

May 26, 2017

Dear Shareholders:

## Notice of the 195<sup>th</sup> Annual Meeting of Shareholders

You are cordially invited to attend the 195<sup>th</sup> Annual Meeting of Shareholders (the “Annual Meeting”) of Furukawa Electric Co., Ltd. to be held on June 22, 2017, at 10:00 a.m., at Tokyo Prince Hotel, 3-3-1 Shibakoen Minato, Tokyo, Japan.

The Annual Meeting will be conducted:

To receive the following reports,

1. Business Report, Consolidated Accounting Documents and the Audit Reports of Account Auditors and Audit & Supervisory Board for Consolidated Accounting Documents for the 195<sup>th</sup> fiscal year (from April 1, 2016 to March 31, 2017)
2. Reports on Non-Consolidated Accounting Documents for the 195<sup>th</sup> fiscal year (from April 1, 2016 to March 31, 2017)

To consider and act on the following proposals,

- Proposal One: Dividends from surplus**  
**Proposal Two: Election twelve (12) Directors**  
**Proposal Three: Election one (1) Audit & Supervisory Board Member**  
**Proposal Four: Election one (1) Reserve Audit & Supervisory Board Member**

The foregoing proposals of business are more fully described in the documents attached and made a part hereof. Your vote is important. When you are attending the Annual Meeting, please bring enclosed Card for Exercise of Voting Rights with you. If you are unable to attend the Annual meeting, please exercise your voting rights in writing or via the Internet (<http://www.it-soukai.com/>). The Card arrived at the Company and the submission via the Internet after 5:00 p.m. on June 21, 2017 would be a void vote.

Sincerely

Keiichi Kobayashi  
President

DISCLAIMER: This translation may be used only for reference purposes. This English version is not an official translation of the original Japanese version (including Reference Documents for Annual Meeting of Shareholders, the Business Report, Financial Statements for the fiscal year ended March 31, 2017, which consist of non-consolidated balance sheet, non-consolidated statement of operation, consolidated balance sheet, and consolidated statement of operation; hereinafter the same). Due to differences of accounting, legal, and other systems as well as language, etc., this English version might contain inaccuracies, and therefore, might be inconsistent with the original import intended in Japanese version. Certain parts of the translation may have been edited to accommodate differences in writing style and expression between English and Japanese version. In the event of any discrepancies between the Japanese and English version, the former shall prevail. Furukawa Electric Co., Ltd. shall accept no responsibility or liability for damage or loss caused by any error, inaccuracy, or misunderstanding with regard to this translation.

**Proposal One: Dividends from surplus**

The Company's capital allocation policy is to strike a balance among investments in growth and new business opportunity, improvement of balance sheet and shareholder returns, with management priority on capital efficiency.

Based on the policy, with the five-year management plan "Furukawa G Plan 2020" starting from 2016, for the purpose of improving profitability and strengthening balance sheet, the Company will allocate its capital resources mainly to telecommunication and energy infrastructure and auto part market as the Furukawa group's focused business sector for its sustainable growth and capital expenditure and R&D for new business opportunity. For the return to shareholders, stable and continuous dividends distribution is the most priority under the management policy.

Taking account of the financial results and the above policy, the Company hereby proposes dividend of JPY 55 per share for the fiscal year ended March 31, 2017. (JPY 15 up from last fiscal year's dividend after adjustment of 1 for 10 reverse stock split on October 1, 2016.)

(1) Matter concerning the allotment of assets for dividend and total amount  
JPY55 per common share of the Company: total amount of JPY3,884,037,025

(2) Effective date of dividends from surplus  
June 23, 2017

**Proposal Two: Election of twelve (12) Directors**

The term of office of all Directors (12 Directors) will expire at the close of the Annual Meeting. We therefore request you to appoint 12 Directors.

The candidates for Directors are as shown below.

Candidate no.	Name	Position/responsibilities
1	Mitsuyoshi Shibata	Re-election Chairman and Director
2	Keiichi Kobayashi	Re-election President and Representative Director
3	Sumitaka Fujita	Re-election Candidate for outside Director Independent Officer Outside Director
4	Nobuyoshi Soma	Re-election Candidate for outside Director Outside Director
5	Osamu Tsukamoto	Re-election Candidate for outside Director Independent Officer Outside Director
6	Tatsuo Teratani	Re-election Candidate for outside Director Outside Director
7	Akira Nakamoto	Re-election Candidate for outside Director Independent Outside Director

		Officer	
8	Takamitsu Kozuka	Re-election	Representative Director and Corporate Executive Vice President, General Manager of Automotive Products Division
9	Takahide Kimura	Re-election	Director and Corporate Executive Vice President, General Manager of Strategy Division
10	Hiroyuki Ogiwara	Re-election	Director and Corporate Executive Vice President, General Manager of Finance & Procurement Division and General Manager of Global Group Management Division
11	Nozomu Amano	Re-election	Director and Corporate Senior Vice President, General Manager of the Administration & CSR Division
12	Osamu Kuroda	New candidate	Corporate Senior Vice President, General Manager of Global Marketing Sales Division

The Company board of directors selected the nominees here based on the reports from Nominating/Compensation Committee majority members of which are outside directors.

Candidates for the position of Director are selected based on the following criteria.

- Candidates for Outside Director: Total mix of various skills and backgrounds; a person with experience of corporate management and governmental body, an engineer with specific technological expertise, and an expert of law or accounting
- Candidates for Director: With the consideration of the Furukawa group business with many affiliates around the globe and various business lines, a person who has enough skillset, knowledge and experience and contributes to the Furukawa corporate value

Please see the following pages for the individual nominee's background, anticipated role in the board and other information.

1. **Mitsuyoshi Shibata** [Date of Birth: November 5, 1953]

\*Brief history

Apr. 1977	Joined Furukawa Electric Co., Ltd.
Jun. 2008	Corporate Vice President, General Manager of Corporate Planning Department
Jan. 2009	Corporate Vice President and Vice President of Metals Company
Jun. 2009	Corporate Senior Vice President and President of Metals Company
Jun. 2010	Director and Corporate Senior Vice President, President of Metals Company
Apr. 2012	President and Representative Director
Nov. 2013	President and Representative Director, General Manager of Global Group Management Division
Apr. 2016	President and Representative Director (present post)
Apr. 2017	Chairman and Director (present post)

\*Number of shares in the Company

Common Stock 6,500 Shares

Reasons for selection as a candidate for Director

Mr. Mitsuyoshi Shibata has been involved in management within the Furukawa Group for many years, holding positions including President and Representative Director. Since April this year, he has been overseeing the performance of duties by management staff from the President downwards, in a non-executive, non-representative capacity as Chairman and Director. As we work towards achieving our mid-term management plan “Furukawa G Plan 2020,” we request the re-election of Mr. Shibata as Director so that he can raise the level of strategic discussions within the Board of Directors, based on his wealth of management experience with the Group and his extensive knowledge of Group technologies, as well as continuing to actively focus on reinforcing corporate governance.

2. **Keiichi Kobayashi** [Date of Birth: June 24, 1959]

\*Brief history

Apr. 1985	Joined Furukawa Electric Co., Ltd.
Oct. 2004	General Manager of Manufacturing Department, Nikko Copper and Brass Factory, Metal Company
Aug. 2009	Assistant Manager of Metals Company
Jun. 2010	General Manager of Production Development Department
Apr. 2012	General Manager of Magnet Wire Division, Electronics & Automotive Systems Company
Apr. 2013	General Manager of Magnet Wire Division
Feb. 2014	General Manger of Copper & High Performance Material Products Division, and General Manager of Magnet Wire Division
Apr. 2014	Corporate Vice President and General Manager of Copper & High Performance Material Products Division
Apr. 2015	Corporate Senior Vice President, Advisor of Automotive Electronics Material Business, and General Manager of Copper & High Performance Material Products Division
Jun. 2015	Director and Corporate Senior Vice President, Advisor of Automotive Electronics Material Business, and General Manager of Copper & High Performance Material Products Division
Apr. 2016	Representative Director and Corporate Executive Vice President, General Manger of Global Marketing Sales Division
Apr. 2017	President and Representative Director (present post)

\*Number of shares in the Company

Common Stock 2,200 Shares

### Reasons for selection as a candidate for Director

Mr. Keiichi Kobayashi has continued to plan and reliably implement measures to increase sales in the global market, one of the key initiatives under our mid-term management plan, in his capacity as head of the Global Marketing Sales Division. When the Nikko Works was damaged by snow in 2014, he took charge of quickly restoring manufacturing processes in his capacity as General Manager of the Copper & High Performance Material Products Division, demonstrating his superb ability to get things done. Having been appointed as Representative Director and President in April this year, we request the re-election of Mr. Kobayashi as Director, so that he can put his outstanding leadership abilities to good use as a driving force behind our mid-term management plan, while working to enhance corporate value even further.

### 3. **Sumitaka Fujita** [Date of Birth: December 24, 1942] Candidate for outside Director and Independent Officer

#### \*Brief history

Apr. 1965	Joined ITOCHU Corporation
Jun. 1995	Director of ITOCHU Corporation
Apr. 1997	Managing Director of ITOCHU Corporation
Apr. 1999	Senior Managing Director of ITOCHU Corporation
Apr. 2001	Vice President of ITOCHU Corporation
Apr. 2006	Vice Chairman of ITOCHU Corporation
Jun. 2008	Senior Adviser of ITOCHU Corporation
Jun. 2008	Director (Outside) of Furukawa Electric Co., Ltd. (present post)
Jul. 2011	Advisory Member of ITOCHU Corporation (present post)

#### \*Important Concurrent Posts

Advisory Member of ITOCHU Corporation, Director (Outside) of Olympus Corporation

#### \*Number of shares in the Company

Common Stock 3,800 Shares

### Reasons for selection as a candidate for Director

Mr. Sumitaka Fujita has extensive experience in finance, accounting and corporate management, and has a high level of expertise in corporate governance, having held key management positions including CFO at a leading general trading company. As well as actively contributing to meetings of the Board of Directors and the Nomination and Compensation Committee in his capacity as an Independent Outside Director, he has also worked to establish a shared awareness of management issues between Outside Directors as chair of the Company's Outside Officer's Meeting in his capacity as Managing Outside Director. As such, Mr. Fujita has made a significant contribution to improving standards of corporate governance. We request the re-election of Mr. Fujita as Outside Director, as we expect him to make an even greater contribution to groupwide global management, and to strengthening corporate governance even further, in the future.

**4. Nobuyoshi Soma** [Date of Birth: January 16, 1945]  
Candidate for outside Director

\*Brief history

Apr. 1967	Joined Furukawa Mining Co., Ltd. (currently FURUKAWA CO., LTD.)
Jun. 1999	Corporate Vice President of FURUKAWA CO., LTD.
Jun. 2004	Corporate Senior Vice President of FURUKAWA CO., LTD.
Jun. 2006	Managing Director of FURUKAWA CO., LTD.
Jun. 2007	President, Representative Director of FURUKAWA CO., LTD.
Jun. 2013	Chairman, Representative Director of FURUKAWA CO., LTD. (present post)
Jun. 2013	Director (Outside) of Furukawa Electric Co., Ltd. (present post)

\*Important Concurrent Posts

Chairman, Representative Director of FURUKAWA CO., LTD.

\*Number of shares in the Company

Common Stock 2,400 Shares

Reasons for selection as a candidate for Director

Mr. Nobuyoshi Soma has made useful comments on global business development, how human resources should be developed, etc. at meetings of the Board of Directors and the Nomination and Compensation Committee based on his extensive experience and knowledge as a corporate officer of a manufacturer whose businesses include one that is peripheral to the Group's business. We request the re-election of Mr. Soma as Outside Director so that he will continue to provide the Group with useful advice and comments to assist in our efforts to enhance the group and global management.

**5. Osamu Tsukamoto** [Date of Birth: June 11, 1953]  
Candidate for outside Director and Independent Officer

\*Brief history

Apr. 1977	Joined the Ministry of International Trade & Industry (currently Ministry of Economy, Trade & Industry)
Jul. 2003	Deputy Director-General for Regional Economic and Industrial Policy Group, and Agency for Natural Resources and Energy
Jun. 2004	Director-General for Manufacturing Industries Bureau
Jul. 2006	Deputy Director-General for Technology Policy Coordination
Jul. 2008	Director-General, Kanto Bureau for Economy, Trade and Industry
Jul. 2009	Director-General for Regional Economic and Industrial Policy
Jul. 2010	Retire from office
Oct. 2010	Distinguished Professor of Tokyo University of Science
Oct. 2010	Advisor of Furukawa Electric Co., Ltd. (part-time)
Jun. 2013	Director (Outside) of Furukawa Electric Co., Ltd. (present post)
Mar. 2014	Retire from Distinguished Professor of Tokyo University of Science
Jun. 2014	President of Japan Coal Energy Center (present post)

\*Important Concurrent Posts

President of Japan Coal Energy Center

\*Number of shares in the Company

400 Shares

Reasons for selection as a candidate for Director

Mr. Osamu Tsukamoto has made comments on the field of research and development and directions of new businesses and has provided advice, etc. on administrative subsidy measures based on his many years of experience in the industrial policy field at the Ministry of Economy, Trade and Industry as well as his extensive

knowledge, despite the fact that he has not been directly involved in corporate management. We request the re-election of Mr. Tsukamoto as Outside Director so that he will supervise the progress in the mid-term management plan, among other tasks, given the group's renewed focus on developing new technologies and new businesses, and so that he will continue to provide us with such useful comments and advice in the future.

