

***Consolidated Financial Statements
for the year ended March 31, 2010***

***SWCC Showa Holdings Co., Ltd.
and Consolidated Subsidiaries***

CONSOLIDATED BALANCE SHEETS

SWCC SHOWA HOLDINGS CO., LTD. and Consolidated Subsidiaries

At March 31, 2009 and 2010

	2009	2010	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 4)</i>
ASSETS			
Current assets:			
Cash and time deposits <i>(Notes 5 and 17)</i>	¥ 13,014	¥9,538	\$102,515
Trade notes and accounts receivable <i>(Note 17)</i>	44,894	43,922	472,077
Inventories <i>(Note 6)</i>	18,993	19,246	206,857
Deferred tax assets <i>(Note 16)</i>	1,017	1,031	11,081
Other	2,799	2,760	29,665
Allowance for doubtful accounts	(89)	(162)	(1,741)
Total current assets	<u>80,628</u>	<u>76,335</u>	<u>820,454</u>
Property, plant and equipment:			
Buildings and structures <i>(Notes 8 and 15)</i>	40,931	41,698	448,173
Machinery, equipment and tools <i>(Notes 8 and 15)</i>	76,177	74,761	803,536
Land <i>(Notes 8, 12 and 15)</i>	24,363	24,727	265,768
Other <i>(Notes 15)</i>	578	995	10,694
Accumulated depreciation	(90,118)	(91,809)	(986,769)
Total property, plant and equipment	<u>51,931</u>	<u>50,372</u>	<u>541,402</u>
Intangible assets			
Goodwill	69	338	3,633
Other	1,384	1,499	16,111
Total intangible assets	<u>1,453</u>	<u>1,837</u>	<u>19,744</u>
Investments and other assets:			
Investment securities <i>(Notes 7, 8 and 17)</i>	5,954	7,231	77,719
Deferred tax assets <i>(Note 16)</i>	5	4	43
Other <i>(Note 8)</i>	6,116	5,450	58,577
Allowance for doubtful accounts	(701)	(493)	(5,299)
Total investments and other assets	<u>11,374</u>	<u>12,192</u>	<u>131,040</u>
Total assets	<u>¥145,386</u>	<u>¥140,736</u>	<u>\$1,512,640</u>

See Accompanying Notes to Consolidated Financial Statements.

	2009	2010	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 4)</i>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term debt <i>(Notes 8 and 17)</i>	¥ 55,566	¥48,068	\$516,638
Trade notes and accounts payable <i>(Notes 8 and 17)</i>	19,746	22,613	243,046
Accrued income taxes	291	245	2,633
Other	10,683	10,944	117,627
Total current liabilities	<u>86,286</u>	<u>81,870</u>	<u>879,944</u>
Long-term liabilities:			
Long-term debt <i>(Notes 8 and 17)</i>	11,632	12,925	138,919
Accrued retirement benefits for employees <i>(Note 10)</i>	902	796	8,555
Accrued retirement benefits for directors and statutory auditors	90	96	1,032
Deferred tax liabilities <i>(Note 16)</i>	1,801	2,043	21,958
Deferred tax liabilities related to land revaluation <i>(Notes 12 and 16)</i>	5,410	5,410	58,147
Other <i>(Note 8)</i>	1,009	1,441	15,489
Total long-term liabilities	<u>20,844</u>	<u>22,711</u>	<u>244,100</u>
Total liabilities	<u>107,130</u>	<u>104,581</u>	<u>1,124,044</u>
Contingent liabilities <i>(Note 11)</i>			
Net assets:			
Shareholders' equity:			
Common stock:			
Authorized - 700,000,000 shares			
Issued - 251,126,867 shares	21,222	21,222	228,095
Capital surplus <i>(Note 13)</i>	15,753	10,699	114,994
Retained deficit <i>(Note 13)</i>	(4,813)	(2,490)	(26,763)
Treasury stock <i>(Note 13)</i>	(11)	(12)	(129)
Total shareholders' equity	<u>32,151</u>	<u>29,419</u>	<u>316,197</u>
Valuation, translation adjustments and others:			
Unrealized holding gains on securities	595	1,405	15,101
Deferred gains (losses) on hedges	(21)	(3)	(32)
Variance of land revaluation <i>(Note 12)</i>	4,338	4,338	46,625
Foreign currency translation adjustments	(175)	(294)	(3,160)
Total valuation, translation adjustments and others	<u>4,737</u>	<u>5,446</u>	<u>58,534</u>
Minority interests	<u>1,368</u>	<u>1,290</u>	<u>13,865</u>
Total net assets	<u>38,256</u>	<u>36,155</u>	<u>388,596</u>
Total liabilities and net assets	<u>¥145,386</u>	<u>¥140,736</u>	<u>\$1,512,640</u>

See Accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

SWCC SHOWA HOLDINGS CO., LTD. and Consolidated Subsidiaries

For the years ended March 31, 2009 and 2010

	2009	2010	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 4)</i>
Net sales	¥184,898	¥141,398	\$1,519,755
Cost of sales	167,034	122,819	1,320,067
Gross profit	<u>17,864</u>	<u>18,579</u>	<u>199,688</u>
Selling, general and administrative expenses (Note 14)	20,421	18,645	200,397
Operating loss	<u>(2,557)</u>	<u>(66)</u>	<u>(709)</u>
Other income (expenses):			
Interest income	14	5	54
Dividend income	195	133	1,429
Subsidies for employment adjustments	-	160	1,720
Interest expense	(1,304)	(1,133)	(12,177)
Equity in losses of unconsolidated subsidiaries and affiliates	(17)	(48)	(516)
Foreign currency exchange loss	(344)	(630)	(6,771)
Gain on business transfer		161	1,730
Gain on sales of fixed assets	43	86	924
Effect from adoption of the accounting standard for Construction Contracts	-	61	656
Gain on sales of investment securities	97	3	32
Provision for surcharge	-	(450)	(4,837)
Restructuring expenses	(87)	(384)	(4,127)
Loss on impairment of fixed assets (Note 15)	(313)	(333)	(3,579)
Loss on sales of investment in subsidiaries and affiliates	-	(16)	(172)
Loss on devaluation of investment securities	(231)	-	-
Loss on sales of shares in affiliates	(127)	-	-
Other, net	<u>(562)</u>	<u>(616)</u>	<u>(6,621)</u>
	<u>(2,636)</u>	<u>(3,001)</u>	<u>(32,255)</u>
Loss before income taxes and minority interests	<u>(5,193)</u>	<u>(3,067)</u>	<u>(32,964)</u>
Income taxes (Note 16)			
Current	387	444	4,772
Deferred	<u>3,785</u>	<u>(266)</u>	<u>(2,859)</u>
	<u>4,172</u>	<u>178</u>	<u>1,913</u>
Minority interests	<u>842</u>	<u>709</u>	<u>7,620</u>
Net loss	<u>¥ (8,523)</u>	<u>¥(2,536)</u>	<u>\$(27,257)</u>

See Accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

SWCC SHOWA HOLDINGS CO., LTD. and Consolidated Subsidiaries

For the years ended March 31, 2009 and 2010

(Millions of yen)

