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Fujikura Ltd.

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Stock Code: 5803

<http://www.fujikura.co.jp/eng/>

The corporate governance of Fujikura is described below.

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

### 1. Basic Views

Fujikura believes the corporate governance system discussed herein is optimal for achieving its growth strategies. In light of this, Fujikura has adopted the “company with audit and supervisory committee” organizational structure to establish the corporate governance system outlined herein.

#### (1) Enhancing the decision-making capabilities of the Board of Directors

Fujikura needs to build a structure whereby the Board of Directors thoroughly and extensively explores important matters, including the annual and mid-term business plans, which are the core of our growth strategies, and large-scale M&A deals, so that proper decisions can be rendered. To facilitate this approach, in addition to our internal executive directors, who are well-versed in the businesses managed by each in-house company, Fujikura also plans to enlist several outside directors to take advantage of their diverse knowledge and objective opinions, which are not influenced by Fujikura’s internal state of affairs. Fujikura believes that engaging outside directors will facilitate the establishment of a structure whereby the Board of Directors can thoroughly and extensively explore and discuss vital matters to arrive an optimal decision.

At present, there are four outside directors: two with corporate management experience (in the finance and manufacturing industries, respectively) and two others (one a lawyer and the other a certified public accountant).

#### (2) Delegation of authority to directors engaging in the execution of business operations

The main businesses of Fujikura are organized into three in-house companies (the Power & Telecommunication Systems Company, Electronics business Company, and Automotive Products Company). An executive director is assigned to an in-house company to handle oversight. Fujikura believes that a flexible system needs to be put in place to facilitate quick and decisive decision-making by said executive directors on items exclusive to the in-house company and on matters with a relatively minimal

degree of risk. To this end, Fujikura plans to delegate a significant amount of authority to the executive directors in charge of management of the in-house companies.

And also Fujikura has set up a Nominating Advisory Committee and Remuneration Advisory Committee, both composed of a majority of outside directors, to nominate individuals to the position of executive director and to decide on appropriate remuneration. There is a system in place to ensure each committee objectively evaluates candidates and remunerations. Fujikura believes this boosts incentives to motivate executive directors to improve the performance of the in-house company they are put in charge of.

#### **[Reasons for Non-compliance with the Principles of the Corporate Governance Code]**

Fujikura is implementing each of the principles laid out in the Corporate Governance Code.

#### **[Disclosure Based on the Principles of the Corporate Governance Code]**

##### **[Principle 1.4] Strategic share holdings**

###### **1. Policy on strategic share holdings**

In the course of its business activities, Fujikura enters into strategic business partnerships, and it strategically holds shares of its partners exclusively for the purpose of contributing to an increase in corporate value over the mid to long-term. The Board of Directors assesses the investment rationale in accordance with the aforementioned strategic holdings policy to determine whether Fujikura should invest in such shares.

###### **2. Policy on voting rights**

Fujikura aptly exercises voting rights each year based on comprehensive decisions derived from the aforementioned strategic share holdings policy and from the perspective of an increase in corporate value in the mid to long-term.

##### **[Principle 1.7] Related party transactions**

Fujikura annually surveys related party transactions involving its directors and members of Audit and Supervisory Committee to ensure that such transactions do not harm Fujikura's interests. Based on the results of such survey, Fujikura discloses information concerning related party transactions in the Convocation Notice of the Annual General Meeting of Shareholders and annual securities report.

##### **[Principle 3.1] Improving disclosure**

###### **(i) Corporate goals (corporate philosophy, etc.) and management strategies and plans**

Fujikura has established the Fujikura Group corporate philosophy, Mission, Vision, & Core Value (MVCV), and a Mid-term Business Plan. Fujikura has uploaded them to our corporate website.

Group corporate philosophy: <http://www.fujikura.co.jp/eng/corporate/philosophy/index.html>

Mid-term Business Plan:

[http://www.fujikura.co.jp/eng/ir/management\\_policy/management\\_plan/index.html](http://www.fujikura.co.jp/eng/ir/management_policy/management_plan/index.html)

(ii) Basic stance and basic policy on corporate governance which reflect the principles of the Corporate Governance Code

See 1. Basic Views above.

(iii) Policy and procedures followed by the Board of Directors to determine remuneration for management executives and directors

At Fujikura, the Board of Directors decides on remuneration of each individual director. (1) Results of surveys, conducted by several research institutes of primarily publicly listed companies, are used as a reference. (2) The Board also receives a report from its advisory body, the Remuneration Advisory Committee (the majority of committee members are outside directors and the committee is also chaired by an outside director). The Board of Directors uses this information to determine individual director remuneration. The Remuneration Advisory Committee discusses the performance evaluation of each director, whether remuneration standards for each position are in line with the market, and the remuneration system. The committee submits a report on individual director remunerations, which take into account findings for each of the areas discussed. The Board of Directors then issues a decision on director remuneration based on the committee's report.