**6. Tatsuo Teratani** [Date of Birth: November 2, 1948]  
Candidate for outside Director

- \*Brief history
- Apr. 1974 Joined Toyota Motor Co., Ltd.  
(currently Toyota Motor Corporation)
  - Jan. 1992 Deputy Manager of the Body Design Department
  - Jan. 1998 Assistant Manager of the First Electronic Technology Department
  - Jan. 1999 Assistant Manager of the Technology Planning Department
  - Jan. 2004 Assistant Manager of the Second Electronic Technology Department
  - Apr. 2007 Concurrently assumed a lecturing position the Graduate School of  
Engineering, Nagoya University (present post)
  - Dec. 2012 Retired from Toyota Motor Corporation
  - Jun. 2015 Director (Outside) of Furukawa Electric Co., Ltd. (present post)
- \*Number of shares in the Company  
Common Stock 1,200 Shares

Reasons for selection as a candidate for Director

Mr. Tatsuo Teratani has been working in design and development in the car electronics field over a period of many years at a leading automobile manufacturer and has advanced knowledge backed by his experience, although he has not been directly involved in corporate management. We request the re-election of Mr. Teratani as Outside Director, as we expect him to provide us with useful advice and comments based on analysis of trends relating to technology, markets and customers, with an eye to expanding and strengthening business in the Group's core automotive sector.

**7. Akira Namamoto** [Date of Birth: November 25, 1945]  
Candidate for outside Director and Independent Officer

- \*Brief history
- Apr. 1969 Joined SHIMADZU CORPORATION
  - Jun. 2001 Director of SHIMADZU CORPORATION
  - Jun. 2005 General Manager, Analytical Instruments Division  
Managing Director of SHIMADZU CORPORATION
  - Jun. 2007 General Manager, Analytical & Measuring Instruments Division  
Senior Managing Executive Director of SHIMADZU CORPORATION
  - Jun. 2009 Representative Director, President & CEO of SHIMADZU  
CORPORATION
  - Jun. 2015 Representative Director, Chairman of the Board of SHIMADZU  
CORPORATION
  - Jun.2016 Director (Outside) of Furukawa Electric Co., Ltd. (present post)
- \*Important Concurrent Posts  
Representative Director, Chairman of the Board of SHIMADZU CORPORATION
- \*Number of shares in the Company  
200 Shares

Reasons for selection as a candidate for Director

Mr. Akira Nakamoto has previously held positions as President and CEO, and Chairman, of a leading precision equipment manufacturer renowned for its technological development capabilities. In addition to his extensive experience in management, he also has a high level of expertise as an engineer. We request the re-election of Mr. Nakamoto as an Outside Director, as we expect him to provide useful advice and comments on group management, in light of the Group's aim to further develop technology-driven businesses as a B-to-B company, and because he is ideally qualified to strengthen supervisory capabilities over management staff within the Board of Directors, as we work towards achieving our mid-term management plan.

**8. Takamitsu Kozuka** [Date of Birth: February 17, 1958]

**\*Brief history**

Apr. 1982	Joined Furukawa Electric Co., Ltd.
Sep. 2004	General Manager of FURUKAWA AVC ELECTRONICS(SUZHOU) CO.,LTD
Feb. 2007	Plant Manager of Mie Automotive Product Plant, Automotive Product Department, Electronics & automotive Systems Company
Oct. 2007	General Manager of Production Division Electrical/Electronics Department, FURUKAWA AUTOMOTIVE SYSTEMS INC.
Jun. 2008	Director and Executive Officer of FURUKAWA AUTOMOTIVE SYSTEMS INC.
Jun. 2010	Senior Managing Director and Executive Officer of FURUKAWA AUTOMOTIVE SYSTEMS INC.
Jun. 2011	Executive Managing Director and Executive Officer of FURUKAWA AUTOMOTIVE SYSTEMS INC.
Apr. 2012	Corporate Vice President and General Manager of Automotive Division, Electronics and Automotive Systems Company, Furukawa Electric Co., Ltd.
Apr. 2013	Corporate Vice President and General Manger of Automotive Products Division
Apr. 2014	Corporate Senior Vice President and General Manger of Automotive Products Division
Jun. 2014	Director and Corporate Senior Vice President, General Manger of Automotive Products Division
Apr. 2016	Representative Director and Corporate Executive Vice President, General Manger of Automotive Products Division (present post)

**\*Number of shares in the Company**

Common Stock 3,200 Shares

Reasons for selection as a candidate for Director

Mr. Takamitsu Kozuka has extensive knowledge and experience in both domestic and overseas business management and business expansion based on his experience, etc. as the person in charge of the automotive components segment, which the Group has been developing on a global basis. We request the re-election of Mr. Kozuka as Director so that he will continue to promote and expand the development of this business as head of the automotive component business division, which is the core of the automotive-related business and a focus of the mid-term management plan of the Group. We also expect him to participate in meetings of the Board of Directors as the person responsible for business operations and contribute to active discussions about business strategies and other areas.

**9. Takahide Kimura** [Date of Birth: December 12, 1958]

\*Brief history

Apr. 1981	Joined Furukawa Electric Co., Ltd.
Apr. 2001	Managing Director of Furukawa FITEL (Thailand) Co., Ltd.
Jan. 2006	Director, Executive Vice President of OFS Fitel, LLC
Jun. 2009	Assistant Manager of FITEL Products Division, Telecommunications Company, Furukawa Electric Co., Ltd.
Jul. 2009	General Manager of Production Planning and Control Department, FITEL Products Division, Telecommunications Company
Apr. 2010	General Manager of FITEL Products Division, Telecommunications Company
Apr. 2012	General Manager of New Business Development Department
Apr. 2013	General Manager of New Business Development Department, Strategy Division
Apr. 2014	Corporate Vice President, Advisor of Electronics & Automotive Systems Business, and General Manager of New Business Development Department, Strategy Division
Jun. 2014	Director and Corporate Vice President, Advisor of Electronics & Automotive Systems Business, and General Manager of New Business Development Department, Strategy Division
Apr. 2015	Director and Corporate Vice President, General Manager of Strategy Division
Apr. 2016	Director and Corporate Senior Vice President, General Manager of Strategy Division
Apr. 2017	Director and Corporate Executive Vice President, General Manager of Strategy Division (present post)

\*Number of shares in the Company

Common Stock 2,800 Shares

Reasons for selection as a candidate for Director

Mr. Takahide Kimura has been involved in telecommunications for many years and has experience managing an overseas subsidiary. He has also had a hand in developing our mid-term management plan, and in areas such as developing new businesses. We request the re-election of Mr. Kimura as Director so that he can continue to work on planning management strategies with an eye to the future of the Group, in his capacity as General Manager of the Strategy Division, and work on formulating a development program for globally capable management human resources, who will form the backbone of those strategies.

**10. Hiroyuki Ogiwara** [Date of Birth: February 18, 1961]

\*Brief history

Apr. 1983	Joined Furukawa Electric Co., Ltd.
Dec. 2003	Vice President and Chief Financial Officer of OFS Fitel, LLC
Nov. 2005	Manager of Tax & Accounting Department
Jun. 2009	General Manager of Finance & Accounting Department
Apr. 2013	General Manager of Finance & Accounting Department, Finance & Procurement Division
Apr. 2014	Corporate Vice President and General Manager of Finance & Procurement Division
Jun. 2014	Director and Corporate Vice President, General Manager of Finance & Procurement Division
Apr. 2016	Director and Corporate Senior Vice President, General Manager of Finance & Procurement Division and General Manager of Global Group Management Division
Apr. 2017	Director and Corporate Executive Vice President, General Manager of Finance & Procurement Division and General Manager of Global Group

Management Division(present post)

\*Number of shares in the Company

Common Stock 2,500 Shares

Reasons for selection as a candidate for Director

Mr. Hiroyuki Ogiwara has extensive knowledge of finance and accounting based on his professional experience, including working as the CFO of an overseas subsidiary, and has served as General Manager of the Finance & Procurement Division since 2014. We request the re-election of Mr. Ogiwara as Director, so that he can continue to improve the Group's financial standing, in light of the growing need to sustain and strengthen practices in response to domestic and overseas accounting systems, and the need to make timely and appropriate financial decisions for the good of the Group, which has a considerable number of affiliated companies in Japan and overseas, and is actively developing new businesses and rolling out operations overseas.

11. **Nozomu Amano** [Date of Birth: July 15, 1956]

\*Brief history

Apr. 1980	Joined Furukawa Electric Co., Ltd.
Jun. 2004	General Manager of Legal Department
Jun. 2008	General Manager of HR & Administration Department
Mar. 2009	General Manager of HR & Administration Department and General Manager of Corporate Business Research Department
Jun. 2010	Director and Corporate Vice President and CSO
Apr. 2012	Director and Corporate Vice President, CSRO, General Manager of CSR Division
Apr. 2013	Director and Corporate Vice President, General Manager of the Administration & CSR Division
Apr. 2014	Director and Corporate Senior Vice President, General Manager of the Administration & CSR Division (present post)

\*Important Concurrent Post

Director (Outside) of AICHI ELECTRIC CO., LTD.

\*Number of shares in the Company

Common Stock 3,500 Shares

Reasons for selection as a candidate for Director

Mr. Nozomu Amano has continued to implement a range of measures as General Manager of the Administration & CSR Division, including improving how the Board of Directors is run in order to reinforce corporate governance, and has strengthened compliance systems in areas such as domestic and overseas legal compliance. We request the re-election of Mr. Amano as Director so that he can work on accelerating plans to establish the necessary framework to implement corporate governance with the right balance between offensive and defensive measures, including risk management, in the future.

12. **Osamu Kuroda** [Date of Birth: July 21, 1959]

\*Brief history

Apr. 1980	Joined Furukawa Electric Co., Ltd.
Apr. 2007	General Manager of Sales Department of Telecommunication Division, Telecommunications Company, Furukawa Electric Co., Ltd.

Dec. 2009	Assistant Manager of Corporate Planning Department
Apr. 2010	General Manger of Group Business Management Department
Apr. 2012	Assistant Manager of Electronics & automotive Systems Company
Apr. 2013	General Manager of Sales Planning & Marketing Department, Sales & Marketing Division
Apr. 2015	Corporate Vice President, General Manager of Kansai Branch and Hokuriku Sub Branch, Sales & Marketing Division
Apr. 2016	Corporate Vice President, Deputy General Manager, the Global Marketing Sales Division, General Manager of Kansai Branch and Hokuriku Sub Branch in the said division
Apr. 2017	Corporate Senior Vice President, General Manager of the Global Marketing Sales Division (present post)

\*Number of shares in the Company  
Common Stock 1,900 Shares

#### Reasons for selection as a candidate for Director

Mr. Osamu Kuroda has been involved in areas such as product sales and business planning for many years, playing a central role in the field of infrastructure for the Group's core power and telecommunications businesses. As a result, he has extensive expertise and experience with regard to the Group's businesses, products, markets and customers. We request the election of Mr. Kuroda as Director so that he can play a leading role in developing the Group's business in the global market, following his appointment as General Manager of the Global Marketing Sales Division in April this year.

#### [Note] Matters concerning candidates for Outside Director

1. Messrs. Sumitaka Fujita, Nobuyoshi Soma, Osamu Tsukamoto, Tatsuo Teratani and Akira Nakamoto are currently Outside Directors of the Company and their term will be nine (9) years, four (4) years, four (4) years, two (2) years and one (1) year respectively at the close of the Annual Meeting.
2. The relationship between the firm from which the candidate for Outside Directors came and the Company are as follows.
  - 1) In light of the independence criteria for outside officers specified by the Company, the Company considers Mr. Sumitaka Fujita to be independent from the Company. He had been Vice Chairman of ITOCHU Corporation until 2008, and there are transactions between the Company's subsidiary (Furukawa UACJ Memory Disk Co., Ltd.) and ITOCHU Corporation, in which Furukawa UACJ Memory Disk Co., Ltd. has served as an agency to sell the aluminum products handled by ITOCHU Corporation to overseas customers, annual sales from the transaction with this company were about JPY2.0 billion. In addition, Mr. Sumitaka Fujita resigned as a business executive of ITOCHU Corporation more than three years ago.
  - 2) Mr. Nobuyoshi Soma is Chairman and Representative Director of FURUKAWA CO., LTD. and there are relationships stated below between the Company and FURUKAWA CO., LTD.
    - 3.43% of the issued shares of the Company (including shares contributed as a trust asset for a retirement benefit trust) are held by FURULAWA CO., LTD.
    - 2.17% of the issued shares of FURUKAWA CO., LTD. are held by the Company

- Property for lease owned by FURUKAWA CO., LTD. is leased by the Company
  - Transactions involving the purchase of nonferrous metals from a subsidiary of FURUKAWA CO., LTD.
- 3) In light of the independence criteria for outside officers specified by the Company, the Company considers Mr. Osamu Tsukamoto to be independent from the Company. The Company has received professional advice from him on the Group's business areas since the conclusion of a consultancy agreement with him in October 2010. Since he assumed the position of outside director in June 2013, the Company has continued to pay consideration to him for his advice on his areas of specialization, in addition to compensation as an outside director. Following his reappointment as an outside director, the Company will continue to request his advice on his specialized areas and pay consideration, in addition to compensation as an outside director. The Company is also a member of, and pays annual membership fees to, the Japan Coal Energy Center, of which Mr. Tsukamoto is President. Compensation paid to Mr. Tsukamoto, and due to be paid to Mr. Tsukamoto in the future, is below the amount specified in the Company's criteria for independence. The same applies to annual membership fees paid to organizations of which Mr. Tsukamoto is a member, and annual membership fees due to be paid to such organizations in the future.
  - 4) Mr. Tatsuo Teratani worked for Toyota Motor Corporation until 2012, with which the Company has a business relationship in automotive components. In addition to receiving compensation as an Outside Director, Mr. Teratani has received payment for specialist advice provided to the Company and to its subsidiary FURUKAWA AUTOMOTIVE SYSTEMS INC. in fields such as the automotive components business. This will continue after his re-election as Outside Director.
  - 5) In light of the independence criteria for outside officers specified by the Company, the Company considers Mr. Akira Nakamoto to be independent from the Company. Transactions do exist between Shimadzu Corporation, where Mr. Nakamoto serves as Chairman and Representative Director, and the Company, with the Company selling bio-related equipment, etc. to Shimadzu Corporation. The scale of such transactions is small, amounting to around JPY 20 million annually, which is below the amount specified in the Company's criteria for independence.

