



July 31, 2023

To All

Company Name: Fujikura Ltd.

Representative: Naoki Okada, President and CEO

(Code: 5803 TSE Prime)

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Notice of submission of correction report of Internal Control Over Financial Reporting

We are pleased to inform you that we have submitted to the Kanto Local Finance Bureau an amendment to the Internal Control Report today in accordance with Article 24-4-5, Paragraph 1 of the Financial Instruments and Exchange Act.

Description

1. Internal Control Report to be Corrected

- ① Period 172 (From April 1, 2019 to March 31, 2020)
- ② Period 173 (From April 1, 2020 to March 31, 2021)
- ③ Period 174 (From April 1, 2021 to March 31, 2022)

2. Contents of correction

Of the above internal control reports, 3 [Matters related to evaluation results] will be corrected as follows. Corrections are indicated by underlined figures.

- ① Period 172 Internal Control Report
3[Matters concerning evaluation results]
(Before Correction)

Based on the evaluation described above, management concluded that our internal control over financial reporting was effective as of the last day of the fiscal year.

(After Correction)

Deficiencies in internal control over financial reporting described below have a material impact on financial reporting and are considered to be material weakness that should be disclosed. Accordingly, we have concluded that our group's internal control over financial reporting was ineffective as of the end of the fiscal year.

Description

Following the whistleblowing on March 3, 2023, it was discovered that there was a suspicion of private

diversion of real estate via AFL Telecommunications LLC (hereinafter referred to as the "AFLT"), a subsidiary of America Fujikura Ltd. (hereinafter referred to as the "AFL"), by our former director (hereinafter referred to as the "former director"), who was concurrently serving as CEO of AFL, a U.S. consolidated subsidiary of ours. Accordingly, we appointed outside law firms that do not have an interest in our group in Japan and the United States, and conducted an internal investigation on March 14, 2023, and received the findings of the investigation on June 30, 2023.

In the year ended March 31, 2020, we confirmed that there had been a case involving private diversion of AFLT property, such as the unauthorized private use of airplanes owned or leased by AFLT, by the former director.

We believe that this incident was caused by the existence of the following internal-control issues at AFL.

(1) Deficiencies in AFL's control environment

- AFL Group's business judgment and management authority were concentrated in the former directors. In addition, there was a need to improve the rules concerning division of duties within AFL Group. Therefore, the former directors were able to take the initiative in business processes, thereby allowing the private diversion of property.
- The former director has been in office for a long time as a CEO of the same subsidiary. In addition, it is considered difficult for AFL Group to challenge him, who has personnel authority.

(2) Deficiencies in governance-related functions within AFL Group

- Regarding the acquisition of assets and investment in AFLT, the former director was authorized to make a final decision up to a maximum of 1 billion yen, and it was stipulated that there was no need to submit such an investment to the Board of Directors if it did not exceed the authority to make the final decision. The private diversion of the above-mentioned assets was conducted within the authority to make the final decision and was not subject to the final decision by the Board of Directors.
- On the other hand, even in the case of the above-mentioned investment-related investment was required to be identified as a target for monitoring AFL's Executive Committee (hereinafter referred to as the "EC"). However, EC operation became a mere stark one, and the governance-related investment-

(3) Deficiencies in AFL's CFO qualifications

- Private diversion of the above assets has been approved by CFO of AFL and the validity of the approval process by CFO is considered to be questionable.
- Checks on former directors by CFO are not considered to be adequate

Deficiencies in the control environment, governance functions, and CFO qualities of these AFL groups are deficiencies in company-wide internal controls within AFL group, which have a material impact on our financial reporting. Therefore, we have determined that they constitute material weakness that should be disclosed.

Material weakness that should be disclosed were not corrected by the end of the current fiscal year because the relevant fact was discovered after the last day of the current fiscal year.

Any necessary adjustments attributable to the material weakness required to be disclosed above have not

been revised in prior years' financial statements as the impact of these adjustments for each of the fiscal years ended March 31, 2020 through 2022 was not material, and all such adjustments have been reflected in the consolidated financial statements for the fiscal year ended March 31, 2023.

We are fully aware of the importance of internal control over financial reporting, and in order to correct material weakness that should be disclosed, we will implement the following measures to prevent a recurrence based on the problems and reflections on this case revealed as a result of the internal investigation, and will endeavor to develop and operate internal control.

1 Review of authority concentration for specific officers (decentralization of authority)

2 Development of governance systems and internal rules at that overseas subsidiary

3 Appointment of a new financial manager at that overseas subsidiary and strengthening of the inspection of the accounting process by the person in charge thereof

4 Education of executives and regular employees of that overseas subsidiary

② Period 173 Internal Control Report

3[Matters concerning evaluation results]

(Before Correction)

Based on the evaluation described above, management concluded that our internal control over financial reporting was effective as of the last day of the fiscal year.

(After Correction)

Deficiencies in internal control over financial reporting described below have a material impact on financial reporting and are considered to be material weakness that should be disclosed. Accordingly, we have concluded that our group's internal control over financial reporting was ineffective as of the end of the fiscal year.

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The outline of the matters confirmed by the internal investigation is as follows.

(1)It was confirmed that the land purchased by AFLT in 2020 was acquired for private purposes by the former director who was artificially distorting the approval procedure.

(2)During this fiscal year, part of the construction costs for the houses constructing on the land were expended from AFLT as charges that differed in purpose due to the acts of the former directors. It was also confirmed that the residence was used privately by the former director.

- (3) It was confirmed that the former director disguised AFL as having an agreement with us, the parent company, to take over the property upon CEO's resignation.
- (4) The former director had made several corporate credit card and AFLT check payments for private purposes. The former directors were also allowed to have had the aircraft purchased by AFLT using AFLT's funds without undergoing formal procedures and to have used the aircraft for private purposes in part (the aircraft was sold by AFLT after the acquisition and leased back by the Buyer to AFLT).

We believe that this incident was caused by the existence of the following internal-control issues at AFL.

(1) Deficiencies in AFL's control environment

- AFL Group's business judgment and management authority were concentrated in the former directors. In addition, there was a need to improve the rules concerning division of duties within AFL Group. Therefore, the former directors were able to take the initiative in business processes and divert their private assets. This was the control environment.
- The former director has been in office for a long time as a CEO of the same subsidiary. In addition, it is considered difficult for AFL Group to challenge him, who has personnel authority.

(2) Deficiencies in governance-related functions within AFL Group

- Regarding the acquisition of assets and investment in AFLT, the former director was authorized to make a final decision up to a maximum of 1 billion yen, and it was stipulated that there was no need to submit such an investment to the Board of Directors if it did not exceed the authority to make the final decision. The private diversion of the above-mentioned assets was conducted within the authority to make the final decision and was not subject to the final decision by the Board of Directors.
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③ Period 174 Internal Control Report

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