	Shareholders' equity				Valuation, translation adjustments and others							Total net assets
	Common stock	Capital surplus	Retained earnings (losses)	Treasury stock	Total shareholder's equity	Unrealized holding gains on securities	Deferred gains (losses) on hedges	Variance of land evaluation	Foreign currency translation adjustments	Total valuation, translation adjustments and others	Minority interests	
Balance at March 31, 2008	¥21,222	¥15,753	¥4,310	¥(7)	¥41,278	¥2,274	¥2	¥4,343	¥251	¥6,870	¥2,346	¥50,494
Cash dividends			(502)		(502)							(502)
Net loss for the year			(8,523)		(8,523)							(8,523)
Change due to increase in number of subsidiaries for consolidation			210		210							210
Change due to decrease in number of an affiliate under equity method			(314)		(314)							(314)
Purchase of treasury stock				(4)	(4)							(4)
Decrease in variance of land revaluation			6		6							6
Changes other than shareholder's equity						(1,679)	(23)	(5)	(426)	(2,133)	(978)	(3,111)
Balance at March 31, 2009	¥21,222	¥15,753	¥(4,813)	¥(11)	¥32,151	¥595	¥(21)	¥4,338	¥(175)	¥4,737	¥1,368	¥38,256

(Millions of yen)

	Shareholders' equity				Valuation, translation adjustments and others							Total net assets
	Common stock	Capital surplus	Retained earnings (losses)	Treasury stock	Total shareholder's equity	Unrealized holding gains on securities	Deferred gains (losses) on hedges	Variance of land evaluation	Foreign currency translation adjustments	Total valuation, translation adjustments and others	Minority interests	
Balance at March 31, 2009	¥21,222	¥15,753	¥(4,813)	¥(11)	¥32,151	¥595	¥(21)	¥4,338	¥(175)	¥4,737	¥1,368	¥38,256
Transfer from capital surplus to retained earnings		(5,054)	5,054									
Net loss for the year			(2,536)		(2,536)							(2,536)
Change due to increase in number of subsidiaries for consolidation			(195)		(195)							(195)
Purchase of treasury stock				(2)	(2)							(2)
Disposal of treasury stock			0	1	1							1
Changes other than shareholder's equity						810	18		(119)	709	(78)	631
Balance at March 31, 2010	¥21,222	¥10,699	¥(2,490)	¥(12)	¥29,419	¥1,405	¥(3)	¥4,338	¥(294)	¥5,446	¥1,290	¥36,155

(Thousands of U.S. dollars) (Note 4)

	Shareholders' equity				Valuation, translation adjustments and others							Total net assets
	Common stock	Capital surplus	Retained earnings (losses)	Treasury stock	Total shareholder's equity	Unrealized holding gains on securities	Deferred gains (losses) on hedges	Variance of land evaluation	Foreign currency translation adjustments	Total valuation, translation adjustments and others	Minority interests	
Balance at March 31, 2009	\$228,095	\$169,314	\$(51,730)	\$(118)	\$345,561	\$6,395	\$(226)	\$46,625	\$(1,881)	\$50,913	\$14,704	\$411,178
Transfer from capital surplus to retained earnings		(54,320)	54,320									
Net loss for the year			(27,257)		(27,257)							(27,257)
Change due to increase in number of subsidiaries for consolidation			(2,096)		(2,096)							(2,096)
Purchase of treasury stock				(22)	(22)							(22)
Disposal of treasury stock			0	11	11							11
Changes other than shareholder's equity						8,706	194		(1,279)	7,621	(839)	6,782
Balance at March 31, 2010	\$228,095	\$114,994	\$(26,763)	\$(129)	\$316,197	\$15,101	\$(32)	\$46,625	\$(3,160)	\$58,534	\$13,865	\$388,596

See Accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

SWCC SHOWA HOLDINGS CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2009 and 2010

	2009	2010	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 4)</i>
Cash flows from operating activities:			
Loss before income taxes and minority interests	¥(5,193)	¥(3,067)	\$(32,964)
Depreciation and amortization	4,240	4,506	48,431
Loss on impairment of fixed assets	313	333	3,579
Gain on sales of investment securities	(97)	(3)	(32)
Loss on sales of investments in subsidiaries and affiliates	-	16	172
Gain on sales of shares in subsidiaries and affiliates	127	-	-
Loss on evaluation in investment securities	231	-	-
Gain on sales of property, plant and equipment	(61)	(79)	(849)
Loss on disposal of property, plant and equipment	67	165	1,773
Decrease in allowance for doubtful accounts	(779)	(136)	(1,462)
Increase (decrease) in accrued retirement benefits for employees	25	(132)	(1,419)
Interest and dividend income	(210)	(138)	(1,483)
Interest expenses	1,303	1,133	12,177
Gain on business transfer	-	(161)	(1,730)
Provision for surcharge	-	450	4,836
Decrease in trade notes and accounts receivable	17,201	1,101	11,834
(Increase) decrease in inventories	7,336	(20)	(215)
Increase (decrease) in trade notes and accounts payable	(15,703)	2,886	31,019
(Increase) decrease in other current assets	830	(133)	(1,429)
Decrease in other current liabilities	(1,524)	(604)	(6,492)
Other	(213)	447	4,804
Sub-total	<u>7,893</u>	<u>6,564</u>	<u>70,550</u>
Interest and dividends received	214	137	1,472
Interest paid	(1,284)	(1,147)	(12,328)
Income taxes paid	(385)	(269)	(2,891)
Net cash provided by operating activities	<u>6,438</u>	<u>5,285</u>	<u>56,803</u>
Cash flows from investing activities:			
Purchases of investment securities	(7)	(8)	(86)
Proceeds from sales of investment securities	122	9	97
Purchases of property, plant and equipment	(3,919)	(2,669)	(28,686)
Proceeds from sales of property, plant and equipment	288	250	2,687
Decrease in short-term loans receivable	1	50	537
Expenditures for acquisition of shares in a subsidiary, net	(724)	(7)	(75)
Expenditures for acquisition of shares of new consolidated subsidiaries <i>(Note 5)</i>	-	(168)	(1,806)
Proceeds for acquisition of shares of new consolidated subsidiaries <i>(Note 5)</i>	-	115	1,236
Expenditures for acquisition of investments in an affiliate	-	(453)	(4,869)
Proceeds from sales of investments in an affiliate	-	197	2,117
Expenditures for acquisition of shares in an affiliate	(8)	-	-
Proceeds from sales of shares in an affiliate	1,194	-	-
Gain on business transfer	-	161	1,730
Other	(392)	(334)	(3,589)
Net cash used in investing activities	<u>(3,445)</u>	<u>(2,857)</u>	<u>(30,707)</u>

	2009	2010	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 4)</i>
Cash flows from financing activities:			
Increase (decrease) in short-term bank borrowings	7,898	(6,803)	(73,119)
Proceeds from long-term debt	5,300	9,300	99,957
Repayment of long-term debt	(8,990)	(8,393)	(90,208)
Repayment of corporate bonds	(313)	(112)	(1,204)
Dividends paid	(502)	-	-
Dividends paid to minority shareholders of consolidated subsidiaries	(45)	-	-
Other	(31)	(65)	(699)
Net cash (used in) provided by financing activities	<u>3,317</u>	<u>(6,073)</u>	<u>(65,273)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(12)</u>	<u>(63)</u>	<u>(677)</u>
Net increase (decrease) in cash and cash equivalents	6,298	(3,708)	(39,854)
Cash and cash equivalents at beginning of year	6,585	12,883	138,468
Increase in cash and cash equivalents due to newly consolidated subsidiaries	-	197	2,117
Increase in cash and cash equivalents due to merger with unconsolidated subsidiaries	-	15	161
Cash and cash equivalents at end of year (Note 5)	<u><u>¥12,883</u></u>	<u><u>¥9,387</u></u>	<u><u>\$100,892</u></u>

See Accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SWCC SHOWA HOLDINGS CO., LTD. and Consolidated Subsidiaries

For the years ended March 31, 2009 and 2010

1. Basis of Presentation

The accompanying consolidated financial statements of SWCC SHOWA HOLDINGS CO., LTD. (the "Company") and its consolidated subsidiaries (collectively the "Companies") have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan. Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries. In preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits or losses among the Companies have been eliminated. In the elimination of investments in consolidated subsidiaries, the assets and liabilities of the consolidated subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

Differences between the cost of the investments in consolidated subsidiaries and the underlying equity at fair value of dates of acquisition have been amortized by the straight-line method over a period of five years.

The equity method of accounting has been adopted for investments in the major affiliated companies over which the Company exercises significant influence in terms of their operating and financial policies.

The total assets, retained earnings, net sales and net income (loss) of the unconsolidated subsidiaries and affiliated companies which are not accounted for by the equity method in the aggregate were not significant in relation to the corresponding consolidated balances of the Companies.

The number of the consolidated subsidiaries at March 31, 2010 is 25 (23 at March 31, 2009) listed as follows:

Name	Percentage of equity ownership	Paid-in capital
		(Millions)
SWCC Showa Cable Systems Co., Ltd.	100.0 %	¥10,000
SWCC Showa Device Technology Co., Ltd.	100.0	3,500
EXSYM Corporation	60.0	4,000
Unimac Ltd.	55.0	480
Fuji Electric Cable Co., Ltd.	100.0	318
Daiji Co., Ltd.	100.0	480
AXIO Corporation	100.0	310
Miyazaki Electric Wire & Cable Co., Ltd.	100.0	150
SWCC Showa Business Solutions Co., Ltd.	100.0	100
SDS Corporation	100.0	100
Logis-Works Co., Ltd.	100.0	95
Aomori Showa Electric Cable Co., Ltd.	100.0	80
Tamagawa Magnet Wire Co., Ltd.	100.0	46
Showa Recycle Co., Ltd.	100.0	20
STEC (Showa Technical Corporation)	100.0	20
Shoukou Equipment Industry Co., Ltd.	100.0	10
Tonan Seisakusyo Co., Ltd.	100.0	70
Tianjin Showa Enamelled Wire Co., Ltd.	54.8	US\$17.0
Hangzhou Futong Showa Wire & Devices Co., Ltd.	75.0	US\$12.2
Fuqing Showa Seiko Electric Co., Ltd.	100.0	US\$3.4
SWCC SHOWA (VIETNAM) Co., Ltd.	100.0	US\$7.0
SWCC Showa (Shang Hai) Co., Ltd.	100.0	US\$5.2

Jiaxing Showa Interconnect Products Co., Ltd.	95.2	US\$3.2
SWCC SHOWA (H.K.) Co., Ltd.	100.0	HK\$84.3
Dongguan Showa Interconnect Products Co., Ltd.	100.0	US\$1.5

The number of affiliates, in which investments are accounted for by the equity method, is 3 (2 at March 31, 2009) listed as follows:

	Percentage of equity ownership	Paid-in capital
		(Millions)
Showa Science Co., Ltd.	50.0 %	¥40
Hua Ho Engineering Co., Ltd.	50.0	NT\$35
Showa-TBEA (Shan Dong) Cable Accessories Co.,Ltd.	49.0	US\$10

Yoshida Densen Co., Ltd., the former consolidated subsidiary, was merged by SWCC Showa Cable Systems Co., Ltd. on April 1, 2009.

In the year ended March 31, 2010, Tonan Seisakusyou Co., Ltd, Tianjin Showa Enamelled Wire Co., Ltd and SWCC Showa (Shang Hai) Co., Ltd., controlled directly or indirectly by the Company, are newly included in the consolidated subsidiaries.

Effective the year ended March 31, 2010, the equity method of accounting has been applied to Showa-TBEA (Shan Dong) Cable Accessories Co., Ltd., which was invested by SWCC Showa Cable Systems Co., Ltd. on November 26, 2009.

(b) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at applicable exchange rates at the balance sheet date, and differences resulting from the translation are included in other income or other expenses in the consolidated statements of income.

The assets and liabilities of foreign consolidated subsidiaries and affiliates that operate in local currency are translated into Japanese yen at the applicable exchange rates at the balance sheet date, except for the components of net assets excluding minority interests which are translated at their historical exchange rates. Income and expense accounts are also translated at the applicable exchange rates at the balance sheet date. Differences arising from the translation are presented as foreign currency translation adjustments and minority interests in consolidated financial statements.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in banks which is readily available and short-term investments with maturities of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(d) Inventories

Inventories are primarily stated at the lower of cost determined by the average method or net realizable value. Inventories of certain consolidated subsidiaries are stated at the lower of cost determined by the moving average method or by the specific identification method or net realizable value. When the costs exceed the net realizable values, inventories are written down to the net realizable value.

(e) Investment Securities

Marketable securities classified as “other securities” are carried at fair value with changes in unrealized holding gains or losses, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as “other securities,” which have no fair values, are carried at cost determined by the moving average method. Cost of securities sold is determined by the moving average method.

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of buildings, excluding structures attached to the buildings, is computed primarily by the straight-line method over the estimated useful lives. Depreciation of other property, plant and equipment is calculated principally by the declining-balance method over the estimated useful lives. The main estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	31 years (3 - 50 years)
Machinery and vehicles	10 years (2 - 14 years)
Equipment and tools	5 years (2 - 15 years)

(g) Intangible Assets

Intangible assets are amortized by the straight-line method over each of their estimated useful lives. Especially, computer software for internal use is amortized by the straight-line method over its estimated useful lives of 5 years.

(h) Leases

Finance leases, the agreements of which do not include the transfer of ownership, are accounted for in the same manner as ordinary purchase transactions of fixed assets and are depreciated by straight-line method over the respective lease terms with a zero residential value. While, finance leases, the agreements of which do not include the transfer of ownership and started on or before March 31, 2008, are accounted for as operating leases.

(i) Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided based on historical default rates, plus additional estimated amounts to cover specific uncollectible accounts receivable.

(j) Provision for Retirement Benefits for Employees

Accrued retirement benefits for employees have been provided based on the projected benefit obligation and the fair value of plan assets. Prior service costs are amortized as incurred by the straight-line method over the average remaining service period of employees expected to receive benefits. Unrecognized actuarial gains and losses are amortized in the year following the year in which the gains or losses are recognized by the straight-line method over the average remaining service period of employees.

(k) Provision for Retirement Benefits for Directors and Statutory Auditors

To provide for the future benefit payment for directors and statutory auditors, the Companies have provided accrued retirement benefits based on their internal regulations.

