

**CONSOLIDATED FINANCIAL STATEMENTS**  
**FURUKAWA ELECTRIC CO., LTD. AND**  
**ITS SUBSIDIARIES**  
**March 31, 2016 and 2015**

CONSOLIDATED BALANCE SHEETS  
 FURUKAWA ELECTRIC CO., LTD. AND  
 ITS SUBSIDIARIES

At March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
<b>ASSETS</b>			
Current assets:			
Cash and bank deposits (Note 4)	¥ 52,504	¥ 30,011	\$ 468,786
Marketable securities (Note 5)	16	20	143
Trade receivable	187,029	190,431	1,669,902
Inventories (Note 6)	93,168	99,443	831,857
Deferred income taxes (Note 15)	5,292	4,209	47,250
Other current assets	27,434	46,065	244,946
Allowance for doubtful accounts	(1,412)	(1,361)	(12,607)
Total current assets	364,031	368,818	3,250,277
Non-current assets:			
Investments and long-term loans (Notes 5, 7 and 9)	115,794	139,998	1,033,875
Property, plant and equipment, net of accumulated depreciation (Notes 8, 9 and 14)	196,544	199,217	1,754,858
Deferred income taxes (Note 15)	6,855	3,090	61,205
Asset for retirement benefits (Notes 2g and 10)	4,660	4,177	41,607
Other non-current assets	20,364	20,968	181,822
Allowance for doubtful accounts	(2,522)	(2,143)	(22,518)
Total non-current assets	341,695	365,307	3,050,849
Total	¥ 705,726	¥ 734,125	\$ 6,301,126

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Short-term debt (Note 9)	¥ 113,082	¥ 96,749	\$ 1,009,661
Current portion of bonds (Note 9)	10,000	10,000	89,286
Trade payable	100,398	110,404	896,411
Accrued income taxes	4,390	1,408	39,196
Deferred income taxes (Note 15)	54	57	482
Provision for product defect compensation (Note 2h)	3,009	1,602	26,866
Provision for loss on litigation (Note 2j)	7,124	-	63,607
Provision for loss on disaster (Note 2k)	-	114	-
Other current liabilities	61,285	66,815	547,188
Total current liabilities	299,342	287,149	2,672,697
Long-term liabilities :			
Bonds (Note 9)	20,000	30,000	178,571
Long-term debt (Note 9)	114,764	137,783	1,024,679
Liability for retirement benefits (Notes 2g and 10)	51,059	43,486	455,884
Provision for environmental costs (Note 2i)	10,345	10,496	92,366
Asset retirement obligation	543	574	4,848
Deferred income taxes (Note 15)	1,809	2,424	16,152
Other long-term liabilities	9,277	7,470	82,830
Total long-term liabilities	207,797	232,233	1,855,330
Contingent liabilities (Note 12)			
Net assets			
Shareholders' equity (Note 11)			
Common stock			
Authorized shares, 2,500,000 thousand in 2016 and 2015			
Issued shares, 706,669 thousand in 2016 and 2015	69,395	69,395	619,598
Capital surplus	21,467	21,468	191,670
Retained earnings	90,313	83,265	806,366
Common treasury stock, at cost			
462 thousand in 2016			
458 thousand in 2015	(280)	(279)	(2,500)
Total shareholders' equity	180,895	173,849	1,615,134
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities (Note 5)	14,070	21,591	125,625
Deferred (loss) gain on derivatives under hedge accounting (Note 2c)	(1,391)	516	(12,419)
Adjustments for retirement benefits	(13,918)	(9,293)	(124,268)
Foreign currency translation adjustments	(6,493)	4,079	(57,973)
Total accumulated other comprehensive income	(7,732)	16,893	(69,035)
Non-controlling interests (Note 2t)	25,424	24,001	227,000
Total net assets	198,587	214,743	1,773,099
Total	¥ 705,726	¥ 734,125	\$ 6,301,126

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME  
FURUKAWA ELECTRIC CO., LTD. AND  
ITS SUBSIDIARIES

For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
	¥	¥	\$
Net sales	874,880	867,818	7,811,429
Cost of sales (Note 13)	733,944	741,077	6,553,071
Gross profit	140,936	126,741	1,258,358
Selling, general and administrative expenses (Note 13)	113,820	108,868	1,016,250
Operating income	27,116	17,873	242,108
Other income (expenses):			
Interest and dividend income	2,435	2,271	21,741
Interest expense	(3,716)	(3,994)	(33,179)
Foreign exchange (loss) income, net	(2,085)	(60)	(18,616)
Equity in (loss) income of non-consolidated subsidiaries and affiliates	(5,685)	1,856	(50,759)
Gain on collection of written-down receivables	1,109	-	9,902
Gain on disposal of property, plant and equipment	19,577	1,183	174,795
Loss on disposal of property, plant and equipment	(697)	(539)	(6,223)
Impairment loss (Notes 2s and 14)	(996)	(1,347)	(8,893)
Gain on sales of investment securities (Note 5)	1,681	6,563	15,009
Compensation for damages	(3,327)	(1,667)	(29,705)
Loss on litigation	(7,153)	-	(63,866)
Business restructuring costs	(733)	(958)	(6,545)
Other, net	(6,146)	(5,012)	(54,876)
Profit before income taxes	21,380	16,169	190,893
Income taxes (Note 15) :			
Current	7,660	3,737	68,393
Deferred	280	2,956	2,500
	7,940	6,693	70,893
Profit	13,440	9,476	120,000
attributable to non-controlling interests(Note 2t)	3,433	2,120	30,652
attributable to owners of parent(Note 2t)	¥ 10,007	¥ 7,356	\$ 89,348
	Yen		U.S. dollars
	2016	2015	2016
Per common share (Notes 2q and 2r)			
Profit attributable to owners of parents			
Basic	¥ 14.17	¥ 10.42	\$ 0.13
Diluted	-	-	-
Cash dividends	¥ 4.00	¥ 3.00	\$ 0.04

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 FURUKAWA ELECTRIC CO., LTD. AND  
 ITS SUBSIDIARIES  
 For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Profit	¥ 13,440	¥ 9,476	\$ 120,000
Other comprehensive income			
Unrealized gain or loss on available-for-sale securities	(7,299)	2,191	(65,170)
Deferred gain or loss on derivatives under hedge accounting	(1,573)	780	(14,045)
Adjustments for retirement benefits (Notes 2g and 10)	(4,856)	(3,931)	(43,357)
Foreign currency translation adjustments	(8,675)	7,078	(77,455)
Share of other comprehensive income of affiliates accounted for by the equity method	(3,708)	5,863	(33,107)
Total other comprehensive income (Note 16)	(26,111)	11,981	(233,134)
Total comprehensive income	¥ (12,671)	¥ 21,457	\$ (113,134)
Attributable to :			
Owners of parent	¥ (14,483)	¥ 17,465	\$ (129,313)
Non-controlling interests	¥ 1,812	¥ 3,992	\$ 16,179

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**  
**FURUKAWA ELECTRIC CO., LTD. AND**  
**ITS SUBSIDIARIES**

(For the year ended March 31, 2016)

Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Common treasury stock	Total shareholders' equity
Balance at March 31, 2015	¥ 69,395	¥ 21,468	¥ 83,265	¥ (279)	¥ 173,849
Cash dividends paid	-	-	(2,118)	-	(2,118)
Profit attributable to owners of parent	-	-	10,007	-	10,007
Net effect of increase in consolidated subsidiaries	-	-	244	-	244
Net effect of decrease in consolidated subsidiaries	-	-	(994)	-	(994)
Net effect of decrease of non-consolidated subsidiaries and affiliates	-	-	(91)	-	(91)
Acquisition of treasury stock	-	-	-	(1)	(1)
Net effect of change in parent's equity due to transaction with non-controlling interests	-	(1)	-	-	(1)
Net change during the year	-	(1)	7,048	(1)	7,046
Balance at March 31, 2016	<u>¥ 69,395</u>	<u>¥ 21,467</u>	<u>¥ 90,313</u>	<u>¥ (280)</u>	<u>¥ 180,895</u>

Millions of yen

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Unrealized gain on available-for-sale securities	Deferred (loss) gain on derivatives under hedge accounting	Adjustment for retirement benefits (Note 10)	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at March 31, 2015	¥ 21,591	¥ 516	¥ (9,293)	¥ 4,079	¥ 16,893	¥ 24,001	¥ 214,743
Cash dividends paid	-	-	-	-	-	-	(2,118)
Profit attributable to owners of parent	-	-	-	-	-	-	10,007
Net effect of increase in consolidated subsidiaries	-	-	-	-	-	-	244
Net effect of decrease in consolidated subsidiaries	-	-	-	-	-	-	(994)
Net effect of decrease of non-consolidated subsidiaries and affiliates	-	-	-	-	-	-	(91)
Acquisition of treasury stock	-	-	-	-	-	-	(1)
Net effect of change in parent's equity due to transaction with non-controlling interests	-	-	-	-	-	-	(1)
Net change during the year	(7,521)	(1,907)	(4,625)	(10,572)	(24,625)	1,423	(16,156)
Balance at March 31, 2016	<u>¥ 14,070</u>	<u>¥ (1,391)</u>	<u>¥ (13,918)</u>	<u>¥ (6,493)</u>	<u>¥ (7,732)</u>	<u>¥ 25,424</u>	<u>¥ 198,587</u>

Thousands of U.S. dollars (Note 3)

	Shareholders' equity				
	Common stock	Capital capital	Retained earnings	Common treasury stock	Total shareholders' equity
Balance at March 31, 2015	\$ 619,598	\$ 191,679	\$ 743,438	\$ (2,491)	\$ 1,552,224
Cash dividends paid	-	-	(18,911)	-	(18,911)
Profit attributable to owners of parent	-	-	89,348	-	89,348
Net effect of increase in consolidated subsidiaries	-	-	2,179	-	2,179
Net effect of decrease in consolidated subsidiaries	-	-	(8,875)	-	(8,875)
Net effect of merger of non-consolidated subsidiaries	-	-	(813)	-	(813)
Acquisition of treasury stock	-	-	-	(9)	(9)
Net effect of change in parent's equity due to transaction with non-controlling interests	-	(9)	-	-	(9)
Net change during the year	-	(9)	62,928	(9)	62,910
Balance at March 31, 2016	<u>\$ 619,598</u>	<u>\$ 191,670</u>	<u>\$ 806,366</u>	<u>\$ (2,500)</u>	<u>\$ 1,615,134</u>

