

***Consolidated Financial Statements
for the year ended March 31, 2014***

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

CONSOLIDATED BALANCE SHEET

SWCC SHOWA HOLDINGS CO., LTD. and Consolidated Subsidiaries

	2013	2014	2014
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
ASSETS			
Current assets:			
Cash and time deposits <i>(Notes 5 and 19)</i>	¥8,683	¥7,785	\$75,641
Trade notes and accounts receivable <i>(Notes 12 and 19)</i>	47,054	48,618	472,386
Inventories <i>(Note 6)</i>	19,248	21,473	208,638
Deferred tax assets <i>(Note 18)</i>	982	776	7,540
Other	3,343	5,199	50,516
Allowance for doubtful accounts	(243)	(160)	(1,555)
Total current assets	<u>79,067</u>	<u>83,691</u>	<u>813,166</u>
Property, plant and equipment:			
Buildings and structures <i>(Notes 8 and 16)</i>	38,327	38,709	376,108
Machinery, equipment and tools <i>(Notes 8 and 16)</i>	69,603	71,165	691,459
Land <i>(Notes 8, 13 and 16)</i>	24,010	24,001	233,201
Other	809	1,950	18,946
Accumulated depreciation	(90,972)	(92,289)	(896,706)
Total property, plant and equipment	<u>41,777</u>	<u>43,536</u>	<u>423,008</u>
Intangible assets			
Goodwill	0	0	0
Other <i>(Note 16)</i>	2,102	2,055	19,966
Total intangible assets	<u>2,102</u>	<u>2,055</u>	<u>19,966</u>
Investments and other assets:			
Investment securities <i>(Notes 7, 8 and 19)</i>	7,629	8,425	81,860
Deferred tax assets <i>(Note 18)</i>	10	-	-
Other <i>(Note 8)</i>	6,696	1,490	14,477
Net defined benefit asset <i>(Note 10)</i>	-	1,512	14,691
Allowance for doubtful accounts	(390)	(337)	(3,274)
Total investments and other assets	<u>13,945</u>	<u>11,090</u>	<u>107,754</u>
Total assets	<u>¥136,891</u>	<u>¥140,372</u>	<u>\$1,363,894</u>

See Accompanying Notes to Consolidated Financial Statements.

	2013	2014	2014
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term debt <i>(Notes 8 and 19)</i>	¥43,076	¥44,828	\$435,562
Trade notes and accounts payable <i>(Notes 12 and 19)</i>	23,631	24,026	233,443
Accrued income taxes	330	317	3,080
Reserve for construction loss	31	106	1,030
Reserve for business structure improvement expenses <i>(Note 17)</i>	1,188	215	2,089
Reserve for surcharge	-	630	6,121
Other accounts payable	7,262	7,719	75,000
Other	3,528	3,449	33,512
Total current liabilities	<u>79,046</u>	<u>81,290</u>	<u>789,837</u>
Long-term liabilities:			
Long-term debt <i>(Notes 8 and 19)</i>	14,101	17,277	167,868
Accrued retirement benefits for employees <i>(Note 10)</i>	649	-	-
Net defined benefit liability <i>(Note 10)</i>	-	564	5,480
Accrued retirement benefits for directors and statutory auditors	113	114	1,108
Deferred tax liabilities <i>(Note 18)</i>	1,485	1,035	10,056
Deferred tax liabilities related to land revaluation <i>(Notes 13 and 18)</i>	4,739	4,876	47,377
Other	1,408	1,637	15,905
Total long-term liabilities	<u>22,495</u>	<u>25,503</u>	<u>247,794</u>
Total liabilities	<u>101,541</u>	<u>106,793</u>	<u>1,037,631</u>
Contingent liabilities <i>(Note 11)</i>			
Net assets:			
Shareholders' equity:			
Common stock:			
Authorized - 700,000,000 shares			
Issued - 308,268,611 shares <i>(Note 14)</i>	24,222	24,222	235,348
Capital surplus <i>(Note 14)</i>	11,035	6,429	62,466
Retained earnings <i>(Note 14)</i>	(6,077)	(1,276)	(12,398)
Treasury stock <i>(Note 14)</i>	(13)	(14)	(136)
Total shareholders' equity	<u>29,167</u>	<u>29,361</u>	<u>285,280</u>
Accumulated other comprehensive income:			
Unrealized holding gains on other securities	780	816	7,928
Deferred gains on hedges	24	-	-
Variance of land revaluation <i>(Note 13)</i>	5,031	4,894	47,552
Foreign currency translation adjustments	55	1,613	15,672
Remeasurements of defined benefit plans	-	(3,402)	(33,054)
Total accumulated other comprehensive income	<u>5,890</u>	<u>3,921</u>	<u>38,098</u>
Minority interests	<u>293</u>	<u>297</u>	<u>2,885</u>
Total net assets	<u>35,350</u>	<u>33,579</u>	<u>326,263</u>
Total liabilities and net assets	<u>¥136,891</u>	<u>¥140,372</u>	<u>\$1,363,894</u>

See Accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF OPERATIONS
 SWCC SHOWA HOLDINGS CO., LTD. and Consolidated Subsidiaries

	2013	2014	2014
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Net sales	¥169,798	¥183,289	\$1,780,888
Cost of sales (Notes 6 and 15)	151,295	163,727	1,590,818
Gross profit	18,503	19,562	190,070
Selling, general and administrative expenses (Note 15)	17,376	17,009	165,264
Operating income	1,127	2,553	24,806
Other income (expenses):			
Interest income	18	45	437
Dividend income	137	150	1,457
Foreign currency exchange income	44	12	117
Interest expense	(1,042)	(1,092)	(10,610)
Repair work expense	(689)	-	-
Equity in losses of affiliates	(184)	(271)	(2,633)
Gain on compensation for moving	100	-	-
Gain on sales of fixed assets	33	-	-
Gain on bargain purchase	-	18	175
State subsidy	-	8	78
Gain on sales of investment securities	2	4	39
The amount of surcharge reserve fund transfer	-	(630)	(6,121)
Loss on impairment of fixed assets (Note 16)	(4,348)	(8)	(78)
Business structure improvement expenses (Note 17)	(1,578)	(248)	(2,410)
Other, net	(443)	(172)	(1,671)
	(7,950)	(2,184)	(21,220)
Income (loss) before income taxes and minority interests	(6,823)	369	3,586
Income taxes (Note 18)			
Current	413	452	4,391
Deferred	(278)	(242)	(2,351)
	135	210	2,040
Income (loss) before minority interests	(6,958)	159	1,546
Minority interests	593	36	349
Net income (loss)	¥(6,365)	¥195	\$1,895

See Accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 SWCC SHOWA HOLDINGS CO., LTD. and Consolidated Subsidiaries

	2013	2014	2014
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Income (Loss) before minority interests	(6,958)	159	1,546
Other comprehensive income (Note 22)			
Unrealized holding gains on other securities	223	36	349
Deferred gains on hedges	24	(24)	(233)
Variance of land revaluation	-	(137)	(1,331)
Foreign currency translation adjustments	536	791	7,685
Share of other comprehensive income of affiliates in equity method	308	775	7,530
Total other comprehensive income	<u>1,091</u>	<u>1,441</u>	<u>14,000</u>
Comprehensive income	<u>(5,867)</u>	<u>1,600</u>	<u>15,546</u>
Comprehensive income attributable to			
Owners of the Company	(5,327)	1,627	15,808
Minority interests	(540)	(27)	(262)

See Accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

SWCC SHOWA HOLDINGS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Minority interests	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 accumulated other comprehensive income		
Balance at April 1, 2012	¥24,222	¥11,035	¥604	¥(13)	¥35,848	¥557	¥-	¥5,023	¥(735)	¥4,845	¥1,086	¥41,779
Cash dividends paid			(308)		(308)							(308)
Net loss for the year			(6,365)		(6,365)							(6,365)
Reversal of revaluation reserve for land			(8)		(8)							(8)
Purchase of treasury stock				(0)	(0)							(0)
Changes other than shareholder's equity						223	24	8	790	1,045	(793)	252
Balance at March 31, 2013	¥24,222	¥11,035	¥(6,077)	¥(13)	¥29,167	¥780	¥24	¥5,031	¥55	¥5,890	¥293	¥35,350

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Minority interests	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	Remeasurements of defined benefit plans			Total accumulated other comprehensive income
Balance at April 1, 2013	¥24,222	¥11,035	¥(6,077)	¥(13)	¥29,167	¥780	¥24	¥5,031	¥55	¥-	¥5,890	¥293	¥35,350
Transfer to retained earnings from capital surplus		(4,606)	4,606		-								-
Net income for the year			195		195								195
Purchase of treasury stock				(1)	(1)								(1)
Changes other than shareholder's equity						36	(24)	(137)	1,558	(3,402)	(1,969)	4	(1,965)
Balance at March 31, 2014	¥24,222	¥6,429	¥(1,276)	¥(14)	¥29,361	¥816	¥-	¥4,894	¥1,613	¥(3,402)	¥3,921	¥297	¥33,579

(Thousands of U.S. dollars) (Note 3)

	Shareholders' equity					Accumulated other comprehensive income					Minority interests	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	Remeasurements of defined benefit plans			Total accumulated other comprehensive income
Balance at April 1, 2013	\$235,348	\$107,219	\$(59,046)	\$(126)	\$283,395	\$7,579	\$233	\$48,883	\$534	\$-	\$57,229	\$2,847	\$343,471
Transfer to retained earnings from capital surplus		(44,753)	44,753		-								-
Net income for the year			1,895		1,895								1,895
Purchase of treasury stock				(10)	(10)								(10)
Changes other than shareholder's equity						349	(233)	(1,331)	15,138	(33,054)	(19,131)	38	(19,093)
Balance at March 31, 2014	\$235,348	\$62,466	\$(12,398)	\$(136)	\$285,280	\$7,928	\$-	\$47,552	\$15,672	\$(33,054)	\$38,098	\$2,885	\$326,263

See Accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

SWCC SHOWA HOLDINGS CO., LTD. and Consolidated Subsidiaries

	2013	2014	2014
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥(6,823)	¥369	\$3,586
Depreciation and amortization	3,170	2,948	28,644
Loss on impairment of fixed assets	4,348	8	78
Compensation income	-	(101)	(981)
Gain on sales of investment securities	(2)	(4)	(39)
Gain on sales of property, plant and equipment	(33)	-	-
Loss on disposal of property, plant and equipment	49	27	262
Loss on devaluation in investment securities	40	3	29
Increase (decrease) in allowance for doubtful accounts	(113)	(139)	(1,351)
Increase (decrease) in reserve for construction loss	28	75	729
Increase (decrease) in accrued retirement benefits for employees	(37)	-	-
Increase (decrease) in provision for Net defined benefit liability	-	(115)	(1,117)
Interest and dividend income	(155)	(195)	(1,895)
Interest expenses	1,042	1,092	10,610
Reserve for surcharge	-	630	6,121
Increase (decrease) in reserve for disaster loss	(2)	-	-
(Increase) decrease in trade notes and accounts receivable	3,581	(1,267)	(12,311)
(Increase) decrease in inventories	(1,139)	(2,107)	(20,473)
Increase (decrease) in trade notes and accounts payable	(540)	106	1,030
(Increase) decrease in other current assets	(115)	(1,020)	(9,911)
Increase (decrease) in other current liabilities	37	925	8,988
Repair work expense	689	-	-
Loss on sales of investments in subsidiaries and affiliates	33	-	-
Business structure improvement expenses	1,578	248	2,410
Other	899	(1,400)	(13,603)
Sub-total	<u>6,535</u>	<u>83</u>	<u>806</u>
Interest and dividends received	157	206	2,002
Interest paid	(1,044)	(1,088)	(10,571)
Settlement paid	(217)	-	-
Income taxes paid	(46)	(409)	(3,974)
Net cash provided by operating activities	<u>5,385</u>	<u>(1,208)</u>	<u>(11,737)</u>
Cash flows from investing activities:			
Purchases of investment securities	(8)	(9)	(87)
Proceeds from sales of investment securities	4	48	466
Purchases of property, plant and equipment	(3,254)	(3,317)	(32,229)
Proceeds from sales of property, plant and equipment	448	39	379
Expenditures for acquisition of investments in an affiliate	(308)	(498)	(4,838)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	60	583
Proceeds from sales of investments in subsidiaries capital in change in scope of consolidation	35	-	-
Proceeds from acquisition of shares of new consolidated subsidiaries	7	-	-
Proceeds from sales of investments	0	3	29
(Increase) decrease in short-term loans receivable	(294)	(1,002)	(9,736)
Other	(544)	109	1,059
Net cash used in investing activities	<u>(3,914)</u>	<u>(4,567)</u>	<u>(44,374)</u>