[Independence criteria for outside officers specified by the Company]

If none of the following attributes are applicable to the relevant outside Directors and outside Audit & Supervisory Board Members (including candidates), the Company considers that they are independent Directors and Audit & Supervisory Board Members without the possibility of creating any conflict of interest with general shareholders.

- (i) Person belonging to a company whose main clients include the Company (a client who provides products or services to the Company and whose amount of transactions with the Company is equivalent to more than 2% of the client's annualized total sales in the most recent fiscal year) or who engages in such operations.

- (ii) Person belonging to a company which is one of the Company's main clients (a client to whom the Company provides products or services and whose amount of transactions with the Company is equivalent to more than 2% of the Company's annualized total sales in the most recent fiscal year) or who engages in such operations.
- (iii) Person who engages in operations at a financial institution which is a main lender to the Company (a lender whose amount of loans is equivalent to more than 2% of the Company's total assets in the most recent years).
- (iv) Person who receives monetary or other economic benefits from the Company of JPY 10 million or more a year, over and above officer's compensation, in the capacity of such an expert as a consultant, accountant, lawyer, or who belongs to any legal entity which receives JPY 100 million a year from the Company.
- (v) Person who has fallen under items (i) to (iv) during any period within the past three years.
- (vi) Relative of the person who falls under items (i) to (v) above, within the second degree of kinship.
- (vii) Any other person in breach of standards for independence set out by Tokyo Stock Exchange, Inc.

\* Even if items (i) to (vii) are not applicable, the Company may determine that the person is not independent depending on factors such as the amount of transactions at subsidiaries of the Company or those of the relevant client to which the person belongs.

3. There are no specific facts of inappropriate conduct by the Company during the term of the outside directors.
4. With respect to the candidate for Outside Director, the facts concerning improper execution of operations during his term of office as an officer at other companies in the past five years are as shown below.

Mr. Sumitaka Fujita served as an Outside Director of Olympus Corporation from April 2012, but the U.S. subsidiary company of Olympus Corporation was investigated by the U.S. Department of Justice in connection with the U.S. False Claims Act with respect to activities relating to its U.S. medical business from 2006 to 2011 and entered into a deferred prosecution agreement with the U.S. Department of Justice on February 29, 2016. The U.S. subsidiary company of Olympus Corporation was also investigated by the U.S. Department of Justice in connection with the Foreign Corrupt Practices Act with respect to activities relating to the medical business of Olympus Corporation's indirect U.S. subsidiary company and its Brazilian subsidiary from October 2011, and these subsidiary companies, etc. entered into a deferred prosecution agreements with the U.S. Department of Justice on February 29, 2016.

Mr. Sumitaka Fujita became an Outside Director of Olympus Corporation after each of the above investigations by the U.S. Department of Justice was underway. After becoming aware of the facts in question as a Director of Olympus Corporation, Mr. Sumitaka Fujita called for the implementation of appropriate measures to strengthen compliance and prevent a recurrence at meetings of the Board of Directors of Olympus Corporation at which the facts in question and measures to deal with the issues were reported and deliberated. He also supervised the

implementation of each of the measures.

Mr. Akira Nakamoto served as a representative director of SHIMADZU CORPORATION from June 2009, but in January 2013, bringing his term of office as the representative director, the fact of which SHIMADZU CORPORATION overcharged the Japanese Ministry of Defense for expenses on aviation instruments was found out, and as a result, SHIMADZU CORPORATION received dispositions of nomination stop by the Japanese Ministry of Defense. SHIMADZU CORPORATION refunded this overcharged amount, and was released the dispositions of nomination stop in March 2014. Based on the results of an internal investigation conducted from April 2015 to March 2016, there was also found to be an issue regarding fulfillment of a maintenance contract for aviation instruments with the Ministry of Defense. The matter in question was reported to the ministry in May 2016.

Mr. Akira Nakamoto did not recognize the fact in advance, but after the fact became apparent, Mr. Akira Nakamoto conducted an investigation to clarify the whole situation, and in addition, Mr. Akira Nakamoto worked to strengthen internal control system and foster compliance awareness.

5. Outline of an agreement to limit liabilities

The Company provides in its Articles of Incorporation that the Company may enter into agreements to limit liabilities so that it can encourage capable persons to properly carry out their duties. According to the condition, Mr. Sumitaka Fujita, Mr. Nobuyoshi Soma, Mr. Osamu Tsukamoto, Mr. Tatsuo Teratani, and Mr. Akira Nakamoto concluded liability limitation agreements with the Company as outside directors, which will continue to be effective if these candidates are reappointed and assume the positions of outside directors. The limit of liabilities based on the agreement is the minimum amount provided in laws and ordinances.

**Proposal Three:** Election one (1) Audit & Supervisory Board Member

The term of office of Mr. Tadashi Kudo, Audit & Supervisory Board Member will expire at the close of the Annual Meeting. We therefore request you to appoint one (1) Audit & Supervisory Board Member to maintain and strengthen the auditing system.

The candidate for Audit & Supervisory Board Member is as shown below.

The submission of this proposal was approved by the Audit & Supervisory Board in advance.

**Takashi Tsukamoto** [Date of Birth: Aug 2, 1950]

**\*Brief history**

Apr. 1974	Joined The Dai-Ichi Kangyo Bank., Ltd. (now Mizuho Bank, Ltd.)
Apr. 2002	Executive Officer / General Manager of Human Resources Division of Mizuho Corporate Bank, Ltd. (now Mizuho Bank, Ltd.)
Mar. 2003	Managing Executive Officer / Head of Risk Management Group and Head of Human Resources Group of Mizuho Financial Group, Inc.
Apr. 2004	Managing Executive Officer / Head of Europe, Middle East and Africa of Mizuho Corporate Bank, Ltd.
Mar. 2006	Managing Director / Chief Strategy Officer and Chief Financial Officer of Mizuho Corporate Bank, Ltd.
Apr. 2007	Deputy President of Mizuho Corporate Bank, Ltd.
Apr. 2008	Deputy President-Executive Officer / Head of Financial Control and Accounting Group of Mizuho Financial Group, Inc.
Jun. 2008	Deputy President / Head of Financial Control and Accounting Group of Mizuho Financial Group, Inc.
Apr. 2009	President & CEO of Mizuho Financial Group, Inc.
Jun. 2011	Chairman of Mizuho Financial Group, Inc. and President & CEO of Mizuho Bank, Ltd.
Jul. 2013	Chairman of Mizuho Financial Group, Inc. and Chairman of Mizuho Bank, Ltd.
Nov. 2013	Chairman of Mizuho Financial Group, Inc.
Apr. 2014	Senior Advisor of Mizuho Financial Group
Apr. 2017	Honorary Advisor of Mizuho Financial Group(present post)

**\*Important Concurrent Post**

Honorary Advisor of Mizuho Financial Group, Director (Outside) of Asahi Mutual Life Insurance Company

**\*Number of shares in the Company**

0 Shares

**Reasons for selection as a candidate for Outside Audit & Supervisory Board Member**

Mr. Takashi Tsukamoto has extensive expertise and experience with finance, accounting, and corporate management in general, having previously held positions such as Representative Director and CFO of a financial institution. We request the election of Mr. Tsukamoto as an Outside Audit & Supervisory Board Member so that he can provide appropriate guidance and input with regard to corporate governance, including investor engagement and risk management, and with regard to the legality of management decisions in areas such as business investment.

**[Note] Matters concerning candidate for Outside Audit & Supervisory Board Member**

1. The relationship between the firm from which the candidate for Outside Audit & Supervisory Board Member came and the Company are as follows.

In light of the independence criteria for outside officers specified by the Company, the Company considers Mr. Takashi Tsukamoto to be independent from the Company. Mr. Tsukamoto previously held the position of Director at Mizuho Bank, Ltd., which holds 3.41% of shares issued by the Company (including shares held in an retirement benefits trust). Although the Company also borrows from Mizuho Bank, Ltd., more than three years have passed since Mr. Tsukamoto left his executive position at the bank.

2. No facts have been found concerning improper or unlawful business conduct on the part of the candidate for Outside Audit & Supervisory Board Member during his term as an officer at any other company in the past five years.

3. Mr. Tsukamoto has received compensation for advisory services from Mizuho Bank, Ltd., in which the Company has a special interest, over the past two years.

4. Outline of an agreement to limit liabilities

The Company provides in its Articles of Incorporation that the Company may enter into agreements to limit liabilities so that it can encourage capable persons to properly carry out their duties. If Mr. Takashi Tsukamoto takes up the position of Outside Audit & Supervisory Board Member, the Company will conclude a liability limitation agreement with him. The limit of liabilities based on the agreement is the minimum amount provided in laws and ordinances.

**Proposal Four:** Election one (1) Reserve Audit & Supervisory Board Member

The effective terms of resolution which is the election of a Reserve Audit & Supervisory Board Member at the 194th Annual Meeting of Shareholders held on June 27, 2016, will be over at the beginning of the Annual Meeting. Therefore, in case the lack of the mandatory number of outside Audit & Supervisory Board Member, the Company will elect one (1) Reserve Audit & Supervisory Director.

The candidate of a Reserve Audit & Supervisory Board Member is shown below.

The submission of this proposal was approved by the Audit & Supervisory Board in advance.

**Shin-ichi Kiuchi** [Date of Birth: March 9, 1946]

\*Brief history

Apr. 1969 Joined Asahi Denka Co., Ltd. (currently ADEKA Corporation)

Apr. 1998 General Manager of Secretary Office

Jun. 2002 General Manager of Finance and Accounting Department

Jun. 2005 Audit & Supervisory Board Member (full-time)

Jun. 2014 Resigned from Audit Supervisory Board Member (full-time)

Aug. 2014 Employee (present post)

\*Number of shares in the Company

0 Shares

[Note]

1. Mr. Shin-ichi Kiuchi is a candidate of the outside Audit & Supervisory Board Member (reserve) of the Company.

2. The reason for the selection of the candidate for the outside Audit & Supervisory Board Member (reserve) is as shown below;

Mr. Shin-ichi Kiuchi has been assigned the representative of finance and accounting

department and the Audit & Supervisory Board Member at the company whose stock is listed on the stock exchange, thus Mr. Kiuchi has extensive expertise in this field. We therefore expect Mr. Kiuchi to audit the Company's business appropriately, and ask that you appoint Mr. Kiuchi as the outside Audit & Supervisory Board Member (reserve).

3. The relationship between the firm from which the candidate for Reserve Audit & Supervisory Board Member came and the Company are as follows.

Mr. Shin-ichi Kiuchi previously held positions including Corporate Auditor at ADEKA CORPORATION, which holds 0.12% of shares issued by the Company. Similarly, the Company holds 0.66% of shares issued by ADEKA CORPORATION. Although there are transactions between the Company and ADEKA CORPORATION, including the purchase of raw materials by the Company, the relevant transactions are low value, totaling approximately JPY 30 million per year.

4. Plan of an agreement to limit liabilities

The Company provides in its Articles of Incorporation that the Company may enter into agreements to limit liabilities so that it can encourage capable persons to properly carry out their duties. Mr. Kiuchi plans to enter into an agreement with the Company to limit their liabilities as an Audit & Supervisory Board Member if Mr. Kiuchi is assigned to the position. The limit of liabilities based on the agreement is the minimum amount provided in laws and ordinances.

## Business Report

### **(1) Overview and results of business activities for the term**

This year, the Group has been working to strengthen operations in the priority areas of infrastructure (telecommunications, energy) and the automobile sector, in line with its mid-term management plan “Furukawa G Plan 2020.” The Group has pushed ahead with capital investment in the infrastructure sector, including fiber optic cable manufacturing equipment. In the energy sector, the Group has taken over domestic underground and submarine transmission cable operations from VISCAS Corporation, and has established an integrated sales structure for the manufacture, sale and installation of power cables in Japan and overseas. In the automotive sector meanwhile, the Group has been working to secure orders for new products, through measures such as contributing to mass production by expanding the range of models using aluminum wire harnesses and aluminum anticorrosion terminals, and becoming the first Japanese company to mass produce radar for advanced driving support systems.

The Group has also been focusing on strengthening corporate governance, and has implemented a range of measures, including reviewing its executive pay structure so that it is more closely linked to performance, and making general improvements to how the Board of Directors is run based on the results of an effectiveness assessment. On other fronts, the Group has been working to promote diversity, focusing particularly on creating greater roles for female employees. Measures have included reforming working practices, to help the Group become more open to a diverse range of human resources, working patterns and values. In recognition of initiatives such as these, in April last year the Group obtained the highest level of “Eruboshi” certification for promoting greater participation for women. In February this year, the Group was certified by the government as a “health and productivity enterprise” and listed in the “Excellent Enterprise of Health and Productivity Management - White 500” for health management.