In specific, the director remuneration system consists of three components: basic compensation, short-term performance-based compensation, and stock-based compensation. The details of each component of compensation are as follows.

(1) Basic compensation

The compensation for the monitoring and supervision functions of each director, which is a fixed amount according to his/her rank.

(2) Short-term performance-based compensation

Compensation varies within a range from 0% to 200% of a base amount which is set by his/her rank, reflecting certain indicators used to measure corporate performance or the performance of the division under the director's oversight (operating income ratio, return on equity (ROE), and return on invested capital (ROIC)).

(3) Stock-based compensation

In addition to the monetary compensation in (1) and (2) above, Fujikura also grants shares of Fujikura Ltd. as compensation. This scheme is intended to enhance the motivation of directors towards contribution to an increase in corporate value of Fujikura by placing directors in a position to enjoy the merit of a rising share price as well as to bear the risk of a falling share price, whereby directors and shareholders share the merit and demerit of such fluctuations.

The above compensation system represents a compensation system for executive directors only, and compensations for non-executive directors, in light of their duties, will comprise exclusively a fixed amount as basic compensation, and will not include short-term performance-based compensation or stock-based compensation.

(iv) Policy and procedures followed by the Board of Directors to appoint executive management and nominate candidates for the position director and auditor

At Fujikura, the Nominating Advisory Committee (the majority of committee members are outside directors and the committee is also chaired by an outside director), an advisory body to the Board, discusses nomination criteria for director candidates. The committee then submits director candidates, based on the set criteria it set, to the Board of Directors. Based on the advice of the committee, the Board then submits a proposal for director candidates to be voted upon at the general meeting of shareholders.

(v) Explanations of individual appoints and nominations when appointing executive management and nominating director and auditor candidates in accordance with (iv) above

An explanation of individual director candidate nominations is disclosed in the reference documents of the notice to convene an annual general meeting of shareholders.

[Supplementary Principle 4.1.1] Matters for resolution by the Board of Directors and the scope of authority delegation from the Board of Directors to the executive directors

As indicated in 1. Basic Views, the Board of Directors delegates a significant amount of authority to the executive directors in charge of management of the in-house companies to establish a flexible system that facilitates quick and resolute decision-making. Meanwhile, the Board of Directors makes decisions on important matters, including the annual and mid-term business plans, which are the core of our growth strategies, and large-scale M&A deals. To this end, in addition to the internal executive directors, who are well-versed in its businesses, Fujikura also appoints several outside directors to take advantage of their diverse knowledge and objective opinions, which are not influenced by its internal state of affairs, while also facilitating ample discussions.

Details of the aforementioned allocation of authority on decision-making (the Board of Directors and executive directors) are determined by the Board of Directors to define the rules for responsibilities and authority of directors.

[Supplementary Principle 4.8] Effective use of independent outside directors

Fujikura has a total of 14 directors, of which four (4) are independent outside directors. The independent outside directors have a diverse background. One (1) is a lawyer, one (1) is a CPA, and two (2) have management experience (finance and manufacturing industries). These independent outside directors actively participate in discussions held by the Board of Directors and use their diverse knowledge and specialized expertise to offer up opinions. Furthermore, the incorporation of objective opinions not

influenced by internal circumstances at Fujikura into Board discussions contributes to the enhancement of the Board of Directors' decision-making.

[Supplementary Principle 4.9] Standards and qualifications for determining the independence of independent outside directors

The following are criteria for determining independence of outside directors at Fujikura.

Note that Fujikura has determined that the four (4) outside directors satisfy all of the following requirements to serve as an independent outside director.

A candidate must satisfy independence standards and qualifications. The candidate is not deemed independent should they, their spouse and children (dependents), and relatives to the second degree that either currently meet or in the most recent three-year period have met one of the following criteria.

- a. A major client of the Fujikura Group<sup>\*1</sup> or a person who executes business for a major client of the Fujikura Group<sup>\*2</sup>
- b. A person/company for which the Fujikura Group is a major client or a person/company that executes business for said person/company
- c. A shareholder with 10% more of total voting rights in Fujikura or a person who executes business for said shareholder
- d. A person receiving substantial contributions<sup>\*3</sup> from Fujikura or one of its subsidiaries, in addition to remuneration as an outside director or a person executing business for said person

\*1: Major client refers to a person/company that accounts for 1% or more of Fujikura's consolidated net sales or a person/company that earns 1% or more of their consolidated net sales from Fujikura

\*2: Person/company executing business on someone's behalf refers to a director engaging in the execution of business operations or an employee working under said director

\*3: Substantial contributions refers to annual amounts in excess of ¥10 million yen

[Supplementary Principle 4.11.1] View on the appropriate balance of the board as a whole, diversity, and board size

The Board of Directors consists of members that have engaged in practical operations for many years, are well-versed in Fujikura's actual conditions, and have a certain degree of general management knowhow. At times they are nominated to serve as executive directors depending on Fujikura's business portfolio and key measures. At present there are nine (9) executive directors sitting on the Board. Taking into consideration the balance with the number of executive directors on the Board, Fujikura shall engage several outside directors who have diverse knowledge and specialized expertise. At present, there are four (4) outside directors: one (1) is a lawyer, one (1) is a CPA, and two (2) have management experience (directors).

