

***Consolidated Financial Statements
for the year ended March 31, 2017***

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

CONSOLIDATED BALANCE SHEET

SWCC SHOWA HOLDINGS CO., LTD. and Consolidated Subsidiaries

	2016	2017	2017
	<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 4 and 16)</i>	¥6,410	¥5,321	\$47,428
Trade notes and accounts receivable <i>(Note 16)</i>	42,345	41,453	369,489
Inventories <i>(Note 5)</i>	21,096	19,117	170,399
Deferred tax assets <i>(Note 15)</i>	445	753	6,712
Other	3,577	3,220	28,701
Allowance for doubtful accounts	(17)	(10)	(89)
Total current assets	<u>73,856</u>	<u>69,854</u>	<u>622,640</u>
Property, plant and equipment:			
Buildings and structures <i>(Notes 7 and 14)</i>	37,947	37,850	337,374
Machinery, equipment and tools <i>(Notes 7 and 14)</i>	70,485	70,196	625,689
Land <i>(Notes 7, 11 and 14)</i>	23,702	23,604	210,393
Other	1,430	1,588	14,155
Accumulated depreciation	(94,503)	(94,285)	(840,405)
Total property, plant and equipment	<u>39,061</u>	<u>38,953</u>	<u>347,206</u>
Intangible assets			
Other	1,838	1,638	14,600
Total intangible assets	<u>1,838</u>	<u>1,638</u>	<u>14,600</u>
Investments and other assets:			
Investment securities <i>(Notes 6, 7 and 16)</i>	6,759	6,207	55,325
Deferred tax assets <i>(Note 15)</i>	13	54	481
Other	1,293	1,201	10,706
Net defined benefit asset <i>(Note 9)</i>	399	1,773	15,804
Allowance for doubtful accounts	(150)	(151)	(1,346)
Total investments and other assets	<u>8,314</u>	<u>9,084</u>	<u>80,970</u>
Total assets	<u>¥123,069</u>	<u>¥119,529</u>	<u>\$1,065,416</u>

See Accompanying Notes to Consolidated Financial Statements.

	2016	2017	2017
	<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 7 and 16)</i>	¥40,772	¥35,821	\$319,289
Trade notes and accounts payable <i>(Note 16)</i>	21,261	20,895	186,247
Accrued income taxes	283	365	3,253
Provision for loss on construction contracts	162	93	829
Provision for business structure improvement expenses	13	10	89
Other accounts payable	8,128	7,982	71,147
Other	3,779	3,869	34,486
Total current liabilities	<u>74,398</u>	<u>69,035</u>	<u>615,340</u>
Long-term liabilities:			
Long-term debt <i>(Notes 7 and 16)</i>	16,711	15,598	139,032
Net defined benefit liability <i>(Note 9)</i>	565	622	5,544
Accrued retirement benefits for directors and statutory auditors	103	116	1,034
Deferred tax liabilities <i>(Note 15)</i>	159	247	2,202
Deferred tax liabilities related to land revaluation <i>(Notes 11 and 15)</i>	4,227	4,227	37,677
Other	1,182	1,028	9,163
Total long-term liabilities	<u>22,947</u>	<u>21,838</u>	<u>194,652</u>
Total liabilities	<u>97,345</u>	<u>90,873</u>	<u>809,992</u>
Contingent liabilities <i>(Note 10)</i>			
Net assets:			
Shareholders' equity:			
Common stock:			
Authorized - 700,000,000 shares			
Issued - 308,268,611 shares <i>(Note 12)</i>	24,222	24,222	215,902
Capital surplus <i>(Note 12)</i>	5,537	5,537	49,354
Retained earnings <i>(Note 12)</i>	(9,168)	(7,192)	(64,105)
Treasury stock <i>(Note 12)</i>	(16)	(16)	(143)
Total shareholders' equity	<u>20,575</u>	<u>22,551</u>	<u>201,008</u>
Accumulated other comprehensive income:			
Unrealized holding gains(losses) on other securities	567	743	6,623
Deferred gains(losses) on hedges	(1)	-	-
Variance of land revaluation <i>(Note 11)</i>	5,543	5,543	49,407
Foreign currency translation adjustments	2,173	1,617	14,413
Remeasurements of defined benefit plans	(3,486)	(2,302)	(20,519)
Total accumulated other comprehensive income	<u>4,796</u>	<u>5,601</u>	<u>49,924</u>
Non-controlling interests	<u>353</u>	<u>504</u>	<u>4,492</u>
Total net assets	<u>25,724</u>	<u>28,656</u>	<u>255,424</u>
Total liabilities and net assets	<u>¥123,069</u>	<u>¥119,529</u>	<u>\$1,065,416</u>

See Accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF OPERATIONS

SWCC SHOWA HOLDINGS CO., LTD. and Consolidated Subsidiaries

	2016	2017	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Net sales	¥169,713	¥155,233	\$1,383,662
Cost of sales (Notes 5 and 13)	151,984	135,133	1,204,501
Gross profit	17,729	20,100	179,161
Selling, general and administrative expenses (Note 13)	16,778	15,865	141,412
Operating income	951	4,235	37,749
Other income (expenses):			
Interest income	67	42	374
Dividend income	64	55	490
Interest expense	(966)	(852)	(7,594)
Equity in losses of affiliates	(644)	(84)	(749)
Gain on bargain purchase	31	-	-
State subsidy	70	-	-
Gain on sales of investment securities	12	258	2,300
Loss on impairment of fixed assets (Note 14)	(5,996)	(322)	(2,870)
Compensation for product	(823)	-	-
Repair work expense	(119)	(519)	(4,626)
Other, net	(1,267)	(411)	(3,663)
	(9,571)	(1,833)	(16,338)
Income (loss) before income taxes and non-controlling interests	(8,620)	2,402	21,411
Income taxes (Note 15)			
Current	392	535	4,769
Deferred	89	(270)	(2,406)
	481	265	2,363
Income (loss)	(9,101)	2,137	19,048
Income (loss) attributable to non-controlling interests	50	161	1,434
Income (loss) attributable to owners of the Company	¥(9,151)	¥1,976	\$17,614

See Accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SWCC SHOWA HOLDINGS CO., LTD. and Consolidated Subsidiaries

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
			(Note 3)
Income (Loss)	(¥9,101)	¥2,137	\$19,048
Other comprehensive income (Note 19)			
Unrealized holding gains (losses) on other securities	(127)	177	1,578
Deferred gains (losses) on hedges	(1)	1	9
Variance of land revaluation	197	-	-
Foreign currency translation adjustments	(46)	(225)	(2,006)
Remeasurements of defined benefit plans	(1,875)	1,184	10,554
Share of other comprehensive income of affiliates in equity method	(244)	(335)	(2,986)
Total other comprehensive income	(2,096)	802	7,149
Comprehensive income	(¥11,197)	¥2,939	\$26,197
Comprehensive income attributable to			
Owners of the Company	(¥11,245)	¥2,781	\$24,789
Non-controlling interests	48	158	1,408

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						Non-controlling 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, 2015	¥24,222	¥5,915	¥(395)	¥(15)	¥29,727	¥691	-	¥5,346	¥2,464	¥(1,611)	¥6,890	¥305	¥36,922
Transfer to retained earnings from capital surplus		(378)	378		-								
Income (loss) attributable to owners of the Company for the year			(9,151)		(9,151)								(9,151)
Purchase of treasury stock				(1)	(1)								(1)
Changes other than shareholder's equity						(124)	(1)	197	(291)	(1,875)	(2,094)	48	(2,046)
Balance at March 31, 2016	¥24,222	¥5,537	¥(9,168)	¥(16)	¥20,575	¥567	¥(1)	¥5,543	¥2,173	¥(3,486)	¥4,796	¥353	¥25,724

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income						Non-controlling 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, 2016	¥24,222	¥5,537	¥(9,168)	¥(16)	¥20,575	¥567	¥(1)	¥5,543	¥2,173	¥(3,486)	¥4,796	¥353	¥25,724
Transfer to retained earnings from capital surplus													
Income (loss) attributable to owners of the Company for the year			1,976		1,976								1,976
Purchase of treasury stock				(0)	(0)								(0)
Changes other than shareholder's equity						176	1	-	(556)	1,184	805	151	956
Balance at March 31, 2017	¥24,222	¥5,537	¥(7,192)	¥(16)	¥22,551	¥743	¥-	¥5,543	¥1,617	¥(2,302)	¥5,601	¥504	¥28,656

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

	Shareholders' equity					Accumulated other comprehensive income						Non-controlling 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, 2016	\$215,902	\$49,354	\$(81,719)	\$(143)	\$183,394	\$5,054	\$(9)	\$49,407	\$19,369	\$(31,073)	\$42,748	\$3,146	\$229,288
Transfer to retained earnings from capital surplus													
Income (loss) attributable to owners of the Company for the year			17,614		17,614								17,614
Purchase of treasury stock				(0)	(0)								(0)
Changes other than shareholder's equity						1,569	9	-	(4,956)	10,554	7,176	1,346	8,522
Balance at March 31, 2017	\$215,902	\$49,354	\$(64,105)	\$(143)	\$201,008	\$6,623	\$-	\$49,407	\$14,413	\$(20,519)	\$49,924	\$4,492	\$255,424

See Accompanying Notes to Consolidated Financial Statements.

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

	2016	2017	2017
	<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 non-controlling interests	¥(8,620)	¥2,402	\$21,411
Depreciation and amortization	3,700	2,929	26,106
Loss on impairment of fixed assets	5,996	322	2,870
Gain on sales of investment securities	(12)	(258)	(2,300)
Loss on devaluation in investment securities	5	-	-
Increase (decrease) in allowance for doubtful accounts	(123)	(6)	(53)
Increase (decrease) in reserve for construction loss	25	(69)	(615)
Increase (decrease) in provision for net defined benefit liability	28	56	499
Interest and dividend income	(131)	(97)	(865)
Interest expenses	966	852	7,594
Compensation for product	823	-	-
(Increase) decrease in trade notes and accounts receivable	3,180	892	7,951
(Increase) decrease in inventories	891	1,979	17,640
Increase (decrease) in trade notes and accounts payable	(1,840)	(343)	(3,057)
(Increase) decrease in other current assets	5	131	1,168
Increase (decrease) in other current liabilities	(411)	94	838
Other	1,134	96	856
Sub-total	<u>5,616</u>	<u>8,980</u>	<u>80,043</u>
Interest and dividends received	157	125	1,114
Interest paid	(965)	(854)	(7,612)
Business structure improvement expenses paid	(16)	(30)	(267)
Income taxes paid	(246)	(379)	(3,379)
Net cash provided by (used in) operating activities	<u>4,546</u>	<u>7,842</u>	<u>69,899</u>
Cash flows from investing activities:			
Purchases of investment securities	(10)	(9)	(80)
Proceeds from sales of investment securities	19	525	4,680
Purchases of property, plant and equipment	(3,242)	(2,730)	(24,334)
Proceeds from sales of property, plant and equipment	243	179	1,596
Proceeds from sales of intangible assets	(482)	(285)	(2,540)
Expenditures for acquisition of investments in an affiliate	(439)	-	-
(Increase) decrease in short-term loans receivable	36	30	267
Payments for execution of assets retirement obligations	-	(24)	(214)
Other	29	95	846
Net cash provided by (used in) investing activities	<u>(3,846)</u>	<u>(2,219)</u>	<u>(19,779)</u>