Thousands of U.S. dollars (Note 3)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Unrealized gain on available-for-sale securities	Deferred (loss) gain on derivatives under hedge accounting	Adjustment for retirement benefits (Note 10)	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at March 31, 2015	\$ 192,777	\$ 4,607	\$ (82,973)	\$ 36,420	\$ 150,831	\$ 214,295	\$ 1,917,350
Cash dividends paid	-	-	-	-	-	-	(18,911)
Profit attributable to owners of parent	-	-	-	-	-	-	89,348
Net effect of increase in consolidated subsidiaries	-	-	-	-	-	-	2,179
Net effect of decrease in consolidated subsidiaries	-	-	-	-	-	-	(8,875)
Net effect of merger of non-consolidated subsidiaries	-	-	-	-	-	-	(813)
Acquisition of treasury stock	-	-	-	-	-	-	(9)
Net effect of change in parent's equity due to transaction with non-controlling interests	-	-	-	-	-	-	(9)
Net change during the year	(67,152)	(17,026)	(41,295)	(94,393)	(219,866)	12,705	(144,251)
Balance at March 31, 2016	<u>\$ 125,625</u>	<u>\$ (12,419)</u>	<u>\$ (124,268)</u>	<u>\$ (57,973)</u>	<u>\$ (69,035)</u>	<u>\$ 227,000</u>	<u>\$ 1,773,099</u>

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**  
**FURUKAWA ELECTRIC CO., LTD. AND**  
**ITS SUBSIDIARIES**

(For the year ended March 31, 2015)

Millions of yen					
Shareholders' equity					
	Common stock	Capital surplus	Retained earnings	Common treasury stock	Total shareholders' equity
Balance at March 31, 2014	¥ 69,395	¥ 21,468	¥ 79,219	¥ (277)	¥ 169,805
Cumulative effect of change in accounting principle(Note 2)	-	-	(770)	-	(770)
Restated balance at April 1, 2014	69,395	21,468	78,449	(277)	169,035
Cash dividends paid	-	-	(2,119)	-	(2,119)
Profit attributable to owners of parent	-	-	7,356	-	7,356
Net effect of increase in consolidated subsidiaries	-	-	(299)	-	(299)
Net effect of decrease in consolidated subsidiaries	-	-	(150)	-	(150)
Net effect of merger of non-consolidated subsidiaries	-	-	28	-	28
Acquisition of treasury stock	-	-	-	(2)	(2)
Disposal of treasury stock	-	(0)	-	0	0
Net change during the year	-	-	-	-	-
Balance at March 31, 2015	<u>¥ 69,395</u>	<u>¥ 21,468</u>	<u>¥ 83,265</u>	<u>¥ (279)</u>	<u>¥ 173,849</u>

Millions of yen							
Accumulated other comprehensive income							
	Unrealized gain on available-for- sale securities	Deferred gain on derivatives under hedge accounting	Adjustment for retirement benefits (Note 10)	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2014	¥ 19,095	¥ (298)	¥ (5,556)	¥ (5,809)	¥ 7,432	¥ 22,497	¥ 199,734
Cumulative effect of change in accounting principle(Note 2)	-	-	-	-	-	-	(770)
Restated balance at April 1, 2014	19,095	(298)	(5,556)	(5,809)	7,432	22,497	198,964
Cash dividends paid	-	-	-	-	-	-	(2,119)
Profit attributable to owners of parent	-	-	-	-	-	-	7,356
Net effect of increase in consolidated subsidiaries	-	-	-	-	-	-	(299)
Net effect of decrease in consolidated subsidiaries	-	-	-	-	-	-	(150)
Net effect of merger of non-consolidated subsidiaries	-	-	-	-	-	-	28
Acquisition of treasury stock	-	-	-	-	-	-	(2)
Disposal of treasury stock	-	-	-	-	-	-	0
Net change during the year	2,496	814	(3,737)	9,888	9,461	1,504	10,965
Balance at March 31, 2015	<u>¥ 21,591</u>	<u>¥ 516</u>	<u>¥ (9,293)</u>	<u>¥ 4,079</u>	<u>¥ 16,893</u>	<u>¥ 24,001</u>	<u>¥ 214,743</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FURUKAWA ELECTRIC CO., LTD. AND  
 ITS SUBSIDIARIES

For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Cash flows from operating activities:			
Profit before income taxes	¥ 21,380	¥ 16,169	\$ 190,893
Adjustments for:			
Depreciation	23,236	22,509	207,464
Gain on sales of marketable securities and investment securities, net	(1,395)	(6,563)	(12,455)
Equity in (income) loss of non-consolidated subsidiaries and affiliates	5,685	(1,856)	50,759
(Gain) loss on disposal of property, plant and equipment, net	(18,879)	(644)	(168,562)
Loss on write-down of inventories	624	868	5,571
Loss on write-down of investment securities	923	2,582	8,241
Impairment loss	996	1,347	8,893
Interest and dividend income	(2,435)	(2,271)	(21,741)
Interest expense	3,716	3,994	33,179
Foreign exchange loss (income), net	169	(796)	1,509
Decrease (increase) in liability for retirement benefits	1,094	(902)	9,768
(Increase) decrease in trade receivable	(1,538)	20,118	(13,732)
Decrease (increase) in inventories	5,572	(3,109)	49,750
Decrease in trade payable	(7,660)	(1,115)	(68,393)
Decrease in provision for environmental costs	(158)	(1,262)	(1,411)
Decrease in provision for loss on disaster	(114)	(1,096)	(1,018)
Increase in provision for loss on litigation	7,124	-	63,607
Other, net	7,515	(4,308)	67,098
Subtotal	45,855	43,665	409,420
Interest and dividend income received	3,460	3,734	30,893
Interest expense paid	(3,764)	(4,055)	(33,607)
Income taxes paid	(3,982)	(1,854)	(35,554)
Net cash provided by operating activities	41,569	41,490	371,152
Cash flows from investing activities:			
Purchase of property, plant and equipment	(25,646)	(27,676)	(228,982)
Purchase of intangible assets	(825)	(738)	(7,366)
Purchase of investment securities	(2,033)	(3,162)	(18,152)
Proceeds from sales of investment securities	3,044	9,611	27,178
Proceeds from sales of non-current assets	22,572	2,593	201,535
Proceeds from subsidies	2,851	-	25,455
Decrease (increase) in short-term loans, net	3,134	(4,611)	27,982
Decrease (increase) in time deposits, net	(383)	927	(3,420)
Other	(766)	(477)	(6,839)
Net cash provided by (used in) investing activities	1,948	(23,533)	17,391



	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Cash flows from financing activities:			
Decrease in short-term debt, net	(3,511)	(2,235)	(31,348)
Proceeds from long-term debt	14,435	36,231	128,884
Repayment of long-term debt	(18,540)	(44,602)	(165,536)
Repayment of redemption of bonds	(10,000)	(100)	(89,286)
Cash dividends paid	(2,112)	(2,115)	(18,857)
Cash dividends paid to non-controlling shareholders	(547)	(576)	(4,884)
Payments for purchase of common treasury stock	(1)	(1)	(9)
Payments for purchase of common treasury stock by subsidiaries	(1)	(2,046)	(9)
Proceeds from sales and leaseback of property, plant and equipment	378	760	3,375
Other	(1,043)	(853)	(9,312)
Net cash used in financing activities	(20,942)	(15,537)	(186,982)
Effect of exchange rate changes on cash and cash equivalents	(1,423)	1,466	(12,705)
Net increase in cash and cash equivalents	21,152	3,886	188,856
Cash and cash equivalents at beginning of year	29,488	25,320	263,286
Cash and cash equivalents of newly consolidated subsidiaries	1,020	244	9,107
Cash and cash equivalents of de-consolidated subsidiaries	-	(10)	-
Net increase in cash and cash equivalents from mergers	-	48	-
Cash and cash equivalents at end of year (Note 4)	¥ 51,660	¥ 29,488	\$ 461,249

See accompanying notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FURUKAWA ELECTRIC CO., LTD. AND ITS SUBSIDIARIES

#### 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Furukawa Electric Co., Ltd. (the "Company") and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards (hereinafter "IFRSs"), and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The accompanying consolidated financial statements include the accounts of the Company and significant companies controlled by directly or indirectly by the Company (collectively the "Group").

Companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method.

The Company applies the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ Practical Issues Task Force (PITF) No.18) and the Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for using Equity Method (PITF No.24).

In accordance with these PITFs, the accompanying consolidated financial statements have been prepared based on the financial statements of foreign consolidated subsidiaries and affiliates prepared in accordance with either IFRSs or accounting principles generally accepted in the United States of America as adjusted for certain items including goodwill, actuarial differences and capitalized development costs.

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year presentations.

#### 2. Significant Accounting Policies

##### a) Basis of consolidation

1) The consolidated financial statements include the accounts of the Company and its 102 major subsidiaries in 2016. All significant intercompany accounts and transactions have been eliminated in consolidation.

Investments in its 13 major affiliates in 2016 are accounted for by the equity method.

Differences between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in companies which are accounted for by the equity

method (goodwill) are amortized by the straight-line method over periods, when such a goodwill would be effective, not exceeding 20 years. However, immaterial amounts of goodwill are charged to expense in the year of acquisition.

2) Fiscal year-end of the consolidated subsidiaries

There are 45 subsidiaries' fiscal year-ends differ from that of the Company due to local statutory requirements. Those 45 subsidiaries' fiscal year end is December 31 and the Company makes necessary adjustments if there are any significant transactions. There have been no significant transactions, which would materially affect the Company's financial position and results of operations, with such subsidiaries during the period from their closing date to March 31.

b) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits capable of being withdrawn on demand and short-term investments with an original maturity of three months or less and subject to a minor risk of fluctuation in value.

c) Financial instruments

1) Debt and equity securities

Debt securities for which the Company and its consolidated subsidiaries have both the positive intent and ability to hold to maturity are classified as "held-to-maturity debt securities" and mainly carried at amortized cost. Securities other than held-to-maturity debt securities and investments in equity securities of non-consolidated subsidiaries and affiliates are classified as "available-for-sale securities" and carried at fair value with unrealized gain and loss, net of tax, reported as a separate component of net assets. For the purpose of computing gain and loss on securities sold, the cost of these securities is determined using the moving average method. Securities that do not have readily determinable fair values are recorded at cost. The Company and its consolidated subsidiaries do not hold any trading securities.

Debt securities due within one year are presented as "Marketable securities" under current assets, and all other securities are presented as "Investments and long-term loans" in the accompanying balance sheets.

Additional information with respect to marketable debt and equity securities is included in Note 5.

2) Derivatives

Derivative financial instruments are measured at fair value, if determinable, and resulting gain or loss is included in profit or loss, with the exception that gain or loss on certain qualified hedging instruments may be deferred as an a part of "Net assets" until the gain and loss on the hedged items is recognized. The Company's hedging activities for interest rate risk on outstanding debt and firm contracts for sales, foreign currency risk and fluctuation risk in market prices are considered qualified hedge transactions.

Additional information on derivatives is presented in Note 18.

d) Allowance for doubtful accounts

Allowance for doubtful accounts is provided at the amount of estimated non-recoverable receivables on an individual account basis, plus the amount calculated by applying the historical bad debt loss ratios to the remaining receivables.

e) Inventories

Inventories are stated principally at cost determined using the average method, which requires the amount of the inventories on the balance sheets be written down when there is a decrease in profitability.

f) Property, plant and equipment, and depreciation

Property, plant and equipment, including significant capital expenditures and additions, are stated at cost. Repairs and maintenance expense are charged to income as incurred.

