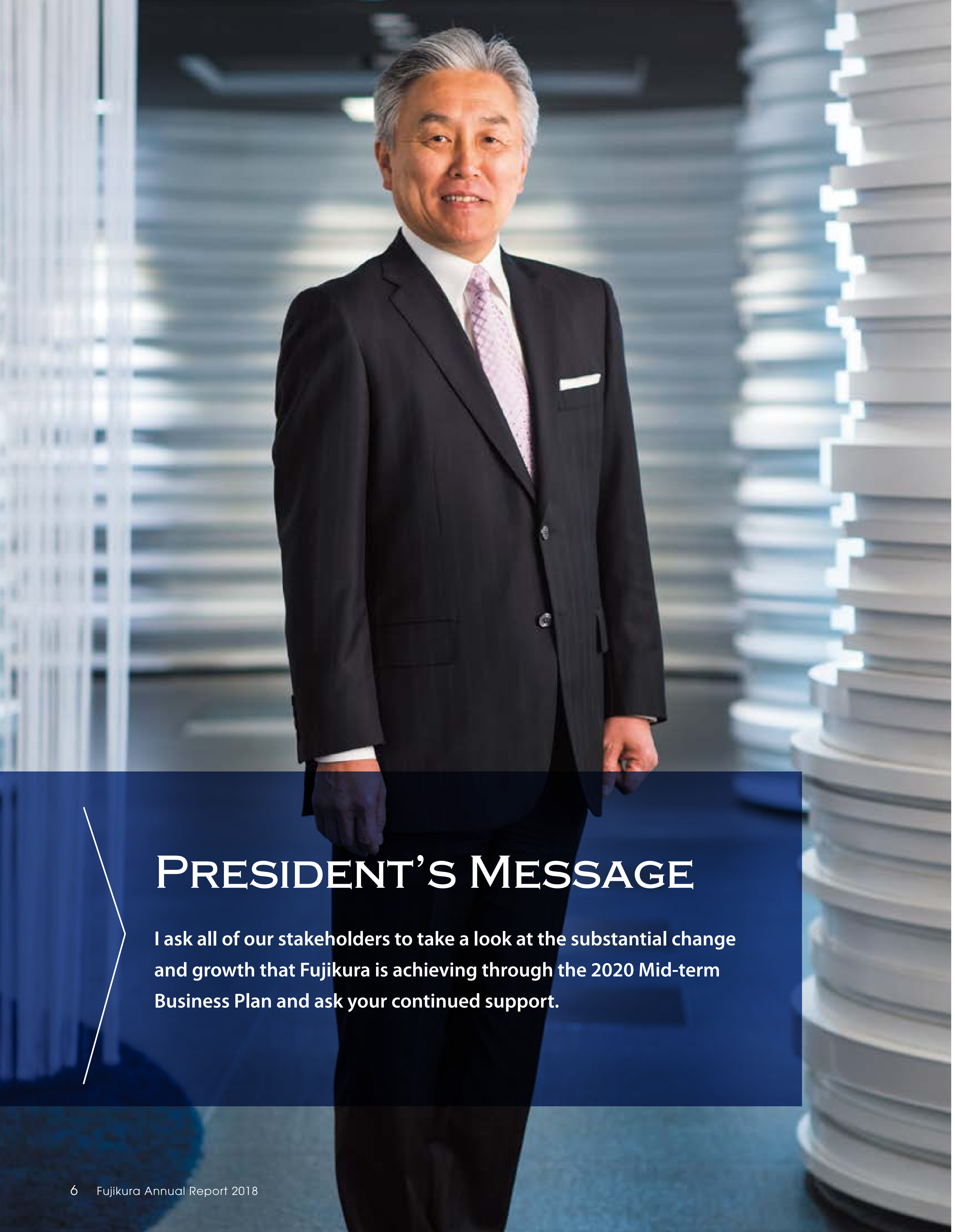




The diversification and globalization of its business led Fujikura to establish many overseas locations from the 1980s to the present. The Fujikura Group currently operates 139 companies in 29 countries.

Of particular note is Fujikura Electronics (Thailand) Ltd., which is part of the Electronics Business Company and was established in 1984. Since that time, the Kingdom of Thailand has been one of Fujikura's main manufacturing locations. It was damaged by flooding in 2011, but Fujikura succeeded in restoring operations within a short period of time.

Fujikura's Automotive Products Company has kept pace with the global expansion of our customers by establishing and operating locations overseas.



Bridge to the future

The value ascribed to compensation for solving social challenges through our business is the source of our profits.

To Our Shareholder,

Since Fujikura was founded in 1885, we have developed a strong awareness of contributing to the community through our business. We do this by contributing to the development of the infrastructure business in Japan and many countries and regions throughout the world, based on the "tsunagu" (connecting) technologies we have developed in our power and telecommunications systems businesses.

The concept of contributing to growth strategy and the community through ESG is drawing interest, but the thought process behind that concept is something that we have lived and breathed since the company's founding, and it is stated in our corporate philosophy. The value ascribed to compensation for solving social challenges through our business is the source of our profits. We work hard to earn those profits and use them to fund our work as we take on new social challenges.

The goal of management based on high earning power and the power of a strong reinvention, which I talk about incessantly, is to continuously increase earning power. We cannot contribute to the community without earning power.

To achieve that we are working to increase the earning power of each in-house company while keeping the achievement of an operating margin of 7% or higher firmly in sight as one of the goals in the 2020 Mid-term Business Plan.

To give specific examples, our ability to build a strong relationship of trust with customers through the provision of high value-added products such as SWR/WTC in the Power & Telecommunication Systems Company and by improving and maintaining high quality in the Electronics Business Company has given us the opportunity to participate in business from the launch of new models and to provide highly sophisticated products that add a high degree of value.

The existing business in the Automotive Products Company is struggling, but I think that we can propose new solutions for the next-generation electric vehicle (EV) market that will materialize in the near future through the combination of technologies derived from our base business in components, sensors, optical communications technology, and other technologies that Fujikura has developed itself. We will focus on developing technologies of value to all of our four in-house companies.

I would like to focus on increasing our capabilities in proposing solutions to customers and entry into more business segments where Fujikura can add a high degree of value. We will also manage with a focus on ROIC (return on invested capital) in our existing businesses and I think it is essential to engage in a thorough process of selection and concentration in businesses where Fujikura's standing has deteriorated significantly on a routine basis.

Meanwhile, I think the most urgent challenge facing our company is the power of reinvention in the face of change. While we pride ourselves on the fact that we have been able to exist and prosper as a company for more than 100 years, Fujikura's continued survival is not assured unless we respond to the unprecedented speed of change in the business and social environment brought about by the proliferation of ICT.

We have been pursuing initiatives in open innovation since last year, a concept raised in the 2030 Vision, to strengthen our response. This year we are taking a series of steps to build an innovation hub. Stated differently, this means that we are working to change the mindset of the company itself.

We have narrowed our focus to four segments because we believe that we cannot demonstrate Fujikura's strengths in areas far removed from its existing areas of business.

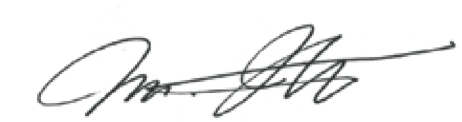
(1) Energy & Industry
(2) Advanced Communication
(3) Life-Assistance
(4) Vehicle

This is an attempt to create new businesses in these four segments by 2030 and we will accomplish this through open innovation and stepping away from being wholly self-sufficient.

Our goal is to develop a corporate culture that enables a continuous process of selection and concentration and reinvention of change.

I ask all of our stakeholders to take a look at the substantial change and growth that Fujikura is achieving through the 2020 Mid-term Business Plan and ask your continued support.

Masahiko Ito
President & CEO

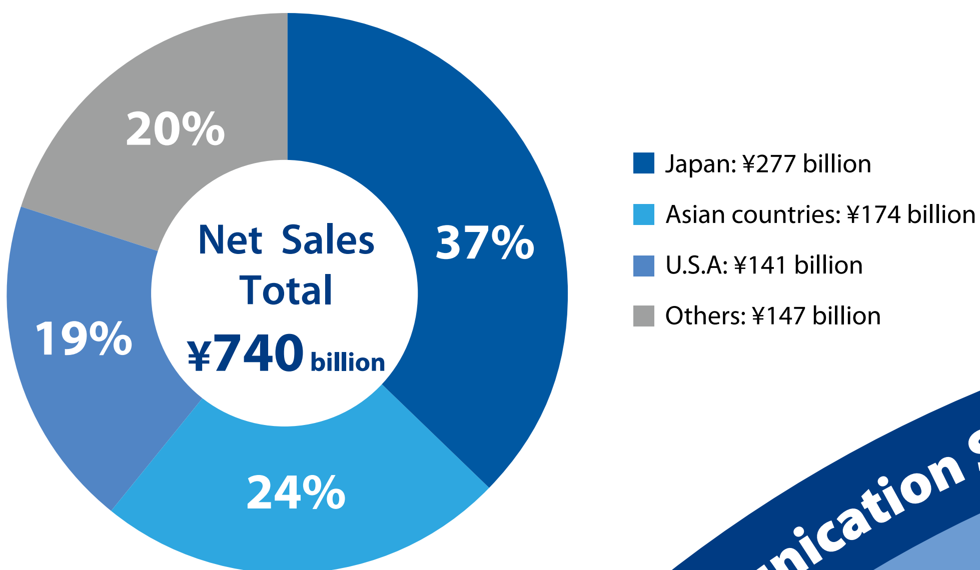


At a Glance

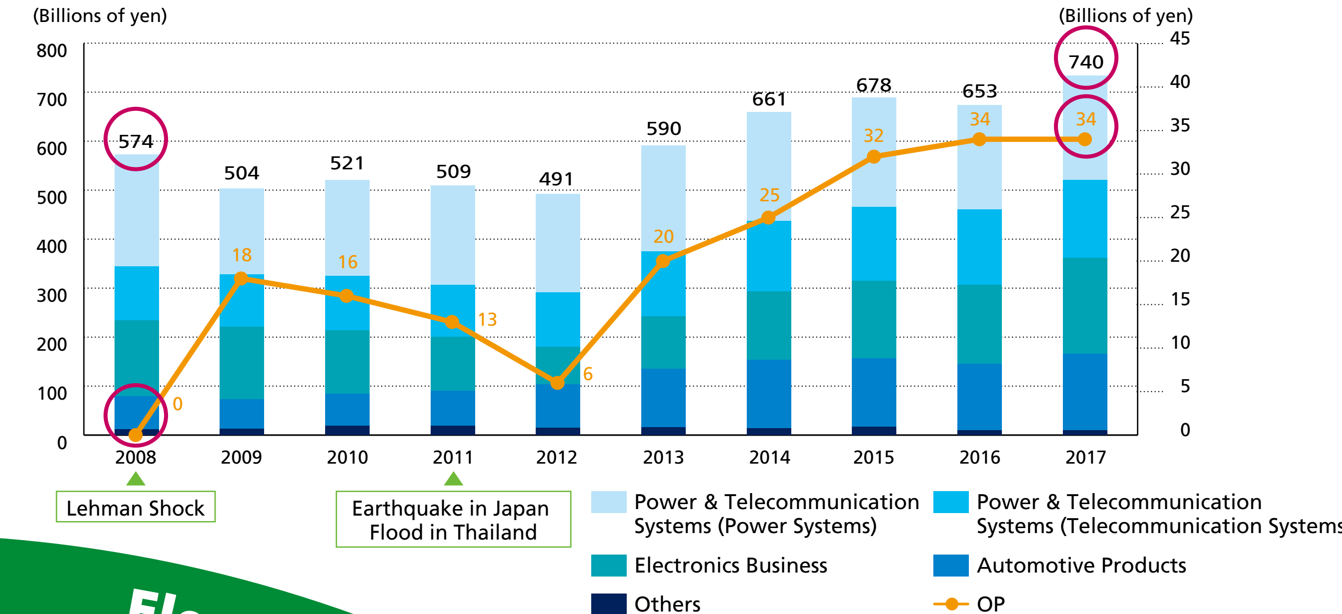
Net Sales: ¥740 billion

Ratio of Operating Income to Net sales: 4.6%

Overseas Sales Ratio



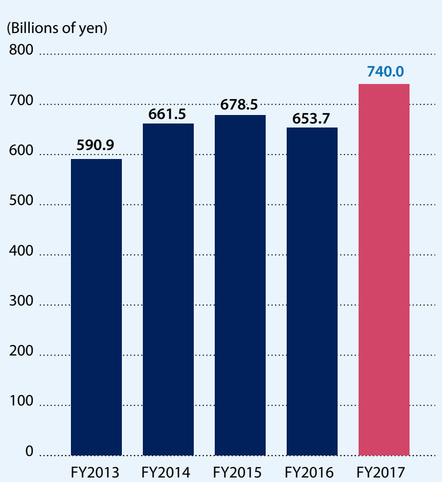
10 Years of Business Trend



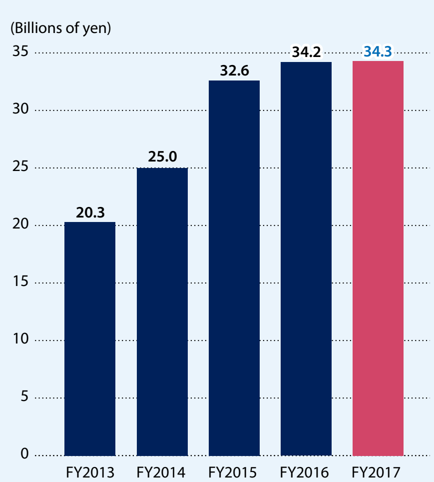
Financial Highlights

	Millions of yen					Thousands of U.S. dollars
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2017
For the Year						
Net Sales	590,980	661,510	678,528	653,795	740,052	$6,965,195
Operating Income	20,345	25,075	32,632	34,230	34,343	323,228
Net Income Attributable to Owners of Parent	3,328	12,201	11,317	12,900	18,359	172,791
Capital Expenditures	25,463	24,637	31,979	45,623	42,588	400,828
R&D Expenditures	14,654	15,226	16,210	15,614	16,291	153,327
At Year-End						
Total Assets	537,281	577,567	552,678	588,626	638,055	6,005,224
Total Net Assets	207,242	234,527	217,981	224,546	241,961	2,277,280
Number of employees	53,409	52,452	54,114	56,961	58,422	
Per Share Data						
Net Income (Loss)—Primary	¥9.99	¥37.93	¥36.98	¥44.61	¥64.36	$0.61
Net Income—Fully Diluted	–	–	–	–	–	–
Cash Dividends	6.00	7.00	8.00	10.00	14.00	0.13

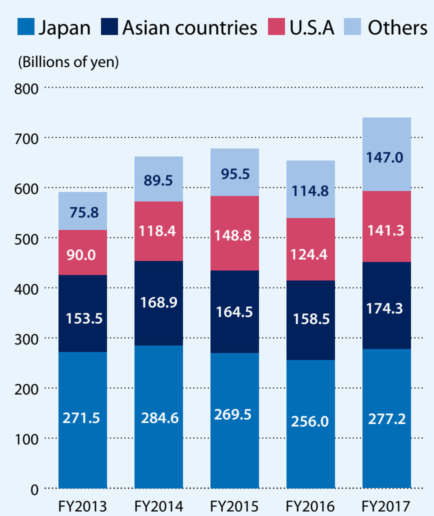
Net Sales



Operating Income

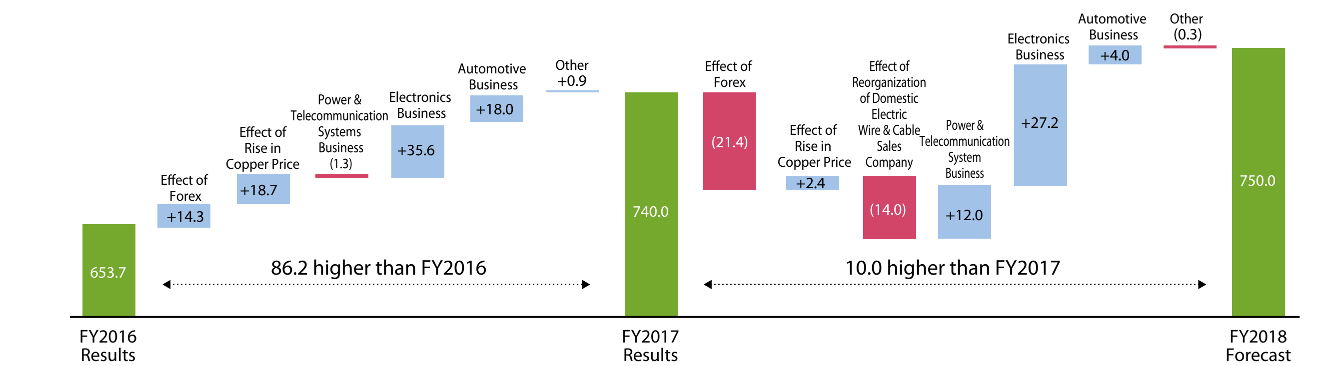


Overseas Sales Ratio



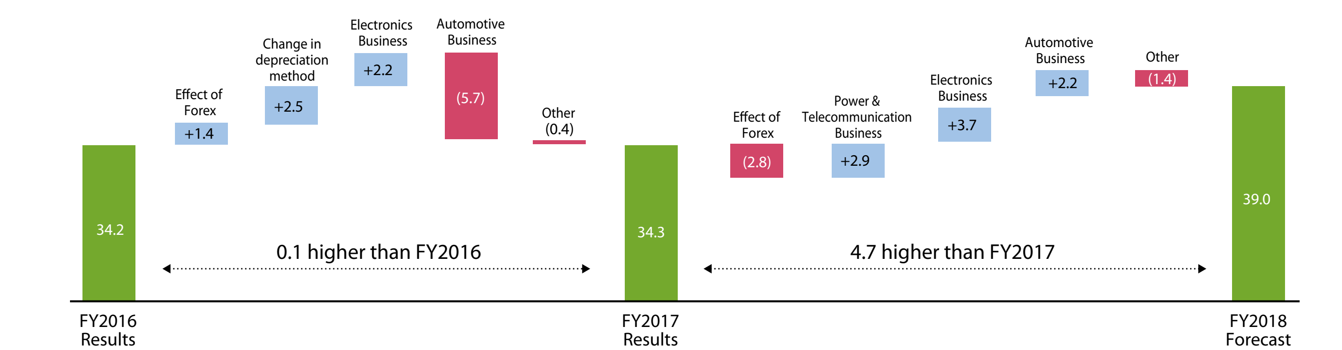
Net Sales

(Billions of yen)