[Supplementary Principle 4.11.2] Policy for cases where directors and auditors also serve as directors at other listed companies

Fujikura confirms that there are no constraints that would prevent those directors or auditors, who concurrently serve as an executive, including director or members of audit and supervisory committee at another listed company, from executing their responsibilities and fulfilling their obligations at Fujikura. Information on key concurrent positions is disclosed annually in the reference materials to the Notification of the Annual General Meeting of Shareholders, business reports, and other documents.

[Supplementary Principle 4.11.3] Analysis and evaluation of the effectiveness of the Board of Directors

A survey is conducted on the effectiveness of the Board of Directors and applies to all directors. The survey includes questions on the adequacy of Board meetings overall (time, frequency, management of meeting proceedings, minutes, etc.), adequacy of agenda items (timing, importance, volume of information, etc.), aspects of Board members (participation in discussions, etc.), and executive office function. Fujikura considers what areas need to be corrected based on this survey. Note that in conjunction with the transition to a company with audit and supervisory committee, measures were executed to enhance decision-making by the Board of Directors and significantly delegate authority to executive directors. Reflecting this, the concerns related to the effectiveness of the Board, which were pointed out in the survey, were resolved to a large extent.

[Supplementary Principle 4.14.2] Disclosure of training policy for directors and auditors

Fujikura conducts training (both internal and outside training and seminars, etc.) and provides information as necessary to ensure that directors and members of audit and supervisory committee can fulfill their roles and responsibilities appropriately.

In the case of newly-appointed outside directors, before they take up their posts, Fujikura briefs them on its overview, corporate philosophy, business condition, corporate governance, and on rules and other matters related to their posts.

After taking up their posts, newly-appointed outside directors attend briefing sessions and office tours/inspections so that they can get an idea of Fujikura's business activities, industry trends, and the business environment. The ultimate purpose of this is to deepen their understanding of Fujikura.

[Principle 5.1] Constructive dialogue with shareholders

(i) Fujikura is committed to encouraging constructive dialogue with shareholders and investors as a means to achieving sustainable growth and increasing corporate value over the mid to long-term. Accordingly, Fujikura is promoting initiatives by which the President and senior management can engage in dialogue with shareholders and investors.

(ii) Fujikura places a director in charge handling constructive dialogue to ensure the effectiveness of dialogue and information disclosure. The IR Group within the Corporate Strategy Planning Division has

been set up under the director and cooperate with related departments to conduct the timely, fair, and adequate disclosure of information.

(iii) Other ways in which Fujikura discloses information include its Periodic Conferences for Analysts and Institutional Investors held four times a year (May, August, November, February), plant tours, and publications such as business reports and annual reports. The president and director in charge of investor relations directly visit institutional investors in Europe, North America, and Asia to provide a rundown of business operations, give briefings on earnings performance, and present an explanation of the Mid-term Business Plan. In addition, extensive dialogue is carried out, including through pertinent visits with investors, and opportunities to exchange opinions on matters such as the agenda of the general meeting of shareholders, the corporate governance structure, and CSR.

(iv) The president and director in charge of investor relations adequately provide feedback on the results of interviews with the aforementioned shareholders and investors to directors.

(v) For the purpose of preventing the leakage of financial information and ensuring fairness, Fujikura has established a quiet period. During this quiet period, Fujikura will not make any comments about its financial information or respond to questions about this information. In addition, pursuant to its internal information management rules, Fujikura endeavors to prevent the leakage or proliferation of important information, and to prevent insider trading.