(l) Reserve for Construction Loss

Reserve for construction loss is provided at the estimated amount for anticipated losses on the construction contracts in progress.

(m) Revenue and Cost of Construction Contracts

The Company recognized revenue and cost of construction contracts under the percentage-of-completion method if the outcome of the construction activity is deemed certain during the course of the activity. Otherwise, the Company recognized revenue and cost upon completed-contract method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost.

(n) Derivative

The Companies use foreign currency forward exchange contracts and interest rate swap agreements to hedge the risk of fluctuations in foreign currency exchange rates and interest rates, respectively. Gain or loss on changes in the fair market values of the derivative financial instruments which meet certain criteria as hedges is deferred on the balance sheet until gain or loss on the hedged items are recognized.

However, foreign currency forward exchange contracts, which meet certain conditions, are accounted for as a part of translating foreign currency monetary assets and liabilities in the consolidated balance sheets.

In case where interest rate swap agreements are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the contract is added to or deduced from the interest on the assets or liabilities for which the swap contract is executed.

Since commencement of hedge contracts, the companies have assessed the effectiveness of each hedge contract by comparing the total cash flow fluctuation or market fluctuation of hedging instruments and hedged items.

(o) Consumption Taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(p) Income Taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse. The companies in Japan file the consolidated tax return. Overseas consolidated subsidiaries are subject to income taxes in the countries in which they operate.

3. Changes of Accounting Standards

(a) Construction Contracts

Up to the year ended March 31, 2009, the Company recognized revenue from construction contracts under the completion method. Effective from the year ended March 31, 2010, in accordance with the Accounting Standard (“ASBJ Statement No.15” issued by the Accounting Standard Board of Japan on December 27, 2007), and (“ASBJ Guidance No.18” issued by the Accounting Standard Board of Japan on December 27, 2007), the Company recognized revenue from construction contracts under the percentage-of-completion method if the outcome of the construction activity is deemed certain during the course of the activity. Otherwise, the Company recognized revenue upon completed-contract method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost.

As a result of this adoption, the effect of this change was to decrease sales by ¥220 million (US\$2,365 thousand), to decrease operating loss by ¥275 million (US\$2,956 thousand), and to decrease loss before income taxes and minority interests by ¥336 million (US\$3,611 thousand).

(b) Retirement Benefits for Employees

Effective the year ended March 31, 2010, the Company adopted the “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” (“ASBJ Statement No. 19” issued on July 31, 2008).

As a result of this adoption, there was no financial impact on operating loss or loss before income taxes and minority interests for the year ended March 31, 2010.

(c) Financial Instruments

Effective the year ended March 31, 2010, “Accounting Standard for Financial Instruments” (“ASBJ Statement No. 10”, issued on March 10, 2008) and its “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (“ASBJ Guidance No. 19”, issued on March 10, 2008) were adopted by the Companies.

4. U.S. Dollar Amounts

For the convenience of the readers outside Japan, the accompanying consolidated financial statements are presented in U.S. dollars by translating all Japanese yen amounts at the exchange rate of ¥93.04 = US\$1.00 prevailing on March 31, 2010. This translation should not be construed as a representation that the Japanese yen amounts actually represent, or have been or could be converted into U.S. dollar amounts at the above or any other rate.

5. Cash and Time Deposits

(a) Information regarding cash and time deposits at March 31, 2009 and 2010 was as follows:

	2009	2010	2010
		(Millions of yen)	(Thousands of U.S. dollars)
Cash and time deposits due within 3 months	¥12,883	¥9,387	\$100,892
Time deposits due over 3 months	131	151	1,623
Total	¥13,014	¥9,538	\$102,515

(b) Cash flow from inclusion of the newly consolidated subsidiaries

The following were the amounts of assets and liabilities of newly consolidated subsidiaries, Tonan Seisakusyo Co., Ltd. and Tianjin Showa Enamelled Wire Co., Ltd. which were included in the consolidated subsidiaries in the year ended March 31, 2010, and the acquisition values on investments in the subsidiaries and the amounts of net gain/expenditure resulting from acquisition of the subsidiaries:

<i>Tonan Seisakusyo Co., Ltd.</i>	2010	
	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	¥476	\$5,116
Non-current assets	748	8,040
Current liabilities	(279)	(2,999)
Long-term liabilities	(762)	(8,190)
Goodwill	220	2,365
Acquisition value on investments in the subsidiary	403	4,332
Cash and cash equivalents	(235)	(2,526)
Net expenditure resulting from acquisition of the subsidiary	¥168	\$1,806

	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	¥1,068	\$11,479
Non-current assets	228	2,451
Current liabilities	(101)	(1,086)
Long-term liabilities	(210)	(2,257)
Goodwill	145	1,559
Minority interests	(445)	(4,783)
Foreign currency exchange adjustment	82	881
Investments before the acquisition	(210)	(2,257)
Acquisition value on investments in the subsidiary	557	5,987
Cash and cash equivalents	(672)	(7,223)
Net gain resulting from acquisition of investments in the subsidiary	¥(115)	\$(1,236)

6. Inventories

The breakdown of Inventories at March 31, 2009 and 2010 was as follows:

	2009	2010	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Merchandise and finished goods	¥7,420	¥8,025	\$86,253
Work in process	6,271	6,484	69,690
Raw materials and supplies	5,302	4,737	50,914
	¥18,993	¥19,246	\$206,857

Inventories were revalued at the lower of cost or net realizable value with devaluation losses, which were included in Cost of Sales, for the years ended March 31, 2009 and 2010 in the amounts of ¥932 million and ¥510 million (US\$5,482 thousand), respectively.

7. Investment Securities

(1) Information regarding marketable other securities at March 31, 2009 and 2010 was as follows:

	2009			2010			2010		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
	(Millions of yen)						(Thousands of U.S. dollars)		
Securities whose carrying value exceeds their acquisition cost:									
Stocks	¥1,532	¥2,896	¥1,364	¥2,318	¥4,822	¥2,504	\$24,914	\$51,827	\$26,913
Securities whose acquisition cost exceeds their carrying value:									
Stocks	1,714	1,357	(357)	1,297	1,101	(196)	13,940	11,834	(2,106)
Total	¥3,246	¥4,253	¥1,007	¥3,615	¥5,923	¥2,308	\$38,854	\$63,661	\$24,807

(2) Sales of securities classified as other securities amounted to ¥122 million and ¥9 million (US\$97 thousand) with an aggregate gain of ¥97 million and ¥3 million (US\$32 thousand) for the years ended March 31, 2009 and 2010, respectively.

8. Short-term and Long-term Debts

Short-term debt composes short-term borrowings and current portion of long-term borrowings, corporate bonds and finance lease obligations. The weighted average interest rates for short-term borrowings and current portion of long-term borrowings at March 31, 2010 were 1.54% and 2.29%, respectively.