Properties except for leased assets are depreciated principally using the straight-line method.

g) Retirement benefits

Employees who terminate their service with the Company or its domestic consolidated subsidiaries are entitled to lump-sum severance indemnities determined based on accumulated points allocated to employees each year according to their job classification and performance. The liability for these severance indemnities is not funded.

The retirement benefit plans of the Company and its domestic consolidated subsidiaries have features whereby employees who retire at age 55 or over with 20 or more years of service may elect to receive benefits in the form of pensions. These plans, which are non-contributory and funded, generally provide for an annuity payable over a ten-year period subsequent to retirement. The annual contributions for pension benefits include current service costs, amortization of prior service costs and interest on the unfunded portion of past service costs.

The Company and its domestic consolidated subsidiaries recognize retirement benefits based on the estimated amounts of projected benefit obligation reduced by the fair value of the pension plan assets at each fiscal year-end.

The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Prior service cost is being amortized as incurred by the straight-line method over periods (mainly 1 year through 15 years), which are shorter than the average remaining years of service of the employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or

loss is recognized primarily by the straight-line method over periods (mainly 1 year through 15 years), which are shorter than the average remaining years of service of the employees.

A minimum pension liability adjustment is required for the Company's consolidated subsidiaries in the U.S., generally when the accumulated benefit obligation exceeds plan assets under U.S. GAAP. The minimum liability adjustment, less allowable intangible assets, is directly charged to retained earnings, net of tax benefit, in the accompanying consolidated financial statements.

In addition, retirement benefits to directors and statutory auditors of the Company's consolidated subsidiaries are provided at the amount which would be required if all directors and statutory auditors were to retire at the balance sheet date according to internal regulations.

h) Provision for product defect compensation

Provision for product defect compensation is provided at an amount deemed necessary to cover possible compensation costs.

i) Provision for environmental costs

Provision for environmental costs, mainly to remove Poly Chlorinated Biphenyl ("PCB") and to improve soil conservation, is provided to cover estimated future costs.

j) Provision for loss on litigation

Provision for loss on litigation is provided to cover estimated future costs due to litigation.

k) Provision for loss on disaster

Provision for loss on disaster is provided to cover estimated future costs in order to undertake the restoration of damaged assets due to disaster.

l) Leases

Depreciation of finance lease assets that transfer ownership of the assets is calculated by the same method applied for property, plant and equipment.

Depreciation of finance lease assets, which do not transfer ownership of the assets, at the end of the lease term, mainly machinery and equipment, and vehicles, is calculated by the straight-line method over the lease periods, which are deemed as the useful lives, assuming no residual value.

However, finance lease transactions entered before March 31, 2008, which do not substantially transfer ownership of the assets, are continuously accounted for as operating leases.

m) Revenue recognition

Operating revenue is mainly recorded upon shipment of goods.

Revenue is recognized by the percentage-of-completion method for construction contracts of which the outcome of the progress performed by the end of the year is deemed to be certain. The construction progress is estimated based on the percentage of construction costs incurred for the work performed to date compared to the estimated total construction costs ("cost-comparison method"). For other construction contracts, such revenue is recognized by the completed-construction method.

n) Research and development costs, and computer software

Research and development expenditure is charged to income when incurred. Expenditure relating to computer software developed for internal use is charged to income when incurred, except when it contributes to the generation of income or to future cost savings. Such expenditure is capitalized as an asset and amortized using the straight-line method over its estimated useful life of 5 years.

o) Income taxes

Accrued income taxes are recorded based on the Company's income tax returns.

Deferred income taxes are recognized to reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and measured using the enacted tax rates and laws, which will be in effect when differences are expected to reverse.

The Company has elected to file its tax return under the consolidated tax filing system.

p) Translation of foreign currency accounts

Current and non-current monetary items denominated in foreign currencies are translated into Japanese yen at exchange rates in effect at the respective balance sheet dates. Monetary items denominated in foreign currencies, for which foreign exchange forward contracts are used to hedge the foreign currency fluctuation, are translated into Japanese yen at the contracted rates. Exchange gain or loss is credited or charged to current operations.

The Company translates the revenue and expense accounts of the overseas consolidated subsidiaries and affiliates accounted for by the equity method at the average rates of exchange in effect during the year. The balance sheet accounts except for the components of net assets excluding non-controlling interests in the overseas consolidated subsidiaries and affiliates accounted for by the equity method, are translated into Japanese yen at the rates of exchange in effect at the respective balance sheet date. The components of net assets excluding non-controlling interests in the overseas consolidated subsidiaries and affiliates accounted for by the equity method

are translated at their historical exchange rates. Differences arising from translation where two exchange rates have been used are presented under translation adjustments as a component of net assets.

q) Cash dividends

Dividends paid out of earnings are, in principle, approved by the shareholders' meeting. Interim dividends can be paid at any time during the fiscal year by resolution of the board of directors, if the Article of Incorporation set out for such dividends under the Corporate Law of Japan.

The Corporate Law of Japan provides certain limitations on the amount available for dividends.

r) Profit per common share

The consolidated statements of income include "basic" and "diluted" per share information. Basic per share income is calculated by dividing profit by the weighted average number of shares of common stock outstanding during the respective years. The weighted average number of shares used in the calculation of basic profit per common share was 706,049 thousand and 706,058 thousand for the years ended March 31, 2016 and 2015, respectively. Diluted profit per share has not been presented for the years ended March 31, 2016 and 2015, since the Company has issued no dilutive potential shares.

s) Impairment of property, plant and equipment

Property, plant and equipment are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the statements of income by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount, to be measured as the higher of net selling price or value in use. Accumulated loss of impairment is deducted directly from the acquisition costs of the related assets in accordance with the revised disclosure requirements.

Additional information on impairment of property, plant and equipment, and depreciation is presented in Note 14.

t) Accounting Change

"Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) (hereinafter, the "Business Combinations Accounting Standard"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013) (hereinafter, the "Consolidation Accounting Standard"), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013) (hereinafter, the "Business Divestitures Accounting Standard" ) and other standards have been applied from the beginning of the fiscal year ended March 31, 2016.

Any differences from changes in a parent's ownership interest in subsidiaries, which

the parent continues to control over are recorded as capital surplus, and business acquisition-related costs are recorded as expense for the fiscal year in which they are incurred. In addition, in terms of business combinations made on or after April 1, 2015, as determined after reviewing provisional accounting treatment, adjustments of allocation of acquisition costs are reflected on the consolidated financial statements for the period in which the business combination occurs. Furthermore, the presentation method of Profit attributable to owners of parent was amended, the reference to “Minority interests” was changed to “Non-controlling interests”.

The Business Combinations Accounting Standard and other standards have been applied in accordance with the transitional treatment set forth in Article 58-2 (4) of the Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidation Accounting Standard and Article 57-4 (4) of the Business Divestitures Accounting Standard and these standards are applied from the beginning of the fiscal year ended March 31, 2016.

These changes have an immaterial impact on the consolidated financial statements for the current fiscal year ended March 31, 2016.

u) Standards issued but not yet effective

1) Implementation Guidance on Recoverability of Deferred Tax Assets

On March 28, 2016, the ASBJ issued “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26).

(1) Overview

Regarding the treatment of the recoverability of deferred tax assets, a review was conducted following the framework of the Japanese Institute of Certified Public Accountants Audit Committee Report No. 66 “Auditing Treatment on Determining the Recoverability of Deferred Tax Assets”, whereby companies are categorized into five categories and deferred tax assets are calculated based on each of these categories.

- Treatments of companies that do not satisfy any of the category requirements from (Category 1) to (Category 5)
- Category requirements of (Category 2) and (Category 3)
- Treatments related to future deductible temporary differences which cannot be scheduled in companies that qualify as (Category 2)
- Treatments related to the reasonable estimable period of future pre-adjusted taxable income in companies that qualify as (Category 3)
- Treatments in case that the companies that satisfy the category requirements for (Category 4) but qualify as (Category 2) or (Category 3)

(2) Scheduled date of adoption

The revised implementation guidance is expected to be adopted from the beginning of the fiscal year ending March, 31, 2017.

(3) Impact of adopting revised implementation guidance

The Company is currently evaluating the effect of adopting this revised implementation guidance on its consolidated financial statements.



### 3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥112 =U.S. \$ 1, the approximate rate of exchange for the year ended March 31, 2016, has been used for the purpose of the translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rate.

### 4. Cash Flow Information

Cash and cash equivalents at March 31, 2016 and 2015 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and bank deposits	¥52,504	¥30,011	\$468,786
Less, time deposits with an original maturity of more than 3 months	(845)	(523)	(7,545)
Highly liquid securities	1	0	8
Cash and cash equivalents	<u>¥51,660</u>	<u>¥29,488</u>	<u>\$461,249</u>

### 5. Debt and Equity Securities

Investments in debt and equity securities that have a readily determinable fair value at March 31, 2016 and 2015 included in “Marketable securities” (Current assets) and in “Investments and long-term loans” (Non-current assets) are summarized as follows:

	Millions of yen			
	2016		Gross unrealized gain	Gross unrealized loss
	Cost	Fair value		
Held-to-maturity debt securities:				
Government bonds, municipal bonds and other	¥ —	¥ —	¥—	¥ —
Other debt securities	114	119	5	—
Total held-to-maturity debt securities	<u>¥114</u>	<u>¥119</u>	<u>¥ 5</u>	<u>¥ —</u>
Available-for-sale securities:				
Marketable equity securities	¥ 14,553	¥ 34,660	¥20,992	¥ (885)
Other securities	7	7	0	—
Total available-for-sale securities	<u>¥ 14,560</u>	<u>¥34,667</u>	<u>¥20,992</u>	<u>¥(885)</u>

## Thousands of U.S. dollars

	2016			
	Cost	Fair value	Gross unrealized gain	Gross unrealized loss
Held-to-maturity debt securities:				
Government bonds, municipal bonds and other	\$ —	\$ —	\$ —	\$ —
Other debt securities	1,018	1,063	45	—
Total held-to-maturity debt securities	<u>\$ 1,018</u>	<u>\$ 1,063</u>	<u>\$ 45</u>	<u>\$ —</u>
Available-for-sale securities:				
Marketable equity securities	\$ 129,938	\$ 309,464	\$ 187,428	\$ (7,902)
Other securities	63	63	0	—
Total available-for-sale securities	<u>\$ 130,001</u>	<u>\$ 309,527</u>	<u>\$ 187,428</u>	<u>\$ (7,902)</u>

## Millions of yen

	2015			
	Cost	Fair value	Gross unrealized gain	Gross unrealized loss
Held-to-maturity debt securities:				
Government bonds, municipal bonds and other	¥ —	¥ —	¥—	¥ —
Other debt securities	117	122	5	—
Total held-to-maturity debt securities	<u>¥ 117</u>	<u>¥122</u>	<u>¥ 5</u>	<u>¥ —</u>
Available-for-sale securities:				
Marketable equity securities	¥ 15,226	¥ 46,595	¥ 31,380	¥ (11)
Other securities	7	8	1	—
Total available-for-sale securities	<u>¥ 15,233</u>	<u>¥ 46,603</u>	<u>¥ 31,381</u>	<u>¥ (11)</u>

Proceeds from sales of available-for-sale securities for the years ended March 31, 2016 and 2015 were ¥2,206 million (\$19,696 thousand) and ¥8,408 million, respectively.