	2013	2014	2014
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Cash flows from financing activities:			
Increase (decrease) in short-term bank borrowings	(1,401)	1,041	10,115
Proceeds from long-term debt	7,610	11,050	107,365
Repayment of long-term debt	(7,239)	(8,332)	(80,956)
Repayment of corporate bonds	(70)	-	-
Proceeds from payment by minority shareholders	7	-	-
Cash dividends paid	(308)	-	-
Dividends payment	(6)	(6)	(58)
Other	688	981	9,531
Net cash provided by (used in) financing activities	(719)	4,734	45,997
Effect of exchange rate changes on cash and cash equivalents	266	422	4,100
Net increase (decrease) in cash and cash equivalents	1,018	(619)	(6,014)
Cash and cash equivalents at beginning of year	7,206	8,224	79,906
Cash and cash equivalents at end of year (Note 5)	<u>¥8,224</u>	<u>¥7,605</u>	<u>73,892</u>

See Accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 SWCC SHOWA HOLDINGS CO., LTD. and Consolidated Subsidiaries

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, 2014 is 25 listed as follows:

Name	Percentage of equity ownership	Paid-in capital
		<i>(Millions)</i>
SWCC Showa Cable Systems Co., Ltd.	100.0 %	¥10,000
SWCC Showa Device Technology Co., Ltd.	100.0	3,500
EXSYM Corporation	85.1	500
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
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
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\$1.7

HangZhou FuTong Showa Interconnect Products Co., Ltd.	90.0	CNY \$12
Showa Science Co., Ltd.	70.0	40

The number of affiliates, in which investments are accounted for by the equity method, is 5 listed as follows:

	Percentage of equity ownership	Paid-in capital <i>(Millions)</i>
Hua Ho Engineering Co., Ltd.	50.0	NT\$35
Showa-TBEA (Shan Dong) Cable Accessories Co., Ltd	49.0	US\$14
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¥322
FuTong-Showa Electric Wire & Cable (TianJin) Co., Ltd	50.0	CNY¥100

Effective the year ended March 31, 2014, Showa Science Co., Ltd., has been excluded it from scope of the equity method affiliated companies and changed in the consolidation due to ownership ratio increased by additional acquisition.

In the year March 31, 2014, Showa Science Co., Ltd., controlled indirectly by the company, included in the consolidated subsidiaries.

In the year March 31, 2014, HangZhou FuTong Showa Copper Co., Ltd. and HangZhou FuTong Showa Wire & Devices Co., Ltd., in which investments were accounted for by the equity method, were merged by FuTong-Showa Electric Wire & Cable (HangZhou) 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

Depreciation of finance lease assets that transfer ownership of the assets, mainly office equipment is calculated by the same method applied for property, plant and equipment.

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 residual 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) Retirement Benefits

(1) Method of attributing benefits to periods of service

When calculating retirement benefit obligations, the straight-line basis is used for attributing expected retirement benefits to periods of service.

(2) Method of expenses for actuarial gains and losses and past service costs

Past service cost is amortized on a straight-line basis over certain periods within the average remaining service lives of employees (mainly 13 years) from the year in which it arises.

Actuarial gains and losses are amortized on a straight-line basis over certain periods within the average remaining service lives of employees (mainly 13 years) from the year following that in which they arise.

(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 business structure improvement loss

Reserve for business structure improvement loss is provided based on an estimate of business structure improvement expenses.

(n) Reserve for Surcharge

Reserve for Surcharge is recorded at the expected loss resulting from the payment of a surcharge payment order based on the European Commission.

(o) 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.

(p) 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.

(q) Consumption Taxes

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

(r) 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, 2014, the following change in accounting policy and new accounting standard were adopted.

(a) Change in Accounting Policy

Effective from the year ended March 31, 2014, the Company and its consolidated domestic subsidiaries have applied the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No. 26, May 17, 2012 (Statement No. 26)) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012 (Guidance No. 25)) except the article 35 of the Statement No.26 and the article 67 of the Guidance No.25 and unrecognized actuarial gains and losses and unrecognized past service costs have been recognized and the difference between retirement benefit obligations and plan assets has been recognized as net defined benefit liabilities (or assets). In accordance with the article 37 of the Statement No.26, the effect of the change in accounting policies arising from initial application has been recognized in accumulated remeasurements of defined benefit plans in accumulated other comprehensive income.

As a result of the application, accumulated other comprehensive income has decreased by ¥3,402 million (US\$33,055 thousand), for the year ended March 31, 2014.

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 ¥102.92 = US\$1.00 prevailing on March 31, 2014. 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, 2013 and 2014 was as follows:

	2013	2014	2014
		(Millions of yen)	(Thousands of U.S. dollars)
Cash and time deposits due within 3 months	¥8,224	¥7,605	\$73,892
Time deposits due over 3 months	459	180	1,749
Total	¥8,683	¥7,785	\$75,641

6. Inventories

The breakdown of Inventories at March 31, 2013 and 2014 was as follows:

	2013	2014	2014
		(Millions of yen)	(Thousands of U.S. dollars)
Merchandise and finished goods	¥8,271	¥9,038	\$87,816
Work in process	6,486	7,159	69,559
Raw materials and supplies	4,491	5,276	51,263
	¥19,248	¥21,473	\$208,638

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, 2013 and 2014 in the amounts of ¥86 million and ¥69 million (US\$670 thousand), respectively.

7. Investment Securities

(a) Information regarding marketable other securities at March 31, 2013 and 2014 was as follows:

	2013			2014			2014		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
	<i>(Millions of yen)</i>						<i>(Thousands of U.S. dollars)</i>		
Securities whose carrying value exceeds their acquisition cost:									
Stocks	¥1,678	¥3,132	¥1,454	¥2,033	¥3,400	¥1,367	\$19,753	\$33,035	\$13,282
Securities whose acquisition cost exceeds their carrying value:									
Stocks	1,020	737	(283)	683	554	(129)	6,636	5,383	(1,253)
Total	¥2,698	¥3,869	¥1,171	¥2,716	¥3,954	¥1,238	\$26,389	\$38,418	\$12,029

(b) For the year ended March 31, 2013, and 2014, since sales of securities classified as other securities were not important, the information was omitted.

