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Notice Regarding the Investigation Result for the Investigation Relating to an Improper Real Estate Acquisition and Similar Incidents at a U.S. Subsidiary

As announced in the "Announcement on the Investigation Relating to an Improper Real Estate Acquisition at a U.S. Subsidiary," released on May 26, 2023, and the "Notice Regarding the Progress of the Investigation Relating to an Improper Real Estate Acquisition and Similar Incidents at a U.S. Subsidiary," released on June 29, 2023, in response to suspicions of the suspected misappropriation of real estate at Fujikura's consolidated U.S. subsidiary (the "U.S. Subsidiary"), Fujikura Ltd. (Fujikura) has appointed an outside law firm in Japan and the U.S. that do not have an interest in Fujikura to conduct an investigation.

We have received an investigation report from the outside law firm, and we would like to inform you of the investigation results, as shown in the attached sheet. Please note that the names of individuals and other information in the Appendix will be kept anonymous for the protection of personal data and confidentiality and for the sake of future procedures in the U.S.

The Director who concurrently served as CEO of the U.S. subsidiary that was the subject of this investigation resigned as a director of Fujikura on May 26, 2023. However, we plan to take the appropriate procedures by laws and regulations after carefully examining the investigation results into the inappropriate incident.

In connection with this matter, our consolidated financial statements were found to be in error for each of the quarters and years from the third quarter of the fiscal year ended March 31, 2021, through the third quarter of the fiscal year ended March 31, 2023.

However, since the impact of these errors on our consolidated financial statements is limited, we have decided not to correct prior years' consolidated financial statements but to correct the cumulative effect of these errors in our consolidated financial statements for the fiscal year ended March 31, 2023.

As a result, operating income and ordinary income increased by 751 million yen, and net income attributable to owners of the parent increased by 579 million yen in the consolidated statement of income for the fiscal year ended March 31, 2023, from those announced on May 12, 2023.

We take the results of this investigation seriously and will steadily implement measures to prevent recurrence based on the recommendations of the law firm that conducted the investigation.

We sincerely apologize to our shareholders, investors, and other concerned parties for any concern and inconvenience this may have caused, and we ask for your continued understanding and support.

Results of the investigation (Summary)

1. Outline of the investigation

1. Background of the investigation

Fujikura Ltd. (Fujikura), upon receiving a whistle-blowing complaint on March 3, 2023, became aware of the suspicion that a director of Fujikura (the Director or Mr. A) who also served as the CEO of Fujikura's U.S. subsidiary (the "U.S. Subsidiary") had privately misappropriated real estate of the U.S. subsidiary, and immediately initiated the investigation into the matter.

In this investigation, we conducted a wide-ranging investigation, including the forensic investigations on equipment such as PCs, mobile phones, and tablets lent to the Director and collection of materials concerning the e-mail of the Director, interviews, and forensic investigations on employees of the U.S. subsidiary and other related parties, and review of relevant documents.

In addition to this case, suspicions arose regarding similar cases involving unlisted securities investments in a U.S. subsidiary at the direction of the Director and the use of other company assets, including the use of aircraft and credit cards by the Director, and these similar cases were also added to the scope of the investigation, and this investigation was conducted.

2. Scope of this investigation

We have conducted the investigation (the investigation) to the following extent concerning a matter involving the alleged private misappropriation of real estate (the incident) through AFL Telecommunications LLC (AFLT), a subsidiary of America Fujikura Ltd. (AFL), by Mr. A, the CEO of AFL which is a consolidated U.S. subsidiary of Fujikura.

- Outline of the incident and clarification of the actual situation
- Confirmation of the existence of similar cases in using other company assets under the direction of Mr. A and clarification of the outline and actual conditions of such use. (similar cases).
- Analysis and assessment of internal controls at AFLT and the Company at that time
- Analysis and evaluation of the adequacy of AFLT's accounting procedures
- Cause analysis of the incident
- Recommendations to Fujikura and AFL on measures to prevent recurrence

3. Duration of the investigation

From March 14, 2023 to June 29, 2023

2. An overview of the investigation results

1. Regarding the incident

- In 2020, at the direction of Mr. A, AFLT purchased land in South Carolina, U.S.A. (the land) for 4 million USD in the name of AFLT.
- Mr. A constructed a building on the land (the building), and of the approximately 4.09 million USD in construction costs, the equivalent of 2.545 million USD was paid by the AFLT.
- In making payments for the purchase price of the land and the construction cost of the building, Mr. A communicated false information, such as that there was an agreement between Fujikura and Mr. A to cede the land to him upon his retirement as CEO of AFL. He also altered the invoice issued to him for the construction cost of the building. Therefore, Mr. B, the CFO of AFL, and the CFO of AFLT, believed the explanation and paid for the land and the building in question with AFLT's funds.

2. Regarding the similar cases

The following similar cases were identified.

- Personal use of credit cards and checks
Mr. A misused AFLT's credit cards and checks for personal purposes. The cumulative amount would be approximately 423,000 USD.
- Personal use of aircraft
Mr. A purchased an aircraft in 2019 for 6 million USD using AFLT funds. However, according to our internal rules on capital expenditures, it should have been put on before our Capital Investment Committee before purchase.
The aircraft was subsequently sold by AFLT and leased back to AFLT by the buyer for 75,000 USD per month, but the aircraft was also used by Mr. A for his personal purposes.
- Investment in securities
Several of the investments made with AFLT funds under Mr. A's direction were investments that had little relevance to AFLT's core business.

3. Involvement of parties other than Mr. A

Neither this case nor similar cases have confirmed the involvement of any AFLT executives or employees other than Mr. A.

3. Cause and measures to prevent recurrence

1. Causes

The following two main reasons were recognized as the causes for the occurrence of the incident and similar cases.

- The concentration of authority in the hands of Mr. A.
The lack of clearly defined internal rules regarding governance within AFL and AFLT, and the concentration of authority over business decisions and operations at AFL and AFLT in the hands of Mr. A, created an internal control environment that allowed Mr. A to misappropriate AFLT's assets for personal use. In addition, there was a tendency that executives and employees of the AFL Group could not raise objections to Mr. A, who had served as CEO for many years and had authority over personnel matters.
- Ineffective checks and balances against Mr. A
Since the approval of Mr. A was sufficient for the execution of both this case and similar cases under the Company's decision-making authority, and the approval of Fujikura's Board of Directors was not required, we could not detect the incident and similar cases.
The involvement of executives other than Mr. A in the execution of business operations at AFL was limited, the Executive Committee at AFL had become a mere skeleton, and it had become the norm that business operations were carried out only by Mr. A's decision-making. Mr. B, the CFO of AFL, did not sufficiently check Mr. A.

2. Measures to prevent recurrence

The investigation team is of the opinion that since the incident and similar cases are personal misconduct based on Mr. A's personal interests, and no other parties are involved, it is considered that the resignation of Mr. A from our board and all positions in the AFL Group will prevent a recurrence of such a case.

However, the governance weaknesses at AFL identified through this investigation must be reviewed in light of this incident to prevent similar problems from arising.

The investigation team has also proposed measures to prevent recurrence, such as reviewing the concentration of authority in the hands of certain directors at AFL, improving the governance system and internal rules and regulations at AFL, and providing education to executives and employees.