Short-term borrowings at March 31, 2010 consisted of the following:

	2010	2010
	(Millions of yen)	(Thousands of U.S. dollars)
Unsecured	14,554	156,427
Secured	26,042	279,901
	¥40,596	\$436,328

Long-term debt at March 31, 2009 and 2010 consisted of the following:

	2009	2010	2010
	(Millions of yen)		(Thousands of U.S. dollars)
0.34% yen unsecured straight bonds due 2009	¥36	-	-
0.80% yen unsecured straight bonds due 2009	56	-	-
0.66% yen unsecured straight bonds due 2012	130	110	1,182
Loans principally from banks and insurance companies due serially to 2016 and predominantly collateralized, with a weighted average interest of 2.29%	19,380	20,287	218,046
Finance lease obligations due 2010 to 2015	250	302	3,246
Less: portion due within one year	(8,220)	(7,552)	(81,169)
	<u>¥11,632</u>	<u>¥13,147</u>	<u>\$141,305</u>

The aggregate annual maturities of long-term debt subsequent to March 31, 2010 were as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2012	¥5,975	\$64,220
2013	2,888	31,040
2014	1,972	21,195
2015 and thereafter	2,312	24,850
	<u>¥13,147</u>	<u>\$141,305</u>

At March 31, 2009 and 2010, the following assets are pledged as collateral for certain of the above debt:

	2009	2010	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Investment securities	¥2,165	¥3,783	\$40,660
Property, plant and equipment, at net book value:			
Buildings and structures	10,274	9,133	98,162
Machinery, equipment and tools	1,697	1,082	11,630
Land	17,860	18,251	196,163
Other	132	55	591
	<u>¥32,128</u>	<u>¥32,304</u>	<u>\$347,206</u>

9. Leases

As lessee

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of finance leases, the agreements of which do not include the transfer of ownership and started on or before March 31, 2008, as of March 31, 2009 and 2010, which would have been reflected in the consolidated balance sheets if the leases had been accounted for in the same manner as ordinary purchase transactions of fixed assets:

	2009	2010	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Acquisition costs	¥4,886	¥3,595	\$38,639
Accumulated depreciation	2,742	2,135	22,947
Net book value	<u>¥2,144</u>	<u>¥1,460</u>	<u>\$15,692</u>

Note: Assumed acquisition costs include the capitalized interest thereon, as the proportion of future minimum lease payments to total property, plant and equipment at fiscal year-end is immaterial.

Future minimum lease payments subsequent to March 31, 2009 and 2010, for finance leases, the agreements of which do not include the transfer of ownership and started on or before March 31, 2008, are summarized as follows:

	2009	2010	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Within one year	¥736	¥579	\$6,223
Over one year	1,408	881	9,469
Total	<u>¥2,144</u>	<u>¥1,460</u>	<u>\$15,692</u>

Note: Assumed future minimum lease payments for finance leases include the capitalized interest thereon, as the proportion of future minimum lease payments to total property, plant and equipment at fiscal year-end is immaterial.

Lease payments under such leases for the years ended March 31, 2009 and 2010, were ¥899 million and ¥749 million (US\$8,050 thousand), respectively. These lease payments were equal to the depreciation of leased assets computed by the straight-line method over the respective lease terms with a zero residential value.

In addition, the future minimum payment for operating leases subsequent to March 31, 2009 and 2010 are summarized as follows:

	2009	2010	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Within one year	¥99	¥351	\$3,773
Over one year	542	738	7,932
Total	<u>¥641</u>	<u>¥1,089</u>	<u>\$11,705</u>

10. Retirement Benefits for Employees

The Companies have principally defined benefit plans such as employee's pension fund and defined benefit corporate pension plans, lump-sum retirement benefit plans and defined contribution pension plans. Some consolidated overseas subsidiaries have defined benefit plans.

(1) Retirement benefits obligation:

	2009	2010	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Retirement benefits obligation	¥ (11,776)	¥ (12,092)	\$ (129,966)
Plan assets at fair value	<u>8,835</u>	<u>9,826</u>	<u>105,611</u>
Unfunded retirement benefit obligation	(2,941)	(2,266)	(24,355)
Prepaid pension cost	(3,974)	(3,473)	(37,328)
Unrecognized prior service cost	10	8	86
Unrecognized actuarial loss	6,003	4,935	53,042
Retirement benefit obligation for employees	<u>¥ (902)</u>	<u>¥ (796)</u>	<u>\$ (8,555)</u>

(2) The components of retirement benefit expenses:

	2009	2010	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥824	¥736	\$7,911
Interest cost	198	203	2,182
Expected return on plan assets for the year	(361)	(284)	(3,052)
Amortization of prior service cost	2	2	21
Amortization of actuarial loss	426	632	6,792
Total	<u>¥1,089</u>	<u>¥1,289</u>	<u>\$13,854</u>

Notes

1. Retirement benefit expenses for consolidated subsidiaries adopting the simplified method are included in "Service Cost."
2. The Companies' contribution to defined contribution pension plans is included in "Service Cost."

(3) The actuarial assumptions used in the above computations for the years ended March 31, 2009 and 2010:

- a. Methods of attributing the projected benefit obligations to periods of service: straight-line basis
- b. Discount rate: 2.0%
- c. Expected rate of return on plan assets: 3.5%
- d. The actuarial gain or loss and prior service cost are amortized by the straight-line method over 13 years, which is the estimated average remaining year of service of the eligible employees.

11. Contingent Liabilities

At March 31, 2009 and 2010, the Companies were contingently liable for the following items:

	2009	2010	2010
		(Millions of yen)	(Thousands of U.S. dollars)
Discounted and endorsed trade notes receivable	¥ 1,016	¥825	\$8,867
Guarantees of indebtedness of employees	45	36	387
Guarantees of indebtedness of affiliates	132	70	752
	<u>¥1,193</u>	<u>¥931</u>	<u>\$10,006</u>

12. Land Revaluation

In accordance with the Law Concerning Revaluation of Land enacted on March 31, 1998 and the Law which revises a part of Law Concerning Revaluation of Land enacted on March 31, 2001, land owned by the Company used for business was revalued, and the unrealized gain on the revaluation of land, net of deferred tax, was reported as "Variance of land revaluation" within net assets, and the relevant deferred tax was included in liabilities as "Deferred taxes related to land revaluation" at March 31, 2002.

The fair value of the land at March 31, 2009 and 2010 was lower than its carrying amount by ¥7,627 million and ¥8,171 million (US\$87,822 thousand), respectively.

13. Net Assets

The Japanese Corporate Law (the "Law") provides that amounts from capital surplus and retained earnings may be distributed to the shareholders at any time by resolution of the shareholders or by the Board of Directors if certain provisions are met subject to the extent of applicable sources of such distributions.

The Law further provides that amounts equal to 10% of such distributions be transferred to the capital reserve included in capital surplus or the legal reserve included in retained earnings based on the applicable sources of such distributions until the sum of the capital reserve and the legal reserve equals 25% of common stock.

Information regarding changes in net assets for the years ended March 31, 2009 and 2010 is as follows:

(a) Shares issued and treasury stock

For the year ended March 31, 2009

Types of shares	Number of shares at March 31, 2008	Increase	Decrease	Number of shares at March 31, 2009
<i>Thousands of shares</i>				
Share issued:				
Common stock	<u>251,127</u>	<u>-</u>	<u>-</u>	<u>251,127</u>
Treasury stock:				
Common stock	<u>44</u>	<u>33</u>	<u>-</u>	<u>77</u>

Note: Increase of 33 thousand shares in treasury stock is due to purchases of shares less than standard unit.