The gross realized gains on those sales for the years ended March 31, 2016 and 2015 were ¥1,678 million (\$14,982 thousand) and ¥6,272 million, respectively. There was no gross realized losses on those sales for the year ended March 31, 2016 and 2015.

Impairment loss on available-for-sale securities with fair value for the years ended March 31, 2016 and 2015 amounted to ¥923 million (\$8,241 thousand) and ¥2,581 million, respectively.

## 6. Inventories

Inventories at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Finished goods	¥ 29,561	¥ 36,479	\$ 263,937
Work in process	29,028	28,238	259,179
Raw materials and supplies	34,579	34,726	308,741
	<u>¥ 93,168</u>	<u>¥ 99,443</u>	<u>\$ 831,857</u>

## 7. Investments and Long-term Loans

Investments and long-term loans at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Non-consolidated subsidiaries and affiliates	¥ 77,298	¥ 90,626	\$ 690,161
Other	38,496	49,372	343,714
	<u>¥ 115,794</u>	<u>¥ 139,998</u>	<u>\$ 1,033,875</u>

## 8. Property, Plant and Equipment

Property, plant and equipment at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Land	¥ 37,491	¥ 39,846	\$ 334,741
Buildings	215,242	210,430	1,921,804
Machinery and equipment	519,581	520,134	4,639,116
Leased assets	4,766	4,518	42,554
Construction in progress	12,088	17,238	107,928
	<u>789,168</u>	<u>792,166</u>	<u>7,046,143</u>
Accumulated depreciation	<u>(592,624)</u>	<u>(592,949)</u>	<u>(5,291,285)</u>
	<u>¥ 196,544</u>	<u>¥ 199,217</u>	<u>\$ 1,754,858</u>

## 9. Short-term Debt, Long-term Debt and Bonds

Short-term debt represents notes payable to banks, most of which are unsecured, bank overdrafts and commercial papers issued by the Company, and bearing interest at rates

ranging from 0.001% to 10.200% per annum and 0.020% to 8.350% per annum at March 31, 2016 and 2015, respectively.

Bonds and long-term debt at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
0.69% unsecured bonds due 2015	¥ —	¥10,000	\$ -
0.77% unsecured bonds due 2016	10,000	10,000	89,286
0.74% unsecured bonds due 2017	10,000	10,000	89,286
0.79% unsecured bonds due 2018	10,000	10,000	89,286
Loans, principally from banks and insurance companies, due from 2017 to 2023 with interest rates ranging from 0.001% to 10.200% and predominantly collateralized	152,044	155,087	1,357,535
	182,044	195,087	1,625,393
Less: portion due within one year	47,280	27,304	422,143
	¥ 134,764	¥ 167,783	\$ 1,203,250

At March 31, 2016, the following assets were pledged as collateral for short-term debt of ¥1,835 million (\$16,384 thousand), long-term debt of ¥855 million (\$7,634 thousand), and others of ¥533 million (\$4,759 thousand):

	Millions of yen	Thousands of U.S. dollars
	2016	2016
Property, plant and equipment	¥3,653	\$ 32,616
Investments in securities	624	5,571
	¥ 4,277	\$ 38,187

At March 31, 2015, the following assets were pledged as collateral for short-term debt of ¥2,202 million, long-term debt of ¥1,701 million, and others of ¥498 million:

	Millions of yen
	2015
Property, plant and equipment	¥ 6,843
Investments in securities	1,150
	¥ 7,993

The aggregate annual maturities of the non-current portion of long-term debt and bonds at March 31, 2016 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2017	¥ 47,280	\$ 422,143
2018	25,560	228,214
2019	36,314	324,232
2020	22,923	204,670
2021 and thereafter	49,967	446,134
	¥ 182,044	\$ 1,625,393

## 10. Severance and Retirement Plans

The Company and its consolidated subsidiaries have funded and/or unfunded defined benefit pension plans and/or defined contribution plans. The defined benefit plans consist of Employees' Pension Fund Plan, defined benefit corporation pension plan and lump-sum severance indemnity plan.

There are cases where additional retirement benefits are paid at the time of retirement of employees. The Company has established an employees' retirement benefit trust and certain consolidated subsidiaries have joined multi-employer employees' pension fund.

The plans, which are not possible to reasonably compute the amounts of plan assets corresponding to their own contribution amounts, are accounted for in the same way as the defined contribution plan.

Liability for retirement benefits and net periodic benefit costs are, however, calculated by the simplified method under the defined benefit corporation pension plans and the lump-sum severance indemnity plans set up by a part of consolidated subsidiaries.

(For the years ended March 31, 2016 and 2015)

### 1. Defined benefit plans

The changes in defined benefit obligation for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of year	¥103,559	¥ 90,264	\$ 924,634
Cumulative effect of change in accounting principle (Note 2s)	-	400	-
Restated balance at beginning of year	103,559	90,664	924,634
Current service cost	4,164	3,820	37,179
Interest cost	1,298	1,832	11,589
Actuarial gain and loss	397	9,449	3,545
Prior service cost	169	90	1,509
Benefits paid	(5,352)	(5,677)	(47,786)
Foreign currency transaction adjustments	(769)	3,381	(6,866)
Balance at end of year	¥ 103,466	¥ 103,559	\$ 923,804

The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of year	¥ 66,677	¥ 53,929	\$ 595,330
Expected return on plan assets	1,966	1,756	17,553
Actuarial gain and loss	(6,812)	4,517	(60,821)
Contributions from the Company	1,290	1,944	11,518
Funded amount of retirement benefit trust	-	4,814	-
Benefits paid	(2,702)	(2,837)	(24,125)
Foreign currency transaction adjustments	(911)	2,553	(8,134)
Balance at end of year	¥ 59,508	¥ 66,676	\$ 531,321

The changes in net liability for retirement benefits using a simplified method for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of year	¥ 2,379	¥ 2,718	\$ 21,241
Retirement benefit expenses	681	446	6,080
Benefits paid	(339)	(247)	(3,027)
Contributions to fund	(277)	(522)	(2,473)
Increase due to business combination, net	-	3	-
Other	-	(18)	-
Balance at end of year	¥2,444	¥ 2,380	\$ 21,821

Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2016 and 2015:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Funded defined benefit obligation	¥ 99,622	¥ 99,509	\$ 889,482
Plan assets	(63,548)	(70,523)	(567,393)
	36,074	28,986	322,089
Unfunded defined benefit obligation	10,325	10,323	92,188
Net liability for defined benefit obligation	46,399	39,309	414,277
Liability for retirement benefits	51,059	43,486	455,884
Asset for retirement benefits	(4,660)	(4,177)	(41,607)
Net liability for defined benefit obligation	¥ 46,399	¥ 39,309	\$ 414,277

Note: The above items include the part used a simplified method.

The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost	¥ 4,164	¥ 3,820	\$37,179
Interest cost	1,298	1,832	11,589
Expected return on plan assets	(1,966)	(1,756)	(17,553)
Amortization of actuarial gain and loss	1,638	1,228	14,625
Amortization of prior service cost	142	180	1,268
Retirement benefit expenses calculated on a simplified method	681	446	6,080
Others	619	136	5,527
Net periodic benefit costs	¥ 6,576	¥ 5,886	\$ 58,715

The components of adjustments for retirement benefits in other comprehensive income (before tax effects) for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Prior service cost	¥ 68	¥ 104	\$ 607
Actuarial gain and loss	(6,255)	(4,532)	(55,848)
Total	¥ (6,187)	¥ (4,428)	\$ (55,241)

The components of adjustments for retirement benefits in accumulated other comprehensive income (before tax effects) for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unrecognized prior service cost	¥ 318	¥ 387	\$ 2,839
Unrecognized actuarial gain and loss	16,549	10,294	147,759
Total	¥ 16,867	¥ 10,681	\$ 150,598

Plan assets as of March 31, 2016 and 2015.

a) Components of plan assets

Plan assets consisted of the followings:

	2016	2015
Equity investments	46%	53%
Debt investments	24%	22%
Assets in a life-insurer's general account	17%	14%
Cash and deposits	2%	3%
Others	10%	8%
Total*	100%	100%

(\*): The above plan assets included 12% and 16% of assets held by the retirement benefit trust set up for the retirement benefit plan as of March 31, 2016 and 2015, respectively.

b) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return, which are expected currently and in the future from the various components of the plan assets.

Assumptions used for the years ended March 31, 2016 and 2015 were set forth as follows:

	2016	2015
Discount rate	0.4-9.0%	0.6-8.2%
Expected rate of return on plan assets	1.0-7.3%	1.5-7.3%

## 2. Defined contribution plans

Payments for defined contribution plans for the years ended March 31, 2016 and 2015 were ¥1,020 million (\$9,107 thousand) and ¥1,283 million, respectively.

## 11. Shareholders' Equity

Under the Corporate Law of Japan, cash dividends may be paid at any time during the fiscal year with certain conditions. An amount equal to 10% of dividends is required to be appropriated as additional paid-in capital (a component of "Capital surplus") or legal reserve (a component of "Retained earnings") until the amount of additional paid-in capital and legal reserve equals 25% of common stock. The cash dividends paid out of additional paid-in capital and/or legal reserve are recorded in the financial year in which the proposed appropriation of retained earnings is approved by the board of directors and/or the shareholders. The maximum amount that the Company can distribute as cash dividends is calculated based on the non-consolidated fiscal statements of the Company.

### (Dividends)

Dividends whose record date is attributable to the year ended March 31, 2016 but to be effective in the following year.

#### 1) Dividend payment

Approvals by shareholders' meeting held on June 25, 2015 are as follows:

Type of shares	Common stock
Total amount of dividends	¥2,118 million
Dividends per share	¥3.0
Record date	March 31, 2015
Effective date	June 25, 2015

#### 2) Dividends whose record date is attributable to the year ended March 31, 2016 but to be effective in the following year.

Approvals by shareholders' meeting held on June 27, 2016 are as follows:

Type of shares	Common stock
Total amount of dividends	¥2,824 million (\$25,214 thousand)
Funds for dividends	Retained earnings
Dividends per share	¥4.0 (\$0.04)
Record date	March 31, 2016
Effective date	June 28, 2016

## 12. Contingent Liabilities

### 1) Contingent liabilities at March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of
	2016	2015	U.S. dollars
Loans guaranteed (principally for non-consolidated subsidiaries and affiliates)	¥ 22,023	¥ 25,164	\$ 196,634
Repurchase obligation of the securitization of receivables	4,378	6,754	39,089
Total	¥ 26,401	¥ 31,918	\$ 235,723



2) Other

a) In terms of violation of the Competition Act by automotive wire harness cartels, there are several class actions taken in the United States of America and Canada to compensate for damages made by series of automotive parts cartels which are subject to the investigations by authorities. The Company and its consolidated subsidiaries become defendants in these lawsuits for cartels related to wire harness and other automotive parts. Besides, the Company and its consolidated subsidiaries are in negotiations with certain carmakers on compensations for damages made by the automotive wire harness cartels.