	2016	2017	2017
	<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	322	(3,736)	(33,301)
Proceeds from long-term debt	7,900	7,500	66,851
Repayment of long-term debt	(9,723)	(9,615)	(85,703)
Cash dividends paid to non-controlling interests	(4)	(8)	(71)
Other	(785)	(648)	(5,776)
Net cash provided by (used in) financing activities	<u>(2,290)</u>	<u>(6,507)</u>	<u>(58,000)</u>
Effect of exchange rate changes on cash and cash equivalents	(96)	(205)	(1,827)
Net increase (decrease) in cash and cash equivalents	(1,686)	(1,089)	(9,707)
Cash and cash equivalents at beginning of year	7,968	6,282	55,995
Cash and cash equivalents at end of year (Note 4)	<u>¥6,282</u>	<u>¥5,193</u>	<u>\$46,288</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 is 22 at March 31, 2017, which are 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
Unimac Ltd.	55.0	480
Fuji Electric Cable Co., Ltd.	100.0	318
Daiji Co., Ltd.	100.0	100
AXIO Corporation	100.0	310
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 Precision Electronics 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\$9.9
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
Showa Science Co., Ltd.	70.0	40

The number of affiliates, in which investments are accounted for by the equity method, is 4 at March 31, 2017, which are 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
FuTong-Showa Electric Wire & Cable (HangZhou) Co., Ltd	49.0	CNY¥374
FuTong-Showa Electric Wire & Cable (TianJin) Co., Ltd	49.0	CNY¥100

Effective the year ended March 31, 2017, HangZhou FuTong Showa Interconnect Products Co., Ltd. has been excluded from the scope of the consolidated subsidiaries since its liquidation was completed.

Effective the year ended March 31, 2017, HangZhou FuTong-Showa Electric Wire Cable Material R&D Co., Ltd has been excluded from the scope of the equity method affiliated companies since its stocks were sold.

(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	7 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 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) 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

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) Provision for Loss on Construction Contracts

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

(m) Provision for business structure improvement Expenses

Provision for business structure improvement is proved based on an estimate of business structure improvement expenses.

(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.

(Additional Information)

(Application of Reserved Implementation Guidance on Recoverability of Deferred Tax Assets)

The Companies have adopted the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No.26, March 28, 2016) from the current fiscal year.

3. 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 ¥112.19= US\$1.00 prevailing on March 31, 2017. 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.

4. Cash and Time Deposits

Information regarding cash and time deposits at March 31, 2016 and 2017 was as follows:

	2016	2017	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash and time deposits due within 3 months	¥6,282	¥5,193	\$46,288
Time deposits due over 3 months	128	128	1,140
Total	¥6,410	¥5,321	\$47,428

5. Inventories

The breakdown of Inventories at March 31, 2016 and 2017 was as follows:

	2016	2017	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Merchandise and finished goods	¥9,425	¥8,333	\$74,276
Work in process	7,454	6,274	55,923
Raw materials and supplies	4,217	4,510	40,200
	¥21,096	¥19,117	\$170,399

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, 2016 and 2017 in the amounts of ¥61 million and ¥173 million (US\$1,542 thousand), respectively.

6. Investment Securities

(a) Information regarding marketable other securities at March 31, 2016 and 2017 was as follows:

	2016			2017			2017		
	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	¥862	¥1,937	¥1,075	¥728	¥1,929	¥1,201	\$6,489	\$17,194	\$10,705
Securities whose acquisition cost exceeds their carrying value:									
Stocks	877	667	(210)	756	642	(114)	6,739	5,722	(1,016)
Total	¥1,739	¥2,604	¥865	¥1,484	¥2,571	¥1,087	\$13,228	\$22,916	\$9,689

(b) Sales of other securities

Information regarding other securities which have been sold out by March 31, 2016 and 2017 was as follows:

	2016		2017		2017	
	Amount of the sale	Income of the sale	Amount of the sale	Income of the sale	Amount of the sale	Income of the sale
	<i>(Millions of yen)</i>				<i>(Thousands of U.S. dollars)</i>	
Stocks	¥19	¥12	¥525	¥258	\$4,680	\$2,300

7. 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, 2017 were 1.618% and 1.591%, respectively.

Short-term borrowings and long-term borrowings at March 31, 2016 and 2017 consisted of the following:

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Short-term borrowings			
Unsecured	¥11,436	¥8,431	\$75,149
Secured	19,557	18,836	167,894
	<u>¥30,993</u>	<u>¥27,267</u>	<u>\$243,043</u>
Long-term borrowings			
Unsecured	¥15,292	¥13,897	\$123,870
Secured	9,365	8,645	77,057
	<u>¥24,657</u>	<u>¥22,542</u>	<u>\$200,927</u>

Long-term debt at March 31, 2016 and 2017 consisted of the following:

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Loans principally from banks and insurance companies due serially to 2024 and predominantly collateralized, with a weighted average interest of 1.517%	¥24,657	¥22,542	\$200,927
Finance lease obligations due 2025	1,833	1,610	14,351
Less: portion due within one year	(9,779)	(8,554)	(76,246)
	<u>¥16,711</u>	<u>¥15,598</u>	<u>\$139,032</u>

The aggregate annual maturities of long-term debt subsequent to March 31, 2017 were as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2018	¥6,807	\$60,673
2019	4,807	42,847
2020	2,593	23,113
2021 and thereafter	1,391	12,399
	<u>¥15,598</u>	<u>\$139,032</u>

At March 31, 2016 and 2017, the following assets were pledged as collateral for certain of the above debts:

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Investment securities	¥892	¥1,042	\$9,288
Property, plant and equipment, at net book value:			
Buildings and structures	4,038	3,995	35,609
Machinery, equipment and tools	586	867	7,728
Land	18,152	18,180	162,047
Other	67	86	767
	<u>¥23,735</u>	<u>¥24,170</u>	<u>\$215,439</u>

8. Leases

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, 2016 and 2017, 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:

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Acquisition costs	¥169	¥-	\$-
Accumulated depreciation	162	-	-
Net book value	<u>¥7</u>	<u>¥-</u>	<u>\$-</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, 2016 and 2017, 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:

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Within one year	¥7	¥-	\$-
Over one year	-	-	-
Total	<u>¥7</u>	<u>¥-</u>	<u>\$-</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, 2016 and 2017, were ¥44 million and ¥7 million (US\$62 thousand), respectively. These lease payments were equal to the depreciation of leased assets computed by the straight-line method over the respective lease terms with a zero residential value.