For the year ended March 31, 2010

Types of shares	Number of shares at March 31, 2009	Increase	Decrease	Number of shares at March 31, 2010
<i>Thousands of shares</i>				
Share issued:				
Common stock	<u>251,127</u>	<u>-</u>	<u>-</u>	<u>251,127</u>
Treasury stock:				
Common stock	<u>77</u>	<u>54</u>	<u>38</u>	<u>93</u>

Note: Increase of 54 thousand shares in treasury stock is due to purchases of 25 thousand shares less than standard unit and increase of 29 thousand shares of treasury stock which were owned by the consolidated subsidiaries.

Decrease of 38 thousand shares in treasury stock is due to sales of 9 thousand shares less than standard unit and decrease of 29 thousand shares of treasury stock which were owned by the consolidated subsidiaries.

(b) Dividends

Dividends paid for the year ended March 31, 2009

Resolution	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 25, 2008	Common stock	502	2.00	March 31, 2008	June 26, 2008

There were no dividends paid for the year ended March 31, 2010.

14. Selling, General and Administrative Expenses

The breakdown of "Selling, General and Administrative Expenses" for the years ended March 31, 2009 and 2010 was as follows:

	2009	2010	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Shipping charges	¥2,253	¥1,637	\$17,595
Other selling expenses	1,573	1,265	13,596
Salaries and other allowances for employees	7,411	6,790	72,979
Retirement benefits expenses for employees	686	870	9,351
Retirement benefits expenses for directors and statutory auditors	23	27	290
Allowance for doubtful accounts	(29)	109	1,172
Depreciation and amortization cost	519	681	7,319
Other	7,985	7,266	78,095
	<u>¥20,421</u>	<u>¥18,645</u>	<u>\$200,397</u>

Research and development expensed included in "Selling, general and administrative expenses" and manufacture costs for the year ended March 31, 2009 and 2010 amounted to ¥1,133 million, and ¥228 million, ¥1,040 million (US\$11,178 thousand) and ¥201 million (US\$2,160 thousand), respectively.

15. Impairment of Fixed Assets

For the years ended March 31, 2009 and 2010, the Companies recognized loss on impairment of fixed assets of ¥ 313 million and ¥333 million (US\$3,579 thousand).

For assessment of impairment of fixed assets, the Companies group idle assets and assets for lease based on an individual asset, and other assets based on the categories used in the company's managerial accounting, where gain or loss periodically monitored.

For the year ended March 31, 2009, as for idle assets located in Hokkaido and others, Japan, their market value has remarkably fallen against their carrying amount and the carrying value of the assets was reduced to recoverable amount. The amount written down was ¥74 million. As for facilities related to manufacture of power cable and vibration controlling products, their profitability had remarkably declined due to market deterioration. The amounts written down for manufacture of power cable and vibration controlling products were ¥228 million and ¥11 million, respectively.

For the year ended March 31, 2010, as for idle assets located in Tianjin, China, their market value has remarkably fallen against their carrying amount and the book value of the assets was reduced to recoverable amount. The amount written down was ¥59 million (US\$634 thousand). As for facilities related to manufacture of electric wires located in Aomori, Japan, their profitability had remarkably declined due to market deterioration and the book value of the assets was reduced to recoverable amount. The amount written down was ¥274 million (US\$2,945 thousand).

The recoverable amounts are their net selling prices based on the published land price and street land value or value in use.

The amount written down was recorded as loss on impairment of fixed assets. The breakdown of loss on impairment of fixed assets was as follows:

	2009	2010	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Land	¥ 58	¥15	\$161
Buildings and structures	158	0	0
Machinery, equipment and tools	97	289	3,106
Finance lease assets	0	29	312
	<u>¥313</u>	<u>¥333</u>	<u>\$3,579</u>

16. Income Taxes

Significant components of the Companies' deferred taxes at March 31, 2009 and 2010 were as follows:

	2009	2010	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Loss carry-forward	¥6,493	¥7,073	\$76,021
Accrued bonuses	667	660	7,094
Unrealized gain on real estates	629	621	6,675
Other accounts payable	642	401	4,310
Depreciation	316	384	4,127
Retirement benefits	352	311	3,343
Inventories	797	-	-
Other	<u>1,678</u>	<u>2,059</u>	<u>22,130</u>
Subtotal deferred tax assets	11,574	11,509	123,700
Valuation allowance	<u>(9,993)</u>	<u>(9,840)</u>	<u>(105,761)</u>
Total deferred tax assets	1,581	1,669	17,939
Deferred tax liabilities:			
Prepaid pension cost	(1,570)	(1,372)	(14,746)
Unrealized holding gains on securities	(390)	(876)	(9,416)
Other	<u>(401)</u>	<u>(429)</u>	<u>(4,611)</u>
Total deferred tax liabilities	<u>(2,361)</u>	<u>(2,677)</u>	<u>(28,773)</u>
Net deferred tax assets (liabilities):	<u>¥(780)</u>	<u>¥(1,008)</u>	<u>\$(10,834)</u>
Deferred tax assets related to land revaluation:			
	1,559	1,559	16,756
Valuation allowance	<u>(1,559)</u>	<u>(1,559)</u>	<u>(16,756)</u>
Total deferred tax assets related to land revaluation	-	-	-
Deferred tax liabilities related to land revaluation:			
	<u>(5,410)</u>	<u>(5,410)</u>	<u>(58,147)</u>
Total deferred tax assets (liabilities) related to land revaluation	<u>(5,410)</u>	<u>(5,410)</u>	<u>(58,147)</u>
Net deferred tax liabilities related to land revaluation:	<u>¥(5,410)</u>	<u>¥(5,410)</u>	<u>\$(58,147)</u>

Reconciliations of the difference between the statutory tax rate and effective rate on taxable income for the year ended March 31, 2009 and 2010 are not presented since the Company recorded loss before income taxes and minority interests.

17. Financial Instruments

(a) Policy for financial instruments

According to the fund management policy of the Company, temporary surplus funds will be invested into the highly secured financial assets, and necessary funds for finance investment are primarily borrowed through bank loans. Derivative transactions are only used for hedging risk of the significant fluctuations in interest rates and foreign currency exchange rates, not for speculative purpose.

(b) Financial instruments and accompanying risks

Trade notes and accounts receivable are exposed to customer credit risk. Trade receivables in foreign currencies and foreign-currency loans among the Companies are exposed to exchange rate fluctuation risk, which is hedged through foreign currency forward exchange contracts. Investment securities are composed primarily of equity securities of customers and exposed to the market value fluctuation risk.

Trade notes and accounts payable normally have payment terms of less than one year. Although part of the above trade payables and foreign-currency borrowings are exposed to the risk of exchange rate fluctuation, they are constantly controlled within the amount of foreign-currency trade receivables. Corporate bonds and long-term debts, which have maturity dates within six years and two months, are primarily utilized to secure financing for equipment. Certain bonds and borrowings which are based on variable interest rates are exposed to interest rate fluctuation risk. However, they are hedged through derivative transactions, i.e. interest rate swap agreements. It is possible that long-term debts under syndicated loan contracts which are decided by the financial regulatory conditions will lose term benefit if any contradictions occurred. As hedging policy, appropriate hedge instruments shall be selected per risk category. Evaluation of hedge effectiveness is performed through comparing market value of hedge items or the amounts of cash flows with market value of hedge instruments or the amounts of cash flows.