## 2. Capital Structure

|                            |                           |
|----------------------------|---------------------------|
| Foreign Shareholding Ratio | From 20% to less than 30% |
|----------------------------|---------------------------|

### [Status of Major Shareholders]

| Name / Company Name  | Number of Shares Owned | Percentage (%) |
|--|------------------------|----------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account)   | 23,891,000             | 8.08           |
| Japan Trustee Services Bank, Ltd. (Trust Account)  | 17,931,000             | 6.06           |
| Mitsui Life Insurance Company Limited  | 10,192,000             | 3.44           |
| Sumitomo Mitsui Banking Corporation  | 8,456,000              | 2.86           |
| The Shizuoka Bank, Ltd.  | 7,713,000              | 2.61           |
| Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Trust Bank, Limited Retirement Benefit Trust Account) | 6,777,000              | 2.29           |
| Dowa Metals & Mining Co., Ltd.   | 6,563,000              | 2.22           |
| Fujikura Employees Shareholding Association  | 5,246,000              | 1.77           |
| THE BANK OF NEW YORK MELLON 140044   | 5,202,000              | 1.76           |
| Japan Trustee Services Ban, Ltd. (Trust Account 5)   | 5,061,000              | 1.71           |

|   |      |
|---|------|
| Controlling Shareholder (except for Parent Company) | -    |
| Parent Company                                      | None |

Supplementary Explanation

In addition to the shares above, there were 10,505,062 shares of treasury stock as of the base date.

### 3. Corporate Attributes

|   |  |
|---|--|
| Listed Stock Market and Market Section  | Tokyo Stock Exchange First Section         |
| Fiscal Year-End   | March                                      |
| Type of Business  | Nonferrous Metals                          |
| Number of Employees (consolidated) as of the End of the Previous Fiscal Year  | More than 1000                             |
| Sales (consolidated) as of the End of the Previous Fiscal Year                | From ¥100 billion to less than ¥1 trillion |
| Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year | From 50 to less than 100                   |

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

|                   |  |
|-------------------|--|
| Organization Form | Company with audit and supervisory committee |
|-------------------|--|

#### [Directors]

|   |                         |
|---|-------------------------|
| Maximum Number of Directors Stipulated in Articles of Incorporation | 17                      |
| Term of Office Stipulated in Articles of Incorporation              | One year                |
| Chairperson of the Board  | President               |
| Number of Directors   | 14                      |
| Nomination of outside director(s)                                   | Nominating candidate(s) |



|                                 |   |
|---------------------------------|---|
| Number of Outside Directors     | 4 |
| Number of Independent Directors | 4 |

#### Outside Directors' Relationship with the Company (1)

| Name              | Attribute            | Relationship with the Company* |   |   |   |   |   |   |   |   |   |   |  |
|-------------------|----------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|--|
|                   |                      | a                              | b | c | d | e | f | g | h | i | j | k |  |
| Soichiro Sekiuchi | Lawyer               |                                |   |   |   |   |   |   |   |   |   |   |  |
| Masaaki Shimojima | From another company |                                |   |   |   |   |   |   |   | △ |   |   |  |
| Kenichiro Abe     | CPA                  |                                |   |   |   |   |   |   |   |   |   |   |  |
| Yoshio Shirai     | From another company |                                |   |   |   |   |   |   |   | △ |   |   |  |

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a director/corporate auditor

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/corporate auditor are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

#### Outside Directors' Relationship with the Company (2)

| Name              | Designation as member of audit or other committee | Designation as Independent Director | Supplementary Explanation of the Relationship | Reasons of Appointment   |
|-------------------|---|-------------------------------------|---|--|
| Soichiro Sekiuchi | ○   | ○                                   | N/A   | Soichiro Sekiuchi has engaged in corporate legal affairs for many years in the capacity of a lawyer with highly specialized expertise. Sekiuchi has sufficient knowledge about corporate management. There are no conflicts with our qualifications for independence so Fujikura believes he is qualified to serve |

|                   |   |   |  |   |
|-------------------|---|---|--|---|
|                   |   |   |  | as an outside corporate auditor, a position which requires independence from Fujikura. In addition, Sekiuchi has no conflict of interest with Fujikura.   |
| Masaaki Shimojima | ○ | ○ | Masaaki Shimojima previously worked at the Sumitomo Mitsui Banking Corporation, which is our main bank. He retired from the bank in June 2003. | Masaaki Shimojima has considerable knowledge concerning finance and accounting owing to many years of experience in a key position at a major commercial bank and has sufficient experience in corporate management. There are no conflicts with our qualifications for independence so Fujikura believes he is qualified to serve as an outside corporate auditor, a position which requires independence from Fujikura. In addition, Shimojima has no conflict of interest with Fujikura.   |
| Kenichiro Abe     | ○ | ○ | N/A  | Kenichiro Abe possesses a high-level of specialized expertise as certified public account and has been engaged in the auditing of corporate finances for many years. He also has sufficient knowledge in corporate management. There are no conflicts with our qualifications for independence so Fujikura believes he is qualified to serve as an outside corporate auditor, a position which requires independence from Fujikura. In addition, Abe has no conflict of interest with Fujikura.<br><br>Kenichiro Abe previously was a representative partner of Japan Assurance Aarata, which is our accounting auditor. However, he did not participate in audits of our company while an employee of Japan Assurance Aarata. Abe left the company in June 2012. |

