Consolidated Financial Statements
for the year ended March 31, 2012

SWCC Showa Holdings Co., Ltd.
and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEETS

SWCC SHOWA HOLDINGS CO., LTD. and Consolidated Subsidiaries

At March 31, 2011 and 2012

	2011	**2012**	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 4)*
ASSETS			
Current assets:			
Cash and time deposits *(Notes 5 and 19)*	¥11,025	**¥7,447**	**$90,607**
Trade notes and accounts receivable *(Notes 12 and 19)*	47,217	**50,724**	**617,155**
Inventories *(Note 6)*	19,461	**18,984**	**230,977**
Deferred tax assets *(Note 18)*	1,062	**929**	**11,303**
Other	2,844	**3,333**	**40,553**
Allowance for doubtful accounts	(341)	**(242)**	**(2,944)**
Total current assets	81,268	**81,175**	**987,651**
Property, plant and equipment:			
Buildings and structures *(Note 8 and 16)*	41,817	**41,736**	**507,799**
Machinery, equipment and tools *(Note 8 and 16)*	74,174	**71,182**	**866,066**
Land *(Notes 8, 13 and 16)*	24,583	**24,482**	**297,871**
Other	614	**624**	**7,592**
Accumulated depreciation	(93,833)	**(91,700)**	**(1,115,707)**
Total property, plant and equipment	47,355	**46,324**	**563,621**
Intangible assets			
Goodwill	250	**163**	**1,983**
Other *(Note 8 and 16)*	1,936	**2, 266**	**27,570**
Total intangible assets	2,186	**2,429**	**29,553**
Investments and other assets:			
Investment securities *(Notes 7, 8 and 19)*	7,170	**6,440**	**78,355**
Deferred tax assets *(Note 18)*	17	**11**	**134**
Other *(Note 8)*	4,798	**7,623**	**92,748**
Allowance for doubtful accounts	(423)	**(503)**	**(6,120)**
Total investments and other assets	11,562	**13,571**	**165,117**
Total assets	¥142,371	**¥143,499**	**$1,745,942**

See Accompanying Notes to Consolidated Financial Statements.

	2011	**2012**	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 4)*
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term debt *(Notes 8 and 19)*	¥ 50,825	**¥43,862**	**$533,666**
Trade notes and accounts payable *(Notes 12 and 19)*	23,883	**24,352**	**296,289**
Accrued income taxes	322	**409**	**4,976**
Reserve for construction loss	20	**3**	**37**
Reserve for disaster loss	97	**2**	**24**
Other	9,047	**10,582**	**128,750**
Total current liabilities	84,194	**79,210**	**963,742**
Long-term liabilities:			
Long-term debt *(Notes 8 and 19)*	13,486	**14,592**	**177,540**
Accrued retirement benefits for employees *(Note 10)*	709	**686**	**8,347**
Accrued retirement benefits for directors and statutory auditors	90	**96**	**1,168**
Deferred tax liabilities *(Note 18)*	1,852	**1,596**	**19,418**
Deferred tax liabilities related to land revaluation *(Notes 13 and 18)*	5,410	**4,739**	**57,659**
Other *(Note 8)*	1,112	**801**	**9,746**
Total long-term liabilities	22,659	**22,510**	**273,878**
Total liabilities	106,853	**101,720**	**1,237,620**
Contingent liabilities ***(Note 11)***			
Net assets:			
Shareholders' equity:			
Common stock:			
Authorized - 700,000,000 shares			
Issued - 308,268,611 shares in 2012 *(Note 14)*			
- 251,126,611 shares in 2011 *(Note 14)*	21,222	**24,222**	**294,707**
Capital surplus *(Note 14)*	8,035	**11,035**	**134,262**
Retained earnings *(Note 14)*	442	**604**	**7,349**
Treasury stock *(Note 14)*	(13)	**(13)**	**(158)**
Total shareholders' equity	29,686	**35,848**	**436,160**
Accumulated other comprehensive income:			
Unrealized holding gains on other securities	1,243	**557**	**6,778**
Deferred gains (losses) on hedges	(0)	**-**	**-**
Variance of land revaluation *(Note 13)*	4,352	**5,023**	**61,114**
Foreign currency translation adjustments	(693)	**(735)**	**(8,943)**
Total accumulated other comprehensive income	4,902	**4,845**	**58,949**
Minority interests	930	**1,086**	**13,213**
Total net assets	35,518	**41,779**	**508,322**
Total liabilities and net assets	¥142,371	**¥143,499**	**$1,745,942**

See Accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

SWCC SHOWA HOLDINGS CO., LTD. and Consolidated Subsidiaries

For the years ended March 31, 2011 and 2012

	2011	**2012**	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 4)*
Net sales	¥165,512	**¥171,781**	**$2,090,047**
Cost of sales *(Note 6 and 15)*	145,993	**152,519**	**1,855,688**
Gross profit	19,519	**19,262**	**234,359**
Selling, general and administrative expenses *(Note 15)*	16,986	**17,316**	**210,683**
Operating income	2,533	**1,946**	**23,676**
Other income (expenses):			
Interest income	8	**20**	**243**
Dividend income	201	**415**	**5,049**
Interest expense	(1,121)	**(1,103)**	**(13,420)**
Equity in losses of unconsolidated subsidiaries and affiliates	(86)	**(63)**	**(766)**
Foreign currency exchange loss	(614)	**(220)**	**(2,677)**
Gain on contribution of securities to retirement benefit trust	-	**1,557**	**18,944**
Gain on negative goodwill	-	**128**	**1,557**
Gain on sales of fixed assets	-	**61**	**742**
Gain on sales of investment securities	15	**19**	**231**
Gain on compensation for moving	175	**-**	**-**
Compensation expenses for products	-	**(1,099)**	**(13,371)**
Settlement	-	**(510)**	**(6,205)**
Loss on disaster *(Note 17)*	(495)	**(85)**	**(1,034)**
Loss on impairment of fixed assets *(Note 16)*	(50)	**(89)**	**(1,083)**
Loss on sales of investment shares in an affiliate	(97)	-	-
Allowance for doubtful accounts	(87)	-	-
Loss on devaluation of investment securities	(1)	-	-
Loss on adoption of accounting standard for assets retirement obligation	(60)	-	-
Other, net	(172)	**(305)**	**(3,710)**
	(2,384)	**(1,274)**	**(15,500)**
Income before income taxes and minority interests	149	**672**	**8,176**
Income taxes *(Note 18)*			
Current	311	**436**	**5,304**
Deferred	(147)	**376**	**4,575**
	164	**812**	**9,879**
Loss before minority interests	(15)	**(140)**	**(1,703)**
Minority interests	297	**302**	**3,674**
Net income	¥ 282	**¥162**	**$1,971**

See Accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SWCC SHOWA HOLDINGS CO., LTD. and Consolidated Subsidiaries

For the years ended March 31, 2011 and 2012

	2011	**2012**	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 4)*
Loss before minority interests	(15)	**(140)**	**(1,703)**
Other comprehensive income*(Note 22)*			
Unrealized holding losses on other securities	(162)	**(686)**	**(8,346)**
Deferred gains on hedges	4	**0**	**0**
Variance of land revaluation	-	**671**	**8,164**
Foreign currency translation adjustments	(413)	**(55)**	**(669)**
Share of other comprehensive income of affiliates in equity method	(51)	**8**	**97**
Total other comprehensive income	(622)	**(62)**	**(754)**
Comprehensive income	(637)	**(202)**	**(2,457)**
Comprehensive income attributable to			
Owners of the Company	(277)	**105**	**1,278**
Minority interests	(360)	**(307)**	**(3,735)**

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, 2011 and 2012

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income						
	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 accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 1, 2010	¥21,222	¥10,699	¥(2,490)	¥(12)	¥29,419	¥1,405	¥(3)	¥4,338	¥(294)	¥5,446	¥1,290	¥36,155
Transfer from capital surplus to retained earnings		(2,664)	2,664									
Net income for the year			282		282							282
Transfer from variance of land evaluation			(14)		(14)							(14)
Purchase of treasury stock				(1)	(1)							(1)
Disposal of treasury stock		(0)		0	0							0
Changes other than shareholder's equity						(162)	3	14	(399)	(544)	(360)	(904)
Balance at March 31, 2011	¥21,222	¥8,035	¥442	¥(13)	¥29,686	¥1,243	¥(0)	¥4,352	¥(693)	¥4,902	¥930	¥35,518

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	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 accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 1, 2011	**¥21,222**	**¥8,035**	**¥442**	**¥(13)**	**¥29,686**	**¥1,243**	**¥(0)**	**¥4,352**	**¥(693)**	**¥4,902**	**¥930**	**¥35,518**
Issue of new shares	**3,000**	**3,000**			**6,000**							**6,000**
Net income for the year			**162**		**162**							**162**
Purchase of treasury stock				**(0)**	**(0)**							**(0)**
Changes other than shareholder's equity						**(686)**	**0**	**671**	**(42)**	**(57)**	**156**	**99**
Balance at March 31, 2012	**¥24,222**	**¥11,035**	**¥604**	**¥(13)**	**¥35,848**	**¥557**	**¥-**	**¥5,023**	**¥(735)**	**¥4,845**	**¥1,086**	**¥41,779**

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

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	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 accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 1, 2011	**$258,206**	**$97,761**	**$5,378**	**$(158)**	**$361,187**	**$15,124**	**$(0)**	**$52,950**	**$(8,432)**	**$59,642**	**$11,315**	**$432,144**
Issue of new shares	**36,501**	**36,501**			**73,002**							**73,002**
Net income for the year			**1,971**		**1,971**							**1,971**
Purchase of treasury stock				**(0)**	**(0)**							**(0)**
Changes other than shareholder's equity						**(8,346)**	**0**	**8,164**	**(511)**	**(693)**	**1,898**	**1,205**
Balance at March 31, 2012	**$294,707**	**$134,262**	**$7,349**	**$(158)**	**$436,160**	**$6,778**	**$-**	**$61,114**	**$(8,943)**	**$58,949**	**$13,213**	**$508,322**

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, 2011 and 2012

	2011	**2012**	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 4)*
Cash flows from operating activities:			
Income before income taxes and minority interests	¥149	**¥672**	**$8,176**
Depreciation and amortization	4,216	**3,279**	**39,895**
Loss on impairment of fixed assets	50	**89**	**1,083**
Gain on sales of investment securities	(15)	**(19)**	**(231)**
Loss on sales of shares in subsidiaries and affiliates	97	**-**	**-**
Gain on sales of property, plant and equipment	(16)	**(74)**	**(900)**
Loss on disposal of property, plant and equipment	25	**49**	**596**
Loss on devaluation in investment securities	1	**4**	**49**
Increase (decrease) in allowance for doubtful accounts	110	**(19)**	**(231)**
Increase (decrease) in reserve for construction loss	20	**(16)**	**(195)**
Decrease in accrued retirement benefits for employees	(88)	**(23)**	**(280)**
Interest and dividend income	(209)	**(435)**	**(5,292)**
Interest expenses	1,121	**1,103**	**13,420**
Gain on contribution of securities to retirement benefit trust	-	**(1,557)**	**(18,944)**
Compensation expenses for products	-	**1,099**	**13,371**
Settlement	-	**510**	**6,205**
Loss on adoption of accounting standard for assets retirement obligation	60	**-**	**-**
Increase (decrease) in reserve for disaster loss	97	**(95)**	**(1,156)**
Increase in trade notes and accounts receivable	(3,294)	**(3,875)**	**(47,147)**
Increase in inventories	(215)	**(95)**	**(1,156)**
Increase in trade notes and accounts payable	1,484	**498**	**6,059**
(Increase) decrease in other current assets	81	**(372)**	**(4,526)**
Increase (decrease) in other current liabilities	(1,350)	**1,045**	**12,715**
Other	525	**(53)**	**(645)**
Sub-total	2,849	**1,715**	**20,866**
Interest and dividends received	211	**176**	**2,142**
Interest paid	(1,084)	**(1,151)**	**(14,004)**
Surcharge paid	(450)	**-**	**-**
Settlement paid	-	**(271)**	**(3,297)**
Income taxes paid	(319)	**(357)**	**(4,344)**
Net cash provided by operating activities	1,207	**112**	**1,363**
Cash flows from investing activities:			
Purchases of investment securities	(8)	**(8)**	**(97)**
Proceeds from sales of investment securities	17	**30**	**365**
Purchases of property, plant and equipment	(1,674)	**(2,284)**	**(27,789)**
Proceeds from sales of property, plant and equipment	188	**177**	**2,153**
Expenditures for acquisition of investments in an affiliate	(356)	**(1,411)**	**(17,168)**
Proceeds from sales of investments	137	**0**	**0**
Increase in short-term loans receivable	(80)	**(85)**	**(1,034)**
Other	(548)	**(719)**	**(8,748)**
Net cash used in investing activities	(2,324)	**(4,300)**	**(52,318)**