Derivative transactions consist mainly of foreign currency forward exchange contracts which are used for hedging the risk of exchange rate fluctuations in trade receivables and payables denominated in foreign currency, and interest rate swap contracts which are used for hedging the risk of interest rate fluctuations in corporate bonds and borrowings.

(c) Risks management system associated with financial instruments

1) Credit risk management (Risk of default on payment by counterparts, etc.)

The Companies manage payment term and payment balance per trade transaction in order to control and mitigate credit risks due to financial situation difficulties in accordance with the Companies' credit management policy.

When dealing with the derivative transactions, the Companies only trade with highly rated financial institutions to minimize the counterparty's credit risks.

2) Market risk management (Risk of exchange rate and interest rate fluctuation, etc.)

The Company utilizes foreign currency forward exchange contracts to hedge the risk of exchange rate fluctuation. Depending on the situation of foreign currency exchange market, the Companies use foreign forward exchange contracts for trade receivables in foreign currency. On the other hand, interest rate swap agreements are utilized to hedge the interest rate fluctuation risk associated with corporate bonds and borrowings.

The Company periodically reviews the fair values of financial instruments, such as marketable securities and investment securities, and the financial position of the issuers. Based on this information and relationship with the issuers, the Company evaluates whether the securities should be maintained or not.

Derivative transactions are performed and managed in accordance with the Companies' credit management policy.

3) Liquidity risk management on financing activities (Risk of inability to repay on due date)

The Company, as parent company, manages fund of the group companies. The finance department prepares and updates financing plans periodically based on the group companies' necessities and keeps a certain amount of cash in hand for the purpose of liquidity risk management.

(d) Other supplementary in the fair value of financial instruments

The fair values of financial instruments are based on the markets prices or reasonable estimated fair values when the fair values are not available. The estimated fair values will fluctuate due to variety of factors and assumptions.

Information regarding non-marketable other securities, for which it is extremely difficult to determine the fair value at March 31, 2009 and 2010 is shown as follows:

	2009	2010	2010
	Carrying value	Carrying value	Carrying value
	(Millions of yen)		(Thousands of U.S. dollars)
Other securities			
Stocks and investments in unlisted companies	¥912	¥1,308	\$14,058
	¥912	¥1,308	\$14,058

The carrying amounts and fair values of the financial instruments on the consolidated balance sheet as of March 31, 2010 are summarized as follows.

	Carrying amounts	Fair Values	Differences	Carrying amounts	Fair Values	Differences
	(Millions of yen)			(Thousands of U.S. dollars)		
(1) Cash and time deposits	¥9,538	¥9,538	¥-	\$102,515	\$102,515	\$-
(2) Trade notes and accounts receivable	43,922	43,870	(52)	472,077	471,518	559
(3) Investment securities and other securities	5,923	5,923	-	63,661	63,661	-
(4) Trade notes and accounts payable	(22,613)	(22,601)	(12)	(243,046)	(242,917)	(129)
(5) Short-term borrowings	(40,596)	(40,596)	-	(436,328)	(436,328)	-
(6) Corporate bonds	(110)	(106)	(4)	(1,182)	(1,139)	(43)
(7) Long-term borrowings	(20,287)	(20,194)	(93)	(218,046)	(217,046)	(1,000)
(8) Derivative transactions						
(i) Hedge accounting not applicable	(30)	(30)	-	(322)	(322)	-
(ii) Hedge accounting applicable	(4)	(4)	-	(43)	(43)	-

Notes:

(1) Cash and time deposits

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

(2) Trade notes and accounts receivable

The fair value of trade notes and accounts receivable is based on the present value using appropriate current discount rate decided upon the recovery term and the credit risk.

(3) *Investment securities and other securities*

The fair value of investment securities is based on quoted market price.

(4) *Trade notes and accounts payable*

The fair value of trade notes and accounts payable is estimated based on the present value of future cash flows using appropriate current discount rate which is decided upon recovery term and credit risk too.

(5) *Short-term debts*

The carrying amount approximates fair value due to the short maturity of these instruments. Long-term debts within one year are recorded in long-term debts.

(6) *Corporate bonds and (7) Long-term debts*

The fair value of corporate bonds and long-term debts are based on the current discounted interest rates which are borrowed with the same conditions. Corporate bonds and long-term debts with the maturity term within one year are involved.

Redemption schedule for cash and trade receivables after March 31, 2010 is summarized as follows:

	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years
	<i>(Millions of yen)</i>			<i>(Thousands of U.S.dollars)</i>		
Cash and bank deposits	¥9,538	¥-	¥-	\$102,515	\$-	\$-
Trade notes and accounts receivable	38,512	5,410	-	413,930	58,147	-
Total of the amounts	¥48,050	¥5,410	¥-	\$516,445	\$58,147	\$-

Redemption schedule for trade payables, corporate bonds and long-term debts after March 31, 2010 is summarized as follows:

	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years
	<i>(Millions of yen)</i>			<i>(Thousands of U.S.dollars)</i>		
Trade notes and accounts payable	¥22,396	¥217	¥-	\$240,714	\$2,332	\$-
Corporate bonds	20	90	-	215	967	-
Long-term borrowings	7,452	11,995	840	80,094	128,923	9,028
Total of the amounts	¥29,868	¥12,302	¥840	\$321,023	\$132,222	\$9,028

18. Derivatives

The following is a summary of the derivative contracts which do not meet the criteria for hedge accounting:

(a) Currency-related Transactions

	2009			2010			2010		
	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value	Recognized gain (loss)
Forward foreign exchange contracts (Sell-USD)	¥284	¥ 283	¥ 1	¥3,078	¥(32)	¥(32)	\$33,083	\$(344)	\$(344)
Forward foreign exchange contracts (Buy-USD)	-	-	-	¥212	¥2	¥2	\$2,279	\$21	\$21

Note: Fair value is based on the quoted market values provided by financial institutions.

(b) Interest-related Transactions

	2009			2010			2010		
	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value	Recognized gain (loss)
Interest rate swap contracts Pay/fixed and Receive/floating	¥200	¥(2)	¥(2)	¥200	¥0	¥0	\$2,150	\$0	\$0

Note: Fair value is based on the quoted market values provided by financial institutions.

The following is a summary of the derivative contracts which meet the criteria for hedge accounting:

(a) Currency-related transactions

	2010		2010	
	Contracted amount	Fair Value	Contracted amount	Fair Value
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
Forward foreign exchange contracts under hedge exposure (Sell)				
USD	¥113	¥-	\$1,215	\$-
EUR	8	-	86	-
QAR	633	-	6,804	-
AED	37	-	398	-
KWD	780	-	8,383	-
SGD	11	-	118	-
Forward foreign exchange contracts under deferral hedge (Sell)				
USD	¥19	¥(1)	\$204	\$(11)
EUR	8	(0)	86	(0)
QAR	87	(3)	935	(32)
SGD	11	(0)	118	(0)
Total	¥1,707	¥(4)	\$18,347	\$(43)

Note: Fair value of the forward foreign exchange contracts is included in the fair value of the accounts receivable which are hedged.