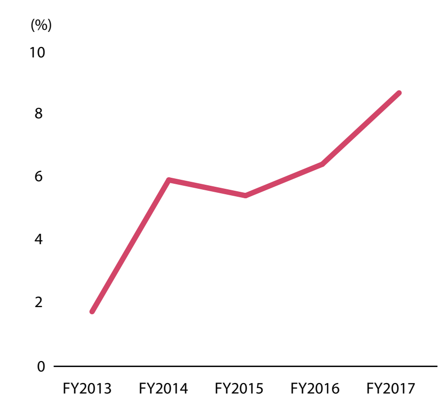
Operating Income

(Billions of yen)



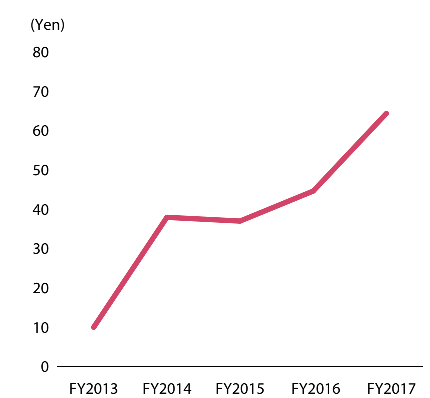
Rate of Return on Equity

8.7%



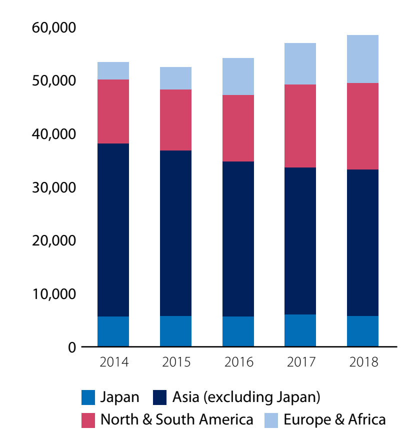
Net Income (Loss)-Primary

64.36 yen



Number of Employees

58,422



Progress of 2020 Mid-term Business Plan

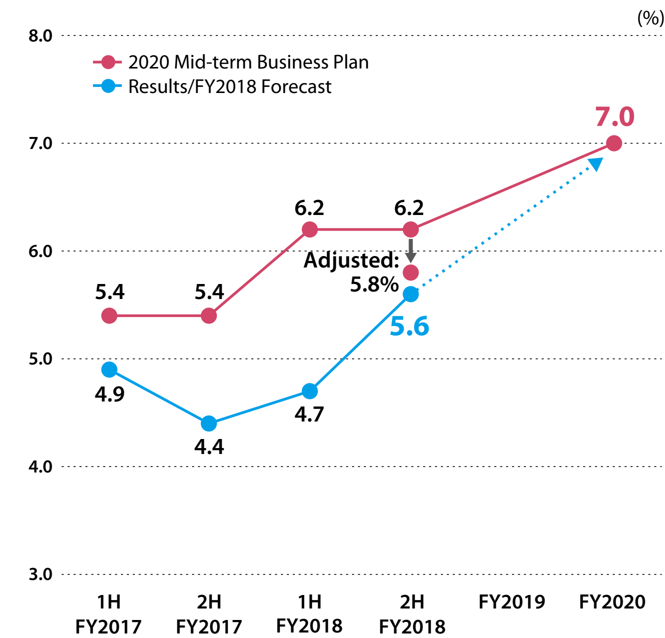
Third year of 2020 Mid-term Business Plan

Important year for determining the success of the 2020 Mid-term Business Plan

Goals to be achieved in FY2020

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

Ratio of Operating Income to Net Sales



	Forex rate (JPY/USD)	Copper (JPY1,000/ton)
2020 Mid-term Business Plan	110	550
FY2018 plan	105	780

Developing deeper ties with strategic customers	■ Developing deeper ties with strategic customers - Work to achieve greater business growth - Seize new business opportunities	1. Accelerate developing ties with customer by providing strategic products (SWR/WTC) 2. Win customer trust with differentiating quality
Accelerate new business creation	■ Strengthen the structure for promoting new business ■ Key areas - Automotive related - Industrial machinery - Medical devices	1. Strengthen products, technologies, and solutions for which automobiles are the platform 2. Work on the healthcare and fiber laser business
Open innovation	■ Supply the missing pieces of portfolios and value chains and create new value for customers ■ Speed up technology development, business development and business growth	1. Open innovation that creates value - Work with accelerators for start-up business - Set up an innovation hub
Management reform & business structural reform	■ Response to Corporate Governance Code ■ Improve the quality and speed of decision-making in a diverse range of businesses ■ Strengthen the management base	1. Transition to a company with an audit and supervisory committee 2. Enhance diversity of members on the Board of Directors 3. Employ "Principles for Preventing Corporate Scandals" and full-fledged compliance 4. Take ESG measures

Developing Deeper Ties with Strategic Customers

SWR/WTC

▶ Accelerate developing ties with customers by providing strategic products

(Spider Web Ribbon/Wrapping Tube Cable)

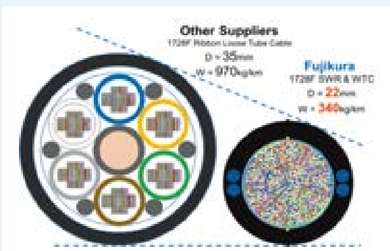
- Secure further growth and pave way for the future
- Upcoming opportunities for expansion in demand and become the defacto standard in the market

■ Advancements in 5G and IoT and further accelerate FTTx, mainly in North America

■ Hyper scale data centers reaching a level of higher density

■ Solve lack of cable ducts and rise in requests for joint use of electrical poles

- Increase number of optical fiber cores that can be installed in one cable duct
- Effective use of existing facilities (no need for additional construction work)
- Thin, light weight cables ⇒ Easy installation, can lay long lengths of cable, compact drums (reduce transport cost)



Comparison of cross section of optical cables

Cable duct

Shipment volume converted from optical fiber core length

Electronics

▶ Aim to achieve sound growth by strengthening bond of trust with strategic customers

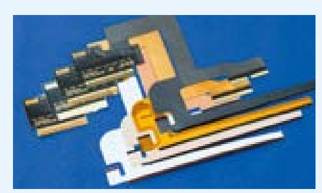
- Continue to implement business operations with quality as its framework
- In addition to converting fixed costs to variable costs to address fluctuations in demand, we implement manufacturing innovations through automation and IoT

■ Earn the trust of customers by preventing mixing of defective products

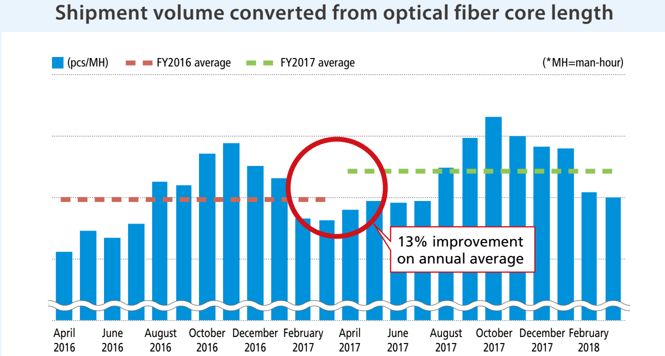
⇒ Moreover, improve profit margins by further enhancing internal quality

■ Promote automation of manufacturing/inspections

⇒ Improve productivity by manpower saving



Shipment volume converted from optical fiber core length



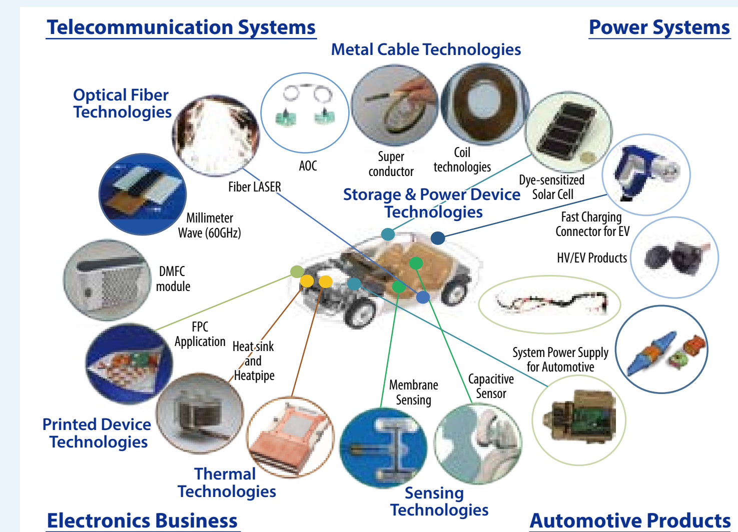
Accelerate New Business Creation

▶ Strengthen development capabilities of products, technologies, and solutions for automotive market

■ Companywide provision of products and technological solutions to customers

- Establish automotive product R&D center in the Corporate R&D Unit
- Establish Fujikura Technology Europe GmbH in Europe

Fujikura automotive related products and technologies



■ Redefine Fujikura's core technologies

■ Propose total solutions responding to customer needs

■ Collaborations beyond the boundaries of the businesses

Accelerate and strengthen measures leading up to next mid-term plan

▶ Business activities in the medical field

■ Core technologies are imaging and miniaturizing

Example: Direct imaging technology in the body

- Fujikura nearly covers all methods for invasive imaging in detailed areas inside the body
  ⇒ Recommend optimal solutions to customers (Small diameter CMOS imager, imaging fiber optics, OCT, endoscopic ultrasound)
- Extremely small diameter CMOS image sensor scope
  ⇒ Further strengthen solution proposals

*OCT=Optical Coherence Tomography

Example: CMOS endoscopy camera with extremely narrow diameter of φ1.3mm

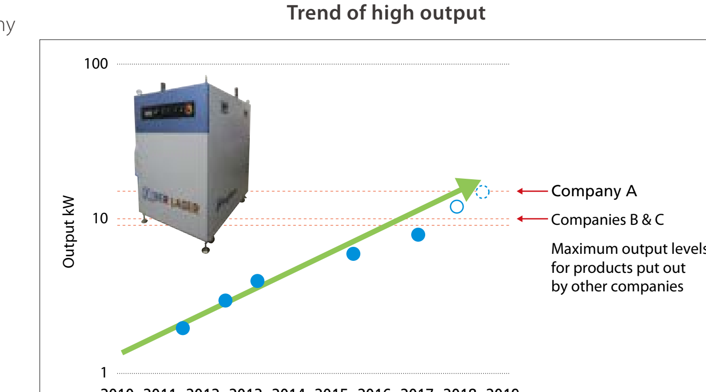
▶ Fiber laser business activities

■ High output multi-mode fiber laser

⇒ High speed cutting, high quality cross sect

- Succeeded in achieving the highest standard for high power in the industry
- Achieved competitive prices

Trend of high output



200
200μm fiber for ultra-high-Density WTC™ (Wrapping Tube Cable™) Launched

6,912
6,912-fiber WTC™ developed

25,000
25,000 km of electrical cable for solar power generation shipped (in Japan)

Company Profile

Power & Telecommunication Systems Company

New Product Initiatives

6,912- Optical Fiber Cable (SWR™/WTC™)

Fujikura has developed Spider Web Ribbon™/Wrapping Tube Cable™ (SWR™/WTC™) with density highest in the world, small diameter, light weight and excellent workability. One WTC™ has 6,912 fibers which is the largest number ever in the world.

Ultra-High-Density SWR™/WTC™ Wiring Solutions

Together with ultra-high-density SWR™/WTC™, we lined up closures and patch panels which offer higher capacity while being compact and less time for installation.

Low Wind-Pressure Low-Loss Overhead Transmission Conductor

The use of the polygonal structure reduces wind pressure and increases the aluminum cross-section. This reduces electrical transmission loss and reduces the amount of CO_2 generated from thermal power generation.

Targeting a Highly Profitable Business Structure

Fujikura is working to reallocate resources to high-growth areas and implement structural reform in its business to create a business structure that is highly profitable and has a powerful reinvention. During FY2018 we will begin to reap the benefits of those efforts.

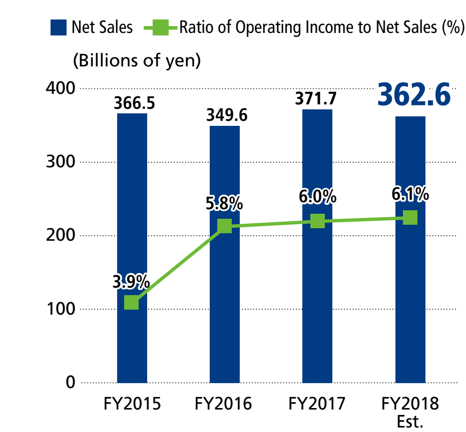
Investment in data centers, mobile, FTTx, and other types of telecommunications infrastructure was robust in FY2017 and demand for optical fiber grew, mainly in China and North America. We expect the global optical fiber shortage to persist in FY2018 as well, and are working to add capacity for optical fiber and optical cable in light of these trends in demand.

Rapid growth in the electrical infrastructure market is projected in Myanmar and other countries in Southeast Asia and Brazil and neighboring countries in FY2018. Fujikura will work hand-in-hand with partners in each country to pursue EPC business (Engineering, Procurement, and Construction).

We will work to build a base capable of rapidly meeting the robust demand for telecommunications systems and increase our earning power as we complete the structural reforms, product differentiation, and production technology development begun last fiscal year.

Hideyuki Hosoya
Senior Vice President & Member of the Board

Net Sales and Ratio of Operating Income to Net Sales



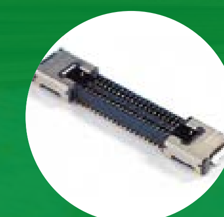
Company Profile

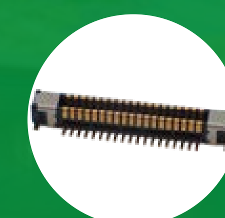
Electronics Business Company

New Product Initiatives

FPC for Daytime Running Lights (DRL)

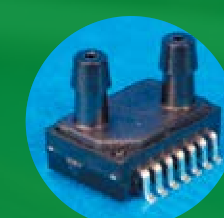
LED lights mounted on FPC take advantage of the flexibility of FPC and offer a superior sense of design for daytime running lights (DRL).





Board-to-Board Connectors for Vehicles and Mobile Devices

Fujikura developed board-to-board connectors to meet the demand for electronic control and miniaturization in vehicles and is expanding the variety in the product line-up. These highly reliable connectors have a lock mechanism to withstand vibration and prevent disconnection, and enable a more compact board mounting space.



Digital Ultra-Low Pressure Sensors (AL4 Series)

Fujikura has developed a digital ultra-low pressure sensor. This product offers high-precision, ultra-low pressure detection (10 kPa or less) and is also capable of withstanding high pressure.
It is used in respiratory medical equipment and industrial pneumatic equipment.