	2011	**2012**	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 4)*
Cash flows from financing activities:			
Increase (decrease) in short-term bank borrowings	2,225	**(5,762)**	**(70,106)**
Proceeds from long-term debt	8,466	**8,600**	**104,636**
Repayment of long-term debt	(7,691)	**(8,733)**	**(106,254)**
Repayment of corporate bonds	(20)	**(20)**	**(243)**
Proceeds from new shares issued to a third party	-	**6,000**	**73,002**
Proceeds from payment by minority shareholder	-	**596**	**7,251**
Dividend payment	-	**(5)**	**(61)**
Other	(76)	**(119)**	**(1,448)**
Net cash provided by financing activities	2,904	**557**	**6,777**
Effect of exchange rate changes on cash and cash equivalents	(300)	**(37)**	**(450)**
Net increase (decrease) in cash and cash equivalents	1,487	**(3,668)**	**(44,628)**
Cash and cash equivalents at beginning of year	9,387	**10, 874**	**132,303**
Cash and cash equivalents at end of year ***(Note 5)***	¥10,874	**¥7,206**	**$87,675**

See Accompanying Notes to Consolidated Financial Statements.

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, 2012 is 24 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	85.1	4,497
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	100
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	80
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 (ShangHai) 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$1.9

The number of affiliates, in which investments are accounted for by the equity method, is 7 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$14
HangZhou FuTong Showa Copper Co., Ltd	50.0	CNY¥100
HangZhou FuTong-Showa Electric Wire Cable Material R&D Co., Ltd	50.0	CNY¥10
FuTong-Showa Electric Wire & Cable (HangZhou) Co., Ltd	50.0	CNY¥50
FuTong-Showa Electric Wire & Cable (TianJin) Co., Ltd	50.0	CNY¥100

Effective the year ended March 31, 2012, the equity method of accounting has been applied to HangZhou FuTong-Showa Electric Wire Cable Material R&D Co., Ltd, FuTong-Showa Electric Wire & Cable (HangZhou) Co., Ltd and FuTong-Showa Electric Wire & Cable (TianJin) Co., Ltd.

(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 translation adjustments and minority interests in accumulated other comprehensive income of its 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 is calculated by the straight-line 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 Receivable

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

(j) Provision for Retirement Benefits for Employees

Accrued retirement benefits for employees have been provided based on the projected benefit obligation, the fair value of securities to retirement benefit trust and 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)Reserve for Disaster Loss

Reserve for disaster loss is provided for restoration expenses to recover the damage as a result of the Great East Japan Earthquake.

(n)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.

(o) 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.

(p) Consumption Taxes

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

(q) 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. Accounting Change

Effective the year ended March 31, 2012, the following change in accounting policy and new accounting standard were adopted.

(a) Change in Accounting Policy

Until the year ended March 31, 2011, property, plant and equipment (except for buildings and structures) had primarily been depreciated by the declining-balance method. Effective the year ended March 31, 2012, the straight-line method was adopted by the Companies for all property, plant and equipment.

The Companies aim to promote business in China, South-east Asia, and other emerging nations whose economic growth is expected to continue in the future. On May 13, 2011, the Company signed a business and capital cooperation agreement with its Chinese partner with whom a good relationship has been built over long years through various joint businesses.

Future equipment investment is expected to increase for overseas businesses in order to satisfy overseas infrastructure needs. On the other hand, new domestic investment demand for high value-added merchandise has reached maturity, and it will shift to periodic maintenance and upgrading based on current domestic market needs.

In line with the above shift in equipment investment trends, the depreciation method was reconsidered. Manufacturing equipment, which is the main component of the property, plant and equipment of the Companies, can satisfy the existing steady domestic infrastructure needs in the medium to long term. The risk of economic obsolescence for manufacturing equipment is considered insignificant, and the return on investment will be generated evenly over the estimated useful lives of the equipment with regular maintenance. Therefore, the straight-line method is considered to be an appropriate method for measuring depreciation expenses.

As a result of the above change, operating income and income before income taxes and minority interests increased by ¥669 million (US$8,140 thousand), respectively, for the year ended March 31, 2012.

(b) Adoption of New Accounting Standard

Effective the year ended March 31, 2012, the “Accounting Standard for Accounting Changes and Error Corrections” (“ASBJ Statement No. 24” issued by the Accounting Standards Board of Japan on December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (“ASBJ Guidance No. 24” issued on December 4, 2009) were adopted.

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 ¥82.19 = US$1.00 prevailing on March 31, 2012. 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

Information regarding cash and time deposits at March 31, 2011 and 2012 was as follows:

	2011	2012	2012
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and time deposits due within 3 months	¥10,874	**¥7,206**	**$87,675**
Time deposits due over 3 months	151	**241**	**2,932**
Total	¥11,025	**¥7,447**	**$90,607**

6. Inventories

The breakdown of Inventories at March 31, 2011 and 2012 was as follows:

	2011	2012	2012
	(Millions of yen)		*(Thousands of U.S. dollars)*
Merchandise and finished goods	¥7,763	**¥7,540**	**$91,739**
Work in process	6,828	**6,670**	**81,153**
Raw materials and supplies	4,870	**4,774**	**58,085**
	¥19,461	**¥18,984**	**$230,977**

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, 2011 and 2012 in the amounts of ¥152 million and ¥76 million (US$925 thousand), respectively.