As a result of negotiations with main customers, compensation for damages is accounted for the year ended March 31, 2016. In addition, provision for loss on litigation, which is based on available data at the present time and is estimated rationally, is made as of March 31, 2016 for such class actions taken in the United States of America and Canada.

b) In reference to the automotive parts manufactured by its consolidated subsidiaries, vehicles in which such parts have been incorporated are being recalled, the Company and its consolidated subsidiaries are possibly required to compensate a part of costs by our customers for such parts. Based on the negotiations with our customers, provision for product defect compensation is accounted as of March 31, 2016, which amount is able to be estimated rationally. Although consolidated operating result will be affected depending on the future negotiations, it is difficult to be estimated rationally at the present time.

### 13. Research and Development Expenses

Research and development costs charged to income for the years ended March 31, 2016 and 2015 amounted to ¥16,845 million (\$150,402 thousand) and ¥16,599 million, respectively.

### 14. Impairment Loss

For the purpose of determining whether impairment loss has occurred, the Company and its subsidiaries classify property, plant and equipment into groups by company, business or business unit, each of which is deemed to generate independent cash flows, and idle properties into individual independent groups.

(For the year ended March 31, 2016)

Impairment loss by type of assets for the year ended March 31, 2016 consisted of the following:

1) The Company

Usage and Location	Type of asset	Millions of yen	Thousands of U.S. dollars
Manufacturing equipment (idle properties) for copper foil business located in Nikko-city, Tochigi prefecture	Machinery and equipment	¥3	\$ 27
	Sub-total	¥ 3	\$ 27

2) The consolidated subsidiaries

Usage and Location	Type of asset	Millions of yen	Thousands of U.S. dollars
Fixed assets for business use in the state of Chihuahua, United Mexican States	Machinery and equipment etc.	953	\$ 8,509
Fixed assets for business use	Machinery and equipment etc.	40	357
Sub-total		993	8,866
Total 1)+2)		¥ 996	\$ 8,893

The carrying amounts of certain assets forming parts of idle properties were less than their fair market value. If such assets cannot be sold or diverted to other usage, they are booked at the memorandum price.

It has been decided that recoverable amounts of fixed assets for business use were less than their carrying amounts due to continuing negative cash flow generated from operating activities and the likelihood of the carrying amount not being recoverable by future cash flows. Accordingly, the carrying amounts of such assets were reduced to the recoverable amounts. If such assets cannot be sold or diverted to other usage, they are booked at the memorandum price.

(For the year ended March 31, 2015)

Impairment loss by type of assets for the year ended March 31, 2015 consisted of the following:

1) The Company

Usage and Location	Type of asset	Millions of yen
Manufacturing equipment and building (idle properties) for copper foil business located in Nikko-city, Tochigi prefecture	Building	¥ 141
	Machinery and equipment	44
Sub-total		¥ 185

2) The consolidated subsidiaries

Usage and Location	Type of asset	Millions of yen
Idle properties located in Kofu-city, Yamanashi prefecture and other	Land	¥ 537
Idle properties located in Nikko-city, Tochigi prefecture	Land	445
Fixed assets for business use	Machinery and equipment	180
Sub-total		1,162
Total 1)+2)		¥ 1,347

The carrying amounts of certain assets forming parts of idle properties were written down to their recoverable amounts, due to the fact that the carrying amounts were less than their fair market value. Recoverable amount of each idle property was mainly evaluated based on the net selling value (fair value less costs to sell). The recoverable amount of such asset group was mainly determined based on either appraisal value prepared by real estate appraisers or others. If such assets cannot be sold or diverted to other usage, they are booked at the memorandum price.

It has been decided that recoverable amounts of fixed assets for copper foil business and for business use were less than their carrying amounts due to continuing negative cash flow generated from operating activities and the likelihood of the carrying amount not being recoverable by future cash flows. Accordingly, the carrying amounts of such assets were reduced to the recoverable amounts. The recoverable amounts of the asset groups were mainly evaluated based on the value in use, which was calculated by discounting future cash flows at an interest rate.

## 15. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' tax and enterprise tax, which in the aggregate would result in statutory income tax rates of approximately 33.0% and 35.6% for the years ended March 31, 2016 and 2015, respectively. Overseas consolidated subsidiaries are subject to income taxes in the countries in which they operate.

The "Act to partially revise the Income Tax Act and others" (Act No.15 of 2016) and the "Act to partially revise the Local Tax Act and others" (Act No. 13 of 2016) were enacted on March 31, 2016. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 32.34% to 30.86% for the temporary differences expected to be realized or settled in the period between April 1, 2016 and March 31, 2018 and from 30.86% to 30.62% for the temporary differences expected to be realized or settled from fiscal years beginning April 1, 2018.

The effect of the announced reduction of the effective statutory tax rate was immaterial.

Summarized below is a reconciliation of the statutory income tax rate and the effective income tax rate for the years ended March 31, 2016 and 2015:

	2016	2015
Japanese statutory income tax rate	33.0%	35.6%
Tax benefits of net operating loss not recognized	-	1.0
Entertainment expense and other	4.9	4.6
Dividend income non-taxable	(2.8)	(3.8)
Equity in income (loss) of non-consolidated subsidiaries and affiliates	8.8	(4.1)
Valuation allowance	10.8	(1.5)
Difference of applicable tax rate of overseas consolidated subsidiaries	(5.8)	(12.1)
Utilization of loss carried forward	(17.9)	(3.6)
Amortization of goodwill	0.9	1.2
Undistributed earnings of overseas consolidated subsidiaries	5.6	10.4

Effect of effective statutory tax rate change	(1.1)	9.0
Other, net	0.7	4.7
Effective income tax rate	<u>37.1%</u>	<u>41.4%</u>

Deferred tax assets (liabilities) at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Liability for retirement benefits	¥ 15,101	¥ 14,970	\$ 134,830
Provision for environmental costs	3,144	3,373	28,072
Loss carried forwards	104,618	114,362	934,089
Accrued bonus	2,796	2,908	24,964
Depreciation	3,132	3,810	27,964
Impairment loss	13,870	18,170	123,839
Other	11,215	7,307	100,134
Gross deferred tax assets	153,876	164,900	1,373,892
Valuation allowance	(128,879)	(141,580)	(1,150,705)
Total deferred tax assets	24,997	23,320	223,187
Unrealized gain on available-for-sale securities	(6,153)	(10,126)	(54,938)
Undistributed earnings of overseas consolidated subsidiaries	(5,017)	(3,815)	(44,795)
Revaluation difference on land	(545)	(3,465)	(4,866)
Other	(2,998)	(1,095)	(26,767)
Total deferred tax liabilities	(14,713)	(18,501)	(131,366)
Net deferred tax assets	<u>¥ 10,284</u>	<u>¥ 4,819</u>	<u>\$ 91,821</u>

## 16. Other Comprehensive Income

(For the year ended March 31, 2016)

- 1) The following table presents components of recycled amounts of other comprehensive income for the year ended March 31, 2016:

	Millions of yen	
Unrealized gain or loss on available-for-sale securities		
Amount arising during the year	¥ (9,679)	
Reclassification adjustments for gains and losses included in profit	(1,593)	¥ (11,272)
Deferred gain or loss on derivatives under hedge accounting		
Amount arising during the year	(5,144)	
Adjustments for amounts transferred to assets' acquisition costs	2,859	(2,285)
Adjustments for retirement benefits		
Amount arising during the year	(7,970)	

Reclassification adjustments for gains and losses included in profit	1,783	(6,187)
Foreign currency translation adjustments		
Amount arising during the year	(8,680)	
Reclassification adjustments for gains and losses included in profit	5	(8,675)
Share of other comprehensive income of affiliates accounted for by the equity method		
Amount arising during the year	(3,871)	
Reclassification adjustments for gains and losses included in profit	(75)	
Adjustments for amounts transferred to assets' acquisition costs	¥ 238	(3,708)
Subtotal before tax effects		(32,127)
Tax effects		6,016
Total other comprehensive income		¥ (26,111)

Thousands of U.S. dollars

Unrealized gain or loss on available-for-sale securities		
Amount arising during the year	\$ (86,420)	
Reclassification adjustments for gains and losses included in profit	(14,223)	\$ (100,643)
Deferred gain or loss on derivatives under hedge accounting		
Amount arising during the year	(45,929)	
Adjustments for amounts transferred to assets' acquisition costs	25,527	(20,402)
Adjustments for retirement benefits		
Amount arising during the year	(71,161)	
Reclassification adjustments for gains and losses included in profit	15,920	(55,241)
Foreign currency translation adjustments		
Amount arising during the year	(77,500)	
Reclassification adjustments for gains and losses included in profit	45	(77,455)
Share of other comprehensive income of affiliates accounted for by the equity method		
Amount arising during the year	(34,562)	
Reclassification adjustments for gains and losses included in profit	(670)	
Adjustments for amounts transferred to assets' acquisition costs	2,125	(33,107)
Subtotal before tax effects		(286,848)
Tax effects		53,714
Total other comprehensive income		\$ (233,134)

2) Deferred tax of other comprehensive income for the year ended March 31, 2016:

	Millions of yen		
	Before-tax amounts	Tax (expense) benefits	Net-of-tax amounts
Unrealized gain or loss on available-for-sale securities	¥ (11,272)	¥ 3,973	¥ (7,299)
Deferred gain or loss on derivatives under hedge accounting	(2,285)	712	(1,573)
Adjustments for retirement benefits	(6,187)	1,331	(4,856)
Foreign currency translation adjustments	(8,675)	-	(8,675)
Share of other comprehensive income of affiliates accounted for by the equity method	(3,708)	-	(3,708)
Total other comprehensive income	¥ (32,127)	¥ 6,016	¥ (26,111)

	Thousands of U.S. dollars		
	Before-tax amounts	Tax benefits (expense)	Net-of-tax amounts
Unrealized gain or loss on available-for-sale securities	\$ (100,643)	\$ 35,473	\$(65,170)
Deferred gain or loss on derivatives under hedge accounting	(20,402)	6,357	(14,045)
Adjustments for retirement benefits	(55,241)	11,884	(43,357)
Foreign currency translation adjustments	(77,455)	-	(77,455)
Share of other comprehensive income of affiliates accounted for by the equity method	(33,107)	-	(33,107)
Total other comprehensive income	\$ (286,848)	\$ 53,714	\$ (233,134)

(For the year ended March 31, 2015)

- 1) The following table presents components of recycled amounts of other comprehensive income for the year ended March 31, 2015:

	Millions of yen	
Unrealized gain or loss on available-for-sale securities		
Amount arising during the year	¥ 7,765	
Reclassification adjustments for gains and losses included in profit	(5,959)	¥ 1,806
Deferred gain or loss on derivatives under hedge accounting		
Amount arising during the year	1,638	
Adjustments for amounts transferred to assets' acquisition costs	(437)	1,201
Adjustments for retirement benefits		
Amount arising during the year	(5,969)	
Reclassification adjustments for gains and losses included in profit	1,541	(4,428)
Foreign currency translation adjustments		
Amount arising during the year	7,084	

Reclassification adjustments for gains and losses included in profit	(6)	7,078
Share of other comprehensive income of affiliates accounted for by the equity method		
Amount arising during the year	6,430	
Reclassification adjustments for gains and losses included in profit	(567)	
Adjustments for amounts transferred to assets' acquisition costs	¥ (0)	5,863
Subtotal before tax effects		11,520
Tax effects		461
Total other comprehensive income		¥ 11,981

2) Deferred tax of other comprehensive income for the year ended March 31, 2015:

	Millions of yen		
	Before-tax amounts	Tax (expense) benefits	Net-of-tax amounts
Unrealized gain or loss on available-for-sale securities	¥ 1,806	¥ 385	¥ 2,191
Deferred gain or loss on derivatives under hedge accounting	1,201	(421)	780
Adjustments for retirement benefits	(4,428)	497	(3,931)
Foreign currency translation adjustments	7,078	-	7,078
Share of other comprehensive income of affiliates accounted for by the equity method	5,863	-	5,863
Total other comprehensive income	¥ 11,520	¥ 461	¥ 11,981

## 17. Financial Instruments

### 1. Conditions of Financial instruments

#### 1) Policy for financial instruments

The fund management policy of the Group (the Company and its consolidated subsidiaries) has been set up to put its operating funds in deposits or investments that are assured of no impairment in the principal and the necessary fund is obtained through borrowings from banks and other financial institutions and bond issuances.

Derivative transactions are not entered into for speculative purposes.

#### 2) Details of financial instruments and associated risks and risk management system

Trade notes and accounts receivable arising from operation are exposed to credit risk of customers. The Group carries out the practice of keeping track of due dates and outstanding balances of each customer under the credit management rules, as well as monitoring major customers' credit status on a regular basis in order to minimize credit risk.

Marketable securities and investment securities are mainly equity securities and exposed to the risk of changes in market value. These securities are primarily the shares of companies with which the Group has business relationship, and the fair value of these

securities are evaluated on a regular basis.

Trade notes and accounts payable arising from operations normally have payment terms of less than one year.

Short-term and long-term debt are mainly utilized for working capital and capital investments. The interest rate risk of a certain portion of those loans payable is hedged using interest rate swaps as hedging instruments.

On derivative transactions, foreign exchange forward contracts are used for hedge of foreign currency risk associated with receivables and payables arising from operations and denominated in foreign currency, interest rate swaps are used for hedge of interest rate risk associated with loans payable, metal forward contracts are used for hedge of price risk of raw materials and work in process. Execution and management of derivative transactions are subject to related internal rules.

In relation to accounting for hedge transactions, hedging instruments and hedged items, hedging policy, and effectiveness of hedge transactions are set out in the Company's internal rules.

Although trade payable and short-term and long-term debt are exposed to liquidity risk, these payables are managed by such means as cash flow projections prepared on a timely manner.

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

The fair value of financial instruments is based upon the market prices or reasonable estimates of fair value of these instruments if these fair values are not available. The estimated fair values would not be fixed due to variety of factors and assumptions. In addition, the contractual amounts of the derivative transactions set out in "2. Fair value of financial instruments" as below are not an indicator of the market risk associated with derivative transactions.

### 2. Fair value of financial instruments

The carrying amounts on the consolidated balance sheets, fair value, and differences as of March 31, 2016 and 2015 are as follows. In addition, financial instruments, of which it is extremely difficult to measure the fair value, are not included in the following table. (Please see "Financial instruments of which the fair value is extremely difficult to measure")

(At March 31, 2016)

	Millions of yen		
	Carrying amount (*1)	Fair value (*1)	Difference
(1) Cash and bank deposits	¥ 52,504	¥ 52,504	¥ -
(2) Trade receivable	187,029	187,029	-
(3) Marketable securities and investments securities			
a. Held-to-maturity debt securities	114	119	5
b. Available-for-sale securities	34,668	34,668	-
c. Unconsolidated subsidiaries and affiliated companies	57,762	37,784	(19,978)
Total of assets	332,077	312,104	(19,973)
(1) Trade payable	(100,398)	(100,398)	-
(2) Short-term debt	(113,082)	(113,082)	-



(3) Bonds (including current portion)	(30,000)	(30,209)	(209)
(4) Long-term debt	(114,764)	(116,750)	(1,986)
Total of liabilities	(358,244)	(360,439)	(2,195)
Derivative transactions (*2)			
(1) Derivative transactions for which hedge accounting does not apply	208	208	-
(2) Derivative transactions for which hedge accounting apply	(1,534)	(1,534)	-
Total of derivative transactions	¥ (1,326)	¥ (1,326)	¥ -

	Thousands of U.S. dollars		
	Carrying amount (*1)	Fair value (*1)	Difference
(1) Cash and bank deposits	\$ 468,786	\$ 468,786	\$ -
(2) Trade receivable	1,669,902	1,669,902	-
(3) Marketable securities and investments securities			
a. Held-to-maturity debt securities	1,018	1,063	45
b. Available-for-sale securities	309,536	309,536	-
c. Unconsolidated subsidiaries and affiliated companies	515,732	337,357	(178,375)
Total of assets	\$2,964,974	\$2,786,644	(178,330)
(1) Trade payable	(896,411)	(896,411)	-
(2) Short-term debt	(1,009,661)	(1,009,661)	-
(3) Bonds (including current portion)	(267,857)	(269,723)	(1,866)
(4) Long-term debt	(1,024,679)	(1,042,411)	(17,732)
Total of liabilities	(3,198,608)	(3,218,206)	(19,598)
Derivative transactions (*2)			
(1) Derivative transactions for which hedge accounting does not apply	1,857	1,857	-
(2) Derivative transactions for which hedge accounting apply	(13,696)	(13,696)	-
Total of derivative transactions	\$ (11,839)	\$ (11,839)	\$ -

(\*1); Liabilities are included in parentheses.

(\*2); Assets and liabilities arising from derivative transactions are presented on a net basis and net liabilities are included in parentheses.

(At March 31, 2015)

	Millions of yen		
	Carrying amount (*1)	Fair value (*1)	Difference
(1) Cash and bank deposits	¥ 30,011	¥ 30,011	¥ -
(2) Trade receivable	190,431	190,431	-
(3) Marketable securities and investments securities			
a. Held-to-maturity debt securities	117	122	5
b. Available-for-sale securities	46,604	46,604	-
c. Unconsolidated subsidiaries and affiliated companies	59,340	51,783	(7,557)
Total of assets	326,503	318,951	(7,552)
(1) Trade payable	(110,404)	(110,404)	-
(2) Short-term debt	(96,749)	(96,749)	-
(3) Bonds (including current portion)	(40,000)	(40,329)	(329)
(4) Long-term debt	(137,783)	(136,745)	1,038
Total of liabilities	(384,936)	(384,227)	709
Derivative transactions (*2)			
(1) Derivative transactions for which hedge accounting does not apply	(54)	(54)	-
(2) Derivative transactions for which hedge accounting apply	782	782	-
Total of derivative transactions	¥ 728	¥ 728	¥ -

(\*1); Liabilities are included in parentheses.

(\*2); Assets and liabilities arising from derivative transactions are presented on a net basis and net liabilities are included in parentheses.

## I. Fair value of financial instruments

### Assets

#### (1) Cash and deposits

The carrying amount approximates fair value due to the short maturity of these instruments.

#### (2) Trade receivable

The carrying amount approximates fair value due to the short maturity of these instruments.

A part of trade receivable is treated as receivable denominated in Japanese yen due to applying the special treatment of foreign currency exchange contracts and the carrying amount approximates fair value.

#### (3) Marketable securities and investment securities

The fair value of equity securities is based on quoted market price, if available. The fair value of debt securities is based on quoted market price or provided price by financial institutions. Marketable securities and investment securities by holding purpose are set out in "Note 5. Debt and Equity Securities".

## Liabilities

### (1) Trade payable

The carrying amount approximates fair value because of the short maturity of these instruments.

A part of trade payable is treated as payable denominated in Japanese yen due to applying the special treatment of foreign currency exchange contracts and the carrying amount approximates fair value.

### (2) Short-term debt

The carrying amount approximates fair value because of the short maturity of these instruments.

### (3) Bonds

Fair value of bonds is based on quoted market price, if available. If not, the fair value is based on present value by discounting total cash flows of principal and interest to be paid at the rate considering remaining periods of those bonds and the related credit risk.

### (4) Long-term debt

Fair value of long-term debts is based on the price provided by financial institutions or the present value of future cash flows discounted using the current interest rate for similar debt of a comparable maturity. Interest rate swaps subject to special treatment are used for long-term floating rate debt. Principal and interest of the interest in which these interest rate swaps are embedded, are discounted using the current interest rate, which is estimated reasonably for similar debt of a comparable maturity.

## Derivative Transactions

Notional amount, fair value, unrealized gain or loss, and others are described in “Note 18. Additional Information on Derivatives”.

## II. Financial instruments of which the fair value is extremely difficult to measure

Unlisted investment securities of unconsolidated subsidiaries and affiliated companies amounted to ¥16,500 million (\$147,321 thousand) and ¥26,082 million as of March 31, 2016 and 2015 are not included in (3) Marketable securities and investments securities a. Held-to-maturity debt securities and c. Unconsolidated subsidiaries and affiliated companies above, because market value is not available and their future cash flow are difficult to estimate, accordingly it is not practicable to estimate the fair value.

## III. The redemption schedule for money claim and held-to-maturity debt securities with maturity date subsequent to the consolidated balance sheets date:

(At March 31, 2016)

	Millions of yen			
	Within 1 year	Over 1 year to 5 years	Over 5 year to 10 years	Over 10 years
Bank deposits	¥ 51,700	¥ -	¥ -	¥ -
Trade receivable	187,029	-	-	-
Marketable securities and investments securities				
Held-to-maturity debt securities:				
Other debt securities	15	99	-	-
Total	¥ 238,744	¥ 99	¥ -	¥ -

	Thousands of U.S. dollars			
	Within 1 year	Over 1 year to 5 years	Over 5 year to 10 years	Over 10 years
Bank deposits	\$ 461,607	\$ -	\$ -	\$ -
Trade receivable	1,669,902	-	-	-
Marketable securities and investments securities				
Held-to-maturity debt securities:				
Other debt securities	134	884	-	-
Total	\$ 2,131,643	\$ 884	\$ -	\$ -

(At March 31, 2015)

	Millions of yen			
	Within 1 year	Over 1 year to 5 years	Over 5 year to 10 years	Over 10 years
Bank deposits	¥ 29,304	¥ -	¥ -	¥ -
Trade receivable	190,431	-	-	-
Marketable securities and investments securities				
Held-to-maturity debt securities:				
Other debt securities	19	-	98	-
Total	¥ 219,754	¥ -	¥ 98	¥ -

IV. The redemption schedule for long-term debt and other interest bearing debt with maturity date subsequent to the consolidated balance sheets date are described in "Note 9. Short-term Debt, Long-term Debt and Bonds".