In addition, the future minimum payment for operating leases subsequent to March 31, 2016 and 2017 are summarized as follows:

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Within one year	¥64	¥62	\$553
Over one year	528	465	4,144
Total	<u>¥592</u>	<u>¥527</u>	<u>\$4,697</u>

9. Retirement Benefits for Employees

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

Defined benefit corporate pension plan and lump sum retirement benefit plan with certain subsidiaries calculated defined benefit liabilities and retirement benefit costs by the simplified method.

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

(1) Movements in retirement benefit obligations

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Beginning balance	¥12,516	¥13,774	\$122,774
Service cost	486	537	4,786
Interest cost	102	28	250
Actuarial gains and losses	1,310	(208)	(1,854)
Benefits paid	(640)	(609)	(5,428)
Ending balance	<u>¥13,774</u>	<u>¥13,522</u>	<u>\$120,528</u>

(2) Movements in plan assets

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Beginning balance	¥14,791	¥14,024	\$125,002
Expected return on plan assets	518	491	4,376
Actuarial gains and losses	(902)	605	5,393
Contributions paid by the employer	257	615	5,482
Benefits paid	(640)	(609)	(5,428)
Ending balance	¥14,024	¥15,126	\$134,825

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

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Funded retirement benefit obligations	¥13,774	¥13,522	\$120,528
Plan assets	(14,024)	(15,126)	(134,825)
Total net defined benefit liabilities (assets)	¥ (250)	¥ (1,604)	\$(14,297)
Net defined benefit liabilities	¥ (250)	¥ (1,604)	\$(14,297)
Total net defined benefit liabilities (assets)	¥ (250)	¥ (1,604)	\$(14,297)

(4) Retirement benefit costs

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥486	¥537	\$4,786
Interest cost	102	28	250
Expected return on plan assets	(518)	(491)	(4,376)
Amortization of actuarial gains and losses	315	324	2,888
Total retirement benefit costs	¥385	¥398	\$3,548

(5) Remeasurements of defined benefit plans (before tax)

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Actuarial gains and losses	¥(1,897)	¥1,136	\$10,126
Total	¥(1,897)	¥1,136	\$10,126

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

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Unrecognized actuarial gains and losses	¥4,213	¥3,076	\$27,418
Total	¥4,213	¥3,076	\$27,418

(7) Plan assets

1) Plan assets at March 31, 2016 and 2017 comprise the following :

	2016	2017
Life insurance company general accounts	27.0%	27.4%
Domestic bonds	12.5%	9.7%
Domestic equity securities	31.6%	35.9%
Foreign bonds	7.2%	6.7%
Foreign equity securities	8.4%	9.0%
Other assets	13.3%	11.3%
Total	100%	100%

Note: In the above plan assets, the percentage of the retirement benefit trust for the years ended March 31, 2016 and 2017 was 22.7% and 26.6%, respectively.

2) Long-term expected rate of return

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

(8) Actuarial assumptions

The principal actuarial assumptions at March 31, 2016 and 2017 are as follows:

	2016	2017
Discount rate	0.2%	0.3%
Long-term expected rate of return	3.5%	3.5%
Assumed salary increase rate	2.7~3.4%	2.6~3.3%

(b) Defined benefit plans applying the simplified method

(1) Movements in defined benefit liabilities applying the simplified method

	2016	2017	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Beginning balance	¥396	¥417	\$3,717
Retirement benefit costs	333	241	2,148
Benefits paid	(125)	(108)	(963)
Contributions paid by the employer	(186)	(95)	(846)
Foreign currency translation adjustments	(1)	(2)	(18)
Ending balance	¥417	¥453	\$4,038

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

	2016	2017	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Funded retirement benefit obligations	¥1,250	¥1,340	\$11,944
Plan assets	(1,134)	(1,197)	(10,699)
Unfunded retirement benefit obligations	301	309	2,755
Total net defined benefit liabilities (assets)	¥417	¥453	\$4,038
Net defined benefit liabilities	¥565	¥622	\$5,544
Net defined benefit assets	(148)	(168)	(1,497)
Total net defined benefit liabilities (assets)	¥417	¥453	\$4,038

(3) Retirement benefit cost calculated by the simplified method

	2016	2017	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Retirement benefit cost	¥333	¥241	\$2,148

(c) Defined contribution plans

The amount of contributions to the defined contribution plans of the Company and its consolidated subsidiaries at March 31, 2016 and 2017 were ¥200million and ¥221 (US\$1,970 thousand), respectively.

10. Contingent Liabilities

At March 31, 2016 and 2017, the Companies were contingently liable for the following items:

	2016	2017	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Discounted and endorsed trade notes receivable	¥2,043	¥1,961	\$17,479
Guarantees of indebtedness of employees	5	3	27
	¥2,048	¥1,964	\$17,506

11. 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, 2016 and 2017 was lower than its carrying amount by ¥8,933 million and ¥8,807 million (US\$78,501 thousand), respectively.

12. 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, 2016 and 2017 was as follows:

(a) Shares issued and treasury stock

For the year ended March 31, 2016

Types of shares	Number of shares at April 1, 2015	Increase	Decrease	Number of shares at March 31, 2016
<i>Thousands of shares</i>				
Share issued:				
Common stock	308,269	-	-	308,269
Treasury stock:				
Common stock	126	7	-	133

Note: Increase of 7 thousand shares in treasury stock is due to purchases of shares less than standard unit.

For the year ended March 31, 2017

Types of shares	Number of shares at April 1, 2016	Increase	Decrease	Number of shares at March 31, 2017
<i>Thousands of shares</i>				
Share issued:				
Common stock	308,269	-	-	308,269
Treasury stock:				
Common stock	133	5	-	138

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

(b) Dividends

There were no dividends paid to owners of the Company for the years ended March 31, 2016 and 2017.