7. Investment Securities

(a) Information regarding marketable other securities at March 31, 2011 and 2012 was as follows:

	2011			**2012**			**2012**		
	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	¥2,471	¥4,737	¥2,266	**¥1,133**	**¥2,294**	**¥1,161**	**$13,785**	**$27,911**	**$14,126**
Securities whose acquisition cost exceeds their carrying value:									
Stocks	1,149	910	(239)	**1,592**	**1,278**	**(314)**	**19,370**	**15,549**	**(3,821)**
Total	¥3,620	¥5,647	¥2,027	**¥2,725**	**¥3,572**	**¥847**	**$33,155**	**$43,460**	**$10,305**

(b) Sales of securities classified as other securities amounted to ¥2 million with an aggregate gain of ¥0 million for the years ended March 31, 2011. There were no sales of other securities for the year ended March 31, 2012.

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, 2012 were 1.48% and 2.23%, respectively.

Short-term borrowings and long-term borrowings at March 31, 2011 and 2012 consisted of the following:

	2011	**2012**	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Short-term borrowings			
Unsecured	21,340	**17,422**	**211,972**
Secured	21,482	**19,638**	**238,934**
	¥42,822	**¥37,060**	**$450,906**
Long-term borrowings			
Unsecured	8,980	**9,040**	**109,989**
Secured	12,081	**11,888**	**144,641**
	¥21,061	**¥20,928**	**$254,630**

Long-term debt at March 31, 2011 and 2012 consisted of the following:

	2011	**2012**	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
0.54% yen unsecured straight bonds due 2012	90	**70**	**852**
Loans principally from banks and insurance companies due serially to 2017 and predominantly collateralized, with a weighted average interest of 2.24%	21,061	**20,928**	**254,630**
Finance lease obligations due 2018	338	**396**	**4,818**
Less: portion due within one year	(8,003)	**(6,802)**	**(82,759)**
	¥13,486	**¥14,592**	**$177,541**

The aggregate annual maturities of long-term debt subsequent to March 31, 2012 were as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2014	**¥6,050**	**$73,610**
2015	**4,286**	**52,148**
2016	**2,961**	**36,026**
2017 and thereafter	**1,295**	**15,757**

	¥14,592	$177,541

At March 31, 2011 and 2012, the following assets were pledged as collateral for certain of the above debts:

	2011	**2012**	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Investment securities	¥3,534	**¥1,791**	**$21,791**
Property, plant and equipment, at net book value:			
Buildings and structures	9,045	**8,492**	**103,322**
Machinery, equipment and tools	698	**546**	**6,643**
Land	18,157	**17,883**	**217,581**
Other	193	**11**	**134**
	¥31,627	**¥28,723**	**$349,471**

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, 2011 and 2012, 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:

	2011	**2012**	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Acquisition costs	¥2,737	**¥2,095**	**$25,490**
Accumulated depreciation	1,856	**1,642**	**19,978**
Net book value	¥881	**¥453**	**$5,512**

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, 2011 and 2012, 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:

	2011	**2012**	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Within one year	¥425	**¥265**	**$3,224**
Over one year	456	**188**	**2,288**
Total	¥881	**¥453**	**$5,512**

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, 2011 and 2012, were ¥575 million and ¥425 million (US$5,171thousand), 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, 2011 and 2012 are summarized as follows:

	2011	**2012**	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Within one year	¥363	**¥154**	**$1,874**
Over one year	406	**266**	**3,236**
Total	¥769	**¥420**	**$5,110**

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. The company and certain consolidated subsidiaries also have securities contributed to retirement benefit trust. Certain consolidated overseas subsidiaries have defined benefit plans.

(a) Retirement benefit obligation:

	2011	**2012**	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Retirement benefits obligation	¥ (11,966)	**¥ (12,541)**	**$ (152,585)**
Plan assets at fair value	9,446	**11,853**	**144,214**
Unfunded retirement benefit obligation	(2,520)	**(688)**	**(8,371)**
Prepaid pension cost	(3,245)	**(5,328)**	**(64,825)**
Unrecognized prior service cost	6	**4**	**48**
Unrecognized actuarial loss	5,050	**5,326**	**64,801**
Retirement benefit obligation for employees	¥ (709)	**¥ (686)**	**$ (8,347)**

Note: Securities contributed to retirement benefit trust are included in "Plan assets at fair value."

(b) The components of retirement benefit expenses:

	2011	**2012**	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost	¥753	**¥778**	**$9,466**
Interest cost	210	**210**	**2,555**
Expected return on plan assets for the year	(316)	**(302)**	**(3,674)**
Amortization of prior service cost	2	**2**	**24**
Amortization of actuarial loss	598	**653**	**7,945**
Total	¥1,247	**¥1,341**	**$16,316**

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."

(c) The actuarial assumptions used in the above computations for the years ended March 31, 2011:

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 are the estimated average remaining years of service of the eligible employees.

The actuarial assumptions used in the above computations for the years ended March 31, 2012:

a. Methods of attributing the projected benefit obligations to periods of service: straight-line basis

b. Discount rate: 1.5%

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 are the estimated average remaining years of service of the eligible employees.

11. Contingent Liabilities

At March 31, 2011 and 2012, the Companies were contingently liable for the following items:

	2011	**2012**	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Discounted and endorsed trade notes receivable	¥1,120	**¥1,072**	**$13,043**
Guarantees of indebtedness of employees	27	**20**	**243**
	¥1,147	**¥1,092**	**$13,286**

12. Notes Receivable and Payable

Although March 31, 2012 was a bank holiday, the Company accounted for the notes whose maturity date was

March 31, 2012 as if they had been collected on the day.

The amounts of these notes receivable and payable are shown as follows:

	2011	**2012**	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Notes receivable	¥-	**¥528**	**$6,424**
Notes payable	-	**1,622**	**19,735**
	¥-	**¥2,150**	**$26,159**

13. 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, 2011 and 2012 was lower than its carrying amount by ¥8,520 million and ¥8,811 million (US$107,203 thousand), respectively.