Speed and Consistent Efforts

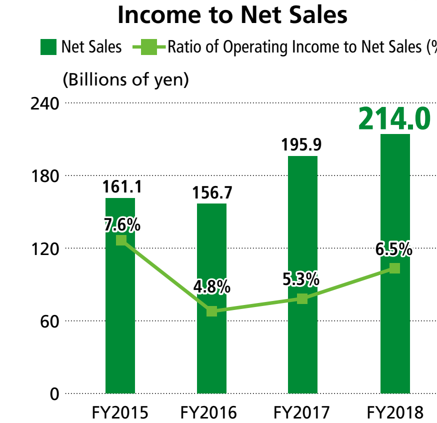
During FY2017, Fujikura achieved substantial growth in FPC and connector sales, mainly to smartphone manufacturers, which are key customers. We captured the stronger-than-expected demand in the first quarter, despite the fact that this is normally a slow period with very low demand, and remained extremely busy until the fourth quarter, when the pace of demand decelerated. This resulted in full-year net sales of 195.9 billion yen and operating income of 10.4 billion yen, far outperforming the previous fiscal year. Analysis showed that the strong performance was not only due to growth in demand. It was also the result of labor-savings from the automation we have pursued to this point and steady improvement in productivity, which led to small but continual incremental increases in earning power.

FY2018 is the middle year of the 2020 Mid-term Business Plan and we regard it as an important year to put the company on-track for achieving the plan goals. We will work to improve yields and quality for FPC and connectors, and deepen customer relationships through rapid response. In other segments of the electronic components business, we will proceed with a process of selection and concentration to build a business structure capable of sustaining stable sales and profits, and will work to create products that will become the cornerstones of the next-generation. We will also actively pursue introduction of the latest technology, such as IoT and AI, and work to enhance our competitiveness and achieve our plan targets of 214 billion yen in net sales and 14.0 billion yen in operating income.

I assumed responsibility for the electronics business from this fiscal year. We will meet customer expectations through even greater unification of manufacturing locations and working to improve competitiveness and speed in making management decisions.

Ikuo Kobayashi
Senior Vice President & Member of the Board

Net Sales and Ratio of Operating Income to Net Sales



19 Countries

62 Locations

Automotive Products Company will expand globally to 62 locations in 19 countries (38 plants, 24 offices and CSC) in fiscal year ending March 31, 2019. We will build a corporate structure and profit structure capable of swiftly meeting the needs of our customers.

Company Profile

Automotive Products Company

New Product Initiatives

Large-size Aluminum Conductor Cables

Fujikura has developed large-size aluminum conductor cables to reduce the weight of high-current circuits in EV/PHEV. We will start mass production of this cable from September 2018.

Ultrasonic Welding Terminals

We have also developed ultrasonic welding terminals and a connection method to enhance the reliability of electrical connections between large size aluminum conductors and the copper terminals.

Seat Occupancy Sensors (for S-harness)

The new seat occupancy sensor is installed on the spring located beneath the seat cushion material on top of the seat. It is more compact than existing sensors.

Strong growth in the harness business

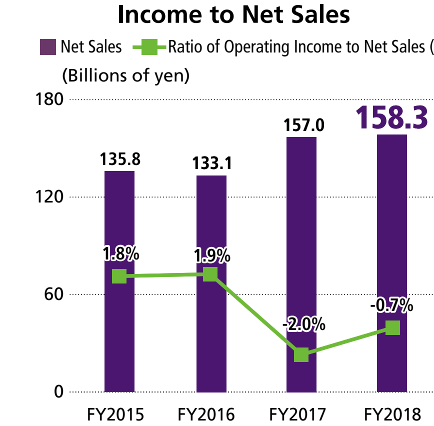
The automotive products business recorded net sales growth of 23.9 billion yen (up 18.0% YoY) over last fiscal year to 157 billion yen. The business had an operating loss of 3.1 billion yen as operating profit declined by 5.7 billion yen from last fiscal year, due to higher costs accompanying an increase in employee turnover at our plants in Eastern Europe during the first half. The establishment of the Automotive Electrical System R&D Center within Fujikura's R&D division has enabled us to undertake research that crosses beyond divisional boundaries. The center conducts research that is closely aligned with the customer perspective to develop and commercialize next-generation automotive electrical systems.

We expect net sales in fiscal year ending March 31, 2019 to be on par with last fiscal year, despite the impact from yen appreciation. Sales will be sustained by the launch of new vehicle models. We will work to improve productivity at our plants in Eastern Europe and all three regions will work as one team to achieve growth in operating income.

We will work to achieve strong growth in the automotive products business, mainly in the wire harness business, and will generate new businesses on the automotive platform that will form a bridge to the future and contribute to stable growth of the Fujikura Group.

Akira Sasagawa
Senior Vice President & Member of the Board

Net Sales and Ratio of Operating Income to Net Sales



Total office rental space: Approximately 107,000 m²

We own a total of approximately 107,000 m² of rental office space in five buildings, which is occupied by over 10,000 office workers.

Operating margin: 44%

With an operating margin of 44%, this business will contribute to a higher profit margin for the company as a whole, despite the decline in revenue and profit projected in the plan for fiscal year ending March 31, 2019.

Company Profile

Real Estate Business Company

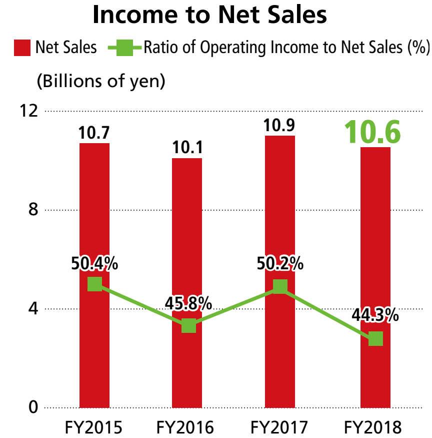
Maintaining a Structure that Provides Steady Income Growth

Our real estate business continues to achieve high occupancy rates and stable income owing to the advantage of locations that are near to central Tokyo. Fiscal year ended March 31, 2018 saw growth in both revenue and profit from the acquisition of one office building during the previous period. Operating income reached a record high of 5.5 billion yen. The plan for fiscal year ending March 31, 2019 projects a decline in both revenue and profit arising from temporary vacancies caused by the replacement of some tenants, but we expect results to rebound in fiscal year ending March 31, 2020 and beyond.

This year is the 18th anniversary since FUKAGAWA GATHARIA opened for business. We will utilize the operating experience we have accumulated over the years to improve and maintain the value of our assets over the medium to long-term. This business will provide a steady source of support for Fujikura's main business.

Tetsu Ito
Senior Vice President & Member of the Board

Net Sales and Ratio of Operating Income to Net Sales



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.

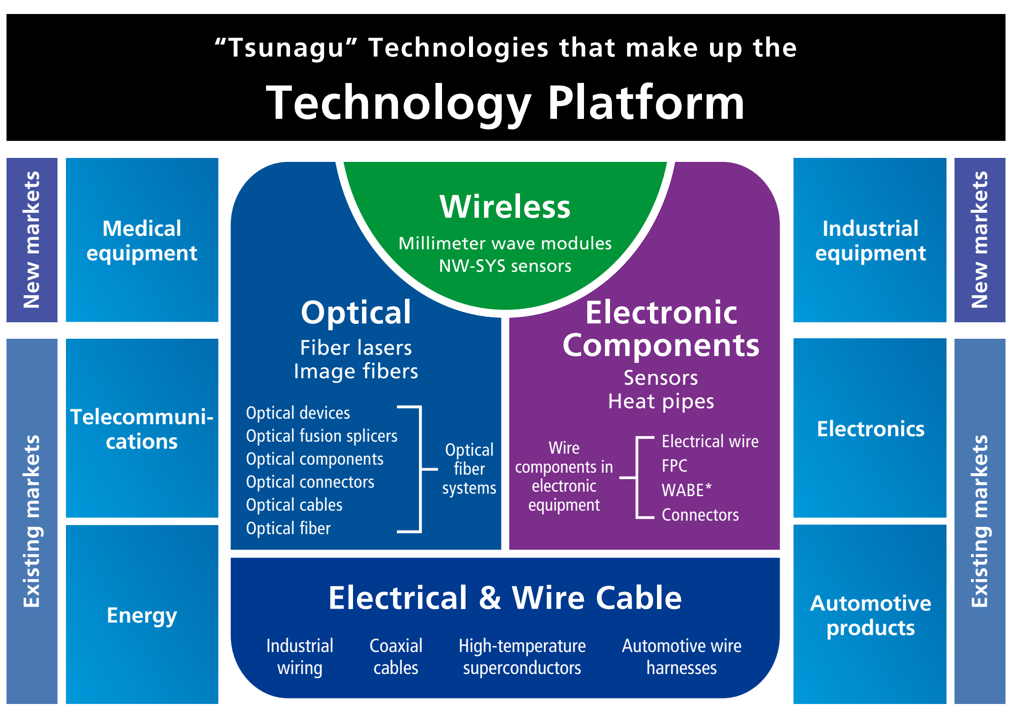
R&D Activity for Future Growth

Akira Wada
Executive Vice President & Member of the Board

The Fujikura Group is securing technical superiority in its "tsunagu (connecting)" technologies by strengthening and maintaining top world-class competitiveness in the four underlying areas of technology that form the core technology base supporting its "tsunagu" technologies. These four areas consist of optical, wireless, electronic component, and electrical wire and cable technologies. We will work to expand our technology in areas peripheral to this core technology base and will develop new products and create new businesses that anticipate social changes and customer needs and accelerate reinvention of these changes in the five business domains of telecommunications, electronics, energy, automotive products, and medical and industrial equipment.

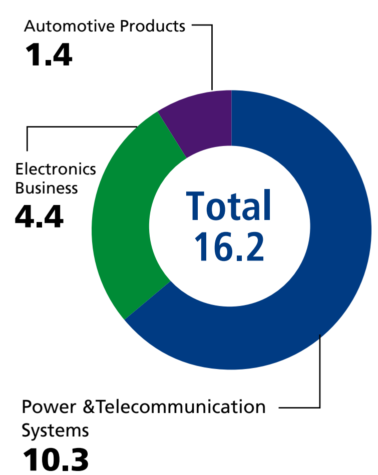
We are also working to build a global research structure that will enable us to engage in timely research and development targeted at global technological trends and to actively pursue open innovation that makes maximal use of external technology.

We are pursuing these R&D activities through company-wide research at one research institute facility and two research centers (materials technology and automotive technology) and through the individual development activities of the R&D departments in each business division as we keep a broad perspective on the markets and technologies we are targeting.



*Wafer and Board Level Embedded Package

Research and Development Expenses by Segment
(Billions of yen)



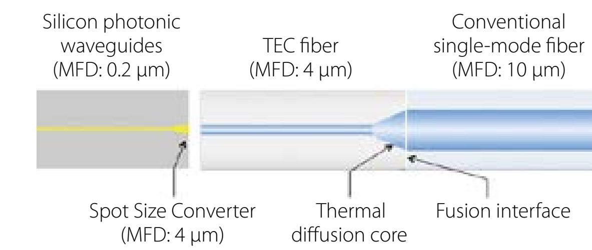
Advanced Technology Laboratory

The laboratory conducts cutting-edge research in the four areas of information and communications, energy, electronics, and automotive technology, and also in intermediate areas that overlap these. We continue to engage in research on new technologies for future generations and activities aimed at creating attractive products wanted by customers around the world.

Research Fields

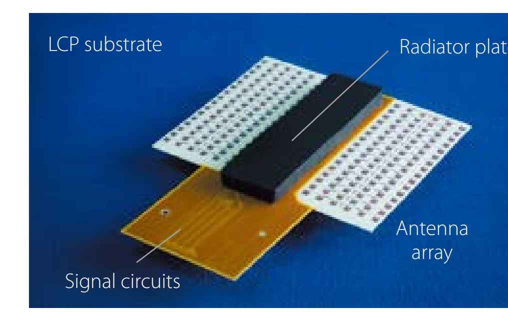
Low-loss optical fiber coupling for silicon photonic devices

Silicon photonics that enables high-precision integration of various kinds of optical components on a silicon substrate is drawing interest as a lower-cost technology that will enable more miniaturization of higher performance components for optical communications. Fujikura has developed TEC fiber, a thin optical fiber that applies thermally expanded core (TEC) technology to connect silicon photonic devices and conventional single-mode optical fiber with low loss. TEC fiber reduces the loss caused by the lack of conformity between silicon waveguides and conventional single-mode fiber. The core expansion caused by electrical discharge during fusion splicing is able to reduce the loss due to attachment to conventional single-mode fiber. TEC fiber is drawing the interest of many people at academic conferences and other events in Japan and overseas, in addition to the Optical Fiber Communication Conference and Exhibition (OFC).



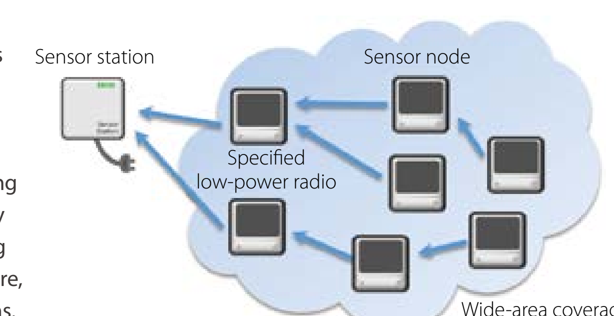
60 GHz millimeter-wave RF Module with High-gain Phased Array

Fujikura is working on development of an embedded wireless communication module that can transmit at high speeds over long distances in the 60 GHz band. The chief characteristic of this module is that it is capable of wide-area directional control of a high-gain, highly focused antenna beam by using a phased array beam forming function (technology that concentrates and beams radio waves in a specific direction). The ability of this EHF RF module to direct an antenna beam of approximately 7.5° in width at any angle between ±45° has been experimentally verified. It consists of an array antenna driven by a high-power phased array IC with 16 high-gain receivers and transmitters designed and installed on a multi-layer liquid crystal polymer (LCP) substrate that offers both flexibility and low loss.



Ultra-Low-Power-Consumption Multihop Wireless Sensor System

This system is an energy harvesting system consisting of dye-sensitized solar cells that offer superior generating power in low-light environments. It is installed in an autonomous power supply for sensor devices and the wireless component is equipped with a multihop function to simultaneously achieve multistage relay with ultra-low power consumption and a dramatically expanded coverage area, and greater redundancy by securing a by-pass route for communication data. It provides a sensing system that costs little to install and maintain, and that can be used for many purposes where application has previously proven difficult, such as for monitoring bridges and other infrastructure, for preventing disaster by monitoring the slopes in mountainous areas, and making it possible to build zero energy buildings (ZEBs) by monitoring and controlling the temperature, humidity, and lighting in rooms.



New Business Development

Tomoharu Morimoto
Executive Officer

The New Business Development Center is working to build a framework to commercialize three areas and create new businesses. The commercialization is approaching about three fields, Superconductor, Cloud communications, and Medical Devices businesses. Fujikura has made substantial progress on manufacturing products that offer consistent quality in the superconductivity business, and we are steadily approaching our goal of commercialization. Due to the benefits of the integration of healthcare-related businesses, there is also momentum in expanding sales of the Medical Devices business.

Open innovation is a key means of building a framework for new business creation. Fujikura recognizes the importance of pursuing external partnerships, sharing our vision with relevant partners, and working to enter into and expand mutual partnerships.

We believe that we can co-create value through collaboration that extends beyond organizational and community boundaries to address many social challenges. We therefore feel the need to build an ecosystem that is externally directed and will cooperate with people who share our vision of identifying problems and solving them.

We are confident that we will be able to engage in even more robust action through the BRIDGE Fujikura Innovation Hub, a new place created in 2018. We are certain that we will be able to solve the problems likely to confront society in the future and address the social challenges of the future through this place.

Accelerating our ability to reinvention

Fujikura has been working on activities under the banner of our "power of a strong reinvention" growth strategy in our 2020 Mid-term Business Plan and we will accelerate the speed of new business creation even further.

New Businesses **Medical business, High-temperature superconductors, Cloud communications**

◀ Medical devices

Through detailed market research and analysis, we are concentrating on the business of parts and functional modules for medical imaging and miniaturization for medical device.
Today, we build a framework from marketing to customers based on the medical devices quality management systems, and focus on new product lines such as OCT, micro endoscope and IC embedded circuit, which strongly appeals to global medical device manufacturers.

▶ Development of Yttrium-based High-temperature Superconductive (HTS) Wire for Medical MRIs and Other Applications

Fujikura has worked to develop mass production technology for long lengths of high-temperature superconducting wire for many years, and the company's efforts have been highly appreciated in Japan and overseas. Yttrium-based high-temperature superconducting wire is promising for medical MRIs and other applications due the fact that it shows high performance in high magnetic fields without liquid helium. In fiscal year 2016, Fujikura was commissioned and subsidized the "Technology development to promote commercialization of HTS program" by the NEDO (New Energy and Industrial Technology Development Organization).
We are working to develop technology that improves performance and increases productivity of Yttrium-based HTS wire.

◀ Active Optical Cable (AOC) Contributes to Manufacturing Industry Innovation

Fujikura sells the active optical cable (AOC) that connects industrial cameras used in machine vision. We are making progress on achieving higher definition and increasing the data capacity of industrial cameras used for inspecting products, image monitoring, etc. on manufacturing lines. We are also making progress on increasing the speed of transmission along with these advances. The Fujikura optical camera link cables enable high-speed connection over long cable lengths due to optical communications technology. This was previously impossible with the existing metal cables and is contributing the expansion of applications for industrial cameras sought after amid the trend of innovation in the manufacturing industry.