8. Short-term and Long-term Debts

Short-term debt composes short-term borrowings and current portion of long-term borrowings, finance lease obligations. The weighted average interest rates for short-term borrowings and current portion of long-term borrowings at March 31, 2014 were 1.52% and 2.08%, respectively.

Short-term borrowings and long-term borrowings at March 31, 2013 and 2014 consisted of the following:

	2013	2014	2014
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Short-term borrowings			
Unsecured	15,828	15,700	152,546
Secured	19,570	20,774	201,846
	<u>¥35,398</u>	<u>¥36,474</u>	<u>\$354,392</u>
Long-term borrowings			
Unsecured	8,788	12,046	117,042
Secured	12,510	11,964	116,246
	<u>¥21,298</u>	<u>¥24,010</u>	<u>\$233,288</u>

Long-term debt at March 31, 2013 and 2014 consisted of the following:

	2013	2014	2014
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Loans principally from banks and insurance companies due serially to 2019 and predominantly collateralized, with a weighted average interest of 2.0%	21,298	24,010	233,288
Finance lease obligations due 2022	481	1,621	15,750
Less: portion due within one year	(7,678)	(8,354)	(81,170)
	<u>¥14,101</u>	<u>¥17,277</u>	<u>\$167,868</u>

The aggregate annual maturities of long-term debt subsequent to March 31, 2014 were as follows:

Year ending March 31,	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
	2015	¥7,002
2016	5,423	52,691
2017	3,262	31,695
2018 and thereafter	1,590	15,449
	<u>¥17,277</u>	<u>\$167,868</u>

At March 31, 2013 and 2014, the following assets were pledged as collateral for certain of the above debts:

	2013	2014	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Investment securities	¥2,015	¥2,047	\$19,889
Property, plant and equipment, at net book value:			
Buildings and structures	5,273	5,123	49,777
Machinery, equipment and tools	273	141	1,370
Land	17,883	17,883	173,756
Other	9	3	29
	<u>¥25,453</u>	<u>¥25,197</u>	<u>\$244,821</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, 2013 and 2014, 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:

	2013	2014	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Acquisition costs	¥831	¥643	\$6,248
Accumulated depreciation	643	534	5,188
Net book value	<u>¥188</u>	<u>¥109</u>	<u>\$1,060</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, 2013 and 2014, 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:

	2013	2014	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Within one year	¥75	¥58	\$563
Over one year	113	51	497
Total	<u>¥188</u>	<u>¥109</u>	<u>\$1,060</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, 2013 and 2014, were ¥265 million and ¥75 million (US\$729thousand), 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, 2013 and 2014 are summarized as follows:

	2013	2014	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Within one year	¥106	¥97	\$943
Over one year	160	63	612
Total	<u>¥266</u>	<u>¥160</u>	<u>\$1,555</u>

10. Retirement Benefits for Employees

Parent company and domestic consolidated subsidiaries are as defined benefit plans providing pension fund, defined benefit corporate pension plans and lump-sum retirement benefit plans and defined contribution pension plans, is the parent company and certain consolidated subsidiaries set the employee retirement benefit trust.

Pension benefit companies and retirement lump sum with certain subsidiaries are calculated defined benefit liabilities and retirement benefit costs by the simplified method.

Also, in certain overseas consolidated subsidiaries have defined benefit plans. Similar to defined contribution plan cannot reasonably calculate the amount of pension assets, corresponding to their contribution regarding the accounting treatment, some consolidated subsidiaries joined a multi-employer pension fund.

Defined benefit plans 2013

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 :

	2013
	<i>(Millions of yen)</i>
Retirement benefits obligation	¥ (12,953)
Plan assets at fair value	<u>12,800</u>
Unfunded retirement benefit obligation	(153)
Prepaid pension cost	(5,075)
Unrecognized prior service cost	2
Unrecognized actuarial loss	<u>4,577</u>
Retirement benefit obligation for employees	¥ (649)

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

(b) The components of retirement benefit expenses :

	2013
	<i>(Millions of yen)</i>
Service cost	¥762
Interest cost	164
Expected return on plan assets for the year	(382)
Amortization of prior service cost	2
Amortization of actuarial loss	<u>725</u>
Total	<u>¥1,271</u>

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, 2013:

- a. Methods of attributing the projected benefit obligations to periods of service: straight-line basis
- b. Discount rate: 1.0%
- 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 within the estimated average remaining years of service of the eligible employees.

Defined benefit plans 2014

(a) Defined benefit plans (excluding plans applying the simplified method)

(1) Movements in retirement benefit obligations

	2014	2014
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Balance at beginning	¥11,303	\$ 109,823
Service cost	435	4,227
Interest cost	113	1,098
Actuarial gains and losses	598	5,810
Benefits paid	<u>(663)</u>	<u>(6,442)</u>
Total	<u>¥11,786</u>	<u>\$ 114,516</u>

(2) Movements in plan assets

	2014	2014
	(Millions of yen)	(Thousands of U.S. dollars)
Balance at beginning	¥ 11,774	\$ 114,400
Expected return on plan assets	412	4,003
Actuarial gains and losses	1,050	10,202
Contributions paid by the employer	637	6,188
Benefits paid	<u>(661)</u>	<u>(6,423)</u>
Total	<u>¥ 13,212</u>	<u>\$ 128,370</u>

(3) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liabilities (assets) in the consolidated balance sheets.

	2014	2014
	(Millions of yen)	(Thousands of U.S. dollars)
Funded retirement benefit obligations	¥ 11,786	\$ 114,516
Plan assets	<u>(13,212)</u>	<u>(128,372)</u>
	<u>(1,426)</u>	<u>(13,856)</u>
Total net defined benefit liabilities (assets)	<u>(1,426)</u>	<u>(13,856)</u>
Net defined benefit liabilities	<u>(1,426)</u>	<u>(13,856)</u>
Total net defined benefit liabilities (assets)	<u>(1,426)</u>	<u>(13,856)</u>

(4) Retirement benefit costs

	2014	2014
	(Millions of yen)	(Thousands of U.S. dollars)
Service cost	¥ 435	\$ 4,227
Interest cost	113	1,098
Expected return on plan assets	(412)	(4,003)
Amortization	723	7,025
Actuarial gains and losses	<u>1</u>	<u>10</u>
Past service costs	860	8,357

(5) Accumulated remeasurements of defined benefit plans (before tax)

	2014	2014
	(Millions of yen)	(Thousands of U.S. dollars)
Unrecognized actuarial gains and losses	<u>3,402</u>	<u>33,055</u>
Total	<u>3,402</u>	<u>33,055</u>

(6) Plan assets

① Plan assets comprise:

	2014
Life insurance general accounts	23.7%
Domestic bonds	15.6
Domestic equity securities	36.4
Foreign bonds	4.2
Foreign equity securities	12.9
Other assets	<u>7.2</u>
	100.0%

② Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(7) Actuarial assumptions

The principal actuarial assumptions at March 31, 2014 are as follows:

	2014
Discount rate	1.0%
Long-term expected rate of return	3.5

(b) Defined benefit plans applying the simplified method.