Although the Group’s overall sales were down slightly during the term under review, due to factors such as the strong yen and a drop in copper bullion prices, increasing telecommunications volumes and growth in the semiconductor industry helped to ensure a strong performance from businesses such as telecommunication solutions, and AT and functional plastic products. Measures such as improving production efficiency at overseas plants in the automotive component sector, and carrying out structural reforms in the copper foil business, also started to yield results.

As a result of all this, consolidated net sales came to JPY 843.3 billion (down 3.6% year on year), while consolidated operating income totaled JPY 38.6 billion (up 42.4% year on year). In spite of exchange losses due to the strong yen, consolidated net income came to JPY 36.0 billion (up 92.5% year on year). In spite of extraordinary gains, including JPY 4.1 billion from the sale of fixed assets, and JPY 5.3 billion in negative goodwill due to taking over operations from VISCAS, these were offset by extraordinary losses, including JPY 1.7 billion from changes in equity following a public stock offering from UACJ Corporation (equity method affiliate), JPY 1.3 billion in provisions for environmental measures, and JPY 13.1 billion in provisions for product compensation in relation to the recovery (recall) of products containing automotive components manufactured by a subsidiary. As a result, net income attributable to parent company shareholders came to JPY 17.6 billion (up

75.6% year on year). Overseas sales meanwhile totaled ¥390.0 billion (down 3.8% year on year), equivalent to 46.2% of overall sales (same level as the previous year).

In terms of non-consolidated results, net sales stood at JPY 398.8 billion (same level as the previous year). Operating income amounted to JPY 6.2 billion (up 13.6% year on year), with ordinary income coming in at JPY 21.2 billion (up 73.8% year on year) and net income at JPY 10.9 billion (an improvement of JPY 16.4 billion on the previous year).

## (2) Changes in business outcomes and assets

### (i) Changes in Group business outcomes and assets

Category	192 <sup>nd</sup> term Fiscal 2013	193 <sup>rd</sup> term Fiscal 2014	194 <sup>th</sup> term Fiscal 2015	195 <sup>th</sup> term (Current term) Fiscal 2016
Net sales (JPY millions)	931,781	867,817	874,879	843,344
Operating income / loss (JPY million)	25,456	17,873	27,116	38,623
Ordinary income / loss (JPY million)	25,532	18,598	18,710	36,024
Profit (loss) attributable to owners of parent (JPY million)	5,608	7,355	10,007	17,570
Net income / loss per share (JPY)	7.94	10.42	14.17	249.17
Total assets (JPY millions)	714,845	734,125	705,725	750,126
Net assets (JPY millions)	199,733	214,743	198,587	237,051

[Notes] 1. As of October 1, 2013, Furukawa-Sky Aluminum Corp. (now UACJ Corporation), which was responsible for the Light Metals segment of the Group, merged with Sumitomo Light Metal Industries Ltd. As a result, the segment was excluded from the Company's scope of consolidation from the middle of the previous year.

2. Following the introduction of Accounting Standards for Business Combinations (ASBJ Statement No. 21, September 13, 2013) in fiscal 2015, consolidated net income was changed to net income attributable to shareholders of the parent company.

3. A reverse stock split was carried out on October 1, 2016, at the rate of 1 share per 10 common shares.

### (ii) Changes in Company business outcomes and assets

Category	192 <sup>nd</sup> term Fiscal 2013	193 <sup>rd</sup> term Fiscal 2014	194 <sup>th</sup> term Fiscal 2015	195 <sup>th</sup> term (Current term) Fiscal 2016
Net sales (JPY millions)	428,301	417,426	398,851	398,777
Operating income / loss (JPY million)	2,244	Δ1,258	5,467	6,209
Ordinary income / loss (JPY millions)	9,208	4,744	12,192	21,191
Net income / loss (JPY million)	2,867	4,314	Δ5,527	10,909
Net income / loss per share (JPY)	4.06	6.11	Δ7.83	154.68
Total assets	452,079	430,974	415,388	431,148

(JPY millions)				
Net assets (JPY millions)	130,765	134,243	119,915	134,832

[Note] A reverse stock split was carried out on October 1, 2016, at the rate of 1 share per 10 common shares.

### (3) Overview and results of business activities for the term (each segment)

(\*) Starting from the term under review, the five reporting segments used previously – telecommunications, energy and industrial products, electronics and automotive systems, metals, and services/development and others, etc. – have been replaced by four new segments. These are infrastructure, automotive products and materials, functional products, and services/development and others. Differences (totals and percentages) have been calculated by recombining previous figures to coincide with the new reporting segments.

[Consolidated Net Sales and Operating Income by Segment] (Unit: JPY millions)

Segment	Net sales	Increase/ decrease from the previous year-end	Operating income / loss	Increase/ decrease from the previous year-end
Infrastructure	263,751	11,080	14,339	6,622
Automotive Products and Materials	455,457	Δ35,637	12,793	2,324
Functional Products	131,485	Δ4,832	11,683	3,225
Services/Development and Others	49,653	Δ1,852	Δ148	Δ561
Elimination	Δ57,003	Δ292	Δ45	Δ104
Total	843,344	Δ31,534	38,623	11,507

#### Infrastructure

In the telecommunication solutions business, demand for fiber optic cables is booming, particularly in Europe, the US and China. This has led to an upswing in price levels, and increased sales of high added-value products such as low-transmission loss submarine cables. Sales of digital coherent products have also remained steady.

In the energy and infrastructure business, taking over operations from VISCAS led to an increase in sales, albeit accompanied by a temporary rise in business integration costs. Other factors such as falling demand for transmission and distribution products for domestic power suppliers have also put pressure on income.

As a result, consolidated net sales in this segment stood at JPY 263.8 billion (up 4.4% year on year), with consolidated operating income coming in at JPY 14.3 billion (up 85.8% year on year). Non-consolidated sales totaled JPY 75.5 billion (up 18.4% year on year)

#### Automotive Products and Materials

In the copper and high performance materials business, sales of wrought copper products have recovered following snow damage to the Nikko Works in 2014. Sales were nonetheless down due to the impact of falling copper bullion prices, and there were temporary increases in development costs for selected products. In the automotive components business meanwhile, ongoing efforts to improve production efficiency following on from the previous year, including production facilities in Mexico,

have started to yield results, in spite of sluggish domestic sales of wire harnesses.

As a result, consolidated net sales in this segment stood at JPY 455.5 billion (down 7.3% year on year), with consolidated operating income coming in at JPY 12.8 billion (up 22.2% year on year). Non-consolidated sales totaled JPY 261.1 billion (down 3.6% year on year)

### **Functional Products**

In the AT and functional plastics business, sales of tape for manufacturing semiconductors were up, as were sales of high added-value products such as high frequency foil, as a result of increased demand for copper foil and structural reform measures, including transferring production to Taiwan. In the thermal management and components business meanwhile, demand was down for items such as computer heat dissipation products.

As a result, consolidated net sales in this segment stood at JPY 131.5 billion (down 3.5% year on year), with consolidated operating income coming in at JPY 11.7 billion (up 38.1% year on year). Non-consolidated sales totaled JPY 59.9 billion (down 1.8% year on year).

Within this segment, the Group has been working to develop markets for foamed products in the construction material and automotive sectors in Europe and North America, spearheaded by German subsidiary Trocellen GmbH.

### **Services/Development and Others**

The services/development and others segment encompasses logistics, data processing, software development and outsourced operations to support different businesses in the Group as well as property leasing, water-power generation and R&D for new products.

Following a significant reduction in rental income in this segment, due to the sale of rental real estate in March last year, consolidated net sales stood at JPY 49.7 billion (down 3.6% year on year), with consolidated operating income coming in at JPY 100 million (a decline of JPY 600 million on the previous year). Non-consolidated sales totaled JPY 2.3 billion (down 31.5% year on year).

#### **(4) Tasks in the near future**

##### **1. Implementing Mid-term Management Plan “Furukawa G Plan 2020”**

The Group will continue to push ahead with the following three priorities under its mid-term management plan “Furukawa G Plan 2020,” set out in 2016.

###### **1) Strengthen and reform of businesses**

The Group will continue to strengthen its business in the infrastructure (telecommunications, energy) and automotive sectors, which are positioned as key priority areas.

In the telecommunications sector, demand remains strong for optical communication products, due to factors such as increasing telecommunications traffic and the construction of more and more data centers worldwide. The Group intends to increase production capacity for fiber optic cables and compact wavelength variable semiconductor lasers ( $\mu$ ITLA), as a key component of digital coherent communication, in order to strengthen profitability even further.

In the energy sector, the Group intends to further strengthen its engineering capabilities, as it works on securing overseas orders for submarine and underground cables. In Japan too, the Group will look to effectively target demand from power companies replacing aging facilities, and to step up efforts to secure orders for submarine and underground cables for new energy, in order to transform its power operations into a business that consistently generates a profit.

In the automotive sector, the Group intends to actively expand its business with an emphasis on areas in which it boasts cutting-edge technologies. As well as products that are likely to contribute to the development of lightweight vehicles, such as aluminum anticorrosion terminals and aluminum wire harnesses, this includes peripheral radar required for advanced driving support systems, and power source management products consisting of components such as high-capacity, long-life lead batteries and battery status sensors.

###### **2) Expand sales in the global market**

Having divided the world into five regions, the Group intends to implement a global area strategy based on sales expansion strategies tailored to suit the characteristics of each region. The first stage of this will involve establishing an integrated base to coordinate the Group’s marketing activities in each region. This will include gathering and analyzing information on markets and customers, particularly in areas such as China and Southeast Asia, and sharing information between business divisions.

###### **3) Step up efforts to tap into new markets**

In the infrastructure and automotive sectors, both of which are priority areas, the Group intends to push ahead with the development of next generation products and technologies, including low-transmission loss fiber optics for submarine DC power cables and optical submarine cables, and high performance peripheral radar for advanced driving support systems. As well as continuing to promote joint research in collaboration between industry, government and academia, particularly in areas such as medical materials and devices, the Group intends to push ahead with measures aimed at creating new businesses. This will include stepping up open

innovation through collaboration with the likes of universities, public research institutions and other companies, using the Group’s “Fun Lab” open lab facility at the Yokohama Works.

Financial targets for fiscal 2020 under the mid-term management plan are as follows.

Consolidated operating income	JPY 40 billion or more
Profit attributable to owners of parent	JPY 20 billion or more
ROE	At least 8%
Overseas sales ratio	60%

## 2. Strengthening of corporate governance

The Group has positioned strengthening corporate governance as one of its key priorities for reinforcing its corporate foundations, and is working to achieve that. During the term under review, the Group has implemented reforms aimed at strengthening corporate governance, including reviewing its executive pay structure so that compensation is more closely linked to performance.

The Nomination and Compensation Committee, which was established in 2015 and the majority of which comprises Outside Directors, carried out repeated screening based on succession plans for the President, as the highest level of management. Appointed on April 1 this year, the new President was selected from a number of candidates in accordance with these plans, after undergoing screening by the Nomination and Compensation Committee. The committee will continue to work on strengthening management oversight capabilities through fair and transparent processes, as it selects and appoints directors and executives to carry out specific duties, all the way up to the highest level of President.

An assessment carried out to determine the effectiveness of the Board of Directors, following on from the previous year, enabled more practical analysis and assessment to be carried out, including the results of measures to tackle issues raised by analysis and assessment the previous year. The Board of Directors is in the process of transitioning to a framework that will enable more strategic and intensive discussion. That includes discussing the Group’s position on corporate governance, reviewing standards for submitting matters and reporting to the Board, and improving how the Board is run. This year’s assessment confirmed that the effectiveness of the Board of Directors has improved compared to the previous year. As well as continuing to improve how the Board is run in general in the future, the Group is committed to continually improving the effectiveness of its Board of Directors through measures such as verifying progress towards the mid-term management plan and stepping up screening of issues affecting affiliated companies, both of which were highlighted as priorities by this year’s effectiveness assessment.

## 3. Reforming working practices and promoting diversity

### 1) Reforming working practices

The Group is working to establish more productive working practices, with the aim of striking a balance so that individual employees can lead full personal lives while the company maintains

sustainable growth. This year, the Group introduced a telecommuting system at facilities including Head Office, to enable employees to choose their place of work more flexibly and adapt working patterns to suit their situation. The Group will continue to improve employees' work-life balance in the future, by rolling out measures groupwide.

## 2) Promoting diversity

As part of “Furukawa ‘V’ Challenge!!” activities aimed at promoting greater roles for women, the Group has been organizing networking activities for young female employees. The Group is committed to providing support for young female employees, including relationship building and career development, and to establishing working environments that are conducive to greater roles for women. Activities such as these will be accelerated in the future, in order to “nurture human resources at every level, so that we can become a more diverse and creative organization,” as stated in the Group’s Management Philosophy

Through a range of measures, including reviewing working practices and promoting greater roles for women, the Group is looking to foster a positive attitude based on respect for a diverse range of human resources, working patterns and values, and is committed to becoming a company whose employees make a real difference while maintaining sustainable growth.

## (5) Capital Investment

Capital investment by the Group during the term under review was as follows.

Segment	Details of key investments	Amount (JPY millions)	Increase/ decrease from the previous year-end (JPY millions)
Infrastructure	Improving the capacity of manufacturing facilities for fiber optics, etc.	10,643	3,567
Automotive Products and Materials	Investment for system at subsidiary of Automotive Systems Division, Installing new manufacturing facilities for peripheral radar, etc.	11,609	539
Functional Products	Improving manufacturing facilities for conduit products, etc.	4,855	840
Services/Development and Others	Upgrading mission critical systems, etc.	2,361	Δ62
Elimination	—	2,114	1,010
Total	—	31,584	5,896

## (6) Fund procurement

Essential funding for the Company and Group companies is procured through means such as taking out long- and short-term loans from financial institutions, issuing corporate bonds and commercial papers, and liquidating notes and accounts receivable.