Open Innovation

The 2030 Vision talks about business development and solving future social challenges in four market segments.

Open innovation is a useful way to achieve that. Fujikura will create new value and accelerate the company's reinvention of changes through open innovation.

We are beginning new initiatives unfettered by existing constraints through collaboration with highly innovative partners.

Partners to Accelerate Open Innovation

Fujikura is entering many partnerships to accelerate open innovation.

Creww

creww The Startup Community

Fujikura used Creww's platform, the largest open innovation platform in Japan, to launch an open innovation program called the Accelerator Program with startups via public solicitation. We are currently working on experimental verification with four companies.

Plug and Play Japan

PLUG AND PLAY JAPAN

Plug and Play supports startups in Silicon Valley and worldwide. Fujikura has become a Japanese corporate partner and is taking on the challenge of creating new businesses by partnering with many startups around the world.

BRIDGE Fujikura Innovation Hub

Innovation Hub "BRIDGE" Established

Fujikura is now aiming to address the social challenges of the future.

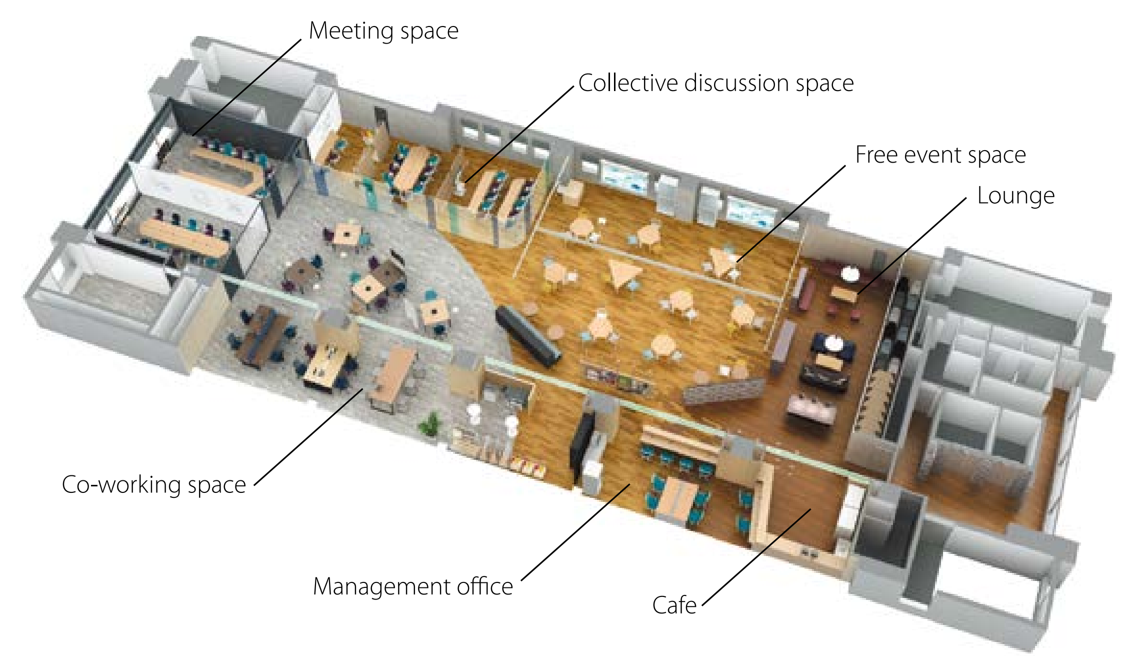
The process of identifying challenges and resolving them is essential to achieving this.

How do we identify potential challenges in the world and find solutions to them?

"Diversity" is the key.

We come from different cultures, possess different technologies, and have different styles. By combining the ideas that arise from these differences, we will begin to envision a future which we could not imagine.

BRIDGE is a venue where people can encounter new possibilities. It is a platform that enables people of all types and job descriptions to connect in many ways, from relaxing in the café to using the co-working space that provides opportunities to share information with one another and work collaboratively, and using the event space for many different kinds of seminars and other events.



Sustainability Targeted by the Fujikura Group

Takashi Takizawa, Senior Vice President in charge of Corporate Staff Unit

The Fujikura Group is aiming to make great strides to become a company that creates value that will achieve a sustainable society and ensure continuous growth of the Fujikura Group. We aim to achieve this through creative business activities that contribute to the sustainability of the global community in which we do business.

It is based on these goals that we established the basic policy of our 2020 Mid-term Business Plan, which is to ensure responsible corporate governance while working on initiatives that contribute to the environment and society and working to increase the corporate value of the Fujikura Group. We will earn the trust of stakeholders and take concrete steps to build our community and value together.

Establishing a System of Responsible Corporate Governance

To create a sustainable society, each company must respect the interests of the stakeholders affected by its own business activities and exhibit a sense of responsibility as a member of society. It is from this perspective that governments and stock exchanges have established a framework for monitoring fair business activities and ESG investment that evaluates the non-financial aspects of a company's value has become increasingly popular.

To meet such social needs, Fujikura transitioned to a "company with an audit and supervisory committee" organizational structure to strengthen corporate governance in 2017. Fujikura clarified responsibilities, and delegated authority to executive directors in charge of the management of each in-house company to ensure swift decision-making in each business. We also established a Nominating Advisory Committee and a Remuneration Advisory Committee to strengthen the supervisory function. A majority of the members on these committees are outside directors. We continue to maintain a high degree of transparency in business activities to ensure accountability to stakeholders under a governance system that separates the management and supervisory functions.

Active Participation in the United Nations Global Compact

Fujikura became a signatory to the United Nations Global Compact in 2013. We have committed to six priority targets in relation to the Sustainable Development Goals (SDGs), and are demonstrating creative leadership on problems faced by the international community.

We have formulated the Fujikura Group Long-term Environmental Vision 2050, which looks 30 years into the future, based on these priority targets, and we are taking on four challenges to reduce our impact on the environment as part of this vision: 1) Zero CO_2 emissions at plants by 2050, 2) Minimize use of water at plants and wastewater management, 3) Symbiosis between plant workers and nature, and 4) Effective use of resources and the resource cycle. We have established Millennium Woods biotope gardens as places that respect the importance of biodiversity and maintain a connection with local communities by planting rare plant species in gardens nearby or on the grounds of the head office and its plant locations so the abundance of nature there will continue to speak to future generations.

We are working to develop environmentally friendly products that excel in using fewer resources and less energy over the lifecycle of the products. In doing so, we assess the environmental performance over the entire process, from production to distribution and disposal.

Creating Shared Value through "*Tsunagu* (Connecting)" Technologies

Harukichi Nakauchi, the younger brother of the founder, established Fujikura Gakuen, a facility for mentally challenged individuals, and Fujikura has continued to support it for more than 100 years. In emerging countries that we supply electrical and communications infrastructure to, we are offering a scholarship system and technical training for workers.

Fujikura has achieved a certain degree of recognition as a company that fulfills its responsibilities to society through CSR activities like these. To find the optimal solutions to the complex problems faced by the international community, though, we must simultaneously achieve growth in income for our own company and solve the problems of society. We will accomplish this by working to achieve sustainability of the global community through essential corporate business activities and by creating shared value (CSV).

At Fujikura, we recognize that it is not enough to meet the needs of stakeholders. We need to actively work to achieve a sustainable society through business activities linked to this. We therefore positioned 2017 as the first year for Fujikura CSV and are pursuing initiatives in identifying and creating new value through open innovation. We are accelerating our evolution from an engineering group focused on the existing product output model to company that creates value by functioning as a platform for a sustainable society, as we engage in ongoing dialog with stakeholders.

Fujikura will continue to work to achieve a sustainable society and create shared value by providing "*tsunagu* (connecting)" solutions aimed at realizing a comfortable and sustainable society of the future.

Six SDG Targets Fujikura is Working Toward

Corporate Social Responsibility

Fujikura Group Initiatives Aimed at Achieving SDGs

SDG Priority Issues Specified

The three guidelines below were used to select six items for specification as priority issues:

(1) Clarification of the relationship between the four priority areas and CSR Priority Measures 2020 set forth in the Fujikura Group CSR Basic Policy and the 17 Sustainable Development Goals (SDGs).

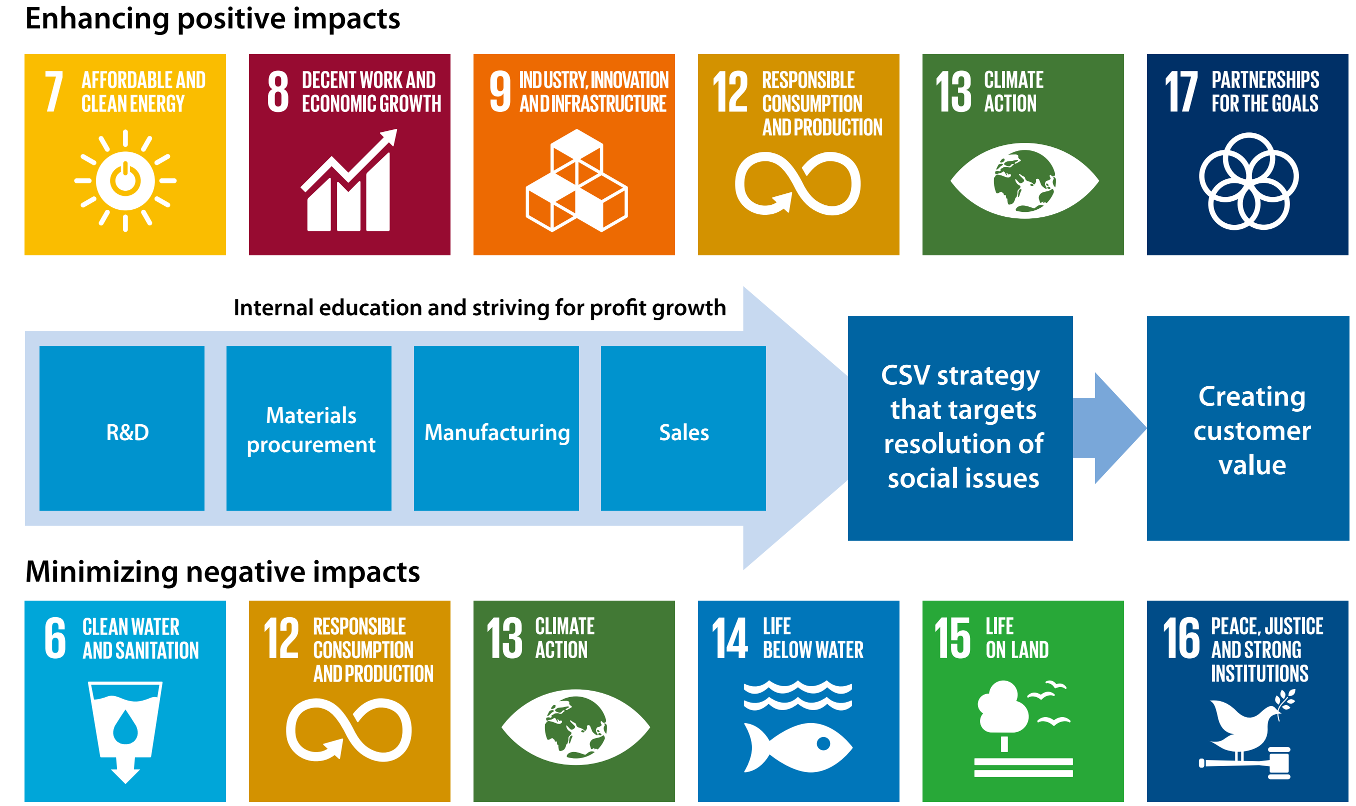
(2) Use of the Materiality Matrix method to consider each SDG from two perspectives, the degree of social concern and the degree of impact on Fujikura's business

(3) Mapping analysis of supply chain SDGs

Providing Solutions to Social Issues through Business Activities (CSV)

In the Fujikura Group, we are pursuing Shared Value Creation (CSV) as a strategy for achieving profit growth for the company and contributing to the achievement of SDGs. The group has consistently engaged in business activities designed to resolve social issues up to this point, but Fujikura designated 2017 as the first year for CSV, the year in which we began to pay serious attention to CSV.

Mapping SDGs and CSV Strategy as They Relate to the Value Chain



Engaging in a Dialog on CSV

Fujikura designated 2017 as the first year for CSV, the year in which we began to take a fresh look and pay serious attention to business activities aimed at providing solutions to social problems. As the first step in this initiative, we invited an expert on CSV to help officers and other employees understand CSV, and held a lecture and workshop in August 2017.

Lector: Mr.Takashi Nawa
Appointed Professor of The Graduate School of International Corporate Strategy (ICS), Hitotsubashi University

Internal SDG Initiatives

The Fujikura Group provides internal education on SDGs by communicating information on the company's Intranet and through internal dialog.

To communicate information, we use our CSR blog for employees and strive to promote understanding of how daily activities relate to the SDGs by placing SDG icons on related articles in the blog.

A number of internal dialogs have been held thus far. In the first, which was designed for middle and top management, we invited an external expert and engaged in a dialog on the CSV thought process and group initiatives. The rest were aimed at new employees and were in workshop form. Each group of participants selected SDGs and considered how each person could contribute to the achievement of those goals.

Integration with Management Strategy

We formulated the Fujikura Group 2030 Vision in March 2017. This vision delineates how the group will carve out its own future amid the unprecedented scale and pace of change in the world.

We will work to create new value through open innovation in the four market segments of Advanced Communication, Energy & Industry, Life-Assistance, and Vehicle, based on our corporate slogan, "The Fujikura Group provides "tsunagu" (Japanese for "connecting") technologies that will resolve problems to make our future society sustainable and pleasant, and will continue to increase our corporate value."

Top Management

From left: Kenichiro Abe, Takashi Takizawa, Soichiro Sekiuchi, Hideyuki Hosoya, Ikuo Kobayashi, Akira Wada, Joseph E. Gallagher, Masahiko Ito, Yasuyuki Oda, Akira Sasagawa, Masaaki Shimojima, Yoshio Shirai, Takeaki Kitajima, Tetsu Ito

Directors

President & CEO & Representative Director

Masahiko Ito

Executive Vice President & Member of the Board

Akira Wada

Senior Vice Presidents & Members of the Board

Akira Sasagawa
Hideyuki Hosoya
Takeaki Kitajima
Takashi Takizawa
Tetsu Ito
Joseph E. Gallagher
Ikuo Kobayashi

Director Full-time Audit & Supervisory Committee Member

Yasuyuki Oda

Director (Outside director) Audit & Supervisory Committee Members

Soichiro Sekiuchi
Masaaki Shimojima
Kenichiro Abe
Yoshio Shirai

Executive Officers Other Than Members of the Board

Managing Executive Officers

Masahiro Ikegami
Teiji Suzuki
Takeshi Sato
Yukihiro Nakayama
Masato Inaba
Kenji Nishide
Ryoichi Hara
Kinya Takimura

Executive Officers

Kiminori Sato
Hideo Goto
Masataka Mito
Akira Saita
Tomoharu Morimoto
Shigeo Sekikawa
Daiichiro Tanaka
Shigeo Ueki
Junji Fukuhara
Koji Ueda

Global Executive Officers

Global Executive Officers

Gordon Tan
Takaaki Habu
Jason Peng

Corporate Governance

Fujikura switched from the existing organizational structure of a company with a board of corporate auditors to a company with an audit and supervisory committee upon approval of the annual General Meeting of Shareholders on June 29, 2017.

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

Operation of the Company's business is organized into three in-house companies for each of its main businesses, the Power & Telecommunication Systems Company, the Electronics Business Company, and the Automotive Products Company. An executive director is assigned to oversee each of the in-house companies. The businesses that each of the companies is responsible for handle a broad range of products and the customers and competitive environment of each company differs greatly. We therefore believe it necessary to build an agile structure that enables the executive director in charge of each company to make decisions swiftly and decisively. We also believe that a structure for making decisions after sufficient deliberation that reflect the diverse knowledge and independent perspectives of outside directors is necessary for important matters that relate to the growth of the entire company such as annual and mid-term business plans and large mergers and acquisitions, and these are designated as matters requiring approval by the Board of Directors.

This need for the abovementioned decision-making structure has led us to determine the most appropriate corporate management structure for our company to be that of a company with an audit and supervisory committee because this system is agile and capable of reflecting diverse knowledge and independent perspectives.

Specifically, this system will achieve the following:

(1) It will enable swift decision-making by narrowing the scope of matters requiring approval of the Board of Directors, which consists of nine directors who are not audit and supervisory committee members and five directors who are audit and supervisory committee members (four of which are outside directors), to business plans and other important matters, thereby reducing the number of matters requiring deliberation. It will also enable 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.).

(2) It will also enable agile management by the executive director in charge of a specific business by delegating decisions concerning that business to that executive director.

A Nominating Advisory Committee and a Remuneration Advisory Committee have been established as advisory bodies to the Board of Directors to ensure objectivity and transparency in nominating directors and determining their remuneration.