(1) Movements in defined benefit liabilities

	2014 <i>(Millions of yen)</i>	2014 <i>(Thousands of U.S. dollars)</i>
Balance at beginning	¥ 624	\$ 6,063
Retirement benefit costs	140	1,360
Benefits paid	(180)	(1,749)
Contributions paid by the employer	(139)	(1,350)
Foreign currency translation adjustments	3	29
Increase by the new consolidated subsidiaries	30	291
Balance at end	<u>478</u>	<u>4,644</u>

(2) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liabilities (assets) in the consolidated balance sheets

	2014 <i>(Millions of yen)</i>	2014 <i>(Thousands of U.S. dollars)</i>
Funded retirement benefit obligations	¥ 1,148	\$ 11,154
Plan assets	(958)	(9,308)
	<u>190</u>	<u>1,846</u>
Unfunded retirement benefit obligations	288	2,798
Total net defined benefit liabilities (assets)	<u>478</u>	<u>4,644</u>
Net defined benefit liabilities	564	5,480
Net defined benefit assets	<u>86</u>	<u>836</u>
Total net defined benefit liabilities (assets)	<u>478</u>	<u>4,644</u>

(3) Retirement benefit cost calculated by the simplified method

	2014 <i>(Millions of yen)</i>	2014 <i>(Thousands of U.S. dollars)</i>
	¥ 140	\$ 1,360

(c) Defined contribution plans for fiscal year 2014

The amount of required contributions to the defined contribution plans of the Company and its consolidated subsidiaries was ¥183 million (US\$1,778 thousand).

11. Contingent Liabilities

At March 31, 2013 and 2014, the Companies were contingently liable for the following items:

	2013 <i>(Millions of yen)</i>	2014 <i>(Millions of yen)</i>	2014 <i>(Thousands of U.S. dollars)</i>
Discounted and endorsed trade notes receivable	¥1,339	¥1,963	\$19,073
Guarantees of indebtedness of employees	11	7	68
	<u>¥1,350</u>	<u>¥1,970</u>	<u>\$19,141</u>

12. Notes Receivable and Payable

Although March 31, 2013 was a bank holiday, the Company accounted for the notes whose maturity date was March 31, 2013 as if they had been collected on the day.

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

	2013	2014	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Notes receivable	¥430	-	-
Notes payable	2,137	-	-
	<u>¥2,567</u>	<u>¥-</u>	<u>\$-</u>

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, 2013 and 2014 was lower than its carrying amount by ¥8,855 million and ¥8,904 million (US\$86,514 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, 2013 and 2014 were as follows:

(a) Shares issued and treasury stock

For the year ended March 31, 2013

Types of shares	Number of shares at April 1, 2012	Increase	Decrease	Number of shares at March 31, 2013
<i>Thousands of shares</i>				
Share issued:				
Common stock	<u>308,269</u>	<u>-</u>	<u>-</u>	<u>308,269</u>
Treasury stock:				
Common stock	<u>102</u>	<u>5</u>	<u>-</u>	<u>107</u>

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

For the year ended March 31, 2014

Types of shares	Number of shares at April 1, 2013	Increase	Decrease	Number of shares at March 31, 2014
<i>Thousands of shares</i>				
Share issued:				
Common stock	<u>308,269</u>	<u>-</u>	<u>-</u>	<u>308,269</u>
Treasury stock:				
Common stock	<u>107</u>	<u>11</u>	<u>-</u>	<u>118</u>

Note: Increase of 11 thousand shares in treasury stock is due to purchases of shares less than standard unit.

(b) Dividends

Dividends paid to shareholders for the years ended March 31, 2013.

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

There were no dividends paid for the years ended March 31, 2014.

15. Selling, General and Administrative Expenses

The breakdown of “Selling, General and Administrative Expenses” for the years ended March 31, 2013 and 2014 was as follows:

	2013	2014	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Shipping charges	¥1,361	¥1,330	\$12,923
Other selling expenses	873	701	6,811
Salaries and other allowances for employees	6,446	6,317	61,378
Retirement benefits expenses for employees	765	733	7,122
Retirement benefits expenses for directors and statutory auditors	25	28	272
Allowance for doubtful accounts	34	(61)	(593)
Depreciation and amortization cost	831	919	8,929
Other	7,041	7,042	68,422
	<u>¥17,376</u>	<u>¥17,009</u>	<u>\$165,264</u>

Research and development expensed included in “Selling, general and administrative expenses” and manufacture costs for the year ended March 31, 2013 and 2014 amounted to ¥995 million and ¥252 million, ¥858 million (US\$8,337 thousand) and ¥240 million (US\$2,332 thousand), respectively.

16. Impairment of Fixed Assets

For the years ended March 31, 2013 and 2014, the Companies recognized loss on impairment of fixed assets of ¥4,348 million and ¥8 million (US\$78 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, 2013, as for facilities related to power cable manufacture located in Aichi, their profitability had remarkably declined due to sluggish domestic demand and the book value of the assets was reduced to recoverable amount. The amount written down was ¥3,342 million. As for facilities related to magnet wire manufacture located in Tianjin, China, their profitability had remarkably declined due to the changes in market environment and the book value of the assets was reduced to recoverable amount. The amount written down was ¥561 million. As for facilities related to communications cable manufacture located in Miyagi, it has been scheduled to dissolve consolidated subsidiary of Miyazaki Electric Wire & Cable Co., Ltd. and the book value of the assets was reduced to recoverable amount. The amount written down was ¥361million. As for facilities related to roller manufacture and lease assets located in Fukushima and Tokyo, 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 ¥63 million and ¥21million, respectively.

For the year ended March 31, 2014, as for facilities related to lease assets located in Hokkaido, 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 ¥8 million (US\$78 thousand), respectively.