14. 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, 2011 and 2012 were as follows:

(a) Shares issued and treasury stock

For the year ended March 31, 2011

Types of shares	Number of shares at April 1, 2010	Increase	Decrease	Number of shares at March 31, 2011
	Thousands of shares			
Share issued:				
Common stock	251,127	-	-	251,127
Treasury stock:				
Common stock	93	5	0	98

Note: Increase of 5 thousand shares of treasury stock is due to purchases of shares less than standard unit.
Decrease of 0 thousand shares of treasury stock is due to sales of shares less than standard unit.

For the year ended March 31, 2012

Types of shares	Number of shares at April 1, 2011	Increase	Decrease	Number of shares at March 31, 2012
	Thousands of shares			
Share issued:				
Common stock	**251,127**	**57,142**	-	**308,269**
Treasury stock:				
Common stock	**98**	**4**	-	**102**

Note: Increase of 57,142 thousand shares is due to issue of new shares attributable to a third-party.
Increase of 4 thousand shares in treasury stock is due to purchases of shares less than standard unit.

(b) Dividends

There were no dividends paid for the years ended March 31, 2011 and 2012.

The dividends whose cut-off date is included in the year ended March 31, 2012, however paid in the year ending March 31, 2013, are shown as follows:

Resolution	Type of shares	Total dividends (millions of yen)	Origin of dividends	Dividends per share (yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 27, 2012	Common stock	308	Retained earnings	1.00	March 31, 2012	June 28, 2012

15. Selling, General and Administrative Expenses

The breakdown of "Selling, General and Administrative Expenses" for the years ended March 31, 2011 and 2012 was as follows:

	2011	**2012**	**2012**
	(Millions of yen)		(*Thousands of U.S. dollars)*
Shipping charges	¥1,730	**¥1,204**	**$14,649**
Other selling expenses	1,329	**1,068**	**12,995**
Salaries and other allowances for employees	5,955	**6,555**	**79,754**
Retirement benefits expenses for employees	893	**830**	**10,099**
Retirement benefits expenses for directors and statutory auditors	19	**31**	**377**
Allowance for doubtful accounts	47	**132**	**1,606**
Depreciation and amortization cost	667	**683**	**8,310**
Other	6,346	**6,813**	**82,893**
	¥16,986	**¥17,316**	**$210,683**

Research and development expensed included in "Selling, general and administrative expenses" and manufacture costs for the year ended March 31, 2011 and 2012 amounted to ¥822 million and ¥157 million, ¥1,019 million (US$12,398 thousand) and ¥229 million (US$2,786 thousand), respectively.

16. Impairment of Fixed Assets

For the years ended March 31, 2011 and 2012, the Companies recognized loss on impairment of fixed assets of ¥50 million and ¥ 89 million (US$1,083 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, 2011, as for idle assets located in Fukushima, 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 ¥50 million.

For the year ended March 31, 2012, as for idle assets and lease assets located in Miyagi and Oita, 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 ¥35 million (US$426 thousand) and ¥44 million (US$535 thousand), respectively. As for facilities related to roller manufacture located in Fukushima, their profitability had remarkably declined due to business reform and the book value of the assets was reduced to recoverable amount. The amount written down was ¥10 million (US$122 thousand).

The recoverable amounts are their net selling prices based on estimated selling prices and the published land price. Roller facilities and leased assets are revalued based on value in use, and the future cash flow is calculated with the discounted rate of 2.76%.

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:

	2011	2012	2012
	(Millions of yen)		*(Thousands of U.S. dollars)*
Land	¥50	**¥64**	**$779**
Buildings and structures	0	**20**	**243**
Other	0	**5**	**61**
	¥50	**¥89**	**$1,083**

17. Loss on Disaster

Details of loss on disaster caused by the Great East Japan Earthquake are shown as follows:

	2011	2012	2012
	(Millions of yen)		*(Thousands of U.S. dollars)*
Fixed expenses due to non-operating	¥224	**¥35**	**$426**
Loss on disposal of property, plant and equipment	39	**3**	**36**
Loss on disposal of inventories	52	**1**	**12**
Restoration expenses and others	180	**46**	**560**
Total	¥495	**¥85**	**$1,034**

18. Income Taxes

Significant components of the Companies' deferred taxes at March 31, 2011 and 2012 were as follows:

	2011	2012	2012
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Loss carry-forwards	¥7,294	**¥6,488**	**$78,939**
Unrealized gain on real estates	621	**621**	**7,556**
Accrued bonuses	587	**587**	**7,142**
Other accounts payable	-	**316**	**3,845**
Land devaluation	303	**283**	**3,443**
Depreciation	341	**179**	**2,178**
Other	1,937	**1,721**	**20,939**
Subtotal deferred tax assets	11,083	**10,195**	**124,042**
Valuation allowance	(9,454)	**(8,735)**	**(106,278)**
Total deferred tax assets	1,629	**1,460**	**17,764**
Deferred tax liabilities:			
Prepaid pension cost	(1,260)	**(1,128)**	**(13,724)**
Securities contributed to retirement benefit trust	-	**(403)**	**(4,903)**
Unrealized holding gains on securities	(784)	**(290)**	**(3,529)**
Other	(359)	**(296)**	**(3,602)**
Total deferred tax liabilities	(2,403)	**(2,117)**	**(25,758)**
Net deferred tax assets (liabilities):	¥(774)	**¥(657)**	**$(7,994)**
Deferred tax assets related to land revaluation:	1,554	**1,361**	**16,559**
Valuation allowance	(1,554)	**(1,361)**	**(16,559)**
Total deferred tax assets related to land revaluation	-	-	-
Deferred tax liabilities related to land revaluation:	(5,410)	**(4,739)**	**(57,659)**
Total deferred tax assets (liabilities) related to land revaluation	(5,410)	**(4,739)**	**(57,659)**
Net deferred tax liabilities related to land revaluation:	¥ (5,410)	**¥(4,739)**	**$(57,659)**

The significant differences between the statutory tax rate and the effective tax rate for the years ended March 31, 2011 and 2012 are summarized as follows:

	2011	**2012**
Statutory tax rate	39.5%	**39.5%**
Change in valuation allowance	(258.2)	**0.7**
Inhabitant tax per capita	50.8	**10.3**
Expenses not deductible for tax purposes	227.1	**68.0**
Equity in earnings of affiliates	22.8	**3.7**
Foreign taxes	22.5	**11.3**
Adjustment on deferred tax assets (liabilities) due to tax rate change	-	**(14.5)**
Other	5.3	**1.8**
Effective tax rate	109.9%	**120.9%**