(ii) 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 Company has also established a Risk Management Committee. This committee 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 for business results, personnel and organizational matters, capital investment, product quality, and other important matters; 2) to develop a certain level of accountability and a system for provision of support and guidance by each in-house company, etc. in regard to risk management; 3) to formulate a corporate group 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.

(iii) Internal Audits

The Audit Division was set up as a dedicated internal audit entity. It conducts audits of each division and group companies. In FY2017, the Audit Division conducted audits of ten divisions and 14 group companies.

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 and Supervisory Committee as necessary.

(iv) Audit & Supervisory Committee Activities

The Audit & Supervisory Committee consists of five committee members, four of which 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. Outside Audit & Supervisory Committee member Soichiro Sekiuchi is also an attorney-at-law, has worked in corporate law for many years and has considerable knowledge of corporate law.

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.

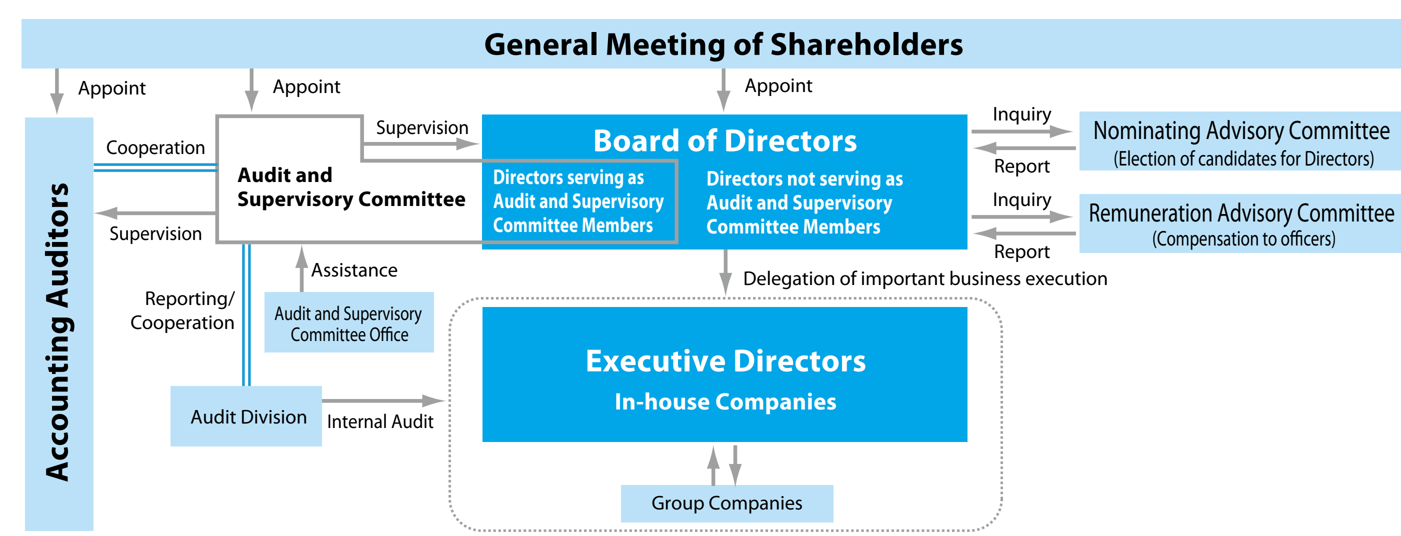
The Audit & Supervisory Committee convenes once a month, in principle, to report on and debate matters, based on the basic audit policy and audit plans formulated at the beginning of the year. Fujikura's system also ensures that the Full-time Audit & Supervisory Committee member can attend and voice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

The Audit & Supervisory Committee gathers information from the accounting auditors on and confirms the audit plans for accounting audits at the beginning of the year, and receives reports from the accounting auditor concerning the results of the interim and fiscal year-end audits based on that information. To facilitate an adequate exchange of opinions, Audit & Supervisory Committee members also hold discussions several times a year with accounting auditors to confer on details, the audit system, and other issues.

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 has set 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.

(v) Limited Liability Agreement

As specified in Article 427, Paragraph 1 of the Companies Act, Fujikura concludes limited liability agreements with all outside directors. These agreements limit the liability of outside directors to the minimum liability specified in Article 425, Paragraph 1 of the Companies Act for indemnification of damages specified in Article



423, Paragraph 1 of the same act, when duties are executed in good faith without gross negligence.

(vi) Outside Directors

The Company has four outside directors: Mr. Soichiro Sekiuchi, Mr. Masaaki Shimojima, Mr. Kenichiro Abe, and Mr. Yoshio Shirai. All are directors who are Audit & Supervisory Committee members. Mr. Sekiuchi is an attorney, Mr. Shimojima has experience in corporate management (finance), Mr. Abe is a certified public accountant, and Mr. Shirai has experience in corporate management (manufacturing industry). 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. Soichiro Sekiuchi, is an attorney-at-law with highly specialized skills acquired over many years of working on corporate legal matters. This has given him sufficient knowledge of corporate management. Mr. Sekiuchi is an attorney of Tokyo Yurakucho Law Office. Fujikura transacts no business with this firm and Mr. Sekiuchi therefore meets the criteria for independence specified by Fujikura and is qualified to serve as an outside director, which requires that he maintain an independent status. Fujikura has reported Mr. Sekiuchi as an independent officer to the Tokyo Stock Exchange.

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. 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.

(Criteria for Independence of Outside Directors)

Fujikura has established the following criteria for determining the independence of outside directors.

Individuals who currently constitute one of the following, individuals who constituted one of the following during the past three years, and individuals who have a spouse or a relative within two degrees of kinship who constitutes or within the past three years constituted one of the following do not qualify as independent.

- A material business partner of the Fujikura Group*1 or executive officer of such*2
- An entity having Fujikura Group as a material business partner or an executive officer of such
- A shareholder who holds 10% or more of total voting rights in Fujikura or an executive officer of such
- An entity or the executive officer of such who received cash or other substantial remuneration*3 from Fujikura or a subsidiary of Fujikura, other than the remuneration received for serving as an outside officer.

*1 Material business partner: Customers whose purchases from Fujikura account for 1% or more of the consolidated net sales of the Fujikura Group and vendors for which Fujikura's purchases account for 1% or more of that vendor's consolidated net sales.

*2 Executive officer: An executive director or employee who reports directly to the executive director

*3 Substantial remuneration: More than 10 million yen a year

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 claims for damages, monetary assessments imposed by regulatory authorities, and restrictions placed on business operations as a result of lawsuits, legal action by regulatory authorities, other legal issues,. Lawsuits, legal action by regulatory authorities, and other legal procedures pose a potential risk to the Group's businesses, earnings, and financial health.

(7) Political and Economic Trends

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

(8) Interest Rate Fluctuations

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

(9) Intellectual Properties

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

(10) Information Leak

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

(11) Disaster Risk

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

Financial Section

Management Discussion & Analysis

Q1 Please explain the reasons for your forecast of growth in FPC sales amid slowing demand for smartphones.

The reasons for the forecast of growth are that the functions on end products are improving every year. The number of FPC points where the FPCs we supply are used are increasing and customers are ordering highly sophisticated products (high value-added products) to provide high quality as a marketing tool.
We are also working to develop the business for other purposes such as FPC use in vehicles at a rapid pace.

Q2 Please explain the status of optical fiber.

Market demand is extremely strong and we are operating at full capacity at our plants in Japan and overseas.
We believe that we will see even greater growth in future demand for optical cable in the FTTx and DC markets in North America and Europe, in particular. We have already released strategic products in the optical cable business and they are highly popular. We also recognize the optical-related segment as a growth market and are actively investing capital in it.
We worked to increase capacity at our plant in Japan last fiscal year and will increase capacity in China this fiscal year.

Q3 Please explain the status of the automotive business.

We have revised our order strategy for locations in Europe where profitability has deteriorated and are working on initiatives to implement a demand-based location strategy and improve the health of the business. Again, we intend to stick strictly with our policy of focusing on profitability rather than pursuing scale.
We are focusing on being diligent in maintaining our relationships with customers, improving productivity, and being able to create products at a low cost and provide consistent quality.
We aim to provide solutions from the entire Fujikura Group in the next-generation automotive products segment, which is undergoing a once-in-a-century transformation. These solutions will extend beyond business boundaries, rather than being solutions based in the Automotive Products Company alone.

Q4 Fujikura is considering major capital investments this fiscal year as well. Have there been any changes in your thinking concerning the capital investment and M&A in the 2020 Mid-term Business Plan?

There is basically no change and we will move forward according to the schedule set in the Mid-term Business Plan. I will outline the thought process again.
We have set the goal of 200 billion yen in capital investment over five years in the 2020 Mid-term Business Plan. While this is a considerable amount, we also forecast cumulative depreciation of around 200 billion yen during the same period.
Capital investment will peak in FY2018. We will work to recover our investment from FY2019 onward and will also work to improve financial soundness.
The investment in strategic growth areas will be mainly related to telecommunications in the Power & Telecommunications Systems Company and to development, automation, and other efforts to streamline operations in the Electronics Business Company.
We are interested in actively pursuing M&A, but have no specific plans at present. Please understand that investment in M&A would be in addition to this amount.

Q5 What is the status of new businesses?

We are strengthening marketing and product development in fiber laser, which was transferred to the Telecommunications Business in FY2016. While it appears that we are slightly behind schedule on the initial plan, we have succeeded in catching up to the highest power level in the industry.
We are currently receiving many orders and aim to make a contribution to profits as quickly as possible.
We are also injecting resources into the three key areas relating to next-generation automotive products, industrial equipment (composite materials processing equipment), and medical equipment in the current Mid-term Business Plan.

Q6 What is the open innovation talked about as a key measure in the Mid-term Business Plan?

We believe that our mission is not simply to sell products, but how to respond to customers and provide the value they seek.
Consequently, if our value chain lacks something needed to provide value, we want to procure that from elsewhere and supply the missing piece in the value chain. In other words, this means moving away from the concept of self-sufficiency.
We do not intend to stick exclusively to self-sufficiency in this day and age when technology is changing so rapidly.
M&A is one option for supplying missing pieces and we intend to actively pursue M&A as well.
Last year we presented our 2030 Vision, which is based on open innovation and began planning for collaboration with venture firms. This year we also established an innovation hub in the Fukagawa district. This will provide a venue that will encourage open discussions by human resources who are innovative and who represent a diverse range of people.

Q7 What is your view on shareholder return?

Keeping balance in mind in the distribution of profits is the basis of shareholder return. We ultimately want to increase earnings per share while investing in growth and improving financial soundness, and intend to tie these two aspects together. We will target growth in dividends through growth in earnings per share.
The goal for the dividend payout ratio over the five years of the 2020 Mid-term Business Plan is 20% or more. We forecast net income of 23 billion yen for FY2018. The number of shares outstanding excluding treasury shares is currently 285 million shares. A dividend of 16 yen per share would put the dividend payout ratio at 19.8%, or roughly 20%. A dividend of 16 yen per share represents a 2-yen increase compared to FY2017.

Q8 What are your views on governance?

I recognize that ensuring transparency and fairness are basic to governance and are extremely important. The governance structure is not for appearances only. It is essential to fully implement the details. Last fiscal year, Fujikura made the transition to a company with an audit & supervisory committee structure. We increased the number of outside directors from one to four outside directors and also strengthened the supervisory and oversight function and increased the speed of decision-making by delegating authority to the executive directors in charge of each in-house company.
We also promoted a U.S. citizen to director for the first time this fiscal year as part of our strategy to achieve greater diversity.
Recently, there have been a series of scandals in Japanese companies (relating to quality assurance problems, and other matters). We have committed major mistakes in the past and are convinced that there would be no recovery from a second violation. We therefore intend to work even harder to strengthen compliance and believe that everyone in the Fujikura Group understands our group corporate philosophy which consists of our Mission, Vision, and Core Values (MVCV) is fundamental to achieving this.

Consolidated Balance Sheets

Fujikura Ltd. and its Consolidated Subsidiaries
At March 31, 2017 and 2018

Assets	Millions of yen 2017	Millions of yen 2018	Thousands of U.S. dollars (Note 3) 2018
Current assets:			
Cash and deposits	¥31,785	¥34,285	$322,682
Notes and accounts receivable, trade (Note 8)	148,969	151,237	1,423,407
Finished goods (Note 12)	35,487	44,820	421,835
Goods in process (Note 12)	24,684	29,244	275,238
Raw materials and supplies (Note 12)	32,328	39,810	374,682
Deferred tax assets (Note 18)	3,766	4,066	38,268
Other	20,366	25,476	239,774
Allowance for doubtful accounts	(864)	(697)	(6,560)
Total current assets	296,526	328,244	3,089,355
Non-current assets:			
Property, plant and equipment			
Buildings and structures, net	89,993	92,019	866,061
Machinery, equipment and vehicles, net	62,633	76,197	717,148
Land (Note 6)	15,652	15,635	147,153
Leased assets, net	2,479	219	2,061
Construction in progress	14,736	16,014	150,720
Other, net	9,788	11,202	105,431
Total property, plant and equipment	195,283	211,288	1,988,593
Intangible assets			
Goodwill	7,123	4,236	39,868
Other	9,962	9,857	92,772
Total intangible assets	17,085	14,094	132,649
Investments and other assets			
Investment securities (Note 5)	41,295	38,435	361,741
Net defined benefit asset (Note 11)	3,231	2,419	22,767
Deferred tax assets (Note 18)	12,484	12,490	117,553
Other (Note 5)	25,023	33,264	313,073
Allowance for doubtful accounts	(2,266)	(2,145)	(20,188)
Allowance for investment loss	(37)	(37)	(348)
Total investments and other assets	79,731	84,427	794,607
Total non-current assets	292,100	309,810	2,915,859
Total assets	¥588,626	¥638,055	$6,005,224

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

Liabilities	Millions of yen 2017	Millions of yen 2018	Thousands of U.S. dollars (Note 3) 2018
Current liabilities:			
Notes and accounts payable, trade (Note 8)	¥77,230	¥77,166	$726,268
Short-term borrowings (Note 6)	74,637	76,778	722,616
Current portion of bonds (Note 6)	10,000	20,000	188,235
Income taxes payable (Note 18)	3,671	2,612	24,584
Provision for loss on guarantees	-	1,593	14,993
Other provision	24	35	329
Other (Notes 6 and 7)	37,661	55,029	517,920
Total current liabilities	203,226	233,215	2,194,965
Non-current liabilities:			
Bonds (Note 6)	40,000	20,000	188,235
Long-term borrowings (Note 6)	101,296	120,591	1,134,974
Deferred tax liabilities (Note 18)	126	115	1,082
Other provision	36	200	1,882
Net defined benefit liability (Note 11)	8,184	8,479	79,802
Other (Notes 6 and 7)	11,210	13,492	126,984
Total non-current liabilities	160,854	162,878	1,532,969
Total liabilities	364,080	396,094	3,727,944

Contingent liabilities (Note 19)

Net assets	Millions of yen 2017	Millions of yen 2018	Thousands of U.S. dollars (Note 3) 2018
Shareholders' equity:			
Common stock	53,075	53,075	499,529
Capital surplus	30,012	29,989	282,249
Retained earnings	118,867	133,775	1,259,059
Treasury stock	(5,942)	(6,388)	(60,122)
Total shareholders' equity (Note 21)	196,013	210,452	1,980,725
Accumulated other comprehensive income (loss):			
Valuation difference on available-for-sale securities	7,284	8,380	78,871
Deferred gains (losses) on hedges	465	170	1,600
Foreign currency translation adjustments	4,459	5,519	51,944
Remeasurements of defined benefit plans	(5,500)	(5,213)	(49,064)
Total accumulated other comprehensive income	6,709	8,856	83,351
Non-controlling interests	21,823	22,651	213,186
Total net assets	224,546	241,961	2,277,280
Total liabilities and net assets	¥588,626	¥638,055	$6,005,224

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, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2018	2018
Net sales	¥653,795	¥740,052	$6,965,195
Cost of sales (Notes 10, 11 and 12)	525,150	606,544	5,708,649
Gross profit	128,644	133,508	1,256,546
Selling, general and administrative expenses (Notes 9, 10 and 11):			
Packing and transportation expenses	16,946	18,513	174,240
Personnel expenses	39,814	42,438	399,416
Other	37,652	38,212	359,642
Total selling, general and administrative expenses	94,413	99,164	933,308
Operating income	34,230	34,343	323,228
Non-operating income:			
Interest income	267	317	2,984
Dividend income	1,128	1,660	15,624
Foreign exchange gains	746	1,307	12,301
Share of profit of entities accounted for using equity method	1,046	1,504	14,155
Other	866	1,454	13,685
Total non-operating income	4,055	6,242	58,748
Non-operating expenses:			
Interest expenses	2,623	3,019	28,414
Loss on retirement of non-current assets	643	897	8,442
Product repair costs due to customers' claims	349	676	6,362
Other	2,114	1,870	17,600
Total non-operating expenses	5,730	6,464	60,838
Ordinary income	32,555	34,122	321,148
Extraordinary gains:			
Gain on sales of investment securities	465	1,073	10,099
Other	180	15	141
Total extraordinary gains	646	1,089	10,249
Extraordinary losses:			
Business structure improvement expenses (Note 13)	3,187	2,450	23,059
Provision for loss on guarantees	-	1,593	14,993
Loss on valuation of investments in capital of subsidiaries and associates	-	1,496	14,080
Impairment loss (Note 14)	27	775	7,294
Other	1,655	219	2,061
Total extraordinary losses	4,870	6,535	61,506
Income before income taxes	28,331	28,676	269,892
Income taxes (Note 18):			
Current	10,868	8,621	81,139
Income taxes for prior periods	2,764	-	-
Deferred	(2,329)	(1,078)	(10,146)
Total income taxes	11,303	7,542	70,984
Profit	17,027	21,134	198,908
Profit attributable to non-controlling interests	4,127	2,774	26,108
Profit attributable to owners of parent	¥12,900	¥18,359	$172,791