To cover funds for the repayment of long-term loans due during the term under review, the Group issued straight corporate bonds worth JPY 10.0 billion in July last year.

Within the Group, the Company and its 30 subsidiaries participate in the cash management system (CMS) operated by Furukawa Finance and Business Support Co., Ltd., a wholly owned subsidiary of the Company, to increase fund efficiency and reduce interest-bearing debt. As well as, Furukawa Management Shanghai, Ltd. and Furukawa Thai Holdings Co., Ltd. are operating CMS for the Company's subsidiaries.

As of March 31, 2017, at the end of the fiscal year under review, the amount of consolidated interest-bearing debts decreased JPY 5.3 billion year on year to JPY 252.5 billion.

**(7) Main loan creditor (as of March 31, 2017)**

Name of creditor	Amount of loan credit (JPY millions)
Mizuho Bank, Ltd.	51,295
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	25,336
The Bank of Yokohama, Ltd.	14,022

**(8) Main offices, plants, and Subsidiaries (as of March 31, 2017)**

1) Furukawa Electric Co., Ltd.

Head office	2-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo
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Type of facility	Name	Location
Branch offices	Hokkaido Branch	Sapporo
	Tohoku Branch	Sendai
	Chubu Branch	Nagoya
	Kansai Branch	Osaka
	Chugoku Branch Kyusyu Branch	Hiroshima Fukuoka
Plant	Nikko Works	Nikko, Tochigi Pref.
	Chiba Works	Ichihara, Chiba Pref.
	Yokohama Works	Yokohama
	Hiratsuka Works	Hiratsuka, Kanagawa Pref.
	Mie Works	Kameyama, Mie Pref.
	Copper Tube Division Copper foil Division	Amagasaki, Hyogo Pref. Nikko, Tochigi Pref.
R&D Laboratories	Laboratories for Fusion of Core	Yokohama-city
	Technologies R&D Laboratories	Yokohama-city
	Advanced Technologies R&D Laboratories	Yokohama-city
	Automotive Products & Electronics Laboratories	Hiratsuka, Kanagawa Pref.
	Telecommunications & Energy Laboratories	Ichihara, Chiba Pref.

## 2) Manufacturing and sales subsidiaries in Japan

Company name (Head office / Plant)	Capital	% of the FEC's share	Scope of business
TOTOKU ELECTRIC CO., LTD. (Minato-ku, Tokyo / Ueda, Nagano Pref.)	JPY 1,925 million	56.71%	Manufacture and sales of electric cables, device products
The Furukawa Battery Co., Ltd.  (Yokohama / Nikko, Tochigi Pref, Iwaki, Fukushima Pref.)	JPY 1,640 million	58.04%	Manufacture and sales of batteries(for automotive and industry)
FCM CO., LTD. (Osaka / Osaka)	JPY 687 million	55.19%	Manufacture and sales of plated copper products
FURUKAWA AUTOMOTIVE SYSTEMS INC  (Inugami, Mie Pref. / Inugami & Kameyama Mie Pref.)	JPY 3,000 million	100%	Manufacture and sales of automotive wire harnesses and automotive components
Furukawa Sangyo Kaisha, Ltd. (Minato-ku, Tokyo)	JPY 700 million	100%	Sales of electric cables and non-ferrous metal products
Okano Cable Co., Ltd.  (Yamato, Kanagawa Pref. / Yamato, Kanagawa Pref.)	JPY 489 million	43.74%	Manufacture and sales of optical fiber cables and optical parts
Furukawa Electric Industrial Cable Co., Ltd.  (Arakawa-ku, Tokyo / Hiratsuka, Kanagawa Pref.)	JPY 450 million	100%	Manufacture and sales of electric cables and other cables
FURUKAWA ELECTRIC  POWER SYSTEMS CO., LTD. (Yokohama / Nagai, Yamagata Pref.)	JPY 450 million	100%	Manufacture and sales of equipment for transmission-transformation of electric energy and overhead /underground distribution equipment
OKUMURA METALS CO., LTD.  (Osaka / Tanba, Hyogo Pref. Ritto, Shiga Pref.)	JPY 310 million	100%	Manufacture and sales of processed products of copper and aluminum
Furukawa Logistics Corp. (Chiyoda-ku, Tokyo)	JPY 292 million	100%	Logistics services
Furukawa Elecom Co., Ltd.  (Chiyoda-ku, Tokyo)	JPY 98 million	100%	Sales of electric cables and other cables
Furukawa Magnet Wire Co., Ltd.  (Chiyoda-ku, Tokyo / Kameyama, Mie Pref.)	JPY 96 million	100%	Manufacture and sales of magnet wire and various type of metal cables

### 3) Overseas Manufacturing and sales subsidiaries

Company name (Head office / Plant)	Capital	% of the FEC's share	Scope of business
OFS Fitel, LLC (USA)	USD 211 million	100%	Telecommunication solution business
American Furukawa, Inc. (USA)	USD 88 million	100%	Manufacture and sales of automotive components
Furukawa Industrial S.A. Produtos Eletricos (Brazil) (*)	BRL 149 million	100%	Telecommunication solution business
SHENYANG FURUKAWA CABLE CO., LTD. (China)	CNY 229 million	100%	Manufacture and sales of electric wires and components
Furukawa Electric Copper Foil Taiwan Co., Ltd. (Taiwan)	NTD 1,555 million	100%	Manufacture and sale of copper foils for li-ion batteries
Furukawa Circuit Foil Taiwan Corporation (Taiwan)	NTD 1,475 million	66.7%	Manufacture and sale of electrodeposited copper foils
Furukawa Metal (Thailand) Public Co., Ltd.	THB 480 million	44.00%	Manufacture and sales of copper tubes
Thai Furukawa Unicomm Engineering Co., Ltd. (Thailand)	THB 104million	91.75%	Engineering work in Telecommunication, CATV and Civil field.
FURUKAWA AUTOMOTIVE SYSTEMS VIETNAM INC.  (Vietnam)	USD 18 million	100%	Manufacture of automotive components.
PT Tembaga Mulia Semanan Tbk (Indonesia)	USD 12 million	42.42%	Manufacture and sales of metal rods and aluminium rods
Furukawa Electric Singapore Pte. Ltd. (Singapore)	USD 3 million	100%	Sales of electric cables, electric wires, coiled wires and metal products
Trocellen GmbH (Germany)	EUR 8,500 thousand	100%	Manufacture and sales of foam products

[Note] 1. The figures in the bracket include the ratio of indirectly ownership.

2. In fiscal 2015, the Company had 107 consolidated subsidiaries and 13 equity-method affiliates.

(\*)Furukawa Industrial S.A. Produtos Eletricos has changed its name to Furukawa Electric LatAm S.A. as of April 1, 2017.

### (9) Employee Data (as of March 31, 2017)

Segment	Number of employees of the Group	Number of employees of Furukawa Electric Co., Ltd.
Infrastructure	8,281 (+656)	1,220 (+448)
Automotive Products and Materials	37,207 (+1,367)	699 (+22)
Functional Products	4,290 (+374)	654 (-70)
Services/Development and Others	2,476 (+31)	1,084 (+25)
Total	52,254 (+2,428)	3,657 (+425)

[Notes] 1. Starting from the term under review, the five reporting segments used previously – telecommunications, energy and industrial products, electronics and automotive systems, metals, and services/development and others, etc. – have been replaced by four new segments. These are infrastructure, automotive products and materials, functional products, and services/development and others. The figures in brackets in the above table indicate the difference from the end of the previous year, calculated by recombining employee numbers for the previous year to coincide with the new reporting segments.

2. The above figures do not include the number of the temporary workers and temporary transferred workers to the other company out of the Group
3. The number of employees in the Services/Development and Other Businesses segment includes employees who are engaged in corporate operations such as the Company's head office departments and Global Marketing Sales division.
4. The average age of the Company's employees is 44.4 years of age, and the average length of service is 20.1 years (not including temporary employees and seconded employees).

**(10) Other important matters concerning the current status of the Furukawa Group**

Vehicles embedding the parts manufactured by a subsidiary of the Company were recalled, and the Company and its subsidiary are negotiating on the recall cost part of which is required of the company and its subsidiary to pay. For this, an extraordinary loss of JPY 13.1 billion is provisionary accounted in the financial results for this fiscal year.

The Company is also being investigated by the Brazilian antitrust authorities in connection with auto parts transactions, and VISCAS Corporation, which is engaged in the power cables business, is also under investigation by the Brazilian antitrust authorities. Meanwhile, the Company and one of its subsidiary are the defendants in a class action in the United States concerning an auto parts cartel and are also being asked for compensation by some customers, etc. in connection with antitrust law violations. All of the above are matters arising from past activities and the Group is not engaged in any such activities at the present time.

**2. Shares (as of March 31, 2017)**

**(1) Shareholder' Equity**

Class of share	Total number of shares to be issued by the company	Total number of outstanding shares	Number of shareholders
Common Stock	250,000,000	70,666,917	44,254

**(2) Major top 10 shareholders of the Company and the Company's capital contributions to such shareholders.**

Name of major shareholders	Number of shares	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	5,566,800	7.88%
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,959,900	7.02%
Trust & Custody Services Bank, Ltd. (Mizuho Trust & Banking; Employee Retirement Benefit Trust, Mizuho Bank Account)	2,413,500	3.42%
Japan Trustee Services Bank, Ltd. (Trust Account 4)	2,238,500	3.17%
BBH BOSTON CUSTODIAN FOR JAPAN VALUE EQUITY CONCENTRATED FUND A SERIES OF 620135	1,465,500	2.08%
Asahi Mutual Life Insurance Co.	1,365,050	1.93%
FURUKAWA CO., LTD.	1,329,045	1.88%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,289,900	1.83%
GOVERNMENT OF NORWAY	1,228,800	1.74%
Fuji Electric Co., Ltd.	1,100,000	1.56%

[Notes] 1. Shareholding ratio is calculated with the number which deducted 48,062 shares of the Company's treasury stock.

2. In addition to the 2,413,500 shares in a retirement benefits trust mentioned above, Mizuho Bank, Ltd. also has a further 173 shares in the Company.

3. In addition to the JPY 1,365,050 shares mentioned above, Asahi Mutual Life Insurance Co. also has a further 1,050,000 shares in a retirement benefits trust.

4. In addition to the 1,329,045 shares mentioned above, FURUKAWA CO., LTD also has a further 1,091,900 shares in a retirement benefits trust.

### (3) Other important matters concerning shares

The Company carried out a reverse stock split on October 1, 2016, at the rate of 1 share per 10 common shares, taking the total number of issuable shares from 2,500,000,000 to 250,000,000. The total number of issued shares as of that date was reduced from 706,669,179 to 70,666,917.

## 3. Corporate Officers (as of March 31, 2017)

### (1) Directors and Audit & Supervisory Board Members

Name	Position/responsibilities	Other significant positions
Masao Yoshida	Chairman and Director	Outside Director, FURUKAWA CO., LTD. Outside Director, JFE Holdings, Inc. Chairman, Metal Economics Research Institute, Japan
Mitsuyoshi Shibata	President and Representative Director	
Sumitaka Fujita	Outside Director (part-time)	Special Advisor, ITOCHU Corporation Outside Director, Olympus Corporation
Nobuyoshi Soma	Outside Director (part-time)	Representative Director & Chairman, FURUKAWA CO., LTD.
Osamu Tsukamoto	Outside Director (part-time)	Chairman, Japan Coal Energy Center
Tatsuo Teratani	Outside Director (part-time)	
Akira Nakamoto	Outside Director (part-time)	Representative Director & Chairman, Shimadzu Corporation
Takamitsu Kozuka	Representative Director and Corporate Executive Vice President (General manager, the Automotive Products Division)	
Keiichi Kobayashi	Representative Director and Corporate Executive Vice President (General Manager of Global Marketing Sales Division)	
Nozomu Amano	Director and Corporate Senior Vice President (General Manager of the Administration & CSR Division)	Outside Director, AICHI ELECTRIC Co., Ltd.
Takahide Kimura	Director and Corporate Senior Vice President (General Manager of Strategy Division)	
Hiroyuki Ogiwara	Director and Corporate Senior Vice President (General Manager of the Finance & Procurement Division and General Manager,	

	Global Group Management Division)	
Hideo Sakura	Audit & Supervisory Board Member (full-time)	
Tetsuya Sato	Audit & Supervisory Board Member (full-time)	Outside Audit & Supervisory Board Member, UAJC Corporation
Yusei Shirasaka	Audit & Supervisory Board Member (full-time)	
Yuzuru Fujita	Audit & Supervisory Board Member (outside, part-time)	Senior Advisor, Asahi Mutual Life Insurance Company Chairman, United World Colleges Japan National Committee External Audit & Supervisory Board Member, Zeon Corporation Outside Auditor, Nippon Light Metal Holdings Co., Ltd. Outside Director, HAZAMA ANDO CORPORATION
Tadashi Kudo	Audit & Supervisory Board Member (outside, part-time)	Special Advisor, Chuo Fudosan Co. Ltd.
Kenji Koroyasu	Audit & Supervisory Board Member (outside, part-time)	Advisor, TMI Associates Outside Director, Central Japan Railway Company