## 18. Additional Information on Derivatives

### 1. At March 31, 2016

#### 1) Derivative transactions for which hedge accounting does not apply

##### a) Foreign currency related transactions

	Millions of yen				Thousands of U.S. dollars			
	Notional Amount	Portion over 1 year	Fair value (*)	Unrealized gain(loss)	Notional Amount	Portion over 1 year	Fair value (*)	Unrealized gain(loss)
Non-market transaction								
Foreign currency:								
Sell	¥2,360	¥ -	¥ 54	¥ 54	\$21,071	\$ -	\$ 482	\$ 482
Buy	4,808	173	104	104	42,929	1,545	929	929
Total	¥7,168	¥ 173	¥158	¥158	\$64,000	\$ 1,545	\$ 1,411	\$ 1,411

(\*) Fair value is determined by prices obtained from foreign exchange market.

##### b) Commodity related transactions

	Millions of yen				Thousands of U.S. dollars			
	Notional Amount	Portion over 1 year	Fair value (*)	Unrealized gain(loss)	Notional Amount	Portion over 1 year	Fair value (*)	Unrealized gain(loss)
Market transaction								
Forward contracts:								
Sell	¥7,081	¥ -	¥ 7	¥ 7	\$ 63,223	\$ -	\$ 63	\$ 63
Buy	4,497	1,034	43	43	40,152	9,232	384	384
Total	¥11,578	¥ 1,034	¥ 50	¥ 50	\$ 103,375	\$ 9,232	\$ 447	\$ 447

(\*) Fair value is determined by prices obtained from commodity exchange market.

#### 2) Derivative transactions for which hedge accounting apply

##### a) Foreign currency related transactions

	Millions of yen					Thousands of U.S. dollars		
	Hedged item	Notional Amount	Portion over 1 year	Fair value (*)	Calculati-on method of fair value	Notional Amount	Portion over 1 year	Fair value (*)
Normal accounting method								
Foreign currency:								
Sell	Trade receivable	¥ 3,235	¥ -	¥175	Forward rate of Foreign currency	\$ 28,884	\$ -	\$1,562

Buy	Trade payable	17,934	-	(1,045)	Forward rate of Foreign currency	160,125	-	(9,330)
Assignment accounting (special treatment for foreign exchange forward contracts)								
Foreign currency:								
Sell	Trade receivable	7,253	-	-	-	64,759	-	-
Buy	Trade payable	332	-	-	-	2,964	-	-
Currency swap								
	Long-term debt	10,479	10,479	-	-	93,563	93,563	-
	Total	<u>¥39,233</u>	<u>¥10,479</u>	<u>¥(870)</u>		<u>\$350,295</u>	<u>\$ 93,563</u>	<u>\$ 7,768</u>

(\*) The fair value of foreign currency related transactions subject to assignment accounting (special treatment for foreign exchange forward contract) is accounted for together with the underlying trade receivable or trade payable or long-term debt subject to hedging.

b) Interest-rate related transactions

		Millions of yen			Thousands of U.S. dollars		
		2016			2016		
Hedged item		Notional Amount	Portion over 1 year	Fair value (*)	Notional Amount	Portion over 1 year	Fair value (*)
Special treatment interest rate swap:							
Receiving fixed rates and paying floating rates	Long-term debt	¥ 2,099	933		\$ 18,741	\$ 8,330	
Receiving floating rates and paying fixed rates	Long-term debt	<u>83,622</u>	<u>63,471</u>		<u>746,625</u>	<u>566,705</u>	
	Total	<u>¥85,721</u>	<u>¥64,404</u>	-	<u>\$765,366</u>	<u>\$ 575,035</u>	-

(\*) The fair value of interest rate swaps subject to special treatment embeds in long-term debt subject to hedging included in the fair value of the corresponding long-term debt.

c) Commodity related transactions

		Millions of yen			Thousands of U.S. dollars			
		2016			2016			
Hedged item		Notional Amount	Portion over 1 year	Fair value	Calculation method of fair value	Notional Amount	Portion over 1 year	Fair value
Normal accounting method:								

Forward contracts for metal materials:

Raw	¥1,302	¥ -	¥ (184)	Forward rate of	\$ 11,625	\$ -	\$ (1,643)
Sell materials and work				metal			
Buy in process	9,455	204	(480)	material	84,420	1,821	(4,286)
Total	<u>¥10,757</u>	<u>¥ 204</u>	<u>¥(664)</u>		<u>\$ 96,045</u>	<u>\$ 1,821</u>	<u>\$ (5,929)</u>

2. At March 31, 2015

1) Derivative transactions for which hedge accounting does not apply

a) Foreign currency related transactions

Millions of yen				
2015				
	Notional Amount	Portion over 1 year	Fair value (*)	Unrealized gain(loss)
Non-market transaction				
Foreign currency:				
Sell	¥ 2,786	¥ -	¥ (79)	¥ (79)
Buy	5,470	-	165	165
Total	<u>¥ 8,256</u>	<u>¥ -</u>	<u>¥ 86</u>	<u>¥ 86</u>

(\*) Fair value is determined by prices obtained from foreign exchange market.

b) Commodity related transactions

Millions of yen				
2015				
	Notional Amount	Portion over 1 year	Fair value (*)	Unrealized gain(loss)
Market transaction				
Forward contracts:				
Sell	¥10,564	¥ -	¥ (83)	¥ (83)
Buy	6,414	-	(57)	(57)
Total	<u>¥16,978</u>	<u>¥ -</u>	<u>¥ (140)</u>	<u>¥ (140)</u>

(\*) Fair value is determined by prices obtained from commodity exchange market.

2) Derivative transactions for which hedge accounting apply

a) Foreign currency related transactions

Millions of yen					
2015					
Hedged item	Notional Amount	Portion over 1 year	Fair value (*)	Calculation method of fair value	
Normal accounting method					
Foreign currency:					
Sell	Trade receivable	¥ 3,090	¥ -	¥ (219)	Forward rate of Foreign currency
Buy	Trade payable	9,045	0	697	Forward rate of Foreign currency

Assignment accounting (special treatment for foreign exchange forward contract)

Foreign currency:

Sell	Trade receivable	5,856	-	-	
Buy	Trade payable	432	-	-	
Total		¥ 18,423	¥ 0	¥ 478	

\*) The fair value of foreign currency related transactions subject to assignment accounting (special treatment for foreign exchange forward contract) is accounted for together with the underlying trade receivable or trade payable or long-term debt subject to hedging.

b) Interest-rate related transactions

Millions of yen				
2015				
	Hedged item	Notional Amount	Portion over 1 year	Fair value (*)
Special treatment interest rate swap:				
Receiving fixed rates and paying floating rates	Long-term debt	¥ 8,413	6,203	
Receiving floating rates and paying fixed rates	Long-term debt	85,230	81,755	
Receiving floating rates and paying floating rates	Long-term debt	200	-	
Total		¥ 93,843	¥ 87,958	-



(\*) The fair value of interest rate swaps subject to special treatment is accounted for together with the underlying trade receivable or trade payable or long-term debt subject to hedging.

c) Commodity related transactions

Millions of yen				
2015				
Hedged item	Notional Amount	Portion over 1 year	Fair value	Calculation method of fair value
Normal accounting method:				
Forward contracts for metal materials:				
Sell Raw materials and work in process	¥ 1,478	¥ -	¥ (152)	Forward rate of metal material
Buy process	8,666	119	456	
Total	¥ 10,144	¥ 119	¥ 304	

## 19. Real Estate for Rental and Others

(For the year ended March 31, 2016)

The note of real estate for rental and others for the year ended March 31, 2016 was omitted as the information is immaterial.

(For the year ended March 31, 2015)

Millions of yen				
2015				
Hedged item	Notional Amount	Portion over 1 year	Fair value	Calculation method of fair value
Normal accounting method:				
Forward contracts for metal materials:				
Sell Raw materials and work in process	¥ 1,478	¥ -	¥ (152)	Forward rate of metal material
Buy process	8,666	119	456	
Total	¥ 10,144	¥ 119	¥ 304	

The Company and certain consolidated subsidiaries have rentable land and rental office buildings located in Tokyo and other prefectures. Net revenue of such real estate (main revenue of such real estate is included in operating revenue and main costs for such real estate are included in operating expenses) amounted to ¥1,767 million.

The carrying amount, fair value and changes in the value of real estate related to real estate for rental and others are as follows:

Millions of yen			
Carrying amount in the consolidated balance sheets			Fair value
Opening balance	Net changes	Closing balance	
¥ 14,310	¥ (1,844)	¥ 12,466	¥ 32,328

1) The carrying amount is the amount of its acquisition costs less accumulated depreciation and accumulated impairment losses.

2) The changes in the carrying amount are mainly an increase due to capital expenditures and a decrease due to sales and disposal of real estate amounted to ¥579 million and a change in purpose of possession amounted to ¥901 million.

3) Fair value is primarily determined based on internal assessed value according to the Real Estate Appraisal Standards, or amount based on certain evaluated value and value based on the index appropriately affecting real estate market.

## 20. Segment Information

### 1. Outline of reportable segments

The reportable segments of the Company are components for which the financial information can be obtained separately from its other components, and the Board of Directors reviews such reportable segments on a regular basis in order to decide allocations of managerial resources and evaluate business performance.

On classification method of reportable segments in the Company's Group, business in the Company and its Group companies are separately reported based upon similarity of market and the Company decided five reportable segments, such as Telecommunications, Energy and industrial products, Electronics and automotive systems, Metals, and Services, development and other.

#### (1) Telecommunications:

Manufacture and sale of optical fiber cable, optical related parts, optical fiber cable-attached parts and construction, network equipment, etc.

#### (2) Energy and industrial products:

Manufacture and sale of bare wire, aluminum wire, insulated wire, power cables, power cable-attached parts and construction, electric wire tubing, plastic products, thermal engineering electric feeders, etc.

#### (3) Electronics and automotive systems:

Manufacture and sale of batteries, automobile parts and electric wire, magnet wire, heat pipes, aluminum plates for memory disks, electronic components and parts, etc.

#### (4) Metals:

Manufacture and sale of copper products such as copper tubes, rolled copper products, electrolytic copper foils, shape memory alloys, etc.

#### (5) Services, development and other:

Real estate service, distribution service, information service, development for new business, etc.