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, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2018	2018
Profit	¥17,027	¥21,134	$198,908
Other comprehensive income			
Valuation difference on available-for-sale securities	1,600	1,048	9,864
Deferred gains (losses) on hedges	642	(554)	(5,214)
Foreign currency translation adjustments	(3,495)	1,394	13,120
Remeasurements of defined benefit plans, net of taxes	3,127	296	2,786
Share of other comprehensive income of entities accounted for using equity method	(359)	15	141
Other comprehensive income (Note 15)	1,516	2,200	20,706
Comprehensive income	18,543	23,334	219,614
(Breakdown)			
Comprehensive income attributable to owners of parent	14,645	20,512	193,054
Comprehensive income attributable to non-controlling interests	¥3,898	¥2,822	$26,560

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, 2017 and 2018

	Millions of yen					
		Shareholders' equity				
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2016	360,863,421	¥53,075	¥57,333	¥108,553	(¥25,353)	¥193,608
Dividends paid		-	-	(2,636)	-	(2,636)
Profit attributable to owners of parent		-	-	12,900	-	12,900
Purchase of treasury stock		-	-	-	(7,910)	(7,910)
Retirement of treasury stock	(65,000,000)	-	(27,320)	-	27,320	-
Change of scope of consolidation		-	-	51	-	51
Net changes of items other than shareholders' equity		-	-	-	-	-
Total changes of items during period		-	(27,320)	10,314	19,410	2,404
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

	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, 2016	¥5,607	(¥8)	¥8,010	(¥8,644)	¥4,964	¥19,407	¥217,981
Dividends paid	-	-	-	-	-	-	(2,636)
Profit attributable to owners of parent	-	-	-	-	-	-	12,900
Purchase of treasury stock	-	-	-	-	-	-	(7,910)
Retirement of treasury stock	-	-	-	-	-	-	-
Change of scope of consolidation	-	-	-	-	-	-	51
Net changes of items other than shareholders' equity	1,676	473	(3,550)	3,144	1,744	2,415	4,160
Total changes of items during period	1,676	473	(3,550)	3,144	1,744	2,415	6,564
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

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, 2017	295,863,421	$499,529	$282,466	$1,118,748	($55,925)	$1,844,828
Dividends paid		-	-	(32,292)	-	(32,292)
Profit attributable to owners of parent		-	-	172,791	-	172,791
Purchase of treasury stock		-	-	-	(9,769)	(9,769)
Disposal of treasury stock		-	4,169	-	5,572	9,751
Change in ownership interest of parent due to transactions with non-controlling interests		-	(4,376)	-	-	(4,376)
Change of scope of equity method		-	-	(179)	-	(179)
Net changes of items other than shareholders' equity		-	-	-	-	-
Total changes of items during period		-	(207)	140,301	(4,188)	135,896
Balance at March 31, 2018	295,863,421	$499,529	$282,249	$1,259,059	($60,122)	$1,980,725

	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, 2017	$68,555	$4,376	$41,967	($51,765)	$63,144	$205,393	$2,113,374
Dividends paid	-	-	-	-	-	-	(32,292)
Profit attributable to owners of parent	-	-	-	-	-	-	172,791
Purchase of treasury stock	-	-	-	-	-	-	(9,769)
Disposal of treasury stock	-	-	-	-	-	-	9,751
Change in ownership interest of parent due to transactions with non-controlling interests	-	-	-	-	-	-	(4,376)
Change of scope of equity method	-	-	-	-	-	-	(179)
Net changes of items other than shareholders' equity	10,315	(2,776)	9,967	2,692	20,207	7,793	28,000
Total changes of items during period	10,315	(2,776)	9,967	2,692	20,207	7,793	163,906
Balance at March 31, 2018	$78,871	$1,600	$51,944	($49,064)	$83,351	$213,186	$2,277,280

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, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2018	2018
Cash flows from operating activities:			
Income before income taxes	¥28,331	¥28,676	$269,892
Depreciation and amortization	27,589	26,870	252,894
Amortization of goodwill	3,545	2,618	24,640
Increase (decrease) in provision	217	1,508	14,193
Interest and dividend income	(1,395)	(1,977)	(18,607)
Interest expenses	2,623	3,019	28,414
Share of (profit) loss of entities accounted for using equity method	(1,046)	(1,504)	(14,155)
Loss (gain) on sales of investment securities	(465)	(971)	(9,139)
Loss on valuation of investments in capital of subsidiaries and associates	-	1,496	14,080
Business structure improvement expenses	2,405	2,016	18,974
Decrease (increase) in notes and accounts receivable, trade	(7,463)	(3,780)	(35,576)
Decrease (increase) in inventories	(11,361)	(22,089)	(207,896)
Increase (decrease) in notes and accounts payable, trade	6,363	2,089	19,661
Increase (decrease) in other current liabilities	3,068	1,387	13,054
Decrease (increase) in net defined benefit asset	1,340	1,272	11,972
Increase (decrease) in net defined benefit liability	(10)	(3)	(28)
Other, net	1,928	(2,228)	(20,969)
Sub-total	55,670	38,399	361,402
Interest and dividend income received	2,398	2,677	25,195
Interest paid	(2,681)	(3,076)	(28,951)
Income taxes (paid) refund	(11,764)	(10,182)	(95,831)
Net cash provided by (used in) operating activities	43,623	27,818	261,816
Cash flows from investing activities:			
Net decrease (increase) in time deposits	(433)	361	3,398
Payments for purchase of property, plant and equipment and other assets	(46,495)	(40,950)	(385,412)
Proceeds from sales of property, plant and equipment and other assets	2,205	852	8,019
Proceeds from sales of investment securities	550	5,008	47,134
Payments of loans receivable	(11,774)	(898)	(8,452)
Collection of loans receivable	3,626	2,181	20,527
Purchase of long-term prepaid expenses	(2,649)	(1,291)	(12,151)
Payments for transfer of business	(4,120)	-	-
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation (Note 17)	-	665	6,259
Payments for investments in capital of subsidiaries and affiliates	(1,477)	-	-
Other, net	(65)	(295)	(2,776)
Net cash provided by (used in) investing activities	(60,633)	(34,367)	(323,454)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(2,673)	11,854	111,567
Net increase (decrease) in commercial papers	(2,000)	2,000	18,824
Proceeds from long-term loans payable	46,155	36,541	343,915
Repayment of long-term loans payable	(13,866)	(26,709)	(251,379)
Redemption of bonds	(20,000)	(10,000)	(94,118)
Proceeds from issuance of bonds	19,901	-	-
Cash dividends paid	(2,636)	(3,431)	(32,292)
Purchase of treasury stock	(7,909)	(2)	(19)
Dividends paid to non-controlling interests	(558)	(175)	(1,647)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(456)	(4,292)
Other, net	-	0	0
Net cash provided by (used in) financing activities	16,411	9,620	90,541
Effect of exchange rate change on cash and cash equivalents	(812)	(199)	(1,873)
Net increase (decrease) in cash and cash equivalents	(1,410)	2,871	27,021
Cash and cash equivalents at beginning of period	32,091	30,680	288,753
Cash and cash equivalents at end of period (Note 16)	¥30,680	¥33,552	$315,784

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, 2017 and 2018

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, Mar 29, 2017) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (PITF No. 24, March 29, 2017) 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 (97 subsidiaries at March 31, 2017 and 98 subsidiaries at March 31, 2018). 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 (10 companies at March 31, 2017 and 9 companies at March 31, 2018) 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 Statement of Cash Flows

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

(d) Valuation of Investment securities

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

Held-to-maturity debt securities:

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

Other securities:

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

(e) 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) 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.

(m) Accounting for long-term construction-type contracts

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

(n) Hedge accounting

The Companies apply hedge accounting for certain derivative financial instruments, which include foreign currency forward exchange contracts, 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.

(o) Goodwill

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

(p) 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.

(q) Consumption tax

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

(r) Appropriations of retained earnings

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

(s) Other basis for presentation of Consolidated Financial Statements

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

(t) Reclassification

Certain accounts in the Consolidated Financial Statements for the year ended March 31, 2017 have been reclassified to conform to the 2018 presentation.

(u) New Accounting Pronouncements and Changes in Accounting Policies

(Changes to the depreciation method for property, plant and equipment and revisions to useful life)

Previously, the Company and its domestic consolidated subsidiaries primarily used the declining-balance method of depreciation for its property, plant and equipment, while the overseas consolidated subsidiaries used the straight-line method. However, starting from this fiscal year, the Company and its domestic consolidated subsidiaries have adopted the straight-line depreciation method for the entire assets of property, plant and equipment.

In consideration of the capital investment plans in the FY 2020 Mid-term Business Plan, the Fujikura Group reconsidered the depreciation method for its domestic property, plant and equipment. Consequently, the Company recognized that our production facilities were not exposed to be rapid obsolescent, either technologically or economically, in light of the actual usage. In addition, the Company anticipates stable operations over the remaining period of the useful lives of these facilities. Thus, the Company switched to the straight-line method, which allocates depreciation costs evenly over the periods.

Owing to this change, the Fujikura Group now uses the straight-line method of depreciation.

In conjunction with the change to the depreciation method, the Company and its domestic consolidated subsidiaries also reviewed the use of its property, plant and equipment. In accordance with this, the useful lives for a portion of its property, plant and equipment were revised to match the actual useful lives.

As a result, in comparison with the previous method, operating income increased by ¥2,593 million (US$24,405 thousand), and ordinary income and income before income taxes increased by ¥2,598 million (US$24,452 thousand), respectively.

Note that any impact to the segment information is discussed under the section Segment Information.

(v) 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 end of the fiscal year under review was ¥1,035 million (US$9,741 thousand) and there were 1,056 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, 2018 (¥106.25=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, 2017 and March 31, 2018.

(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, 2017 and 2018, respectively, are shown below:

2017	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and deposits	¥31,785	¥31,785	¥ -
(2) Notes and accounts receivable, trade	148,969		
Less: Allowance for doubtful accounts	(847)		
Total	148,122	148,122	-
(3) Investment securities	33,396	34,534	1,138
(4) Notes and accounts payable, trade	77,230	77,230	-
(5) Short-term borrowings (*1)	49,529	49,529	-
(6) Income taxes payable	3,671	3,671	-
(7) Bonds (*2)	50,000	50,272	272
(8) Long-term borrowings (*1)	126,404	126,681	276
(9) Derivative Instruments (*3)			
Non-hedge derivative instruments	(163)	(163)	-
Designated hedge instruments	¥823	¥823	¥ -

(*1) ¥25,108 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) ¥10,000 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.

2018	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and deposits	¥34,285	¥34,285	¥ -	$322,682	$322,682	$ -
(2) Notes and accounts receivable, trade	151,237			1,423,407		
Less: Allowance for doubtful accounts	(666)			(6,268)		
Total	150,570	150,570	-	1,417,129	1,417,129	-
(3) Investment securities	30,627	31,541	914	288,254	296,856	8,602
(4) Notes and accounts payable, trade	77,166	77,166	-	726,268	726,268	-
(5) Short-term borrowings (*1)	63,374	63,374	-	596,461	596,461	-
(6) Income taxes payable	2,612	2,612	-	24,584	24,584	-
(7) Bonds (*2)	40,000	39,985	(15)	376,471	376,329	(141)
(8) Long-term borrowings (*1)	133,995	133,475	(519)	1,261,129	1,256,235	(4,885)
(9) Derivative Instruments (*3)						
Non-hedge derivative instruments	(1,668)	(1,668)	-	(15,699)	(15,699)	-
Designated hedge instruments	¥209	¥209	¥ -	$1,967	$1,967	$ -

(*1) ¥13,404 million (US$126,155 thousand) of the Long-term borrowings which mature within 1 year and are recorded in "Short-term borrowings" in the consolidated balance sheets are included in "Long-term borrowings" above.

(*2) ¥20,000 million (US$188,235 thousand) 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.

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

2017	Millions of yen
Description	Amount recorded in consolidated balance sheets
Non-public companies	¥7,899

2018	Millions of yen	Thousands of U.S. dollars
Description	Amount recorded in consolidated balance sheets	Amount recorded in consolidated balance sheets
Non-public companies	¥7,808	$73,487

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, 2017 and 2018 are as follows:

	Millions of yen			
At March 31, 2017	Due within 1year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	¥31,785	¥ -	¥ -	¥ -
Notes and accounts receivable, trade	148,969	0	-	-
Total	¥180,755	¥0	¥ -	¥ -

	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	¥ -	¥ -	¥ -

	Thousands of U.S. dollars			
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	$322,682	$ -	$ -	$ -
Notes and accounts receivable, trade	1,423,407	-	-	-
Total	$1,746,099	$ -	$ -	$ -

Note 4: The annual maturities of bonds and long-term borrowings at March 31, 2017 and 2018 are as follows:

At March 31, 2017

Bonds

	Millions of yen
Year ending March 31, 2018	¥10,000
2019	20,000
2020	-
2021	-
2022	10,000
2023 and thereafter	10,000

Long-term borrowings

	Millions of yen
Year ending March 31, 2018	¥25,108
2019	9,721
2020	38,645
2021	42,927
2022	10,000
2023 and thereafter	1

At March 31, 2018

Bonds

	Millions of yen	Thousands of U.S. dollars
Year ending March 31, 2019	¥20,000	$188,235
2020	-	-
2021	-	-
2022	10,000	94,118
2023	-	-
2024 and thereafter	10,000	94,118

Long-term borrowings

	Millions of yen	Thousands of U.S. dollars
Year ending March 31, 2019	¥13,404	$126,155
2020	42,807	402,889
2021	47,237	444,584
2022	13,424	126,344
2023	17,120	161,129
2024 and thereafter	1	9

5. Investment Securities

The aggregate cost, gross unrealized gains, gross unrealized losses and fair value of held-to-maturity investment securities at March 31, 2017 and 2018 consisting primarily of equity securities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Cost	¥15,962	¥11,495	$108,188
Gross unrealized gains	9,472	10,714	100,838
Gross unrealized losses	(203)	(87)	(819)
Fair value	¥25,231	¥22,122	$208,207

Available-for-sale investment securities sold during the year ended March 31, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Investment securities			
Sales amount	¥350	¥5,541	$52,151
Gain on sales of investment securities	465	1,073	10,099
Loss on sales of securities	-	101	951

Investments in unconsolidated subsidiaries and affiliates at March 31, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Investments securities	¥14,228	¥14,535	$136,800
Investments and other assets, other	11,830	11,069	104,179
	¥26,058	¥25,604	$240,979

6. Short-term Borrowings, Long-term borrowings

Short-term borrowings at March 31, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Loans, principally from banks, with weighted-average interest rates of 1.5% and 1.6% per year at March 31, 2017 and 2018, respectively.	¥49,529	¥63,374	$596,461
Commercial papers, with weighted-average interest rates of (0.0)% per year at March 31, 2018.	-	2,000	18,824
	¥49,529	¥65,374	$615,285

Long-term borrowings at March 31, 2017 and 2018 is as follows:

	Millions of yen 2017	Millions of yen 2018	Thousands of U.S. dollars 2018
Unsecured loans from banks and other financial institutions with maturity dates from 2018 to 2028 with weighted-average interest rates of 1.3% and 1.4% at March 31, 2017 and 2018, respectively.	¥126,404	¥133,995	$1,261,129
Lease obligations	330	248	2,334
Unsecured straight bonds issued from September 7, 2011 to September 6, 2016 with interest rates ranging from 0.1% to 0.8%, maturity dates September 7, 2018 to September 6, 2023	50,000	40,000	376,471
	176,735	174,244	1,639,944
Less: current portion due within one year			
Long term borrowings	(25,108)	(13,404)	(126,155)
Bonds	(10,000)	(20,000)	(188,235)
Lease obligations	(136)	(113)	(1,064)
Total	(35,244)	(33,518)	(315,464)
	¥141,490	¥140,726	$1,324,480

The Companies' assets pledged as collateral for other interest-bearing debts at March 31, 2017 and 2018 are as follows:

	Millions of yen 2017	Millions of yen 2018	Thousands of U.S. dollars 2018
Carrying values of property, plant and equipment:			
Land	¥992	¥992	$9,336

The Companies' debt pledged as collateral for other interest-bearing debts at March 31, 2017 and 2018 are as follows:

	Millions of yen 2017	Millions of yen 2018	Thousands of U.S. dollars 2018
Carrying values of liabilities:			
Current liabilities Other	¥606	¥606	$5,704
Non-current liabilities Other	3,032	2,446	23,021

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,		
2020	¥42,807	$402,889
2021	47,237	444,584
2022	13,424	126,344
2023	17,120	161,129

Lease obligations	Millions of yen	Thousands of U.S. dollars
Year ending March 31,		
2020	¥58	$546
2021	41	386
2022	25	235
2023	8	75

Bonds	Millions of yen	Thousands of U.S. dollars
Year ending March 31,		
2020	¥ -	$ -
2021	-	-
2022	10,000	94,118
2023	-	-

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 ¥2,124 million and ¥1,538 million (US$14,475 thousand), were recorded as a part of other long-term liabilities in the Consolidated Balance Sheets as of March 31, 2017 and 2018, respectively.