- [Notes] 1. Messrs. Sumitaka Fujita, Osamu Tsukamoto and Akira Nakamoto, Directors, and Messrs. Yuzuru Fujita, Tadashi Kudo and Kenji Koroyasu, Audit & Supervisory Board Members are registered with the Tokyo Stock Exchange as independent officers, respectively.
2. The expertise in finance and accounting held by each Audit & Supervisory Board Member is as follows:
- Mr. Hideo Sakura, an Audit & Supervisory Board Member, has considerable knowledge of finance and accounting, having gained practical experience and served as Director in charge of a finance and accounting division within the Group.
  - Mr. Yuzuru Fujita, an Audit & Supervisory Board Member (Outside), held the position of representative director of a financial institution, and was appointed Director in charge of a finance division. He possesses a sound knowledge of general business management, including finance and accounting.
  - Mr. Tadashi Kudo, an Audit & Supervisory Board Member (Outside), held the position of representative director of a financial institution, and possesses sound knowledge of general business management, including finance and accounting.
3. Mr. Akira Nakamoto and Mr. Yusei Shirasaka were selected as a new Director and Audit & Supervisory Board Member, respectively, at the 194<sup>th</sup> Annual Meeting of Shareholders, held on June 27, 2016.
4. Mr. Suguru Shinozaki and Mr. Takahiko Ito finished their terms and resigned as Director and Audit & Supervisory Board Member, respectively, at the 194<sup>th</sup> Annual Meeting of Shareholders.
5. FURUKAWA CO., LTD. holds 3.43% of the Company's outstanding shares (including shares placed by FURUKAWA CO., LTD. in a retirement benefits trust), and the

Company holds 2.17% of the outstanding shares of FURUKAWA CO., LTD. The Company has contributed the equivalent of 3.17% of total funds to Asahi Mutual Life Insurance Co., which in turn holds 3.42% of the Company's outstanding shares (including shares placed by Asahi Mutual Life Insurance Co. in a retirement benefits trust). Zeon Corporation holds 0.35% of the Company's outstanding shares, and the Company holds 2.36% of the outstanding shares of Zeon Corporation (including shares placed by the Company in a retirement benefits trust). The Company holds 0.04% of outstanding shares of Central Japan Railway Company.

The Company engages in transactions with FURUKAWA CO., LTD., of which Mr. Nobuyoshi Soma is Representative Director and Chairman, involving the lease of rental property and the purchase of nonferrous metal products from a subsidiary of FURUKAWA CO., LTD. The Company also engages in transactions with Shimadzu Corporation, of which Mr. Akira Nakamoto is Representative Director and Chairman, involving the sale of bio-related equipment.

## (2) Outside officers

### 1) Major activities of Outside Officers

#### (i) Outside Directors

Name	Attendance at meetings of the Board of Directors (percentage of attendance)	Comments and Remarks
Sumitaka Fujita	21 out of 21 meetings (100%)	Mr. Fujita actively commented on proceedings from a global management perspective, mainly on proposals concerning matters such as corporate governance, business strategy, finance and accounting, and group corporate management, based on his extensive knowledge and experience as an executive of a trading company. Mr. Fujita also chairs the Outside Officer's Meeting <sup>(*)</sup> , in his capacity as Managing Outside Director, and is an active member of the Nominating/Compensation Committee.
Nobuyoshi Soma	20 out of 21 meetings (95.2%)	Mr. Soma actively commented on proceedings, from a global management perspective, mainly on proposals concerning matters such as business strategy, overseas expansion and sales strategy, based on his extensive knowledge and experience as an executive of a global non-ferrous metal manufacturer. Mr. Soma has been also an active member of the Company's Nominating/Compensation Committee.
Osamu Tsukamoto	20 out of 21 meetings (95.2%)	Mr. Tsukamoto actively commented on proceedings in light of economic policies and markets trends, mainly on proposals concerning matters such as corporate governance, R&D, and business strategy, based on his extensive knowledge and vast experience in the industrial policy field at

		METI. Mr. Tsukamoto has been also an active member of the Company's Nominating/Compensation Committee.
Tatsuo Teratani	21 out of 21 meetings (100%)	Mr. Teratani actively commented on proceedings in light of technological and market trends in the auto parts business and electronics field in particular, mainly on proposals concerning matters such as business operations, and product quality based on his extensive knowledge and vast experience of the auto parts gained through involvement in the design and development of automobiles.
Akira Nakamoto	15 out of 16 meetings (93.8%) (*2)	Mr. Nakamoto actively comments on Group global management, particularly when discussing subjects such as business strategy, investor relations, finance, accounting, and corporate governance, based on his extensive knowledge and experience working in management at a leading precision equipment manufacturer. Mr. Nakamoto has been also an active member of the Company's Nominating/Compensation Committee.

- [Notes] 1. The Company holds regular Outside Officers' Meetings in order to give opportunities to Outside Officers to exchange opinions and establish a shared understanding of the Company from an objective viewpoint, and to enable the resulting opinions to be reported to the Board of Directors if necessary. The Company held three Outside Officers' Meetings during the year under review.
2. The number of meetings of Board of Directors attended by Outside Directors Akira Nakamoto is different from the number attended by the other Directors because he was elected at the 194th Annual Meeting of Shareholders.

## (ii) Outside Audit & Supervisory Board Members

Name	Attendance		Comments and Remarks
	Meetings of the Board of Directors (percentage of attendance)	Meetings of the Audit & Supervisory Board (percentage of attendance)	
Yuzuru Fujita	21 out of 21 meetings (100%)	9 out of 9 meetings (100%)	Mr. Fujita actively commented on proceedings at meetings of the Board of Directors and the Audit & Supervisory Board from a risk management perspective, mainly on proposals concerning matters such as compliance, business reorganization, and capital investment, based on his extensive knowledge and experience as an executive of a financial institution. In addition to the foregoing, Mr. Fujita actively commented on proceedings at meetings of the Audit & Supervisory Board, asking about and confirming the results of the audit and quarterly review of the accounting auditors.
Tadashi	21 out of 21	9 out of 9	Mr. Kudo actively commented on proceedings at

Kudo	meetings (100%)	meetings (100%)	meetings of the Board of Directors and the Audit & Supervisory Board from a risk management perspective, mainly on proposals concerning matters such as corporate governance, financial policy, and compliance, based on his extensive knowledge and experience as an executive of a financial institution. In addition to the foregoing, Mr. Kudo actively commented on proceedings at meetings of the Audit & Supervisory Board, asking about and confirming the results of the audit and quarterly review of the accounting auditors.
Kenji Koroyasu	21 out of 21 meetings (100%)	9 out of 9 meetings (100%)	Mr. Koroyasu actively commented on proceedings at meetings of the Board of Directors and the Audit & Supervisory Board from a risk management perspective, mainly on proposals concerning matters such as compliance, based on his extensive knowledge and experience of corporate legal affairs and corporate management gained in the legal profession. In addition to the foregoing, Mr. Koroyasu actively commented on proceedings at meetings of the Audit & Supervisory Board, asking about and confirming the results of the audit and quarterly review of the accounting auditors.

**2) Action in response to improper or unlawful business conduct during the fiscal year under review**

There has been no evidence of such conduct.

**3) Outline of the limited liability agreements**

The Company has agreements to limit liabilities under Paragraph 1, Article 423 of the Corporation Law with outside Directors and outside Audit & Supervisory Board Members. The upper limit of liabilities under this agreement is the statutory lower limit.

**(3) Compensation of the Company's officers**

(i) Nominating and Compensation Committee

A Nominating and Compensation Committee including two outside officers deliberates and makes decisions on policies, framework and other matters related to the compensation of officers and other issues under the authorization from the Company's Board of Directors. The Committee consists of 6 members, which of 4 members including committed chairman are outside directors. Deliberates and determines of the Committee is the followings:

[Role of Nominating and Compensation Committee]

(i)Nominating : to opine on the followings upon request from the Company's Board

- Proposal to be presented at a shareholder's meeting about an election or a removal of a director and an auditor;
- Appointment and dismissal of a representative director, chairman and president;
- Appointment and removal of an officer;
- Appointment and dismissal of a titled executive officer(Corporate Executive Vice President, Corporate Senior Vice President)

(ii)Compensation : to determine followings under the authorization of the Company's Board

- Policies and systems on compensation for directors and officers;
- Compensation for each individual director and officer;
- Proposals to be presented at a shareholder's meeting about compensation for directors and auditors;
- Guidelines for compensation of affiliates' president;

(iii) To determine the policy for orientation and education plan and program for directors, auditors and officers.

(ii) Policy For the Directors's and Officers's compensation

The Company has the following policy for the directors and officers compensation, which is determined by the nomination and compensation committee.

[Policy for the directors and officers compensation]

The compensation of directors and officers shall be determined in a way that encourages each officer to exert his/her abilities to the maximum level and proactively fulfill his/her duties, so that the Company Group will increase its corporate value and achieve sustainable growth while contributing to society through its business activities.

Based on the policy, the committee confirms validity, effectiveness and appropriateness of plan design and level of compensation every year, by means of outside survey that is comparing the Company's compensation level with those of other similar size 30 manufacturing companies.

**(iii) Outline of the Directors and Officers Compensation**

The compensation of the Company's directors and officers is comprised of base salary, short-term performance-tied compensation and mid-to-long-term performance-tied compensation. The performance-tied compensation is paid to directors except an outside director and non-director officers and senior fellows. The performance tied compensation will account for approximately 30% to 50% of total compensation, while the percentage for each eligible person will vary depending on its position. A summary of each type of compensation is shown below.

Compensation plan	Summary
Base salary (fixed amount)	Basic salary is paid in cash in the fixed amount every month to Directors, Audit & Supervisory Board Members as well as Executive Officers and Senior Fellows who are not Directors. A paid amount for each person differ depending on its roles i.e. management supervision role or business execution role, and each officers position.
Short-term performance-tied compensation (Payment ratio: 0~200%)	Short-term performance-tied compensation is paid to Directors excluding Outside Directors as well as Executive Officers and Senior Fellows who are not Directors. A paid amount is determined by the Nomination and Compensation Committee for each individual officer taking account of the achievement degree of each assigned performance target assigned under the company business plan in the previous fiscal year. This compensation is paid in cash every month.  *Assessed using Key Performance Indicators formulated in accordance with the Mid-term Management Plan, or, in the case of the Chairman, President and Officers in charge of Head Office departments, assessed using indicators linked to corporate performance.
Mid-to-long-term performance-tied compensation  (payment ratio: 0~100%)	Mid-to-long term performance-tied compensation is stock award for which directors except outside director, officers and senior fellows (collectively "Directors and Officers") are eligible.  Under this stock award, the Directors and Officers are compensated with the Company common stocks which are acquired by the Trust to be set for this purpose and to be funded by the Company for the acquisition of shares. The Company contributes maximum amount of JPY 350 thousands for each three-fiscal-year performance period which is rolled over for each consecutive three-fiscal year period (the first period shall be from April 1, 2016 to March 31 2019). Directors and Officers are granted points for their service of each fiscal term for the future stock payout, amount of which point to each eligible individual varies depending on its rank among the Directors and Officers. Upon the end of each performance period, points granted to the Directors and Officers, after downward only adjustment by the pre-set measures (the return rate comparison measure between

	<p>TOPIX (Tokyo Stock Price Index) and the Company stock and the dividends accumulation scale measure during a performance period), become vested as a right to receive stock compensation. Upon its retirement, Directors and Officers are paid from the trust in the stocks in the amount corresponding to the vested points accumulated during their term of office.</p> <p>* Officers living overseas are not eligible for the stock compensation plan and instead officers living overseas are paid cash compensation in an amount equal to the compensation under the plan when they retire.</p> <p>* The total number of points granted to Directors, etc. each target period shall not exceed 175,000 points, and one point shall correspond to one share of the Company's common stock.</p>
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Notes

1. Basic compensation and short-term performance-tied compensation paid to Directors will not exceed an annual amount of JPY 600 million, which is the maximum amount of Directors' compensation pursuant to a resolution of the 184<sup>th</sup> Annual General Meeting of Shareholders held on June 29, 2006. (excluding employees' salaries for Directors concurrently holding a position as employee) respectively.
2. Basic compensation paid to Audit & Supervisory Board members will not exceed an annual amount of JPY 130 million, which is the maximum amount of Audit & Supervisory Board Members' compensation pursuant to a resolution of the 192<sup>nd</sup> Annual General Meeting of Shareholders held on June 25, 2014.
3. Stock award under the mid-to-long-term performance-tied compensation was introduced upon the approval of the 194<sup>th</sup> Annual General Meeting of Shareholders held in June 2016. In this term, 24 persons (7 Directors, 13 Executive Officers and 3 Senior Fellows) are granted the points for their service under the stock award programme.
4. The payment ratios in the above table show the percentage by which the actual amount of compensation fluctuates as a result of performance-tied assessment when the standard amount of compensation prescribed for each plan is taken as 100%.

**(ii) Compensation of Directors and Audit & Supervisory Board Members for the fiscal year under review**

	Number of persons	Amount of base salary (JPY million)	Amount of Short-term performance-tied compensations (JPY million)	Amount of Mid-to-long-term performance-tied compensations (JPY million)	Amount (JPY million)
Directors (outside)	13	350	38	67	455
	(5)	(61)	(-)	(-)	(61)
Audit & Supervisory Board Members (outside)	7	122	-	-	122
	(3)	(29)	(-)	(-)	(29)
Total	20	472	38	67	577
(outside officers)	(8)	(90)	(-)	(-)	(90)

[Note]

1. One(1) Directors and one(1) Audit & Supervisory Board Member who retired or resigned this year are included in headcount on the number above.
2. Amount of Mid-to-long-term performance-tied compensations is calculated based on the total points granted for the service during this term which is corresponding to the stock amount to be vested and paid in the future subject to certain downward only adjustment after each performance period.