|               |   |   |   |  |
|---------------|---|---|---|--|
| Yoshio Shirai | ○ | ○ | <p>Yoshio Shirai engaged in the execution of business operations at Toyota Tsusho Corporation in the most recent three (3) years. The sales and purchases between Fujikura and Toyota Tsusho did not exceed 1% of total consolidated net sales at either company. Toyota Tsusho is not an important business partner of Fujikura, as stipulated in the criteria for independence. In addition, the business transactions with Toyota Motor Corporation and Hino Motor, Ltd., where Shirai was also previously involved in the execution of business operations, were similar in nature.</p> | <p>Yoshio Shirai possesses rich experience and insights, having served as senior managing director of Toyota Motor Corporation, president of Hino Motors, Ltd., and vice chairman of Toyota Tsusho Corporation. He also has experience as an outside director, including as an outside auditor at Seiko Epson Corporation from 2016. There are no conflicts with our qualifications for independence so Fujikura believes he is qualified to serve as an outside corporate auditor, a position which requires independence from Fujikura. In addition, Shirai has no conflict of interest with Fujikura.</p> |
|---------------|---|---|---|--|

**[Audit and Supervisory Committee]**

Committee Configuration and Attributes of the Chairperson

|                                 | Total members | Full-time members | Internal directors | Outside director(s) | Chair             |
|---------------------------------|---------------|-------------------|--------------------|---------------------|-------------------|
| Audit and Supervisory Committee | 5             | 1                 | 1                  | 4                   | Internal director |

|  |     |
|--|-----|
| Are there directors or employees that assist with Audit and Supervisory Committee duties | Yes |
|--|-----|

Matters related to Independence of Directors and Employees from Executive Directors

Fujikura established the Audit and Supervisory Committee Office to support the Audit and Supervisory Committee and has positioned dedicated staff to the office. That said, the Audit and Supervisory Committee Office and its staff are independent of directors in charge of executing business operations. The office provides support in line with direct instructions from the Audit and Supervisory Committee.

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Cooperation between the Audit and Supervisory Committee, Accounting Auditors, and Internal Audit Department

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- Cooperation with the accounting auditors

The Audit and Supervisory Committee interviews accounting auditors at the start of each fiscal year regarding auditing plans. Based on this, the committee receives a report from the accounting auditors on the results of interim and fiscal year-end audits. In addition, the Audit and Supervisory Committee shall aptly exchange opinions with the accounting auditors by holding several discussions a year about the details the accounting audits and the accounting audit system.

- Cooperation with the internal control department

The Audit and Supervisory Committee directly receives monthly reports from the Audit Department, a dedicated body that handles internal audits. The reports contain audit results for each in-house and group company. Based on the audit outcome, the Audit and Supervisory Committee can order additional audits of in-house and group companies or require correction measures.

**[Voluntary committees]**

|   |             |
|---|-------------|
| Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee | Established |
|---|-------------|

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Establishment of Voluntary Committee, Member Configuration, and Attributes of the Chairperson

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|  | Name of committee             | Total members | Full-time members | Internal directors | Outside Director(s) | Outside expert | Other | Chair            |
|--|-------------------------------|---------------|-------------------|--------------------|---------------------|----------------|-------|------------------|
| Voluntary Establishment of Committee Corresponding to Nomination Committee | Nominating Advisory Committee | 5             | 0                 | 2                  | 3                   | 0              | 0     | Outside director |

|  |                                       |   |   |   |   |   |   |                     |
|--|---------------------------------------|---|---|---|---|---|---|---------------------|
| Voluntary<br>Establishment<br>of Committee<br>Corresponding<br>to<br>Remuneration<br>Committee | Remuneration<br>Advisory<br>Committee | 4 | 0 | 1 | 3 | 0 | 0 | Outside<br>director |
|--|---------------------------------------|---|---|---|---|---|---|---------------------|

#### Supplemental Explanation

To ensure objectivity and transparency related to director nominations and remunerations, Fujikura has set up the Nominating Advisory Committee and Remuneration Advisory Committee, as advisory bodies to the Board of Directors. The majority of the members on these committees are outside directors. In addition, the chairperson for these committees is also an outside director.

#### [Independent Officers]

|                                |   |
|--------------------------------|---|
| Number of Independent Officers | 4 |
|--------------------------------|---|

#### Matters related to Independent Officers

Fujikura designates all outside directors that satisfy the criteria for independent officers as independent officers.

(Criteria for independence)

An individual does not have independence if any of the following applies, has applied within the past three years, or applies to a spouse, or to a first or second-degree relative.