8. Notes Maturing at the year end

The Companies had Notes receivable and payable which had a maturity date at March 31, 2018 but were not settled until April 2, 2018 due to a bank holiday.
For accounting purposes, these notes have been treated as settled.
The amount of Notes receivables was ¥1,420 million (US$13,365 thousand) and Notes payable was ¥694 million (US$6,532 thousand) at March 31, 2018.

9. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended March 31, 2017 and 2018 are as follows:

	Millions of yen 2017	Millions of yen 2018	Thousands of U.S. dollars 2018
Depreciation and amortization	¥2,624	¥2,775	$26,118
Retirement benefit cost	2,151	1,782	16,772

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, 2017 and 2018, amounted to ¥15,614 million and ¥16,291 million (US$153,327 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 2017	Millions of yen 2018	Thousands of U.S. dollars 2018
Balance at the beginning of the period	¥58,195	¥53,897	$507,266
Service cost	2,537	2,429	22,861
Interest cost	183	265	2,494
Actuarial (gains) or losses	(1,359)	685	6,447
Retirement benefits paid	(5,164)	(3,614)	(34,014)
Other	(493)	(78)	(734)
Balance at the end of the period	¥53,897	¥53,584	$504,320

(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 2017	Millions of yen 2018	Thousands of U.S. dollars 2018
Balance at the beginning of the period	¥52,651	¥51,105	$480,988
Expected return on plan assets	917	733	6,899
Actuarial (gains) or losses	71	(365)	(3,435)
Employer's contributions	1,470	1,412	13,289
Retirement benefits paid	(4,003)	(3,045)	(28,659)
Balance at the end of the period	¥51,105	¥49,841	$469,092

(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 2017	Millions of yen 2018	Thousands of U.S. dollars 2018
Balance at the beginning of the period	¥2,126	¥2,160	$20,329
Retirement benefit cost	300	305	2,871
Retirement benefits paid	(117)	(95)	(894)
Annual contribution	(149)	(215)	(2,024)
Other	−	162	1,525
Balance at the end of the period	¥2,160	¥2,317	$21,807

(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 2017	Millions of yen 2018	Thousands of U.S. dollars 2018
Retirement benefit obligations of the savings plans	¥53,451	¥52,150	$490,824
Plan assets	(39,396)	(37,213)	(350,240)
Retirement benefits trusts	(13,436)	(13,628)	(128,264)
	618	1,307	12,301
Retirement benefit obligations of the non-savings plans	4,333	4,752	44,725
Net liabilities and assets recorded on the Consolidated Balance Sheets	4,952	6,060	57,035
Net defined benefit liability	8,184	8,479	79,802
Net defined benefit asset	(3,231)	(2,419)	(22,767)
Net liabilities (assets) recorded on the Consolidated Balance Sheets	¥4,952	¥6,060	$57,035

(5) Components of net periodic retirement benefits costs

	Millions of yen 2017	Millions of yen 2018	Thousands of U.S. dollars 2018
Service cost	¥2,537	¥2,429	$22,861
Interest cost	183	265	2,494
Expected return on plan assets	(917)	(733)	(6,899)
Recognized actuarial (gains) or losses	2,540	1,720	16,188
Amortization of prior service cost	(263)	(263)	(2,475)
Net retirement benefit costs of the plans adopting the simplified method	300	305	2,871
Retirement benefit costs related to the defined benefit plans	¥4,380	¥3,723	$35,040

Note. Extra retirement payments for the years ended March 31, 2017 and 2018 in the amount of ¥1,497 million and ¥1,976 million (US$18,598 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		Thousands of U.S. dollars
	2017	2018	2018
Unrecognized prior service cost	¥243	¥263	$2,475
Unrecognized actuarial (gains) or losses	(3,980)	(649)	(6,108)
Total	(¥3,737)	(¥386)	($3,633)

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Unrecognized prior service cost	(¥1,059)	(¥796)	($7,492)
Unrecognized actuarial (gains) or losses	8,658	8,008	75,369
Total	¥7,598	¥7,212	$67,878

(8) Plan assets consisted of the following :

	2017	2018	
Bonds	29	25	%
Equity securities	19	22	
Cash and deposits	27	19	
General accounts	7	7	
Others	17	27	
Total	100	100	%

Note. Employee retirement benefits trusts contributed to the company pension plan as of March 31, 2017 and 2018 represent approximately 25% and 27% 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

	2017	2018
Discount rates	Mainly 0.4%	Mainly 0.3%
Expected long-term expected return on plan assets	Mainly 2.5%	Mainly 1.9%
Lump sum election rate	Mainly 63.7%	Mainly 69.0%
Re-evaluation rate	Mainly 1.0%	Mainly 0.5%

(c) Defined contribution plan
Total annual contributions to the defined contribution plans for the years ended March 31, 2017 and 2018 are ¥395 million and ¥445 million (US$4,188 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, 2017 and 2018 in the amounts of ¥2,007 million and ¥2,918 million (US$27,464 thousand), respectively.

13.Business Structure Improvement Expenses

For the Year Ended March 31, 2017	Millions of yen
Extraordinary loss due to reorganization and liquidation of Viscas Corporation ("Viscas")	¥1,642
Special retirement pay and other outlays paid to early retirees at overseas subsidiaries	1,544
Total	¥3,187

Extraordinary loss due to reorganization and liquidation of Viscas
On April 25, 2016, the Company and Furukawa Electric Co., Ltd. ("Furukawa") signed an agreement on the reorganization and liquidation of their joint venture Viscas. On October 1, 2016, in accordance with the agreement, the Distribution and Overhead Transmission Businesses of Viscas were transferred to the Company, and the Underground Transmission and Submarine Cable Businesses of Viscas were transferred to Furukawa. The extraordinary losses of 1,642 million yen recognized in conjunction with the reorganization and liquidation of Viscas consist of a loss on the transfer of businesses, cost for the relocation and removal of facilities, a loss on valuation of the investment and loss on the transfer of ownership, due to the liquidation and sale of Viscas.

For the Year Ended March 31, 2018	Millions of yen	Thousands of U.S. dollars
Special retirement pay in tandem with liquidation of a subsidiary's site	¥1,976	$18,598
Retirement of assets in tandem with the liquidation of a subsidiary's site	474	4,461
Total	¥2,450	$23,059

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 (US$3,247 thousand)

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.

15. Consolidated Statements of Comprehensive Income
For the Years Ended March 31, 2017 and 2018
Amount of reclassification and tax effect related to other comprehensive income are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
Valuation difference on available-for-sale securities	2017	2018	2018
Amount arising during the year	¥2,384	¥2,288	$21,534
Reclassification adjustment	(182)	(909)	(8,555)
Before tax effect adjustment	2,201	1,379	12,979
Tax effect	(601)	(330)	(3,106)
Valuation difference on available-for-sale securities	1,600	1,048	9,864
Deferred gains or losses on hedges			
Amount arising during the year	681	173	1,628
Remeasurements of acquisition cost for asset	-	(704)	(6,626)
Before tax effect adjustment	681	(530)	(4,988)
Tax effect	(39)	(23)	(216)
Deferred gains or losses on hedges	642	(554)	(5,214)
Foreign currency translation adjustments			
Amount arising during the year	(3,472)	1,394	13,120
Reclassification adjustment	(22)	-	-
Foreign currency translation adjustments	(3,495)	1,394	13,120
Remeasurements of defined benefit plans, net of taxes			
Amount arising during the year	1,559	(1,072)	(10,089)
Reclassification adjustment	2,277	1,458	13,722
Before tax effect adjustment	3,836	386	3,633
Tax effect	(709)	(90)	(847)
Remeasurements of defined benefit plans, net of taxes	3,127	296	2,786
Share of other comprehensive income of associates accounted for using equity method			
Amount arising during the year	(430)	0	0
Reclassification adjustment	71	15	141
Share of other comprehensive income of associates accounted for using equity method	(359)	15	141
Other comprehensive income	¥1,516	¥2,200	$20,706

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, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Cash and deposits	¥31,785	¥34,285	$322,682
Deposits with original maturities of over three months	(1,105)	(733)	(6,899)
Cash and cash equivalents	¥30,680	¥33,552	$315,784

17. Breakdown of Assets and Liabilities of Companies which were no longer Consolidated Subsidiaries due to the Sale of Shares in the Company during the Fiscal Year
Fujiden Co., Ltd. is no longer a consolidated subsidiary due to the sale of shareholdings in the company.
The breakdown of assets and liabilities at the time of sale and the selling price and revenue from the sale are as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥11,420	$107,482
Non-current assets	973	9,158
Current liabilities	(10,264)	(96,602)
Non-current liabilities	(283)	(2,664)
Non-controlling interests	(747)	(7,031)
Valuation difference for other securities	(54)	(508)
Loss on sale of shares	(67)	(631)
Stock sale value	976	9,186
Accounts receivable	(182)	(1,713)
Cash and cash equivalents	(128)	(1,205)
Difference: Revenue on sale value	¥665	$6,259

18. 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% for the years ended March 31, 2017 and 2018.

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, 2017 and 2018 are as follows:

	2017	2018
Normal statutory tax rate	30.4 %	30.4 %
Effect on tax rate resulting from permanent differences	0.6	(0.5)
Equity in losses of affiliates	(1.1)	(1.6)
Tax exemption in foreign tax jurisdiction	(4.6)	(3.0)
Valuation allowance	2.5	3.7
Effect of lower tax rates at overseas subsidiaries	(4.3)	(3.4)
Amortization of Goodwill	4.2	2.9
Income taxes for prior periods	6.2	-
Foreign taxes included in deductible expenses	3.9	0.4
Other	2.0	(2.5)
Effective income tax rate	39.9 %	26.3 %

The significant components of deferred tax assets and liabilities at March 31, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Deferred tax assets:			
Net operating losses carried forward	¥18,309	¥16,186	$152,339
Net defined benefit liability	4,386	4,482	42,184
Allowance for doubtful accounts	2,400	2,751	25,892
Depreciation	3,412	2,688	25,299
Loss on valuation of investment securities	2,249	2,202	20,725
Bonus accrual	2,554	2,015	18,965
Impairment losses	1,100	1,170	11,012
Foreign tax credit carried forward	276	976	9,186
Inventory devaluations	1,190	853	$8,028
Elimination of intercompany profits on fixed assets	810	764	7,191
Provision for loss on guarantees	0	480	4,518
Enterprise taxes	172	347	3,266
Elimination of intercompany profits on inventories	308	279	2,626
Other	4,831	4,563	42,946
Gross deferred tax assets	42,003	39,764	374,249
Less: valuation allowance	(21,519)	(19,137)	(180,113)
Total deferred tax assets	20,484	20,626	194,127
Deferred tax liabilities:			
Unrealized gains on investment securities	2,030	2,361	22,221
Retained earnings of equity-method affiliated company	931	969	9,120
Special tax-purpose reserve for deferred gain on sale of property	722	637	5,995
Other	681	261	2,456
Total deferred tax liabilities	4,367	4,231	39,821
Net deferred tax assets	¥16,116	¥16,394	$154,296

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Current assets - Deferred tax assets	¥3,766	¥4,066	$38,268
Non-current assets - Deferred tax assets	12,484	12,490	117,553
Current liabilities - Other	(7)	(46)	(433)
Non-current liabilities - Deferred tax liabilities	(126)	(115)	(1,082)

Note: Revisions to Deferred Tax Assets and Deferred Tax Liabilities Due to Change in Corporate Income Tax Rate

In the United States, the Tax Cuts and Jobs Act of 2017 was enacted on December 22, 2017. Federal corporate taxes will be reduced starting from fiscal years on and after January 1, 2018.

As a result of this tax reform, the corporate tax rate imposed on the Company's US subsidiaries will go from 35% to 21% and deferred tax assets (amount after deduction of deferred tax liabilities) decreased by ¥1,833 million (US$17,252 thousand) and the adjustment for corporate and other taxes increased by ¥1,913 million (US$18,005 thousand), respectively.

19. Contingent Liabilities

	Millions of yen		Thousands of U.S. dollars
Guarantees for loans borrowed / notes issued by:	2017	2018	2018
Employees	¥220	¥184	$1,732
Fujikura Cabos Para Energia e Telecomunicações Ltda.	1,934	2,519	23,708
ProCable Energia e Telecomunicações S.A.	2,923	2,390	22,494
Other unconsolidated subsidiaries and affiliates	670	528	4,969
	¥5,749	¥5,622	$52,913

20. Derivative Instruments

(a) Derivative instruments not accounted for under hedge accounting

(1) Foreign forward exchange contracts

At March 31, 2017

2017	Millions of yen: Notional amount	Millions of yen: Notional amount to be settled in more than one year	Millions of yen: Fair value	Millions of yen: Gain (loss)
Sell				
USD	¥7,279	-	¥46	¥46
YEN	348	-	(4)	(4)
Others	153	-	(1)	(1)
Buy				
USD	20,921	885	(335)	(335)
YEN	424	-	(6)	(6)
Others	218	-	(5)	(5)
Total	¥29,345	¥885	(¥307)	(¥307)

At March 31, 2018

2018	Millions of yen: Notional amount	Millions of yen: Notional amount to be settled in more than one year	Millions of yen: Fair value	Millions of yen: Gain (loss)	Thousands of U.S. dollars: Notional amount	Thousands of U.S. dollars: Notional amount to be settled in more than one year	Thousands of U.S. dollars: Fair value	Thousands of U.S. dollars: Gain (loss)
Sell								
USD	¥6,643	-	¥99	¥99	$62,522	-	$932	$932
YEN	81	-	1	1	762	-	9	9
Others	104	-	2	2	979	-	19	19
Buy								
USD	47,738	-	(1,788)	(1,788)	449,299	-	(16,828)	(16,828)
YEN	402	-	0	0	3,784	-	0	0
Others	536	-	3	3	5,045	-	28	28
Total	¥55,505	-	(¥1,682)	(¥1,682)	$522,400	-	($15,831)	($15,831)

(2) Interest Rate Swaps

At March 31, 2017 N/A

At March 31, 2018 N/A

(3) Commodity Futures Contracts

At March 31, 2017

2017	Millions of yen: Notional amount	Millions of yen: Notional amount to be settled in more than one year	Millions of yen: Fair value	Millions of yen: Gain (loss)
Sell	¥2,996	¥ -	¥25	¥25
Buy	1,890	83	119	119
Total	¥4,887	¥83	¥144	¥144

At March 31, 2018

2018	Millions of yen: Notional amount	Millions of yen: Notional amount to be settled in more than one year	Millions of yen: Fair value	Millions of yen: Gain (loss)	Thousands of U.S. dollars: Notional amount	Thousands of U.S. dollars: Notional amount to be settled in more than one year	Thousands of U.S. dollars: Fair value	Thousands of U.S. dollars: Gain (loss)
Sell	¥3,195	¥ -	¥69	¥69	$30,071	$ -	$649	$649
Buy	4,717	1,035	(55)	(55)	44,395	9,741	(518)	(518)
Total	¥7,913	¥1,035	¥14	¥14	$74,475	$9,741	$132	$132

(b) Derivative instruments accounted for under hedge accounting

(1) Foreign forward exchange contracts

At March 31, 2017

2017	Millions of yen: Notional amount	Millions of yen: Notional amount to be settled in more than one year	Millions of yen: Fair value
Accounted for combined with the accounts designated as hedged items (allowed under JGAAP)			
Accounts receivable, trade			
Sell			
USD	¥26,029	¥ -	¥ -
EUR	966	-	-
Accounted for by the method in the principle			
Accounts receivable, trade			
Sell			
USD	12,448	1,483	189
EUR	641	122	7
Accounts payable, trade			
Buy			
USD	291	-	(4)
Others	61	-	0
Total	¥40,439	¥1,606	¥192