2. Segment information on sales and income (loss), identifiable assets and other items by business for the years ended March 31, 2016 and 2015 is summarized as follows:

(For the year ended March 31, 2016)

Millions of yen								
	Telecommuni- cations	Energy and industrial products	Electronics and automotive systems	Metals	Services, development and other	Sub-total	Adjustments*	Total
Net sales								
Outside customers	¥ 153,360	¥ 243,870	¥ 321,930	¥ 117,558	¥ 38,162	¥ 874,880	¥ -	¥ 874,880
Inter-segment sales	5,868	37,420	9,142	4,860	16,016	73,306	(73,306)	-
Total	159,228	281,290	331,072	122,418	54,178	948,186	(73,306)	874,880
Segment income(loss)	¥ 7,766	¥ 7,048	¥ 12,923	¥ (1,119)	¥ 493	¥ 27,111	¥ 5	¥ 27,116
Assets	¥ 133,233	¥ 139,416	¥ 219,751	¥ 102,689	¥ 151,600	¥ 746,689	¥ (40,963)	¥ 705,726
Others								
Depreciation	¥ 4,906	¥ 3,162	¥ 8,793	¥ 3,984	¥ 1,313	¥ 22,158	¥ 1,078	¥ 23,236
Amortization of goodwill	¥ 96	¥ 122	¥ 42	¥ -	¥ 346	¥ 606	¥ -	¥ 606
Investments in affiliates accounted for by the equity method	¥ 1,969	¥ 5,646	¥ 9,378	¥ 4,040	¥ 47,498	¥ 68,531	¥ -	¥ 68,531
Tangible/intangible fixed assets increased	¥ 5,328	¥ 4,209	¥ 10,675	¥ 1,961	¥ 2,423	¥ 24,596	¥ 1,091	¥ 25,687

(For the year ended March 31, 2015)

Millions of yen								
	Telecommuni- cations	Energy and industrial products	Electronics and automotive systems	Metals	Services, development and other	Sub-total	Adjustments*	Total
Net sales								
Outside customers	¥ 149,565	¥ 251,386	¥ 299,667	¥ 130,255	¥ 36,945	¥ 867,818	¥ -	¥ 867,818
Inter-segment sales	5,650	41,826	8,540	3,436	16,572	76,024	(76,024)	-
Total	155,215	293,212	308,207	133,691	53,517	943,842	(76,024)	867,818
Segment income(loss)	¥ 5,653	¥ 4,293	¥ 12,923	¥ (4,944)	¥ (122)	¥ 17,803	¥ 70	¥ 17,873
Assets	¥ 133,384	¥ 158,981	¥ 219,767	¥ 112,703	¥ 139,740	¥ 764,575	¥ (30,450)	¥ 734,125
Others								
Depreciation	¥ 4,928	¥ 3,166	¥ 7,408	¥ 4,488	¥ 1,360	¥ 21,350	¥ 1,159	¥ 22,509
Amortization of goodwill	¥ 88	¥ 124	¥ 70	¥ -	¥ 345	¥ 627	¥ -	¥ 627
Investments in affiliates accounted for by the equity method	¥ 1,630	¥ 12,666	¥ 9,305	¥ 5,925	¥ 49,331	¥ 78,857	¥ -	¥ 78,857
Tangible/intangible fixed assets increased	¥ 5,215	¥ 2,992	¥ 11,837	¥ 8,227	¥ 1,724	¥ 29,995	¥ 680	¥ 30,675

(For the year ended March 31, 2016)

	Telecommuni- cations	Energy and industrial products	Electronics and automotive systems	Metals	Services, development and other	Sub-total	Adjustments*	Total
Net sales								
Outside customers	\$ 1,369,286	\$ 2,177,411	\$ 2,874,375	\$ 1,049,625	\$ 340,732	\$ 7,811,429	\$ -	\$ 7,811,429
Inter-segment sales	52,393	334,107	81,625	43,393	143,000	654,518	(654,518)	-
Total	1,421,679	2,511,518	2,956,000	1,093,018	483,732	8,465,947	(654,518)	7,811,429
Segment income(loss)	\$ 69,340	\$ 62,929	\$ 115,384	\$ (9,991)	\$ 4,402	\$ 242,064	\$ 44	\$ 242,108
Assets	\$ 1,189,580	\$ 1,244,786	\$ 1,962,063	\$ 916,866	\$ 1,353,572	\$ 6,666,867	\$ (365,741)	\$ 6,301,126
Others								
Depreciation	\$ 43,804	\$ 28,232	\$ 78,509	\$ 35,571	\$ 11,723	\$ 197,839	\$ 9,625	\$ 207,464
Amortization of goodwill	\$ 857	\$ 1,089	\$ 375	\$ -	\$ 3,090	\$ 5,411	\$ -	\$ 5,411
Investments in affiliates accounted for by the equity method	\$ 17,580	\$ 50,411	\$ 83,732	\$ 36,071	\$ 424,089	\$ 611,883	\$ -	\$ 611,883
Tangible/intangible fixed assets increased	\$ 47,571	\$ 37,580	\$ 95,313	\$ 17,509	\$ 21,634	\$ 219,607	\$ 9,741	\$ 229,348

\* Inter-segment transactions are eliminated from the consolidated financial statements. Corporate assets are included in the consolidated financial statements. Adjustments include increase of tangible/intangible fixed assets and depreciation related to the corporate assets.

<Related information>  
Information by regions

(For the year ended March 31, 2016)

	Millions of yen			
	Japan	Asia	Other areas	Total
Net sales	¥ 469,617	¥ 256,852	¥ 148,411	¥ 874,880
Property, plant and equipment, net of accumulated depreciation	¥ 119,200	¥ 55,131	¥ 22,213	¥ 196,544

	Thousands of U.S. dollars (Note 3)			
	Japan	Asia	Other areas	Total
Net sales	\$ 4,193,009	\$ 2,293,321	\$ 1,325,089	\$ 7,811,419
Property, plant and equipment, net of accumulated depreciation	\$ 1,064,286	\$ 492,241	\$ 198,331	\$ 1,754,858

(For the year ended March 31, 2015)

	Millions of yen			
	Japan	Asia	Other areas	Total
Net sales	¥ 482,565	¥ 245,005	¥ 140,248	¥ 867,818
Property, plant and equipment, net of accumulated depreciation	¥ 118,911	¥ 55,688	¥ 24,618	¥ 199,217

<Information of impairment loss by reportable segments>

(For the year ended March 31, 2016)

	Millions of yen							
	Telecommunications	Energy and industrial products	Electronics and automotive systems	Metals	Services, development and other	Sub-total	Adjustments	Total
Impairment loss	¥ 26	¥ -	¥ 967	¥ 3	¥ -	¥ 996	¥ -	¥ 996

	Thousands of U.S. dollars (Note 3)							
	Telecommunications	Energy and industrial products	Electronics and automotive systems	Metals	Services, development and other	Sub-total	Adjustments	Total
Impairment loss	\$ 232	\$ -	\$ 8,634	\$ 27	\$ -	\$ 8,893	\$ -	\$ 8,893

(For the year ended March 31, 2015)

	Millions of yen							
	Telecommunications	Energy and industrial products	Electronics and automotive systems	Metals	Services, development and other	Sub-total	Adjustments	Total
Impairment loss	¥ 93	¥ 546	¥ 78	¥ 185	¥ 445	¥ 1,347	¥ -	¥ 1,347

<Information of goodwill by reportable segments>

(For the year ended March 31, 2016)

	Millions of yen							
	Telecommunications	Energy and industrial products	Electronics and automotive systems	Metals	Services, development and other	Sub-total	Adjustments	Total
Amortization of goodwill	¥ 97	¥ 122	¥ 41	¥ -	¥ 346	¥ 606	¥ -	¥ 606
Goodwill as of March 31	¥ 526	¥ 629	¥ 51	¥ -	¥ 2,563	¥ 3,769	¥ -	¥ 3,769

	Thousands of U.S. dollars (Note 3)							
	Telecommunications	Energy and industrial products	Electronics and automotive systems	Metals	Services, development and other	Sub-total	Adjustments	Total
Amortization of goodwill	\$ 866	\$ 1,089	\$ 366	\$ -	\$ 3,090	\$ 5,411	\$ -	\$ 5,411
Goodwill as of March 31	\$ 4,697	\$ 5,616	\$ 455	\$ -	\$ 22,884	\$ 33,652	\$ -	\$ 33,652

(For the year ended March 31, 2015)

	Millions of yen							
	Telecommunications	Energy and industrial products	Electronics and automotive systems	Metals	Services, development and other	Sub-total	Adjustments	Total
Amortization of goodwill	¥ 88	¥ 124	¥ 69	¥ -	¥ 346	¥ 627	¥ -	¥ 627
Goodwill as of March 31	¥ 72	¥ 794	¥ 104	¥ -	¥ 2,909	¥ 3,879	¥ -	¥ 3,879

## 22. Related Party Transactions

### 1. Transactions of the Company with related companies

(For the year ended March 31, 2016)

Type of Related Party	Affiliate
Name	VISCAS Corporation.
Address	Shinagawa-ku Tokyo
Capital	¥ 13,600 million (\$121,429 thousand)
Type of business	Energy and industrial products
Voting right share owing (share owned)	Direct 50.0%
Business relationship	Sale of material, purchase of finished goods, lease contracts of real estate, appointment of directors to other companies and providing financial support.
Description of transactions	Loans guaranteed
Amounts of transactions	¥ 10,061 million (\$89,830 thousand)
Accounts	—
Closing balances	—

(For the year ended March 31, 2015)

Type of Related Party	Affiliate
Name	VISCAS Corporation.
Address	Shinagawa-ku Tokyo
Capital	¥ 13,600 million
Type of business	Energy and industrial products
Voting right share owing (share owned)	Direct 50.0%
Business relationship	Sale of material, purchase of finished goods, lease contracts of real estate, appointment of directors to other companies and providing financial support.
Description of transactions	Loans guaranteed
Amounts of transactions	¥ 9,820 million
Accounts	—
Closing balances	—

### 2. Information on the parent company and significant affiliate companies

(For the years ended March 31, 2016 and 2015)

#### 1) Information on the parent company

None.

#### 2) Financial statements of a significant affiliate company

A significant affiliate company is UACJ Corporation (hereafter "UACJ").

Summarized aggregate financial statement data of UACJ is as follows.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Total current assets	¥263,409	¥269,889	\$2,351,866
Total non-current assets	¥399,135	¥408,063	\$3,563,705
Total current liabilities	¥249,784	¥287,884	\$2,230,214
Total non-current liabilities	¥234,177	¥202,932	\$2,090,866
Net assets	¥178,582	¥187,136	\$1,594,482
Sales	¥575,735	¥572,541	\$5,140,491
Profit before income taxes	¥13,976	¥18,856	\$124,786
Profit to attributable to owners of parent	¥5,105	¥8,649	\$45,580

## Independent Auditor's Report

The Board of Directors  
Furukawa Electric Co., Ltd.

We have audited the accompanying consolidated financial statements of Furukawa Electric Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Furukawa Electric Co., Ltd. and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

*Ernst & Young ShinNihon LLC*

June 27, 2016