13. Selling, General and Administrative Expenses

The breakdown of “Selling, General and Administrative Expenses” for the years ended March 31, 2016 and 2017 was as follows:

	2016	2017	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Shipping charges	¥1,345	¥1,153	\$10,277
Other selling expenses	448	361	3,218
Salaries and other allowances for employees	6,844	6,691	59,640
Retirement benefits expenses for employees	472	421	3,753
Retirement benefits expenses for directors and statutory auditors	28	24	214
Allowance for doubtful accounts	(47)	(3)	(27)
Depreciation and amortization cost	1,037	970	8,646
Other	6,651	6,248	55,691
	<u>¥16,778</u>	<u>¥15,865</u>	<u>\$141,412</u>

Research and development expensed included in “Selling, general and administrative expenses” and manufacture costs for the year ended March 31, 2016 and 2017 amounted to ¥830 million and ¥216 million, ¥746 million (US\$6,649 thousand) and ¥182 million (US\$1,622 thousand), respectively.

14. Impairment of Fixed Assets

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

In relation to seismic isolation device manufacturing equipment, the profitability from the business has been worsened and the book value of the asset was reduced to the recoverable amount.

In relation to the fixed assets for business offices which are scheduled to be relocated, not expected to be used in the future, and likely to be disposed of, the book value of the assets was reduced to the recoverable amount.

The recoverable amounts are determined at their net selling prices and based on the estimated selling prices. For the seismic isolation device manufacturing equipment and the office equipment, the recoverable amounts are the net selling prices, which are stated at the fair market value.

The amounts written down were recorded as losses on impairment of fixed assets. The breakdown of losses on impairment of fixed assets was as follows:

		2016	2017	2017
		(Millions of yen)	(Thousands of U.S. dollars)	
Buildings and structures		¥2,357	¥238	\$2,122
Machinery, equipment and vehicles		2,643	46	410
Tools, furniture and fixtures		95	6	53
Land		253	-	-
Lease assets		553	32	285
Other		95	-	-
		<u>¥5,996</u>	<u>¥322</u>	<u>\$2,870</u>

Location	Asset Group	Fixed Assets	2016	2017	2017
			(Millions of yen)	(Thousands of U.S. dollars)	
Tokyo	Office equipment	Buildings and structures, tools, furniture and fixtures, lease assets	¥-	¥276	\$2,460
Kanagawa	Seismic isolation device manufacturing equipment	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, lease assets and others	1,650	46	410
Miyagi	Overhead transmission line manufacturing equipment	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, lease assets and others	1,069	-	-
Miyagi	Communication cable manufacturing equipment	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, lease assets and others	1,040	-	-
Aichi	Electric power cable manufacturing equipment	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures and lease assets	853	-	-
Okayama	Wire harness manufacturing equipment	Buildings and structures, machinery, equipment and vehicles, land, tools, furniture and fixtures, lease assets and others	520	-	-
Kanagawa	Rubber coated wire manufacturing equipment	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures and others	476	-	-
Tianjin China	Winding wire manufacturing equipment	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures and lease assets	336	-	-
Aichi	Idle assets	Buildings and structures, land	52	-	-
	Total:		<u>¥5,996</u>	<u>¥322</u>	<u>\$2,870</u>

15. Income Taxes

Significant components of deferred taxes at March 31, 2016 and 2017 were as follows:

	2016	2017	2017
		<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Loss carry-forwards	¥2,601	¥2,492	\$22,212
Unrealized gain on real estate	621	620	5,526
Accrued bonuses	464	499	4,448
Depreciation	2,655	2,104	18,754
Other	2,401	2,223	19,815
Subtotal deferred tax assets	8,742	7,938	70,755
Valuation allowance	(7,619)	(6,454)	(57,527)
Total deferred tax assets	1,123	1,484	13,228
Deferred tax liabilities:			
Net defined benefit asset	(46)	(52)	(464)
Unrealized holding gains on securities	(300)	(344)	(3,066)
Profit and loss adjustment of group company transaction	(149)	(149)	(1,329)
Other	(329)	(379)	(3,378)
Total deferred tax liabilities	(824)	(924)	(8,237)
Net deferred tax assets (liabilities):	¥299	¥560	\$4,991
Deferred tax assets related to land revaluation:	1,212	1,212	10,803
Valuation allowance	(1,212)	(1,212)	(10,803)
Total deferred tax assets related to land revaluation	-	-	-
Deferred tax liabilities related to land revaluation:	(4,227)	(4,227)	(37,677)
Total deferred tax assets (liabilities) related to land revaluation	(4,227)	(4,227)	(37,677)
Net deferred tax liabilities related to land revaluation:	¥(4,227)	¥(4,227)	\$(37,677)

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

	2016	2017
	(%)	(%)
Legal effective tax rate	-	30.9
The items which are never counted in loss of money such as donations	-	1.9
The amount of increase and decrease of the amount of evaluation-related mortgage	-	△47.0
The items which are never counted in loss of money such as receipt dividend	-	△3.5
Residence tax per capita rate	-	3.5
The amount of foreign tax	-	4.6
Investment loss by the equity method	-	1.1
Retained earnings of subsidiary companies	-	4.5
Other	-	15.0
Effective tax rate	-	11.0

Note: The description above in 2016 was omitted because loss before income taxes and non-controlling interests were recorded.

16. 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 fund procurement is primarily made by 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 to the group 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, the balances are constantly monitored to be within the balance of foreign-currency trade receivables. Long-term debts, which have maturity dates within seven years, are primarily utilized to secure financing for equipment. Long-term 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.

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 depending on category of risks. Evaluation of hedge effectiveness is performed by comparing cumulative fluctuation of market value or of cash flows of hedged items with that of market value or of cash flows of hedging instruments.

(c) Risk management system associated with financial instruments

1) Credit risk management (Risk of default on the receivable from counterparties, etc.)