(b) Interest-related transactions

	2010			2010		
	Contracted amount	Contracted amount over 1 year	Fair value	Contracted amount	Contracted amount over 1 year	Fair value
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Interest rate swaps						
Pay/fixed and Receive/floating						
Long-term debt	¥11,949	¥6,368	¥-	\$128,429	\$68,444	\$-

Note: Fair value of the interest rate swaps transaction is included in the fair value of the long-term debts.

19. Per share information

Net income (loss) and net assets per share for the years ended or as of March 31, 2009 and 2010 are as follows:

	2009	2010	2010
		<i>(Yen)</i>	<i>(U.S. dollars)</i>
Net loss per share	¥ (33.95)	¥ (10.10)	\$(0.109)
Net assets per share	¥146.94	¥ 138.89	\$1.493

Net income (loss) per share is calculated based on the net income (loss) and the weighted average number of shares outstanding during each year. Net assets per share are calculated based on the net assets excluding the minority interests and the number of shares outstanding at the year end.

The basis for calculation of basic net income per share was as follows:

	2009	2010	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Net income (loss)	¥(8,523)	¥(2,536)	\$ (27,257)
Net income (loss) attributable to shares of common stock	¥(8,523)	¥(2,536)	\$ (27,257)
	<i>(Thousands of shares)</i>		
Weighted average number of shares for basic net income	251,067	251,015	-

20. Segment Information

Business Segments

The Companies primarily operate in three business segments:

(1) Communication System operations:

Optical fiber cables, communication cables, communication cable construction and network solution

(2) Device operations:

Precision devices, vibration controlling devices, wire harnesses and fiber photonics products

(3) Energy System operations (including others):

Bare conductors, magnet wires, electric power cables, insulated wires, aluminum wires, power cable construction and power accessories, superconducting wires and other operations

The business segment information for the Companies is summarized as follows:

Segment Information at March 31, 2009	Communication System	Device	Energy System (incl. others)	Total	Eliminations or Corporate	Consolidated
<i>(Millions of yen)</i>						
Net sales						
Outside customers	¥23,796	¥19,017	¥142,085	¥184,898	¥-	¥184,898
Inter segment	1,723	239	1,858	3,820	(3,820)	-
Total	¥25,519	¥19,256	¥143,943	¥188,718	¥(3,820)	¥184,898
Cost and expenses	25,995	19,410	145,798	191,203	(3,748)	187,455
Operating loss	¥(476)	¥(154)	¥(1,855)	¥(2,485)	¥ (72)	¥(2,557)
Total assets	¥19,458	¥15,576	¥92,530	¥127,564	¥17,822	¥145,386
Depreciation	692	801	2,747	4,240	-	4,240
Capital expenditures	1,064	705	3,806	5,575	-	5,575

Segment Information at March 31, 2010	Communication System	Device	Energy System (incl. others)	Total	Eliminations or Corporate	Consolidated
<i>(Millions of yen)</i>						
Net sales						
Outside customers	¥21,617	¥15,114	¥104,667	¥141,398	¥-	¥141,398
Inter segment	1,121	395	1,237	2,753	(2,753)	-
Total	¥22,738	¥15,509	¥105,904	¥144,151	¥(2,753)	¥141,398
Cost and expenses	22,768	15,806	105,646	144,220	(2,756)	141,464
Operating loss	¥(30)	¥(297)	¥258	¥(69)	¥3	¥(66)
Total assets	¥20,665	¥14,312	¥90,598	¥125,575	¥15,161	¥140,736
Depreciation	684	707	3,115	4,506	-	4,506
Capital expenditures	456	340	1,995	2,791	-	2,791

Segment Information at March 31, 2010	Communication System	Device	Energy-System (incl. others)	Total	Eliminations or Corporate	Consolidated
<i>(Thousands of U.S. dollars)</i>						
Net sales						
Outside customers	\$232,341	\$162,446	\$1,124,968	\$1,519,755	\$-	\$1,519,755
Inter segment	12,049	4,245	13,295	29,589	(29,589)	-
Total	\$244,390	\$166,691	\$1,138,263	\$1,549,344	\$(29,589)	\$1,519,755
Cost and expenses	244,712	169,884	1,135,490	1,550,086	(29,622)	1,520,464
Operating loss	\$(322)	\$(3,193)	\$2,773	\$(742)	\$33	\$(709)
Total assets	\$222,109	\$153,826	\$973,753	\$1,349,688	\$162,952	\$1,512,640
Depreciation	7,352	7,599	33,480	48,431	-	48,431
Capital expenditures	4,901	3,654	21,443	29,998	-	29,998

Notes (1) Total assets included in "Eliminations or Corporate" mainly consisted of cash, time deposits and investment securities.

Those assets amounted to ¥18,082 million at March 31, 2009 and ¥15,688 million (\$168,616 thousand) at March 31, 2010, respectively.

(2) Change in accounting policies

(a) Changes in construction contracts

As stated in the Note 2 (k) above, effective the year ended March 31, 2010, the Companies adopted the Accounting Standard

("ASBJ Statement No.15" issued by the Accounting Standard Board of Japan on December 27, 2007 and "ASBJ Guidance No. 18" issued by the Accounting Standard Board of Japan on December 27, 2007).

As a result of this change, sales for the year ended March 31, 2010 decreased by ¥219 million (US\$2,354 thousand) in Energy System (incl. others) segment, whereas operating loss for the year ended March 31, 2010 increased by ¥274 million (US\$2,945 thousand) in Energy System (incl. others) segment, respectively.

Geographical Segments

Geographical segment information of the Companies has been omitted because both of total sales and assets of the domestic segment were more than 90% of the total sales and assets of all segments.

Overseas Sales

Overseas sales of the Companies are summarized as follows:

Year ended March 31, 2009	Asia	Other	Total
		<i>(Millions of yen)</i>	
Overseas sales	¥27,830	¥383	¥28,213
Consolidated net sales			¥184,898
Overseas sales as a percentage of consolidated net sales	15.1%	0.2%	15.3%

Year ended March 31, 2010	Asia	Other	Total
		<i>(Millions of yen)</i>	
Overseas sales	¥17,067	¥611	¥17,678
Consolidated net sales			¥141,398
Overseas sales as a percentage of consolidated net sales	12.1%	0.4%	12.5%

Year ended March 31, 2010	Asia	Other	Total
		<i>(Thousands of U.S. dollars)</i>	
Overseas sales	\$183,437	\$6,567	\$190,004
Consolidated net sales			\$1,519,755
Overseas sales as a percentage of consolidated net sales	12.1%	0.4%	12.5%

Notes: 1. Countries and area are segmented based on their geographical proximity.

2. Major countries or areas in Asia are China, Qatar, and UAE, etc.

3. Overseas sales consist of sales of Companies in countries and areas other than Japan.

Report of Independent Auditors

The Board of Directors
SWCC SHOWA HOLDINGS CO., LTD.

We have audited the accompanying consolidated balance sheets of SWCC SHOWA HOLDINGS CO., LTD. and consolidated subsidiaries as of March 31, 2009 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of SWCC SHOWA HOLDINGS CO., LTD. and consolidated subsidiaries at March 31, 2009 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4.

Ernst & Young Shin Nihon LLC

June 25, 2010