On December 2, 2011, the “Act for Partial Revision of the Income Tax Act etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011) were enacted. For fiscal years beginning on or after April 1, 2012, the corporate tax rate will be reduced and a special reconstruction corporate income tax will be imposed. Accordingly, the statutory tax rate used to calculate deferred tax assets and liabilities will be reduced from the current rate of 39.5% to 37.4% for temporary differences expected to be realized from the fiscal year beginning on January 1, 2013 to the fiscal year beginning on January 1, 2015, and to 34.6% for temporary differences expected to be realized in fiscal years beginning January 1, 2016. As a result of the above changes, net deferred tax liabilities (offset by deferred tax assets) and deferred tax expenses decreased by ¥225 million (US$2,738 thousand) and ¥184 million (US$2,239 thousand), respectively, and net unrealized holding gains on securities increased by ¥41 million (US$499 thousand). Deferred tax liabilities related to land revaluation decreased by ¥671 million (US$8,164 thousand), and variance of land revaluation increased by ¥671 million (US$8,164 thousand) as of and for the year ended March 31, 2012.

In addition, for fiscal years beginning on or after April 1, 2012, the net loss will be deducted up to 80 percent of the future taxable income in each fiscal year. As a result of this revision, deferred tax assets decreased by ¥87 million (US$1,059 thousand), and deferred tax expenses increased by ¥87 million (US$1,059 thousand).

19. 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 five years, 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.

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. 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.

(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' necessaries 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, 2011 and 2012 is shown as follows:

	2011	**2012**	**2012**
	Carrying amounts		
	(Millions of yen)		*(Thousands of U.S. dollars)*
Other securities			
Stocks and investments in unlisted companies	¥1,523	**¥2,868**	**$34,895**
	¥1,523	**¥2,868**	**$34,895**

The carrying amounts and fair values of the financial instruments on the consolidated balance sheet as of March 31, 2011 and 2012 are summarized as follows:

	2011			**2012**			**2012**		
	Carrying amounts	Fair Values	Differences	Carrying amounts	Fair Values	Differences	Carrying amounts	Fair Values	Differences
	(Millions of yen)			*(Millions of yen)*			*(Thousands of U.S.dollars)*		
(1) Cash and time deposits	¥11,025	¥ 11,025	¥ -	**¥7,447**	**¥ 7,447**	**¥ -**	**$90,607**	**$90,607**	**$-**
(2) Trade notes and accounts receivable	47,217	-	-	**50,724**	**-**	**-**	**617,155**	**-**	**-**
Allowance for doubtful accounts	(307)	-	-	**(196)**	**-**	**-**	**(2,384)**	**-**	**-**
	46,910	46,849	(61)	**50,528**	**50,505**	**(23)**	**614,771**	**614,491**	**(280)**
(3) Investment securities and other securities	5,647	5,647	-	**3,572**	**3,572**	**-**	**43,460**	**43,460**	**-**
(4) Trade notes and accounts payable	(23,883)	(23,855)	(28)	**(24,352)**	**(24,325)**	**(27)**	**(296,289)**	**(295,961)**	**(328)**
(5) Short-term borrowings	(42,822)	(42,822)	-	**(37,060)**	**(37,060)**	**-**	**(450,906)**	**(450,906)**	**-**
(6) Corporate bonds	(90)	(88)	(2)	**(70)**	**(70)**	**(0)**	**(852)**	**(852)**	**(0)**
(7) Long-term borrowings	(21,061)	(21,129)	68	**(20,928)**	**(21,031)**	**103**	**(254,630)**	**(255,883)**	**1,253**
(8) Derivative transactions									
(i) Hedge accounting not applicable	(15)	(15)	-	**(251)**	**(251)**	**-**	**(3,054)**	**(3,054)**	**-**
(ii) Hedge accounting applicable	(0)	(0)	-	**-**	**-**	**-**	**-**	**-**	**-**

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 schedules for cash and trade receivables after March 31, 2011 and 2012 are 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
		(Millions of yen)			(*Thousands of U.S.dollars)*	
2011						
Cash and time deposits	¥11,025	¥-	¥-			
Trade notes and accounts receivable	39,790	7,427	-			
Total of the amounts	¥50,815	¥7,427	¥-			
2012						
Cash and time deposits	**¥7,447**	**¥-**	**¥-**	**$90,607**	**$-**	**$-**
Trade notes and accounts receivable	**46,269**	**4,455**	**-**	**562,951**	**54,204**	**-**
Total of the amounts	**¥53,716**	**¥4,455**	**¥-**	**$653,558**	**$54,204**	**$-**

Redemption schedules for trade payables, corporate bonds and long-term borrowings after March 31, 2011 and 2012 are 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
		(Millions of yen)			(*Thousands of U.S.dollars)*	
2011						
Trade notes and accounts payable	¥23,321	¥562	¥-			
Corporate bonds	20	70	-			
Long-term borrowings	7,878	12,883	300			
Total of the amounts	¥31,219	¥13,515	¥300			
2012						
Trade notes and accounts payable	**¥23,882**	**¥470**	**¥-**	**$290,571**	**$5,718**	**$-**
Corporate bonds	**70**	**-**	**-**	**852**	**-**	**-**
Long-term borrowings	**6,595**	**14,333**	**-**	**80,241**	**174,389**	**-**
Total of the amounts	**¥30,547**	**¥14,803**	**¥-**	**$371,664**	**$180,107**	**$-**

20. Derivatives

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

(a) Currency-related Transactions

	2011			**2012**			**2012**		
	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value	Recognized gain (loss)

		(Millions of yen)			*(Millions of yen)*			*(Thousands of U.S. dollars)*	
Forward foreign exchange contracts									
(Sell-USD)	¥4,226	¥ (14)	¥ (14)	¥5,308	¥(209)	¥(209)	$64,582	$ (2,543)	$(2,543)
(Sell-QAR)	1,410	(0)	(0)	351	(19)	(19)	4,271	(231)	(231)
(Sell-KWD)	-	-	-	9	(1)	(1)	110	(12)	(12)
Forward foreign exchange contracts									
(Buy-USD)	¥-	¥-	¥-	¥3,957	¥(24)	¥(24)	$48,145	$(292)	$(292)