The Companies manage payment term and payment balance by customer in order to control and mitigate credit risks for financial 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 denominated 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, procures fund for the group companies. The finance department prepares and updates financing plans periodically based on the group companies' demand for fund and keeps a certain amount of cash in hand for the purpose of liquidity risk management.

(d) Other supplemental information on in the fair value of financial instruments

The fair values of financial instruments are determined at the markets prices or reasonable estimated fair values when the market 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, 2016 and 2017 is shown as follows:

	2016	2017	2017
	Carrying amounts		
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>	
Other securities			
Investments in unlisted companies	¥4,155	¥3,636	\$32,409
	¥4,155	¥3,636	\$32,409

The carrying amounts and fair values of the financial instruments as of March 31, 2016 and 2017 are summarized as follows:

	2016			2017			2017		
	Carrying amounts	Fair Values	Differences	Carrying amounts	Fair Values	Differences	Carrying amounts	Fair Values	Differences
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>					
(1) Cash and time deposits	¥6,410	¥6,410	¥ -	¥5,321	¥5,321	¥ -	\$47,428	\$47,428	\$ -
(2) Trade notes and accounts receivable	42,345	-	-	41,453	-	-	369,489	-	-
Allowance for doubtful accounts	(15)	-	-	(10)	-	-	(89)	-	-
	42,330	42,326	(4)	41,443	41,441	(2)	369,400	369,382	(18)
(3) Investment securities									
Other securities	2,604	2,604	-	2,571	2,571	-	22,916	22,916	-

(4) Trade notes and accounts payable	(21,261)	(21,261)	-	(20,895)	(20,895)	-	(186,247)	(186,247)	-
(5) Short-term borrowings	(30,992)	(30,992)	-	(27,267)	(27,267)	-	(243,043)	(243,043)	-
(6) Long-term borrowings	(24,657)	(24,546)	(111)	(22,542)	(22,488)	(54)	(200,927)	(200,446)	(481)
(7) Derivative transactions									
(i) Hedge accounting not applicable	(10)	(10)	-	(3)	(3)	-	(27)	(27)	-
(ii) Hedge accounting applicable	1	1	-	-	-	-	-	-	-

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

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

(4) Trade notes and accounts payable

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

(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 long-term borrowings are based on the current discounted interest rates for the borrowings with the same conditions. Long-term borrowings with the maturity term within one year are included.

Redemption schedules for cash and trade receivables after March 31, 2016 and 2017 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)		
2016						
Cash and time deposits	¥6,410	¥-	¥-			
Trade notes and accounts receivable	40,685	1,660	-			
Total of the amounts	¥47,095	¥1,660	¥-			
2017						
Cash and time deposits	¥5,321	¥-	¥-	\$47,428	\$-	\$-
Trade notes and accounts receivable	40,179	1,274	-	358,133	11,356	-
Total of the amounts	¥45,500	¥1,274	¥-	\$405,561	\$11,356	\$-

Redemption schedules for trade payables, short-term and long-term borrowings after March 31, 2016 and 2017 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)		
2016						
Trade notes and accounts payable	¥21,261	¥-	¥-			
Short-term borrowings	30,992	-	-			
Long-term borrowings	9,269	15,301	87			
Total of the amounts	¥61,522	¥15,301	¥87			
2017						
Trade notes and accounts payable	¥20,895	¥-	¥-	\$186,247	\$-	\$-
Short-term borrowings	27,267	-	-	243,043	-	-
Long-term borrowings	8,050	14,407	85	71,753	128,416	758
Total of the amounts	¥56,212	¥14,407	¥85	\$501,043	\$128,416	\$758

17. Derivatives

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

Currency-related Transactions

	2016			2017			2017		
	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value	Recognized gain (loss)
	<i>(Millions of yen)</i>						<i>(Thousands of U.S. dollars)</i>		
Forward foreign exchange contracts									
(Sell-USD)	¥145	¥10	¥10	¥347	¥(3)	¥(3)	\$3,093	\$(27)	\$(27)

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

	2016			2017			2017		
	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value	Recognized gain (loss)
	<i>(Millions of yen)</i>						<i>(Thousands of U.S. dollars)</i>		
Forward foreign exchange contracts									
(Buy-EUR)	¥38	¥(1)	¥(1)	¥-	¥-	¥-	\$-	\$-	\$-

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

(b) Interest-related Transactions

	2016			2017			2017		
	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>(Thousands of U.S. dollars)</i>		
Interest rate swaps									
Pay/fixed and Receive/floating									
Long-term debt	¥13,965	¥9,436	¥-	¥13,246	¥8,731	¥-	\$118,068	\$77,823	\$-

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

18. Per Share Information

Income (loss) and net assets per share for the years ended March 31, 2016 and 2017 were as follows:

	2016	2017	2017
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Income (loss) attributable to owners of the Company per share	¥(29.7)	¥6.41	\$0.057
Net assets per share	¥82.34	¥91.36	\$0.814

Income (loss) attributable to owners of the Company per share is calculated based on the income (loss) attributable to owners of the Company and the weighted average number of shares outstanding during each year. Net assets per share are calculated based on the net assets excluding the non-controlling interests and the number of shares outstanding at the year end.