#### 4. Accounting Auditor

##### (1) Name of accounting auditors

Ernst & Young ShinNihon LLC

##### (2) Remuneration of accounting auditors to be paid

(i) Total amount of monetary and other property benefits to be paid by Furukawa Electric and its subsidiaries	JPY 220 million
(ii) Of the amount stated in (i) above, remuneration for auditing services stipulated in Paragraph 1, Article 2 of the Certified Public Accountant Law	JPY 203 million
(iii) Of the amount stated in (ii) above, remuneration to be paid by Furukawa Electric to the accounting auditor	JPY 82 million

[Note] In the auditing agreement between the Company or the Company's subsidiaries and the accounting auditors, no distinctions are made between the amount of remuneration paid to accounting auditors for their auditing service under the Company Law and the amount of remuneration paid to accounting auditors for their auditing service under the Financial Instruments and Exchange Law. For this reason, the amounts of (ii) and (iii) above include the amount of remuneration to accounting auditors for their auditing service under the Financial Instruments and Exchange Law.

Among the key subsidiaries of the Company, FCM Co., Ltd. and twelve(12) others are subject to auditing (limited to that which is conducted under the Corporation Law, the Securities Exchange Law or any overseas law or regulation equivalent to any of these Japanese laws) performed by certified public accountants or auditing companies other than the accounting auditor of Furukawa Electric (including those with an overseas qualification equivalent to any of these Japanese qualifications).

##### (3) Reason for Audit & Supervisory Board to have agreed to remuneration of the accounting auditors

The Audit & Supervisory Board gathered the necessary information from accounting departments, the accounting auditors and other relevant parties, received explanations concerning matters such as the audit plan and audit methods, and compared these with the audit results and status of performance of duties in the previous fiscal year to assess the validity of the basis used to calculate the estimated amount of remuneration. Following careful examination, the Audit & Supervisory Board expressed agreement specified in Article 399, Paragraph 1 of the Companies Act with respect to the remuneration of the accounting auditors.

##### (4) Contents of non-audit services

The Company has engaged the accounting auditor to provide advisory services and other services related to accounting which do not fall under the scope of Article 2, Paragraph 1 of the Certified Public Accountants Act.

##### (5) Policies on making decisions on dismissing or not reappointing accounting auditor

The Audit & Supervisory Board has determined the following policies on making decisions on dismissing or not reappointing accounting auditors.

If any accounting auditor is deemed to fall under any of the Items in Paragraph 1, Article 340 of the Corporation Law, the Audit & Supervisory Board will hold discussions to dismiss the accounting auditor in the name of the Audit & Supervisory Board and with the approval of all Audit & Supervisory Board Members. In this event, the Audit & Supervisory Board Member designated by the Audit & Supervisory Board will report the dismissal of the accounting auditor and the reason for the dismissal at the first Annual held after the dismissal takes place.

If the Audit & Supervisory Board recognizes any case that will prevent accounting auditors from executing their duties, such as the insufficient establishment of the independence of accounting auditors, the auditing system or the quality control system, the Board will review the possibility of dismissing or not reappointing the said accounting auditors. If necessary, it will determine the content of a proposal to be submitted to a shareholders' meeting in conjunction with dismissing or not reappointing accounting auditors.

##### (6) Suspension of the operations of the accounting auditors during the past two years

Details of the disciplinary action announced by the Financial Services Agency on December 22, 2015 are summarized below.

- (i) Subject of disposition  
Ernst & Young ShinNihon LLC
- (ii) Details of the action
  - Suspension from accepting new engagements for 3 months (from January 1, 2016 to March 31, 2016)
  - Order to improve business operations (improvement of operational control systems)
- (iii) Reason for the action
  - The reason for the action is that, in audits of the financial statements of another company, certified public accountants who belong to the above audit corporation, in negligence of due care, attested financial statements containing material misstatements as if the statements contained no material misstatements; and
  - the above audit corporation's operations were deemed significantly inappropriate.

## 5. The Company's Systems and Policies

### (1) Systems for ensuring sound operations

The Company has set out the following basic policy on the *establishment of systems necessary to ensure soundness of operations of stock companies*, as stipulated in Item 6, Paragraph 4, Article 362 of the Corporation Law and in Paragraphs 1 and 3, Article 100 of the Enforcement Regulations of the Corporation Law.

#### <Basic Policy>

The Company and its Group will operate its businesses in a manner that flexibly responds to changes in the operating environment and in the market in pursuit of quicker decision making and greater management efficiency. The Group will also adopt the following policies and systems to maintain and improve the soundness of management and to increase corporate value.

- (1) Systems for ensuring compliance of the execution of duties by directors and employees with laws, regulations and the Articles of Incorporation
  - ① Upholding the basic philosophy of compliance with ethics and prevailing laws as laid out in "Furukawa Electric Group Philosophy" and "Furukawa Electric Group CSR Code of Conduct", the Company, with the President assuming the highest responsibility, promotes compliance activities including in-house education and efforts to prevent and detect legal violations through the CSR and Risk Management Committee and the Administration & CSR Division.
  - ② To ensure ongoing compliance activities throughout the Group, General Manager of each division has overall responsibility for compliance for that division and in some main divisions, Compliance management officers will be appointed to effectively promote compliance activities.
  - ③ To prevent any future involvement in cartels, the Company will ensure thorough monitoring functions through ongoing educational and enlightening activities relating to the Antimonopoly Act of Japan and competition laws of various countries, strengthening of controls on contacts with industry peers and pricing processes, and advice from external professionals to be received on a regular basis.
  - ④ To enable early discovery of and correction to compliance infringements, active use shall be made of the whistle blowing system. In response to any notice of suspected violation, the Administration & CSR Division and related divisions shall promptly take the appropriate action consistent with the protection of the whistle blower and submit a report to the Board of Directors as appropriate.
  - ⑤ Serving as the section for internal auditing, the Auditing Division shall monitor the execution of duties in individual segments, verify whether the international control framework including the internal control system is operating properly and report the findings to the management team.
  - ⑥ With a basic philosophy of adopting a resolute approach and cutting out all relations with antisocial individuals or groups as stated in Item 7-4 of "Furukawa Electric Group CSR Code of Conduct", comprehensive compliance with the provisions is ensured under the supervision of Administration Department in the Administration & CSR Division.
- (2) Systems for storage and control of information on directors' execution of duties
  - ① Records and documents relating to critical decisions made by the Board of Directors, management committee and under the *ringi* decision-making system shall be stored in

accordance with "Regulations on Document Storage" and other internal regulations.

- ② Information relating to directors' execution of duties shall be controlled in accordance with the Basic Regulations on Information Security and other internal regulations and appropriately treated from the perspective of its importance as information assets and necessity of protection.
- (3) Regulations and other systems relating to control of possibilities of making losses (hereinafter referred to as "risks")
  - ① When any critical decision is made by the Board of Directors, management committee or under the *ringi* system, any risk that may be expected to be associated with the matter with which the decision is concerned shall be stated in materials and the decision shall be made after developing awareness of the risk. If any risk is recognized that may have a serious impact on the Company, a system shall be established to ensure that its details and countermeasures against it are reported to the Board of Directors as needed.
  - ② Risk control conducted by individual divisions that perform business operations shall be subject to internal audit performed by the Auditing Division. The findings thereof shall be periodically reported to the Board of Directors.
  - ③ The Company's risk management system and management method will be established in "Basic Regulations on Risk Management and Internal Controls". In addition, to build more systematic and comprehensive risk management system, a CSR/Risk Management Committee chaired by the President, and consisting of the Advisors of business, General Manager of Sales and Marketing Division, General Managers of Corporate Divisions, and General Managers of some Business Divisions shall be established to grasp the Group's risks in general operations, and verify the appropriateness of its evaluation and management methods.
  - ④ The CSR/Risk Management Committee shall establish special committees such as quality management, safety, environment, disaster prevention, business continuity management among the risks to strengthen the risk management system.
- (4) The system for securing appropriateness of financial reporting  
Based on the Basic Regulations on Risk Management and Internal Control, the Company's Group will establish a basic policy for the development and evaluation of an internal control system, to ensure the appropriateness of financial reporting (J-SOX Core Policies). At the same time, the system and responsibilities shall be clarified for the system's construction, development, operation, and monitoring.
- (5) Systems for ensuring effectiveness of directors' execution of duties
  - ① The mid-term management plan and the single-year budget shall set specific targets. General Managers of Business Divisions etc. shall execute their duties to attain the target and report the progress to the Board of Directors on a regular basis. The evaluation for remuneration and other purposes shall appropriately reflect the result.
  - ② The standards for referring matters to the Board of Directors and the *ringi* system for making decisions shall be established in detail and specifically. The "Regulations on Duties, Powers and the Like of Operating Officers" shall ensure a clear allocation of duties and powers to General Managers of Business Divisions etc.
  - ③ With respect to the division of duties for division heads, a system to constantly review the division with organizational changes will be established based on "Basic Regulations on Segregation of Duties and the Regulations Regarding Positional Responsibilities and Authority".
- (6) Systems for ensuring the soundness of operations of the Group, consisting of the Company and its subsidiaries
  - ① In accordance with "Regulations on Group Management Control", administrative managers of individual subsidiaries shall be appointed, and they shall require own subsidiaries reporting subsidiaries' business conditions on a regular basis, and offer management guidance to subsidiaries. Predetermined matters shall require approval of the Company.
  - ② Concrete management goals that subsidiary companies should achieve shall be set out in mid-term management plans as well as budgets for single fiscal years, and administrative representatives shall report on the progress toward such goals at Board of Directors' meetings on a regular basis.
  - ③ A risk management system and method shall be provided for in the "Rule of Risk Management and Basic Rule of Internal Control." In addition, the CSR and Risk Management Committee will assess the risk for the Group in operating businesses and verify the reasonableness of the management method.
  - ④ According to "Furukawa Electric Group Philosophy" and "Furukawa Electric Group CSR

Code of Conduct", the placement of representatives for administering compliance will be made obligatory for subsidiary companies in "Compliance Manual". In addition, under the leadership of the Administration & CSR Division, education, advice and guidance on risk management, internal control and compliance will be provided to subsidiary companies.

⑤ Part-time officers shall be dispatched to major subsidiaries to monitor their overall management status, including compliance and risk control. The Auditing Division shall perform an audit of subsidiaries from the standpoint of the auditing section of their parent company.

(7) Provisions concerning assistant employees requested by the Audit & Supervisory Board Members for assistance in their duties

At the request of a Audit & Supervisory Board Member for any assistant employee, appropriate personnel shall be appointed after consultation with the Audit & Supervisory Board Member.

(8) Provisions concerning independence of the employees stipulated in the preceding item from Directors, and secureness of effective instructions for them

① The assistant employee shall be appointed as assistant to the Audit & Supervisory Board Member by an order of appointment and shall assist the Audit & Supervisory Board Member in fulfilling his or her duties and in operating the Audit & Supervisory Board.

② Pursuant to the Internal Regulations on Assistant Employees to Audit & Supervisory Board Members, assistant employees shall be guaranteed independence from Directors. Transfer, appraisal, disciplinary action and other matters involving assistant employees shall require the approval of the Audit & Supervisory Board Member.

(9) Systems for reporting from directors and employees to Audit & Supervisory Board Members and other systems relating to notification to Audit & Supervisory Board Members

① It shall be ensured that Audit & Supervisory Board Members have constant access to any meeting or any material they deem necessary for auditing purposes.

② Directors or division managers shall report to Audit & Supervisory Board Members the Group's status of development and operation of internal control, compliance and risk control as appropriate.

③ Directors or division managers shall provide swift notification to Audit & Supervisory Board Members should they discover any fact with the potential to severely damage the Company or any critical fact that constitutes a breach of laws, regulations or the Articles of Incorporation committed by a director or a division manager among the Group, should they conduct an investigation into the notification under the whistle blowing system or should government authorities issue any caution or take disciplinary action against the Company.

④ Audit & Supervisory Board Members may request that the directors and employees of the Company, as well as its subsidiaries, report on matters concerning the execution of their duties.

(10) Systems for securing the person from treating unfavorably because of the reporting stipulated in the preceding item

"Furukawa Electric Group CSR Code of Conduct" and "the Compliance Manual" have a provision stating that officers or staff members of the Company or its subsidiaries shall not be treated unfavorably because they have undertaken reporting pursuant to the preceding item.

(11). Matters concerning the policy on procedures for prepayment and repayment for expenses arising in relation to the fulfillment of duties, as well as expenses arising in relation to the fulfillment of other relevant duties, by the Company's Audit & Supervisory Board Members or the handling of obligations thereof.

If Audit & Supervisory Board Members make a request to the Company such as the prepayment of expenses for the execution of their duties pursuant to Article 388 of the Corporation Law, the Company will deal with the relevant expenses or obligations promptly, except when expenses or obligations pertaining to such request are not deemed necessary for the relevant auditors to fulfill their duties.

(12) Other systems for ensuring effectiveness of auditing performed by Audit & Supervisory Board Members

① The Audit & Supervisory Board shall report its auditing policy and plan to the Board of Directors. They shall be made known throughout the entire Company. The status of auditing shall also be reported to the president and the Board of Directors on a regular basis.

② The standards for audits performed by Audit & Supervisory Board Members shall be made known to Directors and employees to deepen internal awareness and understanding of the importance of auditing performed by Audit & Supervisory Board Members.