The recoverable amounts are their net selling prices based on estimated selling prices and the published land price as for leased assets.

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:

	2013	2014	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Buildings and structures	¥3,239	¥-	\$-
Machinery, equipment and Vehicles	685	-	-
Tools, furniture and fixtures	281	-	-
Land	66	8	78
Other	77	-	-
	<u>¥4,348</u>	<u>¥8</u>	<u>\$78</u>

17. Business structure improvement expenses

Details of business structure improvement expenses

	2013	2014	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Severance payments for early retirement	¥326	¥120	\$1,166
Loss on dissolve subsidiary relating to withdrawal from certain business	1,170	75	729
Other	82	53	515
Total	<u>¥1,578</u>	<u>¥248</u>	<u>\$2,410</u>

For the year ended March 31, 2013 and 2014, the amount of business structure improvement expenses includes ¥1,188 million and ¥187 million (US\$1,817 thousand) transferred to the provision for business structure improvement expenses.

18. Income Taxes

Significant components of deferred taxes at March 31, 2013 and 2014 were as follows:

	2013	2014	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Loss carry-forwards	¥8,787	¥8,883	\$86,310
Unrealized gain on real estates	624	623	6,053
Accrued bonuses	537	539	5,237
Depreciation	1,409	1,243	12,077
Actuarial gain or loss	-	1,211	11,766
Other accounts payable	387	-	-
Reserve for business structure improvement loss	440	-	-
Other	1,939	2,341	22,747
Subtotal deferred tax assets	14,123	14,840	144,190
Valuation allowance	<u>(12,536)</u>	<u>(13,453)</u>	<u>(130,714)</u>
Total deferred tax assets	1,587	1,387	13,476
Deferred tax liabilities:			
Net defined benefit asset	-	(538)	(5,227)
Unrealized holding gains on securities	(391)	(419)	(4,071)
Profit and loss adjustment of the connection corporation interval business	-	(173)	(1,681)
Prepaid pension cost	(1,010)	-	-
Securities contributed to retirement benefit trust	(403)	-	-
Other	<u>(276)</u>	<u>(516)</u>	<u>(5,013)</u>
Total deferred tax liabilities	<u>(2,080)</u>	<u>(1,646)</u>	<u>(15,992)</u>
Net deferred tax assets (liabilities):	<u>¥(493)</u>	<u>¥(259)</u>	<u>\$ (2,516)</u>
Deferred tax assets related to land revaluation:	1,359	1,398	13,583
Valuation allowance	<u>(1,359)</u>	<u>(1,398)</u>	<u>(13,583)</u>
Total deferred tax assets related to land revaluation	-	-	-
Deferred tax liabilities related to land revaluation:	<u>(4,739)</u>	<u>(4,876)</u>	<u>(47,377)</u>
Total deferred tax assets (liabilities) related to land revaluation	<u>(4,739)</u>	<u>(4,876)</u>	<u>(47,377)</u>
Net deferred tax liabilities related to land revaluation:	<u>¥ (4,739)</u>	<u>¥(4,876)</u>	<u>\$ (47,377)</u>

The differences between the statutory tax rate and the effective tax rate were summarized as follows:

	2013	2014
	(%)	(%)
Legal effective tax rate	-	37.4
The items which are never counted in loss of money such as donations	-	54.2
The amount of increase and decrease of the amount of evaluation-related mortgage	-	△79.9
The items which are never counted in a gain such as receipt dividend	-	△3.8
Residence tax per capita rate	-	28.0
Investment loss by the equity method	-	27.5
Reduction correction of deferred tax assets by the tax rate change	-	14.7
Overseas tax rate difference	-	△15.7
Amortization of the Goodwill	-	△2.4
Other	-	△2.9
Effective tax rate	-	57.1

Correction of the amount of money of the deferred tax assets by the change of the tax rates such as corporation taxes and the putting off tax debt on March 31, 2014, the “Act for Partial Revision of the Income Tax Act etc.” (Act. No. 10 of 2014) was officially issued and, accordingly, the special Japanese reconstruction corporate tax applicable to the Company and its domestic subsidiaries will not be applied effective the year ending March 31, 2014. Corresponding to this change, the statutory tax rate applied in calculating deferred income taxes was reduced from 37.4% to 35.6%.

By the change of this tax rate, the amount of money of deferred tax assets decreased 54 million (*US\$525 thousand*), and the amount of such as corporation taxes adjustment rose 54 million (*US\$525 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. Long-term debts, which have maturity dates within five years and nine month, are primarily utilized to secure financing for equipment. 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 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' 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, 2013 and 2014 is shown as follows:

	2013	2014	2014
	Carrying amounts		
	(Millions of yen)		(Thousands of U.S. dollars)
Other securities			
Stocks and investments in unlisted companies	¥3,760	¥4,471	\$43,442
	¥3,760	¥4,471	\$43,442

The carrying amounts and fair values of the financial instruments on the consolidated balance sheet as of March 31, 2013 and 2014 are summarized as follows:

	2013			2014			2014		
	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	¥8,683	¥ 8,683	¥ -	¥7,785	¥7,785	¥ -	\$75,641	\$75,641	\$-
(2) Trade notes and accounts receivable	47,054	-	-	48,618	-	-	472,386	-	-
Allowance for doubtful accounts	(197)	-	-	(108)	-	-	(1,049)	-	-
	46,857	46,849	(8)	48,510	48,501	(9)	471,337	471,250	(87)
(3) Investment securities and other securities	3,869	3,869	-	3,954	3,954	-	38,418	38,418	-
(4) Trade notes and accounts payable	(23,631)	(23,612)	(19)	(24,026)	(24,026)	-	(233,443)	(233,443)	-
(5) Short-term borrowings	(35,398)	(35,398)	-	(36,474)	(36,474)	-	(354,392)	(354,392)	-
(6) Long-term borrowings	(21,298)	(21,374)	76	(24,010)	(24,135)	125	(233,288)	(234,503)	1,215
(7) Derivative transactions									
(i) Hedge accounting not applicable	(94)	(94)	-	(1,528)	(1,528)	-	(14,846)	(14,846)	-
(ii) Hedge accounting applicable	38	38	-	-	-	-	-	-	-