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

	2011		2012		2012	
	Contracted amount	Fair value	Contracted amount	Fair value	Contracted amount	Fair Value
	(Millions of yen)		*(Millions of yen)*		*(Thousands of U.S. dollars)*	
Forward foreign exchange contracts under hedge exposure (Sell)						
QAR	¥354	¥-	¥-	¥-	$-	$-
SGD	4	-	-	-	-	-
Forward foreign exchange contracts under deferral hedge (Sell)						
EUR	¥8	¥(0)	¥-	¥-	$-	$-
Total	¥366	¥(0)	¥-	¥-	$-	$-

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

	2011			2012			2012		
	Contracted amount	Contracted amount over 1 year	Fair value	Contracted amount	Contracted amount over 1 year	Fair value	Contracted amount	Contracted amount over 1 year	Fair value
	(Millions of yen)			*(Millions of yen)*			*(Thousands of U.S. dollars)*		
Interest rate swaps Pay/fixed and Receive/floating Long-term debt	¥9,998	¥4,452	¥-	¥7,903	¥5,093	¥-	$96,155	$61,966	$-

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

21. Per Share Information

Net income and net assets per share for the years ended March 31, 2011 and 2012 were as follows:

	2011	2012	2012
	(Yen)		*(U.S. dollars)*
Net income per share	¥ 1.12	¥ 0.57	$0.007
Net assets per share	¥137.79	¥ 132.05	$1.607

Net income per share is calculated based on the net income 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:

	2011	**2012**	**2012**
	(Millions of yen)		(*Thousands of U.S. dollars)*
Net income	¥282	**¥162**	**$1,971**
Net income attributable to shares of common stock	¥282	**¥162**	**$1,971**
	(Thousands of shares)		
Weighted average number of shares for basic net income	251,031	**283,189**	

22. Other Comprehensive Income

Reclassification adjustments and tax benefit included in other comprehensive income are shown as follows:

	2012	**2012**
	(Millions of yen)	(*Thousands of U.S. dollars)*
Net unrealized holding gains (losses) on other securities		
Increase during the year	**¥373**	**$4,538**
Reclassification adjustments	**(1,553)**	**(18,895)**
Subtotal before tax	**(1,180)**	**(14,357)**
Tax effect	**494**	**6,011**
Net unrealized holding losses on other securities	**(686)**	**(8,346)**
Deferred gains on hedges		
Decrease during the year	**0**	**0**
Variance of land revaluation		
Tax effect	**671**	**8,164**
Foreign currency translation adjustments		
Decrease during the year	**(55)**	**(669)**
Share of other comprehensive income of affiliates in equity method		
Increase during the year	**8**	**97**
Total other comprehensive income	**(62)**	**(754)**

23. Segment Information

Business Segments

The businesses of the Company are divided based on the similarity in products and service categories into five classifications whose financial information are separately available for the management to make decisions regarding management resources allocation and evaluate each business segments result regularly.

The Companies primarily operate in the following five reportable business segments:

(1) Electric Wire operations:
Bare conductors, insulated wires

(2) Power System operations:
Electric power cables, aluminum wires, power cable construction and power accessories

(3) Magnet Wire operations:
Magnet wires

(4) Communication System operations:
Optical fiber cables, communication cables, communication cable construction, network solution and fiber photonics products

(5) Device operations:
Precision devices, vibration controlling devices and wire harnesses

The business segment “Others” which is not stated as reportable business segment, includes the businesses of selling superconducting wires, logistics and other operations.

Reportable segment performance is evaluated based on operating income or loss. The intersegment sales and transfers between segments are made at arm’s length prices.

The business segment information for the Companies for the year ended March 31, 2011 is summarized as follows:

2011	Reportable Business Segments								
Segment Information	Electric Wire	Power System	Magnet Wire	Communication System	Device	Others	Total	Adjustments	Consolidated
				(Millions of yen)					
Net sales									
Outside customers	¥56,075	¥43,384	¥21,041	¥26,064	¥16,320	¥2,628	¥165,512	-	¥165,512
Inter segment	20,721	982	897	1,975	976	8,266	33,817	(33,817)	-
Total	¥76,796	¥44,366	¥21,938	¥28,039	¥17,296	¥10,894	¥199,329	¥(33,817)	¥165,512
Segment income or loss	¥974	¥(196)	¥369	¥1,238	¥568	¥(185)	¥2,768	¥(235)	¥2,533
Segment assets	¥37,140	¥44,218	¥14,275	¥20,744	¥12,059	¥8,559	¥136,995	¥5,376	¥142,371
Depreciation	835	1,272	518	696	448	510	4,279	(63)	4,216
Investments in equity method affiliates	183	573	-	-	85	-	841	-	841
Increase in fix assets	259	290	492	313	254	752	2,360	(153)	2,207

Notes:

(1) Segment income or loss included in Adjustments of ¥235 million, mainly consisted of unrealized profits of ¥119 million and amortization of goodwill of ¥88 million.

(2) Segment assets included in Adjustments amounted to ¥5,376million, mainly consisted of the common assets not allocated to any segment of ¥17,515 million, elimination of inter-segment transactions of ¥10,186 million and unrealized gain of ¥2,153 million. The common assets not allocated to any segment mainly consisted of cash, time deposits and investment securities.

(3) Depreciation in Adjustments corresponds to unrealized gain.

(4) Increase in fixed assets in Adjustments corresponds to unrealized gain.

(5) Segment income or loss corresponds to consolidated operating income.