- A major business partner of the Group\*1, or a person who executes business for said business partner\*2
- A person for which the Group is a major business partner, or a person who executes business for said person
- A shareholder with 10% or more of total voting rights in Fujikura, or a person who executes business for said shareholder
- A person who receives substantial compensation\*3 in money or other forms from Fujikura or its subsidiaries, other than compensation received as an outside officer, or a person who executes business for said person

\*1 Major business partner: A person or company that accounts for 1% or more of Fujikura's consolidated net sales, or a person or company that earns 1% or more of its consolidated net sales from Fujikura

\*2 Person who executes business: Executive director or an employee working under said director

\*3 Substantial compensation: Annual amounts in excess of ¥10 million yen

#### [Incentives]

|                                  |  |
|----------------------------------|--|
| Incentive Policies for Directors | Introduce a performance-based compensation scheme, other |
|----------------------------------|--|

|                           |
|---------------------------|
| Supplementary Explanation |
|---------------------------|

Director remuneration consists of three components: basic compensation, short-term performance-based compensation, and stock-based compensation. The short-term performance-based compensation and stock-based compensation are based on earnings and stock performance. Compensations are paid out to raise the incentive of directors to improve earnings performance.

The short-term performance-based compensation is calculated based on earnings performance versus the targets in the companywide annual plan and specific department plans set by the Board of Directors at the start of the fiscal year. An evaluation is conducted based on certain objective indicators (operating income ratio, return on equity (ROE), and return on invested capital (ROIC)). The short-term performance-based compensation is based on this evaluation. The compensation amount fluctuates within a range from 0% to 200% of the base amount that is set for each rank.

The stock-based compensation is a system whereby directors are granted compensation in the form of common stock in Fujikura. This scheme is intended to enhance the motivation of directors towards contribution to an increase in corporate value of Fujikura, by placing directors in a position to enjoy the merit of a rising share price as well as to bear the risk of a falling share price, whereby directors and shareholders share the merit and demerit of such fluctuations.

Directors other than executive directors only receive a fixed basic compensation which reflects their rank. These directors are not paid a short-term performance-based compensation and stock-based compensation.

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|-----------------------------|--|
| Recipients of Stock Options |  |
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|                           |
|---------------------------|
| Supplementary Explanation |
|---------------------------|

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**[Director Remuneration]**

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|--|--------------------------|
| Disclosure of Individual Directors' Remuneration | No Individual Disclosure |
|--|--------------------------|

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|---------------------------|
| Supplementary Explanation |
|---------------------------|

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|--|
| Total annual director remuneration is 363 million yen (director bonuses were not issued in the 168th business year). |
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|  |             |
|--|-------------|
| Policy on Determining Remuneration Amounts and Calculation Methods | Established |
|--|-------------|

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

|   |  |                               |   |  |
|---|--|-------------------------------|---|--|
| <ul style="list-style-type: none"> <li>• The calculation for remuneration is stipulated in Principle 3.1. (iii).</li> <li>• The total amount of remuneration was approved at the 169th general meeting of shareholders, held on June 29, 2017.</li> </ul> <p>Monetary remuneration</p> <table border="0"> <tr> <td>Directors that do not sit on Audit and Supervisory Committee</td> <td>Within 600 million yen a year</td> </tr> <tr> <td>Directors that sit on Audit and Supervisory Committee</td> <td>Within 100 million yen a year (of which the portion for outside directors is within 70 million yen a year)</td> </tr> </table> <p>Stock-based compensation</p> <p>Within 120 million yen a year and 285,000 shares (However, limited to director that do not sit on Audit and Supervisory Committee, excluding outside directors)</p> | Directors that do not sit on Audit and Supervisory Committee   | Within 600 million yen a year | Directors that sit on Audit and Supervisory Committee | Within 100 million yen a year (of which the portion for outside directors is within 70 million yen a year) |
| Directors that do not sit on Audit and Supervisory Committee  | Within 600 million yen a year  |                               |   |  |
| Directors that sit on Audit and Supervisory Committee   | Within 100 million yen a year (of which the portion for outside directors is within 70 million yen a year) |                               |   |  |

**[Supporting System for Outside Directors]**

|   |
|---|
| <ul style="list-style-type: none"> <li>• Outside directors at Fujikura are all members of Audit and Supervisory Committee. The Audit and Supervisory Committee Office supports the members of Audit and Supervisory Committee. Dedicated staff is positioned at the Audit and Supervisory Committee Office. They are independent of directors in charge of executing business operations. The office provides support in line with direct instructions from the Audit and Supervisory Committee.</li> <li>• Matters solely decided by executive directors, owing to the delegation of authority by the Board of Directors, and matters discussed by in-house company executive committees (meeting held at each in-house company for discussing important matters at an in-house company) are recorded in a specific database. The members of Audit and Supervisory Committee can view the database regularly. Corporate divisions (Corporate Strategy Planning Division and Legal Department) and the Audit and Supervisory Committee Office work together to confirm the information saved in the database, and when necessary, they gather additional information and report it to the Audit and Supervisory Committee members.</li> </ul> <p>In addition, materials released by the Board of Directors, on which the members of Audit and Supervisory Committee sit, and the Audit and Supervisory Committee are distributed to outside directors in advance.</p> |
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**2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)**

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| <p>Fujikura switched to a company with an audit and supervisory committee upon approval at the annual General Meeting of Shareholders held on June 29, 2017, from the existing organizational structure of a company with a board of corporate auditors.</p> |
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(Matters related to operational execution)

Matters related to operational execution are stipulated in 1. Basic Views.