- ③ The division responsible for internal audits shall be strengthened and it shall have closer ties with Audit & Supervisory Board Members.
- ④ When Audit & Supervisory Board Members make any request for ensuring effectiveness of their audit, Directors and employees shall respond sincerely.

[Note] The above reflects changes to organization titles made as part of organizational reforms on April 1, 2017, and is accurate as of the date that this report was compiled. For details of basic policy as of the end of the fiscal year under review, please refer to the Company's website.

## **(2) Overview of operating status of systems to ensure appropriate operations**

### **1) Matters concerning compliance and risk management**

- (i) The CSR and Risk Management Committee, chaired by the President, met three times in the fiscal year under review. The Committee assessed the status of risk management within the Group, including the provision of compliance training, accounting data processing, operation of the whistleblowing system, and progress on business continuity plans, and also deliberated and determined measures to deal with matters requiring improvement. The activities of the Committee were also reported to the Board of Directors.
- (ii) The Furukawa Electric Group Quality Control Committee, which is a special committee of the CSR and Risk Management Committee, met four times in the fiscal year under review, and gathered information on matters such as serious quality problems and customer complaints. Where necessary, the Committee also gave business divisions and affiliated companies guidance on measures to improve their quality control systems.
- (iii) During the fiscal year under review, seminars on competition law and bribery regulations were held at Head Office, branch companies and other facilities. A compliance awareness survey was also carried out, and a publication outlining examples of compliance issues distributed to management and related admin divisions. Whistleblowing disclosures were dealt with appropriately upon consultation with outside experts where necessary.
- (iv) The results of operational audits of operating departments by the Internal Audit Department were reported to the managers of the audited departments, and a summary of the results was also reported to the management, including the President, and Audit & Supervisory Board members.

### **2) Matters concerning ensuring the efficient performance of duties by directors**

- (i) During the fiscal year under review, the Board of Directors met 21 times. At the meetings, Directors made decisions on the execution of important operations and assessed the level of attainment of management targets, including the mid-term management plan and annual budget. The Board also deliberated on basic management matters such as corporate governance.
- (ii) The Nomination and Compensation Committee, of which the majority comprises Outside Directors, revised the executive compensation system so as to increase the percentage of executives' overall pay linked to performance, including bringing in a share-based compensation scheme. The aim of this was to ensure that the results of execution of

operations are appropriately reflected in compensation for Executive Directors and Executive Officers.

### **3) Matters concerning the appropriateness of financial reporting**

The results of evaluation of the development of internal control conducted in accordance with the “Furukawa Electric Group Basic Policy for the Development and Evaluation of Internal Control Over Financial Reporting” (J-SOX Core Policies) were reported to the Board of Directors, and the Board’s approval was also obtained upon submission of the Internal Control Report.

### **4) Matters concerning the soundness of operations of the Group**

- (i) Budgets for single fiscal years were set out and managed for each subsidiary company, and matters specified in the criteria for referral/ reporting to the Company as important matters relating to the management of subsidiary companies were deliberated by the Board of Directors and the Management Committee. The Company also provided support to help overseas subsidiaries in particular to improve their management foundations in relation to personnel/labor, accounting and IT.
- (ii) The Group Compliance Committee met to share information on activities relating to important aspects of internal control in Japan. The Company also conducted a Group compliance awareness survey, and distributed a publication outlining examples of compliance issues to Group companies in Japan and overseas. Other initiatives aimed at strengthening internal control systems within the Group included organizing seminars on competition law and bribery regulations in Japan, China and Thailand.
- (iii) The Company promoted the introduction and establishment of whistle-blowing systems at Group companies.
- (iv) In light of the scale and importance of some subsidiaries, officers and employees of the Company were sent to such subsidiaries as Directors and Audit & Supervisory Board Members to supervise the execution of their operations.

### **5) Matters concerning the effectiveness of auditing**

- (i) Audit & Supervisory Board Members attended meetings of the Board of Directors as well as meetings of the Management Committee, the CSR and Risk Management Committee and other important meetings to assess the status of development and operation of internal control systems.
- (ii) Audit & Supervisory Board Members reported the audit policies and audit plans established by the Audit & Supervisory Board as well as their audit results to the Board of Directors. They also sought to improve the effectiveness and efficiency of audits through close cooperation with Audit & Supervisory Board Members from the Company’s audit departments and domestic affiliates, and with internal audit departments, and conducted visiting audits of overseas affiliates and others.

- (iii) In the fiscal year under review, the Audit & Supervisory Board met nine (9) times and exchanged opinions and shared information.
- (iv) The Audit & Supervisory Board listened to accounting auditors running through their audit plans, and consulted them regarding matters such as important auditing items. The Board also exchanged opinions regarding the results of quarterly reviews submitted by accounting auditors to coincide with quarterly and end-of-year announcements, the results of audits carried out during the fiscal year under review, audit quality control systems, and progress with operational improvements. In addition, the Board receives reports on progress with audits as necessary.
- (v) At the request of Audit & Supervisory Board members, two employees were appointed as assistants to Audit & Supervisory Board Members.

Consolidated Financial Statements for the 195<sup>th</sup> Fiscal Year  
**Consolidated Balance Sheet**  
(As of March 31, 2017)

(Unit: JPY millions)

Account title	Amount	Account title	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>382,398</b>	<b>Current liabilities</b>	<b>293,364</b>
Cash and deposits	47,165	Notes and accounts payable	108,087
Notes and accounts receivable	198,864	Short-term debt	90,310
Marketable securities	54	Straight bonds	10,000
Merchandise and finished goods	32,967	Accrued income taxes	3,287
Work in process	31,273	Deferred income taxes	8
Raw materials and supplies	40,114	Provision for product defect compensation	15,971
Deferred tax assets	8,243	Other current liabilities	65,698
Other current assets	24,945		
Allowance for doubtful accounts	(1,231)		
<b>Fixed assets</b>	<b>367,727</b>		
<b>Property, plant and equipment</b>	<b>205,490</b>	<b>Long-term liabilities</b>	<b>219,711</b>
Buildings and structures	215,304	Straight bonds	20,000
Machinery, equipment and delivery equipment	457,180	Long-term debt	132,234
Tools, furniture and fixtures	71,193	Deferred tax liabilities	6,263
Land	38,348		
Lease assets	4,952	Debt of defined benefit plans	45,178
Construction in progress	15,495	Provision for environmental measures	10,322
Accumulated depreciation	(596,983)	Asset retirement obligations	502
		Other long-term liabilities	5,210
		<b>Total liabilities</b>	<b>513,075</b>
<b>Intangible assets</b>	<b>9,742</b>		
Goodwill	3,149	<b>(Net assets)</b>	
Other intangible assets	6,592	<b>Shareholders' equity</b>	<b>194,267</b>
<b>Investments and other assets</b>	<b>152,494</b>	Capital stock	69,395
Investment securities	125,227	Capital surplus	21,562
Investments	5,693	Retained earnings	103,942
Long-term loans	1,542	Treasury stock	(633)
Equity of defined benefit plans	4,884	<b>Accumulated Other Comprehensive Income</b>	<b>12,445</b>
Deferred tax assets	4,013	Unrealized gains on available-for-sales securities	26,622
Others	12,544	Deferred gains on derivatives under hedge accounting	717
Allowance for doubtful accounts	(1,410)	Remeasurements of defined benefit plans	(8,138)
		Foreign currency translation adjustment	(6,756)
		<b>Minority interests</b>	<b>30,338</b>
		<b>Total net assets</b>	<b>237,051</b>
<b>Total assets</b>	<b>750,126</b>	<b>Total liabilities and net assets</b>	<b>750,126</b>

[Note] Figures above are rounded off to the nearest JPY millions.

**Consolidated Statement of Operation**  
(From April 1, 2016 to March 31, 2017)

(Unit: JPY millions)

Account title	Amount
<b>Net sales</b>	<b>843,344</b>
<b>Cost of sales</b>	<b>689,160</b>
<b>Gross profit</b>	<b>154,184</b>
Selling, general and administrative expenses	115,560
<b>Operating income</b>	<b>38,623</b>
<b>Non-operating income</b>	<b>4,954</b>
Interest and dividends income	2,088
Equity in earnings of affiliates	102
Real estate rent	523
Others	2,240
<b>Non-operating expenses</b>	<b>7,553</b>
Interest expenses	3,484
Foreign Exchange loss	1,184
Others	2,884
<b>Ordinary income</b>	<b>36,024</b>
<b>Extraordinary income</b>	<b>12,437</b>
Gain on sales of property, plant and equipment	4,116
Gains on sales of investment securities	2,487
Gain on bargain purchase	5,251
Others	581
<b>Extraordinary loss</b>	<b>20,496</b>
Loss on disposal of property, plant and equipment	1,133
Product warranty provisions	13,117
Others	6,245
<b>Income before income taxes and minority interests</b>	<b>27,965</b>
<b>Total income taxes</b>	<b>5,534</b>
Income taxes and others	6,747
Adjustment to deferred income taxes	(1,212)
<b>Income before minority interests</b>	<b>22,430</b>
Minority interests	4,860
<b>Profit attributable to owners of parent</b>	<b>17,570</b>

[Note] Figures above are rounded off to the nearest JPY millions.

Non-Consolidated Financial Statements for the 195<sup>th</sup> Fiscal Year

**Non-Consolidated Balance Sheet**

(As of March 31, 2017)

(Unit: JPY millions)

Account title	Amount	Account title	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>202,383</b>	<b>Current liabilities</b>	<b>131,312</b>
Cash and deposits	2,339	Notes payable, trade	796
Notes receivable, trade	3,492	Accounts payable, trade	70,470
Accounts receivable, trade	97,412	Short-term debt	19,036
Merchandise and finished goods	4,033	Straight bonds	10,000
Work in process	15,299	Lease obligations	22
Raw materials and supplies	7,699	Accounts payable	13,958
Advance payments	270	Accrued expenses	12,624
Prepaid expenses	701	Accrued income tax	435
Deferred tax assets	2,190	Advances received	1,316
Short-term loans	44,462	Provision for product defect compensation	540
Accrued revenues	23,226	Provision for environmental measures	1,246
Other current assets	1,272	Provision for loss on construction contracts	155
Allowance for doubtful accounts	(15)	Notes payable for equipment	15
		Other current liabilities	694
		<b>Long-term liabilities</b>	<b>165,003</b>
<b>Fixed assets</b>	<b>228,764</b>	Straight bonds	20,000
<b>Property, plant and equipment</b>	<b>63,797</b>	Long-term debt	105,728
Buildings	29,621	Lease obligations	33
Structures	2,547	Provision for employees' retirement benefits	17,227
Machinery and equipment	12,000	Provision for environmental measures	10,159
Vehicles and delivery equipment	52	Provision for loss on business of subsidiaries and affiliates	7,158
Tools, furniture and fixtures	1,591	Allowance for stock benefit for directors	112
Land	13,353	Deferred tax liabilities	3,521
Lease assets	51	Asset retirement obligations	379
Construction in progress	4,578	Other long-term liabilities	682
		<b>Total liabilities</b>	<b>296,315</b>
<b>Intangible assets</b>	<b>2,543</b>	<b>(Net assets)</b>	
Software	2,170	<b>Shareholders' equity</b>	<b>115,670</b>
Rights to use public facilities	0	Capital stock	69,395
Patent rights	18	Capital surplus	21,467
Other intangible assets	354	Other capital surplus	21,467
<b>Investments and other assets</b>	<b>162,423</b>	Retained earnings	25,404
Investment securities	41,544	Legal retained earnings	918
Stock held in affiliates	89,860	Other retained earnings	24,486
Investments in affiliates	27,607	Retained earnings carried forward	24,486
Prepaid pension cost	3,870	Treasury stock	(596)
Others	7,642	<b>Valuation and translation adjustments</b>	<b>19,162</b>
		Unrealized gains on available-for-sales securities	18,811
Allowance for doubtful accounts	(8,102)	Deferred gains on derivatives under hedge accounting	350
		<b>Total net assets</b>	<b>134,832</b>
<b>Total assets</b>	<b>431,148</b>	<b>Total liabilities and net assets</b>	<b>431,148</b>

[Note] Figures above are rounded off to the nearest JPY millions.

**Non-Consolidated Statement on Operation**  
(From April 1, 2016 to March 31, 2017)

(Unit: JPY millions)

Account title	Amount
<b>Net sales</b>	<b>398,777</b>
<b>Cost of sales</b>	<b>360,079</b>
<b>Gross profit</b>	<b>38,698</b>
Selling, general and administrative expenses	32,488
<b>Operating loss</b>	<b>6,209</b>
<b>Non-operating income</b>	<b>17,336</b>
Interest and dividends income	16,175
Others	1,161
<b>Non-operating expenses</b>	<b>2,354</b>
Interest expenses	1,295
Others	1,059
<b>Ordinary income</b>	<b>21,191</b>
<b>Extraordinary income</b>	<b>7,906</b>
Gain on sales of property, plant and equipment	1,966
Gain on bargain purchase	5,795
Others	145
<b>Extraordinary loss</b>	<b>16,288</b>
Loss on disposal of property, plant and equipment	327
Provision of allowance for doubtful accounts	4,121
Provision for loss on business of subsidiaries and affiliates	3,673
Loss on write-down of investments in affiliates	5,677
Provisions for environmental measures	1,246
Others	1,242
<b>Net income before income taxes</b>	<b>12,810</b>
Income taxes and others	239
Adjustment to deferred income taxes	1,660
<b>Net income</b>	<b>10,909</b>

[Note] Figures above are rounded off to the nearest JPY millions.