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

	2016	2017	2017
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Income (loss) attributable to owners of the Company	¥(9,151)	¥1,976	\$17,614
Income (loss) attributable to shares of common stock	¥(9,151)	¥1,976	\$17,614
	<i>(Thousands of shares)</i>		
Weighted average number of shares of common stock	308,139	308,133	

19. Other Comprehensive Income

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

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Net unrealized holding gains (losses) on other securities			
Increase (decrease) during the year	¥(133)	¥480	\$4,279
Reclassification adjustments	(11)	(259)	(2,309)
Subtotal before tax	(144)	221	1,970
Tax effect	17	(44)	(392)
Net unrealized holding gains (losses) on other securities	(127)	177	1,578
Deferred gains (losses) on hedges			
Increase (decrease) during the year	(1)	1	9
Net deferred gains (losses) on hedges	(1)	1	9
Variance of land revaluation			
Tax effect	197	-	-
Foreign currency translation adjustments			
Increase (decrease) during the year	(46)	(225)	(2,006)
Remeasurements of defined benefit plans			
Increase (decrease) during the year	(2,212)	813	7,247
Reclassification adjustments	315	323	2,879
Subtotal before tax	(1,897)	1,136	10,126
Tax effect	22	48	428
Net remeasurements of defined benefit plans	(1,875)	1,184	10,554
Share of other comprehensive income of affiliates in equity method			
Increase (decrease) during the year	(244)	(335)	(2,986)
Total other comprehensive income	¥(2,096)	¥802	\$7,149

20. Segment Information

Business Segments

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

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

(1) Electric Wire operations:

Bare conductors, rubber, plastic insulated wires, power distribution equipment, bus, overhead transmission line

(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 accessories, optical components, connector, communication cable construction, network solution system

(5) Device operations:

Wire harnesses, seismic isolation, vibration controlling and noise controlling devices, copier and printer device

Due to change of the quality control system, certain electric power cables included in electric wire operations have been transferred into power system operations from this first quarter. By changing the belonging of transactions in order to perform profit management properly, certain material transactions included in electric wire operations have been transferred into communication system operations from this third quarter.

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

Reportable segment income (loss) 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, 2016 is summarized as follows:

2016	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	¥79,348	¥23,483	¥21,959	¥21,713	¥21,224	¥1,986	¥169,713	¥-	¥169,713
Inter segment	18,030	140	1,266	1,603	276	10,119	31,434	(31,434)	-
Total	¥97,378	¥23,623	¥23,225	¥23,316	¥21,500	¥12,105	¥201,147	¥(31,434)	¥169,713
Segment income (loss)	¥1,000	¥(464)	¥15	¥799	¥(68)	¥(430)	¥852	¥99	¥951
Segment assets	¥46,807	¥24,139	¥12,903	¥17,052	¥12,433	¥10,961	¥124,295	¥(1,226)	¥123,069
Depreciation	747	431	449	565	671	953	3,816	(116)	3,700
Investments in equity method affiliates	2,458	985	-	-	-	105	3,548	-	3,548
Increase in fix assets	865	326	357	524	499	1,505	4,076	(93)	3,983

Notes:

- (1) Segment income (loss) included in Adjustments of ¥99 million, mainly consisted of unrealized gain of ¥82 million.
- (2) Segment assets included in Adjustments amounting to ¥1,226 million, mainly consisted of the common assets not allocated to any segment of ¥9,471 million, elimination of inter-segment transactions of ¥8,555 million and unrealized gain of ¥2,143 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 (loss) corresponds to consolidated operating income.

The consolidated company of SWCC Showa Cable Systems Co., Ltd. additionally increased capital of affiliated company accounted for by the equity-method of FuTong-Showa Electric Wire & Cable (HangZhou) Co., Ltd for the year ended March 31, 2016. As a result of this acquisition, gain on bargain purchase of ¥31 million was recognized.

The business segment information for the Companies for the year ended March 31, 2017 is summarized as follows:

2017	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	¥69,564	¥23,841	¥19,790	¥20,361	¥19,890	¥1,787	¥155,233	¥-	¥155,233
Inter segment	13,253	75	1,573	1,102	27	9,733	25,763	(25,763)	-
Total	¥82,817	¥23,916	¥21,363	¥21,463	¥19,917	¥11,520	¥180,996	¥(25,763)	¥155,233
Segment income (loss)	¥1,469	¥782	¥246	¥1,069	¥991	¥(292)	¥4,265	¥(30)	¥4,235
Segment assets	¥44,744	¥24,995	¥11,831	¥17,015	¥12,480	¥10,222	¥121,287	¥(1,758)	¥119,529
Depreciation	692	263	392	415	286	976	3,024	(95)	2,929
Investments in equity method affiliates	2,121	917	-	-	-	-	3,038	-	3,038
Increase in fix assets	796	371	441	613	274	797	3,292	(48)	3,244

2017	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	\$620,055	\$212,506	\$176,397	\$181,487	\$177,289	\$15,928	\$1,383,662	\$-	\$1,383,662
Inter segment	118,130	669	14,021	9,823	241	86,753	229,637	(229,637)	-
Total	\$738,185	\$213,175	\$190,418	\$191,310	\$177,530	\$102,681	\$1,613,299	\$(229,637)	\$1,383,662
Segment income (loss)	\$13,094	\$6,970	\$2,193	\$9,528	\$8,833	\$(2,603)	\$38,015	\$(266)	\$37,749
Segment assets	\$398,823	\$222,792	\$105,455	\$151,662	\$111,240	\$91,114	\$1,081,086	\$(15,670)	\$1,065,416
Depreciation	6,168	2,344	3,494	3,699	2,549	8,700	26,954	(848)	26,106
Investments in equity method affiliates	18,905	8,174	-	-	-	-	27,079	-	27,079
Increase in fix assets	7,095	3,307	3,931	5,464	2,442	7,104	29,343	(428)	28,915

Notes:

- (1) Segment income (loss) included in Adjustments of ¥30 million (US\$266 thousand), mainly consisted of unrealized gain of

¥15 million (US\$134 thousand).

(2) Segment assets included in Adjustments amounting to ¥1,758 million (US\$15,670 thousand), mainly consisted of the common assets not allocated to any segment of ¥8,040million (US\$71,664 thousand), elimination of inter-segment transactions of ¥7,842 million (US\$69,899thousand) and unrealized gain of ¥2,104 million (US\$18,754 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 (loss) corresponds to consolidated operating income.