(Matters related to auditing and supervision)

Matters related to auditing and supervision are stipulated in 1. Audit and Supervisory Committee,

(Matters related to nomination and remuneration decisions and other items)

Matters related to nomination and remuneration decisions and other items are stipulated in 1. Voluntary Committees.

(Accounting audits)

PricewaterhouseCoopers Aarata LLC have been appointed accounting auditor. The auditing system consists of Kazuhiko Tomoda, Shinichi Kishi and Kentaro Iwao, the CPAs that execute audit procedures, 10 CPAs who serve as assistants, 7 assistance CPAs, and 16 other members.

### **3. Reasons for Adoption of Current Corporate Governance System**

The main businesses of Fujikura are organized into three in-house companies (the Power & Telecommunication Systems Company, Electronics business Company and Automotive Products Company). An executive director is assigned to an in-house company to handle oversight. The products, customers, and competitive environment for each in-house company vary substantially. Consequently, Fujikura believes a flexible system is required to facilitate quick and resolute decision-making by executive directors that handle oversight of each in-house company. Meanwhile, the Board of Directors are responsible for decisions on important matters, including the annual and mid-term business plans, which are the core of our growth strategies, and large-scale M&A deals. And Fujikura believes it is necessary to take into account the diverse knowledge and objective opinions of outside directors to facilitate thorough and extensive discussions for proper decision-making.

In light of the above, Fujikura determined that the company with audit and supervisory committee structure, which is one of the institutional designs stipulated under the Companies Act, is the optimal corporate structure for Fujikura.

## **III. Implementation of Measures for Shareholders and Other Stakeholders**

### **1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights**



|   | Supplementary Explanations  |
|---|---|
| Early Notification of General Shareholder Meeting | A Notice of Invitation to Fujikura's 169th Annual General Meeting of Shareholders scheduled to be held on June 29, 2017 was sent on June 5, 2017.   |
| Allowing Electronic Exercise of Voting Rights     | The exercise of voting rights via the Internet has been allowed since fiscal year 2006.   |
| Participation in Electronic Voting Platform       | An electronic voting platform for institutional investors operated by ICJ Corporation has been utilized since fiscal year 2008.   |
| Providing Convocation Notice in English           | English translations of its Convocation Notice of the Annual General Meeting of Shareholders was posted on its website (on the same date of distribution of the Convocation Notice [Japanese version] to shareholders). |
| Other   | The Convocation Notice of the Annual General Meeting of Shareholders and other information were posted on Fujikura's website to ensure wide availability.   |

## 2. IR Activities

|   | Supplementary Explanations  | Explanation by the director in charge |
|---|---|---------------------------------------|
| Regular Investor Briefings for Analysts and Institutional Investors | Fujikura holds Periodic Conferences for Analysts and Institutional Investors four times a year (May, August, November and February). In these conference meetings, Fujikura explains quarterly business results.  | Yes                                   |
| Regular Investor Briefings for Overseas Investors                   | Fujikura holds meetings for Overseas Investors. The President or director in charge of IR has direct dialogue with investors in the EU and North America with a view to facilitating information disclosure and enhancing communications with overseas investors. | Yes                                   |
| Posting of IR Materials on Website                                  | Fujikura posts IR information such as brief announcements of the most recent financial statements, the medium-term management plan and annual reports on its website.   |                                       |
| Establishment of Department and/or Manager in Charge of IR          | Division in charge of IR: Corporate Strategy Planning Division<br>Director in charge of IR: Takashi Takizawa, Senior Vice President<br>& Member of the Board<br>IR Contact: Futoshi Kubori, Corporate Strategy Planning Division                                  |                                       |