At March 31, 2018

2018	Millions of yen: Notional amount	Millions of yen: More than one year of Notional amount	Millions of yen: Fair value	Thousands of U.S. dollars: Notional amount	Thousands of U.S. dollars: More than one year of Notional amount	Thousands of U.S. dollars: Fair value
Accounted for combined with the accounts designated as hedged items (allowed under JGAAP)						
Accounts receivable, trade						
Sell						
USD	¥26,189	¥ -	¥ -	$246,485	$ -	$ -
EUR	1,311	-	-	12,339	-	-
Accounted for by the method in the principle						
Accounts receivable, trade						
Sell						
USD	11,223	276	352	105,628	2,598	3,313
EUR	1,117	24	(15)	10,513	226	(141)
Total	¥39,842	¥300	¥337	$374,984	$2,824	$3,172

(2) Interest Rate Swaps

At March 31, 2017

2017	Millions of yen: Notional amount	Millions of yen: More than one year of Notional amount	Millions of yen: Fair value
Accounted for by the simplified method allowed under JGAAP			
Interest Rate Swaps			
Long-term borrowings			
Pay Fixed interest / Rec. Floating interest	¥77,773	¥60,851	¥ -
Total	¥77,773	¥60,851	¥ -

At March 31, 2018

2018	Millions of yen: Notional amount	Millions of yen: More than one year of Notional amount	Millions of yen: Fair value	Thousands of U.S. dollars: Notional amount	Thousands of U.S. dollars: More than one year of Notional amount	Thousands of U.S. dollars: Fair value
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	¥ -	$698,814	$630,974	$ -
Total	¥74,249	¥67,041	¥ -	$698,814	$630,974	$ -

(3) Commodity Futures Contracts

At March 31, 2017

2017	Millions of yen: Notional amount	Millions of yen: More than one year of Notional amount	Millions of yen: Fair value
Accounted for by the method in the principle			
Commodity Futures Contracts			
Raw materials			
Sell	¥3,630	¥ -	630
Total	¥3,630	¥ -	¥630

At March 31, 2018

2018	Millions of yen: Notional amount	Millions of yen: More than one year of Notional amount	Millions of yen: Fair value	Thousands of U.S. dollars: Notional amount	Thousands of U.S. dollars: More than one year of Notional amount	Thousands of U.S. dollars: Fair value
Accounted for by the method in the principle						
Commodity Futures Contracts						
Raw materials						
Sell	¥8,125	¥ -	(¥128)	$76,471	$ -	($1,205)
Total	¥8,125	¥ -	(¥128)	$76,471	$ -	($1,205)

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

For the Year Ended March 31, 2017

(a) Type and number of outstanding shares

	Year ended March 31, 2017			
	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 (*1)	360,863	-	65,000	295,863
Total	360,863	-	65,000	295,863
Treasury stock:				
Common stock (*1)(*2)	61,327	14,280	65,000	10,610
Total	61,327	14,280	65,000	10,610

(*1) The decrease of 65,000 thousand shares during the year is due to the retirement of treasury stock.

(*2) Treasury stock increased due to the repurchase of 14,280 thousand shares.

(b) Dividends

(1) Dividends paid to shareholders:

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount per share (Yen)	Shareholders' cut-off date	Effective date
June 29, 2016	Annual general meeting of shareholders	Common stock	¥1,198	¥4.0	March 31, 2016	June 30, 2016
October 28, 2016	Board of directors	Common stock	¥1,438	¥5.0	September 30, 2016	December 2, 2016

(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 29, 2017	Annual general meeting of shareholders	Common stock	¥1,426	Retained earnings	¥5.0	March 31, 2017	June 30, 2017

For the Year Ended March 31, 2018

(a) Type and number of outstanding shares

	Year ended March 31, 2018			
	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)	10,610	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 (Thousands of U.S. dollars)	Amount per share (Yen)	Amount per share (U.S. dollars)	Shareholders' cut-off date	Effective date
June 29, 2017	Annual general meeting of shareholders	Common stock	¥1,426	$13,421	¥5.0	$0.05	March 31, 2017	June 30, 2017
October 27, 2017	Board of directors	Common stock	¥2,004	$18,861	¥7.0	$0.07	September 30, 2017	December 4, 2017

Note: The total dividend payout approved by the Board of Directors at the October 27, 2017 meeting 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)	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 28, 2018	Annual general meeting of shareholders	Common stock	¥2,004	$18,861	Retained earnings	¥7.0	$0.07	March 31, 2018	June 29, 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.

22. 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 ¥4,626 million and ¥5,487 million (US$51,642 thousand) for the fiscal years ended March 31, 2017 and 2018, 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, 2017 and 2018 are as follows:

For the Year Ended March 31, 2017

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)
¥40,187	¥7,216	¥47,404	¥114,775

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

(*2) The primary increase in property during the year is the acquisition of assets for rent in the amount of ¥9,060 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, 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

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)
$446,155	($26,673)	$419,473	$1,026,193

(*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 (US$18,071 thousand).

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

23. Segment Information

(Segment Information)

(a) Summary of reporting segments

The Group's reporting segments are components of the Group for which separate financial statements are available that are regularly monitored by the management in deciding how to allocate resources and in assessing performance.
The Group classifies its businesses into 4 segments, which are "Power & Telecommunication Systems Company", "Electronics Business Company", "Automotive Products Company", "Real Estate Business Company", considering similarities in production methods, production process, applications and sales methods.

Definitions of the four segments for the years ended March 31, 2017 and 2018 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.

Note: Changes to the depreciation method for property, plant and equipment and revisions to useful lives
In accordance with the New Accounting Pronouncements and Changes in Accounting Policies, starting from the fiscal year under review, we revised our depreciation method for property, plant and equipment and reviewed the useful lives for some of these property, plant and equipment.
Taking this into account, in contrast with our previous depreciation method, the increase in segment profit in the fiscal year under review is as follows:
Power & Telecommunication Systems Company ¥1,822 million (US$17,148 thousand), Electronics Business Company ¥339 million (US$3,191 thousand), Automotive Products Company ¥132 million (US$1,242 thousand), Real Estate Business Company ¥231 million (US$2,174 thousand), and Other ¥66 million (US$621 thousand).

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

For the year ended March 31, 2017

Reporting segments (Millions of yen)	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	¥349,656	¥156,737	¥133,107	¥10,183	¥4,111	¥653,795	¥ -	¥653,795
Inter-segment sales	442	268	35	-	25	772	(772)	-
Total sales	350,098	157,005	133,143	10,183	4,137	654,567	(772)	653,795
Segment profit (loss)	20,366	7,557	2,569	4,661	(924)	34,230	-	34,230
Segment total assets	236,170	131,658	89,137	42,833	5,154	504,954	83,672	588,626
Depreciation and amortization	9,222	9,725	3,834	1,814	423	25,020	2,568	27,589
Impairment losses	1	25	-	-	-	27	-	27
Increase in property, plant and equipment and intangible assets	¥11,454	¥15,063	¥7,500	¥8,545	¥368	¥42,933	¥2,689	¥45,623

Notes:

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

(*2) Adjustment of ¥83,672 million in "Segment total assets" represents common assets not allocated to each reporting segment in the amount of ¥111,221 million and elimination of inter-segment transactions in the amount of ¥(27,549) million.
Common assets mainly consisted of assets related to investment securities, research and development and administrative divisions of the Company.

(*3) Adjustment of ¥2,568 million of "Depreciation and amortization" represents depreciation and amortization associated with common assets not allocated to each reporting segment.

(*4) Adjustment of ¥2,689 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, 2018

Reporting segments (Millions of yen)	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	¥371,790	¥195,982	¥157,055	¥10,962	¥4,261	¥740,052	¥ -	¥740,052
Inter-segment sales	540	255	43	-	8	848	(848)	-
Total sales	372,331	196,238	157,099	10,962	4,269	740,901	(848)	740,052
Segment profit (loss)	22,440	10,441	(3,174)	5,501	(864)	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

Reporting segments (Thousands of U.S. dollars)	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	$3,499,200	$1,844,536	$1,478,165	$103,172	$40,104	$6,965,195	$ -	$6,965,195
Inter-segment sales	5,082	2,400	405	-	75	7,981	(7,981)	-
Total sales	3,504,292	1,846,946	1,478,579	103,172	40,179	6,973,186	(7,981)	6,965,195
Segment profit (loss)	211,200	98,268	(29,873)	51,774	(8,132)	323,228	-	323,228
Segment total assets	2,462,108	1,411,887	1,037,873	407,831	44,348	5,364,075	641,139	6,005,224
Depreciation and amortization	74,824	96,875	40,894	18,729	2,551	233,892	18,993	252,894
Impairment losses	19	3,275	3,991	-	0	7,294	-	7,294
Increase in property, plant and equipment and intangible assets	$197,120	$97,751	$56,235	$23,162	$1,807	$376,094	$24,725	$400,828

Notes:

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

(*2) Adjustment of ¥68,121 million (US$641,139 thousand) in "Segment total assets" represents common assets not allocated to each reporting segment in the amount of ¥99,523 million (US$936,687 thousand) and elimination of inter-segment transactions in the amount of ¥(31,401) million (US$(295,539) thousand).
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 (US$18,993 thousand) of "Depreciation and amortization" represents depreciation and amortization associated with common assets not allocated to each reporting segment.

(*4) Adjustment of ¥2,627 million (US$24,725 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

2017	Japan	U.S.	China	Others	Total
	Millions of yen				
Sales to external customers	¥256,000	¥124,401	¥96,991	¥176,401	¥653,795

Property, plant and equipment

2017	Japan	Thailand	China	Others	Total
	Millions of yen				
Property, plant and equipment	¥99,921	¥50,880	¥17,976	¥26,505	¥195,283

Sales

2018	Japan	U.S.	China	Others	Total	Japan	U.S.	China	Others	Total
	Millions of yen					Thousands of U.S. dollars				
Sales to external customers	¥277,267	¥141,310	¥106,642	¥214,832	¥740,052	$2,609,572	$1,329,976	$1,003,689	$2,021,948	$6,965,195

Property, plant and equipment

2018	Japan	Thailand	China	Others	Total	Japan	Thailand	China	Others	Total
	Millions of yen					Thousands of U.S. dollars				
Property, plant and equipment	¥112,982	¥52,013	¥20,083	¥26,208	¥211,288	$1,063,360	$489,534	$189,016	$246,664	$1,988,593

(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, 2017 and 2018.

(c) Goodwill information

For the year ended March 31, 2017

Reporting segments	Power & Telecommuni-cation Systems Company	Electronics Business Company	Automotive Products Company	Real Estate Business Company	Total
	Millions of yen				
Amortization	¥3,541	¥4	¥ -	¥ -	¥3,545
Unamortized goodwill	7,119	4	-	-	7,123

For the year ended March 31, 2018

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

Reporting segments	Power & Telecommuni-cation Systems Company	Electronics Business Company	Automotive Products Company	Real Estate Business Company	Total
	Thousands of U.S. dollars				
Amortization	$24,602	$38	$ -	$ -	$24,640
Unamortized goodwill	39,868	-	-	-	39,868

24. 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:

2017 (Millions of yen)

Relationship	Name of company	Location	Paid-in-Capital	Description of business	Share of voting rights (%)	Relations with related parties	Description of transaction	Amount of transactions (Note 5)	Financial statement line-item	The fiscal year-end balance (Note 5)
Affiliated company	VISCAS Corporation	Shinagawa, Tokyo	10	Power & Telecommuni-cation Systems Company	Directly owned (50.0%)	Supply of raw materials from the Company, Guarantees, Financial assistance	Supply of raw materials with charge (Note 1)	3,273	Other current assets	29
							Guarantees (Note 2)	130	-	-
							Loan (Note 4)	-	Long-term loans receivable	8,071

2018

Relationship	Name of company	Location	Paid-in-Capital	Description of business	Share of voting rights (%)	Relations with related parties	Description of transaction	Amount of transactions (Note 5)	Financial statement line-item	The fiscal year-end balance (Note 5)
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 company	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

2018 (Thousands of U.S. dollars)

Relationship	Name of company	Location	Paid-in-Capital	Description of business	Share of voting rights (%)	Relations with related parties	Description of transaction	Amount of transactions (Note 5)	Financial statement line-item	The fiscal year-end balance (Note 5)
Unconsolidated subsidiaries	OPTOENERGY Inc.	Sakura, Chiba	4,602	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)	7,464	-	-
Unconsolidated subsidiaries	ProCable Energia e Telecomunicações S.A.	Brazil	16,780	Power & Telecommuni-cation Systems Company	Directly owned (53.3%)	Guarantees	Guarantees (Note 2)	37,487 (Note 3)	-	-
Affiliated company	VISCAS Corporation	Ota, Tokyo	94	Power & Telecommuni-cation Systems Company	Directly owned (50.0%)	Financial assistance	Loan (Note 4)	-	Long-term loans receivable	63,492

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

(Note) 1. For supply of raw materials with charge, terms and conditions were determined with consideration of market prices.
2. In the previous fiscal year, the Company provided guarantees for borrowings from banks and for fulfillment of contracts. In the current fiscal year, the Company provided guarantees for fulfillment of contracts.
3. Taking into consideration the year-end balance for debt guarantees, ¥1,593 million (US$14,992 thousand) was recorded to the reserve for Provision for loss on guarantees.
4. The Group utilizes a cash management system to control treasury among the group companies. Only the balance at the end of the fiscal year is disclosed as it is difficult to calculate the total amount for each transaction using the cash management system. Note that interest rates are determined based on the market interest rates.
5. Consumption taxes are not included in the amount of transactions but are included in the fiscal year-end balance.

25. Per Share Information

Per share:	Yen 2017	Yen 2018	U.S. dollars 2018
Net income per share- basic	¥44.61	¥64.36	$0.606
Net income per share- fully diluted (*1)	-	-	-
Cash dividends	10.00	14.00	0.132
Net assets per share	¥710.68	¥768.83	$7.236

(*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 the fiscal year under review, the Company introduced a stock-based compensation plan by means of a trust for the Company's directors. For the calculation of Net assets per share, the 1,056 thousand shares held in the trust account were included in the treasury stock and deducted from the total number of outstanding shares at the end of the fiscal year. In addition, for the calculation of Net income per share, 704 thousand shares, which was the average number of shares held in the trust account during the fiscal year under review were included in the treasury stock, which are deducted when calculating the average number of outstanding shares during the period.

Basis for computation of per share data:	Millions of yen 2017	Millions of yen 2018	Thousands of U.S. dollars 2018
Profit attributable to owners of parent	¥12,900	¥18,359	$172,791
Profit attributable to common shareholders	¥12,900	¥18,359	$172,791

	Thousands of shares 2017	Thousands of shares 2018
Number of weighted average shares	289,205	285,251

26. Subsequent Events
There are no significant subsequent events.

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Independent Auditor's Report

To the Board of Directors of
Fujikura Ltd.

We have audited the accompanying consolidated financial statements of Fujikura Ltd. ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial 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
Otemachi Park Building, 1-1-1 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
T: +81 (3) 6212 6800, F: +81 (3) 6212 6801, www.pwc.com/jp/assurance

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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, 2018, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 2(u) to the consolidated financial statements, the Company and its domestic consolidated subsidiaries changed their depreciation method of property, plant and equipment from the declining-balance method to the straight-line method from the fiscal year ended March 31, 2018. In addition, the Company and its domestic consolidated subsidiaries revised the useful lives for a portion of their property, plant and equipment. Our opinion is not modified with respect to these matters.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 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 28, 2018

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.
    Fujikura Hengtong Aerial Cable System 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.
27. Fujikura Cabos Para Energia e Telecomunicacoes Ltda

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

Main Consolidated Subsidiaries

As of March 31, 2018

Company Name	Equity Ownership Percentage, Including Indirect Ownership	Paid-in Capital (Million)	Major Line of Businesses
Fujikura Dia Cable Ltd.	70.0%	¥5,400	Electric wires and cables
Nishi Nippon Electric Wire & Cable Co., Ltd.	60.7%	¥960	Electric wires and cables and optical cables
Shinshiro Cable Co, Ltd.	70.0%	¥333	Electric wires and cables
AFL Telecommunications LLC.	100.0%	US$3	OPGW, optical cables, optical fusion splicers, optical connection parts and telecommunications related work
DDK Ltd.	99.8%	¥100	Connectors
Fujikura Electronics (Thailand) Ltd.	100.0%	THB11,552	FPCs and electronic components
Fujikura Electronics Shanghai Ltd.	100.0%	RMB97	FPCs
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
28,997

Independent Auditors
PricewaterhouseCoopers Aarata

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

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

Major Shareholders

As of March 31, 2018

	Number of Shares Held (Thousands)	Ratio of Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	26,769	9.35
Japan Trustee Services Bank, Ltd. (Trust Account)	26,363	9.20
Mitsui Life Insurance Company Limited	10,192	3.56
Sumitomo Mitsui Banking Corporation	8,456	2.95
The Shizuoka Bank, Ltd.	7,713	2.69
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
JP MORGAN CHASE BANK 385632	6,530	2.28
Fujikura Employees Shareholding Association	4,656	1.63
Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,563	1.59

Notes:
1. The numbers presented in "Number of shares held" are based on the list of shareholders.
2. Although the Company owns 9,451,530 shares of treasury stock, this is excluded from the above table.
3. The percentage values presented in "Percentage of total shares issued" are calculated excluding treasury stock.