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 borrowings

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

(6) Long-term borrowings

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

Redemption schedules for cash and trade receivables after March 31, 2013 and 2014 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)		
2013						
Cash and time deposits	¥8,683	¥-	¥-			
Trade notes and accounts receivable	43,196	3,858	-			
Total of the amounts	¥51,879	¥3,858	¥-			
2014						
Cash and time deposits	¥7,785	¥-	¥-	\$75,641	\$-	\$-
Trade notes and accounts receivable	45,479	3,139	-	441,887	30,499	-
Total of the amounts	¥53,264	¥3,139	¥-	\$517,528	\$30,499	\$-

Redemption schedules for trade payables, long-term borrowings after March 31, 2013 and 2014 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)		
2013						
Trade notes and accounts payable	¥23,174	¥457	¥-			
Long-term borrowings	7,525	13,773	-			
Lease obligations	154	305	22			
Total of the amounts	¥30,853	¥14,535	¥22			
2014						
Trade notes and accounts payable	¥24,026	¥-	¥-	\$233,443	\$-	\$-
Long-term borrowings	7,975	16,031	4	77,488	155,761	39
Lease obligations	379	1,155	87	3,682	11,223	845
Total of the amounts	¥32,380	¥17,186	¥91	\$314,613	\$166,984	\$884

20. Derivatives

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

(a) Currency-related Transactions

	2013			2014			2014		
	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)	¥1,893	¥(79)	¥(79)	¥935	¥10	¥10	\$9,085	\$ 97	\$97
(Sell-QAR)	148	(7)	(7)	1,461	(7)	(7)	14,195	(68)	(68)
(Sell-KWD)	4	(1)	(1)	25	1	1	243	10	10
(Sell-SGD)	187	(5)	(5)	-	-	-	-	-	-
Forward foreign exchange contracts									
(Buy-USD)	¥943	¥(3)	¥(3)	¥516	¥(2)	¥(2)	\$5,014	\$(19)	\$(19)

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

	2013			2014			2014		
	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
	<i>(Millions of yen)</i>			<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Forward foreign exchange contracts under principle (Buy)									
EUR	¥178	¥-	¥38	¥-	¥-	¥-	\$-	\$-	\$-

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

(b) Interest-related Transactions

	2013			2014			2014		
	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
	<i>(Millions of yen)</i>			<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Interest rate swaps Pay/fixed and Receive/floating									
Long-term debt	¥9,158	¥6,150	¥-	¥10,010	¥6,675	¥-	\$97,260	\$64,856	\$-

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 (loss) and net assets per share for the years ended March 31, 2013 and 2014 were as follows:

	2013	2014	2014
		<i>(Yen)</i>	<i>(U.S. dollars)</i>
Net income (loss) per share	¥ (20.66)	¥0.63	\$0.006
Net assets per share	¥113.76	¥108.00	\$1.049

Net income 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:

	2013	2014	2014
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Net income (loss)	¥(6,365)	¥195	\$1,895
Net income (loss) attributable to shares of common stock	¥(6,365)	¥195	\$1,895
		<i>(Thousands of shares)</i>	
Weighted average number of shares for basic net income	308,164	308,156	

As "Changes in accounting principles", in accordance with transitional accounting as stipulated in article 37 of the Accounting Standard for Retirement Benefits, as a result, net assets per share decreased by ¥11.4.

22. Other Comprehensive Income

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

	2013	2014	2014
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Net unrealized holding gains (losses) on other securities			
Increase during the year	¥287	¥62	\$602
Reclassification adjustments	38	-	-
Subtotal before tax	<u>325</u>	<u>62</u>	<u>602</u>
Tax effect	<u>(102)</u>	<u>(26)</u>	<u>(253)</u>
Net unrealized holding losses on other securities	223	36	349
Deferred gains (losses) on hedges			
Increase during the year	<u>38</u>	<u>(38)</u>	<u>(369)</u>
Subtotal before tax	38	(38)	(369)
Tax effect	<u>(14)</u>	<u>14</u>	<u>136</u>
Net deferred gains on hedges	24	(24)	(233)
Variance of land revaluation			
Tax effect	<u>-</u>	<u>(137)</u>	<u>(1,331)</u>
Foreign currency translation adjustments			
Increase (decrease) during the year	540	791	7,685
Reclassification adjustments	<u>(4)</u>	<u>-</u>	<u>-</u>
Net foreign currency translation adjustments	<u>536</u>	<u>791</u>	<u>7,685</u>
Share of other comprehensive income of affiliates in equity method			
Increase during the year	<u>308</u>	<u>775</u>	<u>7,530</u>
Total other comprehensive income	<u><u>1,091</u></u>	<u><u>1,441</u></u>	<u><u>14,000</u></u>

23. Segment Information

Business Segments

The businesses of the Companies 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, bus, insulated wires
- (2) Power System operations:
Electric power cables, electric power appliance, power cable constructions
- (3) Magnet Wire operations:
Magnet wires
- (4) Communication System operations:
Optical fiber cables, communication cables, communication cable construction, network solution system
- (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, 2013 is summarized as follows:

2013	Reportable Business Segments					Others	Total	Adjustments	Consolidated
Segment Information	Electric Wire	Power System	Magnet Wire	Communication System	Device				
<i>(Millions of yen)</i>									
Net sales									
Outside customers	¥66,787	¥41,364	¥19,859	¥20,217	¥19,551	¥2,020	¥169,798	-	¥169,798
Inter segment	18,377	1,164	670	2,055	752	10,304	33,322	(33,322)	-
Total	¥85,164	¥42,528	¥20,529	¥22,272	¥20,303	¥12,324	¥203,120	¥(33,322)	¥169,798
Segment income or loss	¥2,377	¥(1,408)	¥(157)	¥(218)	¥1,065	¥(447)	¥1,212	¥(85)	¥1,127
Segment assets	¥41,236	¥39,688	¥12,637	¥18,465	¥14,412	¥10,221	¥136,659	¥232	¥136,891
Depreciation	510	836	354	489	427	663	3,279	(109)	3,170
Investments in equity method affiliates	2,352	651	-	-	55	71	3,129	-	3,129
Increase in fix assets	701	393	329	637	580	1,283	3,923	(111)	3,812

Notes:

- (1) Segment income or loss included in Adjustments of ¥85 million, mainly consisted of amortization of goodwill of ¥67 million.
- (2) Segment assets included in Adjustments amounted to ¥232 million, mainly consisted of the common assets not allocated to any segment of ¥12,537 million, elimination of inter-segment transactions of ¥9,956 million and unrealized gain of ¥2,349 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, 2014 is summarized as follows:

2014	Reportable Business Segments					Others	Total	Adjustments	Consolidated
Segment Information	Electric Wire	Power System	Magnet Wire	Communication System	Device				
<i>(Millions of yen)</i>									
Net sales									
Outside customers	¥86,544	¥27,900	¥21,751	¥21,356	¥23,597	¥2,141	¥183,289	-	¥183,289
Inter segment	21,206	196	635	962	220	10,288	33,507	(33,507)	-
Total	¥107,750	¥28,096	¥22,386	¥22,318	¥23,817	¥12,429	¥216,796	¥(33,507)	¥183,289
Segment income or loss	¥1,554	¥(392)	¥(46)	¥567	¥1,153	¥(331)	¥2,505	¥48	¥2,553
Segment assets	¥47,092	¥32,879	¥13,506	¥19,673	¥16,187	¥10,720	¥140,057	¥315	¥140,372
Depreciation	636	353	352	440	522	762	3,065	(117)	2,948
Investments in equity method affiliates	2,822	901	-	-	-	108	3,831	-	3,831
Increase in fix assets	732	319	456	789	1,272	947	4,515	(54)	4,461

2014	Reportable Business Segments					Others	Total	Adjustments	Consolidated
Segment Information	Electric Wire	Power System	Magnet Wire	Communication System	Device				
<i>(Thousands of U.S. dollars)</i>									
Net sales									
Outside customers	\$840,886	\$271,085	\$211,339	\$207,501	\$229,275	\$20,802	\$1,780,888	-	\$1,780,888
Inter segment	206,044	1,904	6,170	9,347	2,138	99,961	325,564	(325,564)	-
Total	\$1,046,930	\$272,989	\$217,509	\$216,848	\$231,413	\$120,763	\$2,106,452	\$(325,564)	\$1,780,888
Segment income or loss	\$15,099	\$(3,809)	\$ (447)	\$5,509	\$11,203	\$(3,216)	\$24,339	\$467	\$24,806
Segment assets	\$457,559	\$319,462	\$131,228	\$191,148	\$157,277	\$104,159	\$1,360,833	\$3,061	\$1,363,894
Depreciation	6,180	3,430	3,420	4,275	5,072	7,403	29,780	(1,136)	28,644
Investments in equity method affiliates	27,419	8,754	-	-	-	1050	37,223	-	37,223
Increase in fix assets	7,112	3,099	4,431	7,666	12,359	9,202	43,869	(525)	43,344

Notes:

- (1) Segment income or loss included in Adjustments of ¥48 million (US\$467 thousand), mainly consisted of amortization of goodwill of ¥75 million (US\$729 thousand).
- (2) Segment assets included in Adjustments amounted to ¥315 million (US\$3,061 thousand), mainly consisted of the common assets not allocated to any segment of ¥11,810 million (US\$114,749 thousand), elimination of inter-segment transactions of ¥9,343 million (US\$90,779 thousand) and unrealized gain of ¥2,152 million (US\$20,909 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.

Geographical Segments

Geographical segment sales for the years ended March 31, 2013 and 2014 are summarized as follows:

Year ended March 31, 2013	Japan	Asia	Other	Total
<i>(Millions of yen)</i>				
Sales	¥149,114	¥20,401	¥283	¥169,798
Year ended March 31, 2014	Japan	Asia	Other	Total
<i>(Millions of yen)</i>				
Sales	¥159,051	¥23,877	¥361	¥183,289
Year ended March 31, 2014	Japan	Asia	Other	Total
<i>(Thousands of U.S. dollars)</i>				
Sales	\$1,545,385	\$231,996	\$3,507	\$1,780,888

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

Major Customer Information

2013		
Major customer	Sales(Millions of yen)	Segments
SENSHU ELECTRIC CO.,LTD.	¥21,940	Electric Wire and Communication System
2014		
Major customer	Sales(Millions of yen)	Segments
SENSHU ELECTRIC CO.,LTD.	¥23,812	Electric Wire and Communication System
2014		
Major customer	Sales(Thousands of U.S. dollars)	Segments
SENSHU ELECTRIC CO.,LTD.	\$ 231,364	Electric Wire and Communication System

Segment information on impairment losses on fixed assets for the years ended March 31, 2013 and 2014 are summarized as follows:

Year ended March 31, 2013	Reportable Business Segments					Others	Eliminations	Total
	Electric Wire	Power System	Magnet Wire	Communication System	Device			
<i>(Millions of yen)</i>								
Impairment losses of fixed assets	-	3,342	561	361	63	21	-	4,348

Year ended March 31, 2014	Reportable Business Segments					Others	Eliminations	Total
	Electric Wire	Power System	Magnet Wire	Communication System	Device			
<i>(Millions of yen)</i>								
Impairment losses of fixed assets	-	-	-	-	-	8	-	8

Year ended March 31, 2014	Reportable Business Segments					Others	Eliminations	Total
	Electric Wire	Power System	Magnet Wire	Communication System	Device			
<i>(Thousands of U.S. dollars)</i>								
Impairment losses of fixed assets	-	-	-	-	-	78	-	78

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 Showa Science Co., Ltd. which is under the segment of Device Operations for the year ended March 31, 2014. As a result of this acquisition, gain on negative goodwill of ¥18 million (US\$175 thousand) was recognized.

24. A parent company or important affiliates

A summary of the financial information of important affiliated company

In consolidated account year, important affiliates are Hua Ho Engineering Co., Ltd., Showa-TBEA (Shan Dong) Cable Accessories Co., Ltd and FuTong-Showa Electric Wire & Cable (HangZhou) Co., Ltd and The adding up abstract financial affairs information is as follows.

	2013	2014	2014
		<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Total current assets	-	¥6,144	\$59,697
Total fixed assets	-	2,932	28,487
Total current liabilities	-	3,270	31,772
Total long-term liabilities	-	3	29
Total net assets	-	5,803	56,383
Net sales	-	15,170	147,396
Loss before income taxes and minority interests	-	(457)	(4,440)
Net loss	-	(473)	(4,596)

Because importance added, Hua Ho Engineering Co., Ltd., Showa-TBEA (Shan Dong) Cable Accessories Co., Ltd and FuTong-Showa Electric Wire & Cable (HangZhou) Co., Ltd are assumed important affiliates from our consolidated account year.