### 3. Measures to Ensure Due Respect for Stakeholders

|   | Supplementary Explanations   |
|---|--|
| Stipulation of Internal Rules for Respecting the Position of Stakeholders | <p>In April 2009, the Fujikura Group CSR Philosophy, Fujikura Group CSR Basic Policies, and Fujikura Group CSR Activities Guidelines were enacted. Six stakeholders that are particularly profoundly linked to Fujikura (customers, employees including families, investors/shareholders, business partners, local community, and others) were identified. Fujikura provides information on corporate activities to these stakeholders in an adequate and timely manner. Fujikura is incorporating stakeholder expectations and opinions into group management as it is our belief that this is crucial to fulfilling our corporate responsibility to society.</p> <p>Details have been uploaded to our corporate website.</p> <p>Refer to the following URL : <a href="http://www.fujikura.co.jp/eng/csr/index.html">http://www.fujikura.co.jp/eng/csr/index.html</a></p> |
| Implementation of Environmental Activities, CSR Activities etc.           | <p>Fujikura is implementing a broad range of activities related to the environment, society, and corporate governance, the three elements of CSR. Fujikura prepares a CSR Integrated Report annually to report on these activities. The report is available on the Fujikura corporate website. Fujikura plans to continue to convey the concepts of our CSR activities, the undertakings and initiatives being carried out, and other news to a wide range of stakeholders.</p> <p>Refer to the following URL : <a href="http://www.fujikura.co.jp/eng/csr/index.html">http://www.fujikura.co.jp/eng/csr/index.html</a></p>  |

## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development

#### 1. Basic views (Body responsible for the management system and internal control system)

Fujikura is a company with audit and supervisory committee. There are a total of 14 directors. Nine (9) of the members are directors that do not sit on the Audit and Supervisory Committee. Five (5) of the directors are members of the Audit and Supervisory Committee. Meanwhile, all four (4) outside directors sit on the Audit and Supervisory Committee.

Fujikura organized its main businesses into three in-house companies. An executive director is assigned to an in-house company to handle oversight. Directors are also put in charge of organizational management of indirect departments with companywide management functions, including the corporate divisions and R&D divisions. Furthermore, a director from Fujikura is put in charge of subsidiaries deemed significant given their scale is equivalent to that of an in-house company. The president and CEO is in charge of executing corporate

management via a system that controls the individual directors accountable for the above responsibilities. The details of this shall be determined by resolutions by the Board of Directors.

Note that these directors are executive directors, including the president, and directors that do not sit on the Audit and Supervisory Committee. In addition, directors sitting on the Audit and Supervisory Committee are simply referred to as Audit and Supervisory Committee members.

The internal control system is a precursor for the above management system. The executive directors are responsible for ensuring the compliance and execution of the internal control system. They must comply and execute internal control systems in the business fields, organizations, and group companies that are under their oversight.

Members of the Audit and Supervisory Committee (or the committee itself) handle oversight of the compliance and execution of internal control systems at Fujikura and its group companies. In light of this, these members (the committee) conduct surveys of conditions at Fujikura and group companies, and also confirm and verify the details of information provided by officers executing internal controls. Furthermore, executive directors and other parties in charge of executing internal controls shall be required to directly provide explanations when needed. Along with this, given their position as a member of the Board of Directors, which decides on the internal control systems, members of Audit and Supervisory Committee as well as executive directors are also responsible for the adequacy of the internal control systems.

## 2. Basic Views on Eliminating Anti-Social Forces

Fujikura defines as a basic policy in the “Fujikura Code of Conduct” that Fujikura will take a resolute attitude against any undue claims and actions by antisocial forces or groups.

Fujikura makes every effort to keep its directors, executive officers and employees informed of this basic policy.

In addition, Fujikura defines the department and personnel responsible for addressing issues related to antisocial forces and facilitates cooperation with external specialized institutions, including consultations with lawyers or other professional advisors and participation in the Federation on Special Organized Crimes within Jurisdiction of the Tokyo Metropolitan Police Department for collecting information.

## V. Other

### 1. Adoption of Anti-Takeover Measures

|                                    |             |
|------------------------------------|-------------|
| Adoption of Anti-Takeover Measures | Not Adopted |
|------------------------------------|-------------|

|                           |
|---------------------------|
| Supplementary Explanation |
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## 2. Other Matters Concerning to Corporate Governance System

The following is an overview of recently implemented measures aimed at enhancing corporate governance.

<Summary of Timely Disclosure System>

Fujikura formulated the “Internal Information Management Rules” and “Fujikura Risk Management Rules” as internal rules and regulations, defined the management standards concerning the manner of collection, communication and disclosure of material information within Fujikura, and organized a structure whereby the Chief Information Officer (General Manager, Corporate Strategy Planning Division) controls disclosure management in an appropriate manner. In particular, material facts that might arise pertaining to Fujikura and any important matters that might require determination by Fujikura shall be initially collected by the Chief Information Officer (General Manager, Corporate Strategy Planning Division) in compliance with the internal rules and regulations. Then, the facts and matters that may have a direct impact on Fujikura’s business performance will be managed by the Finance & Accounting Division, and those other than the above will be handled by the Legal Department, for the purpose of making disclosure in a timely and appropriate manner.