The business segment information for the Companies for the year ended March 31, 2012 is summarized as follows:

2012	Reportable Business Segments								
Segment Information	Electric Wire	Power System	Magnet Wire	Communication System	Device	Others	Total	Adjustments	Consolidated
				(Millions of yen)					
Net sales									
Outside customers	**¥64,508**	**¥42,287**	**¥22,186**	**¥22,269**	**¥18,005**	**¥2,526**	**¥171,781**	**-**	**¥171,781**
Inter segment	**19,663**	**1,027**	**1,078**	**2,176**	**372**	**9,683**	**33,999**	**(33,999)**	**-**
Total	**¥84,171**	**¥43,314**	**¥23,264**	**¥24,445**	**¥18,377**	**¥12,209**	**¥205,780**	**¥(33,999)**	**¥171,781**
Segment income or loss	**¥2,425**	**¥(446)**	**¥270**	**¥(176)**	**¥741**	**¥(704)**	**¥2,110**	**¥(164)**	**¥1,946**
Segment assets	**¥40,181**	**¥45,760**	**¥14,701**	**¥19,603**	**¥13,664**	**¥10,014**	**¥143,923**	**¥(424)**	**¥143,499**
Depreciation	**536**	**1,069**	**363**	**513**	**361**	**509**	**3,351**	**(72)**	**3,279**
Investments in equity method affiliates	**1,526**	**538**	**-**	**-**	**70**	**62**	**2,196**	**-**	**2,196**
Increase in fix assets	**367**	**398**	**313**	**332**	**853**	**782**	**3,045**	**(162)**	**2,883**

2012	Reportable Business Segments								
Segment Information	Electric Wire	Power System	Magnet Wire	Communication System	Device	Others	Total	Adjustments	Consolidated
				(Thousands of U.S. dollars)					
Net sales									
Outside customers	**$784,864**	**$514,503**	**$269,935**	**$270,945**	**$219,066**	**$30,734**	**$2,090,047**	**-**	**$2,090,047**
Inter segment	**239,238**	**12,495**	**13,116**	**26,475**	**4,526**	**117,814**	**413,664**	**(413,664)**	**-**
Total	**$1,024,102**	**$526,998**	**$283,051**	**$297,420**	**$223,592**	**$148,548**	**$2,503,711**	**$(413,664)**	**$2,090,047**
Segment income or loss	**$29,505**	**$(5,426)**	**$3,285**	**$(2,141)**	**$9,016**	**$(8,567)**	**$25,672**	**$(1,996)**	**$23,676**
Segment assets	**$488,879**	**$556,759**	**$178,866**	**$238,508**	**$166,249**	**$121,840**	**$1,751,101**	**$(5,159)**	**$1,745,942**
Depreciation	**6,521**	**13,006**	**4,417**	**6,242**	**4,392**	**6,193**	**40,771**	**(876)**	**39,895**
Investments in equity method affiliates	**18,567**	**6,546**	**-**	**-**	**852**	**754**	**26,719**	**-**	**26,719**
Increase in fix assets	**4,465**	**4,843**	**3,808**	**4,039**	**10,378**	**9,515**	**37,048**	**(1,971)**	**35,077**

Notes:

(1) Segment income or loss included in Adjustments of ¥164 million (US$1,996 thousand), mainly consisted of unrealized profits of ¥58 million (US$706 thousand) and amortization of goodwill of ¥88 million (US$1,071 thousand).

(2) Segment assets included in Adjustments amounted to ¥424 million (US$5,159 thousand), mainly consisted of the common assets not allocated to any segment of ¥11,549 million (US$140,516 thousand), elimination of inter-segment transactions of ¥9,898 million (US$120,428 thousand) and unrealized gain of ¥2,076 million (US$25,259 thousand). The common assets not allocated to any segment mainly consisted of cash, time deposits and investment securities.

(3) Depreciation in Adjustments corresponds to unrealized gain.

(4) Increase in fixed assets in Adjustments corresponds to unrealized gain.

(5) Segment income or loss corresponds to consolidated operating income.

(6) Change in accounting policy

Until the year ended March 31, 2011, property, plant and equipment (except for buildings and structures) had primarily been depreciated by the declining-balance method. Effective the year ended March 31, 2012, the straight-line method was adopted by the Companies for all property, plant and equipment. As a result of this change, segment income of electric wire segment, magnet wire segment and device segment increased by ¥158 million (US$1,922 thousand), ¥102 million (US$1,241 thousand), and ¥68 million (US$827 thousand), respectively. Segment loss of power system segment, communication system segment and other segment decreased by ¥106 million (US$1,290 thousand), ¥140 (US$1,703thousand), and ¥98 million (US$1,192 thousand), respectively.

Geographical Segments

Geographical segment sales for the years ended March 31, 2011and 2012 are summarized as follows:

Year ended March 31, 2011	Japan	Asia	Other	Total
		(Millions of yen)		
Sales	¥143,603	¥21,543	¥366	¥165,512

Year ended March 31, 2012	Japan	Asia	Other	Total
		(Millions of yen)		
Sales	**¥152,557**	**¥18,984**	**¥240**	**¥171,781**

Year ended March 31, 2012	Japan	Asia	Other	Total
		(Thousands of U.S. dollars)		
Sales	**$1,856,150**	**$230,977**	**$2,920**	**$2,090,047**

Note: Countries and area are segmented based on the customers' geographical locations.

Segment information on impairment losses on fixed assets for the years ended March 31, 2011 and 2012 are summarized as follows:

	Reportable Business Segments							
Year ended March 31, 2011	Electric Wire	Power System	Magnet Wire	Communication System	Device	Others	Eliminations	Total
				(Millions of yen)				
Impairment losses of fixed assets	-	-	-	-	36	14	-	50

	Reportable Business Segments							
Year ended March 31, 2012	Electric Wire	Power System	Magnet Wire	Communication System	Device	Others	Eliminations	Total
				(Millions of yen)				
Impairment losses of fixed assets	**24**	-	-	-	**10**	**55**	-	**89**

	Reportable Business Segments							
Year ended March 31, 2012	Electric Wire	Power System	Magnet Wire	Communication System	Device	Others	Eliminations	Total
				(Thousands of U.S. dollars)				
Impairment losses of fixed assets	**292**	-	-	-	**122**	**669**	-	**1,083**

Note: Impairment losses of fixed assets in other segment is related to the idled assets which are owned by the company engaged in administrative management business.

The Company additionally acquired shares of consolidated subsidiary of EXSYM Corporation which is under the segment of Power System Operations for the year ended March 31, 2012. As a result of this acquisition, gain on negative goodwill of ¥128 million (US$1,557 thousand) was recognized.