Geographical Segments

Geographical segment sales for the years ended March 31, 2016 and 2017 are summarized as follows:

Year ended March 31, 2016	Japan	Asia	Other	Total
	(Millions of yen)			
Sales	¥150,729	¥18,700	¥284	¥169,713

Year ended March 31, 2017	Japan	Asia	Other	Total
	(Millions of yen)			
Sales	¥137,429	¥17,554	¥250	¥155,233

Year ended March 31, 2017	Japan	Asia	Other	Total
	(Thousands of U.S. dollars)			
Sales	\$1,224,967	\$156,467	\$2,228	\$1,383,662

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

Major Customer Information

2016		
Major customer	Sales (Millions of yen)	Segments
SENSHU ELECTRIC CO.,LTD.	¥17,254	Electric Wire and Communication System

2017		
Major customer	Sales (Millions of yen)	Segments
SENSHU ELECTRIC CO.,LTD.	¥16,145	Electric Wire and Communication System

2017		
Major customer	Sales (Thousands of U.S. dollars)	Segments
SENSHU ELECTRIC CO.,LTD.	\$143,908	Electric Wire and Communication System

Segment information on impairment losses on fixed assets for the years ended March 31, 2016 and 2017 are summarized as follows:

Year ended March 31, 2016	Reportable Business Segments					Others	Eliminations	Total
	Electric Wire	Power System	Magnet Wire	Communication System	Device			
	(Millions of yen)							
Impairment losses of fixed assets	¥1,545	¥854	¥336	¥1,040	¥2,186	¥52	¥(17)	¥5,996

Note: "Others" for the year ended March 31, 2016 is related to the idled leased assets which are owned by the company engaged in administrative management business.

Year ended March 31, 2017	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	¥-	¥-	¥-	¥-	¥46	¥276	¥-	¥322

Year ended March 31, 2017	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	\$-	\$-	\$-	\$-	\$410	\$2,460	\$-	\$2,870

Note: "Others" for the year ended March 31, 2017 is related to the idled assets, mainly which are owned by the company engaged in administrative management business.

21. Subsequent Events

- (a) Merger of SWCC Showa Cable Systems Co., Ltd., SWCC Showa Device Technologies Co., Ltd. and SWCC Showa Business Solutions Co., Ltd.

The Company's two subsidiaries, SWCC Showa Device Technologies Co., Ltd. and SWCC Showa Business Solutions Co., Ltd. were merged into the Company's subsidiary, SWCC Showa Cable Systems Co., Ltd., on April 1, 2017.

(1) Transactions summary

- (i) Name of companies and description of business involved in business combination

Name of merging company: SWCC Showa Cable Systems Co., Ltd.

Description of business: Manufacture and sales of electric wires, cables, optical fiber cables

Name of merged company: SWCC Showa Device Technologies Co., Ltd.

Description of business: Manufacture and sales of information devices and rubber and plastic processing products

Name of merged company: SWCC Showa Business Solutions Co., Ltd.

Description of business: Support services for group businesses

- (ii) Date of the merger

April 1, 2017

- (iii) Legal form of the merger

Absorption-type merger, with SWCC Showa Cable Systems Co., Ltd. as the surviving company, and SWCC Showa Device Technologies Co., Ltd. and SWCC Showa Business Solutions Co., Ltd. as the absorbed companies.

- (iv) Name of company after the merger

SWCC Showa Cable Systems Co., Ltd.

- (v) Other transactions summary

To promote implementing organizational reforms and focusing our efforts on growth areas, which are the primary measures of the Company's "Mid-term business plan 2016-2018", above companies were merged into SWCC Showa Cable Systems Co., Ltd. with the objectives of improving the productivity by increasing the efficiency of the organization and strengthening the responsiveness for customer needs by concentrating management resources.

(2) Accounting summary

Pursuant to the "Accounting Standard for Business Combination" (ASBJ Statement No.21 issued on September 13, 2013) and Guidance on Accounting Standard for Business Combination and for Business Divestitures (ASBJ Guidance No.10 issued on September 13, 2013), the transaction was accounted for as transactions under common control.

- (b) Reduction of the amount of capital reserve

On May 18, 2017, the Company's board of directors decided to propose at 121st annual general shareholders' meeting to be held at June 23, 2017 that the capital reserve should be transferred to other capital surplus. The proposal was resolved at the general shareholders' meeting.

(1) Purpose of reduction of capital reserve

To provide for the mobile and flexible capital policy, the capital reserve is reduced and the corresponding amount is transferred to other capital surplus.

(2) Description of reduction of capital reserve

Based on the Article 448, paragraph 1 of the Companies Act, total amount of capital reserve was reversed and the amount was transferred to other capital surplus.

(i) Reserve to be reduced and the amount

Capital reserve ¥5,530,650,174 (US\$49,297,176)

(ii) Other capital surplus to be increased

Other capital surplus ¥5,530,650,174 (US\$49,297,176)

(3) Schedule on reduction of capital reserve

(i) May 18, 2017 Resolution of the board of directors on the reduction of capital reserve

(ii) May 19, 2017 First day of creditors' formal objection

(iii) June 20, 2017 Final day of creditors' formal objection

(iv) June 23, 2017 Effective date of reduction of capital reserve

(4) Other

Since this is the transfer of account within the Net assets, there is no change in the Company's Net assets. Accordingly, this does not have any impact on the Company's income.

(c) Change in number of share unit and reverse split

On May 22, 2017, the Company's board of directors decided to propose at 121st annual general shareholders' meeting to be held at June 23, 2017 the reverse split and the partial change in the articles of corporation including change in the number of the unit shares. The proposal was resolved at the general shareholders' meeting.

(1) Purpose of change of the number of the unit shares and the reverse split

The stock exchanges in Japan announced "the action plan for the consolidation of the trading unit shares" and aim at unifying the trading unit shares of the common stocks issued by domestic companies listed on the Stock Exchange to 100 unit shares.

The Company respects this idea as a company listed on Tokyo Stock Exchange and changes the trading unit of shares from 1,000 to 100 and decides to perform a reverse split to consolidate ten shares into one share for the purpose of maintaining the prices (within the range of ¥50,000 to ¥500,000) of the trading unit as requested by stock exchanges.

(2) Change of the number of the unit shares

The Company changes the number of the unit shares from 1,000 to 100.

(3) Contents of the reverse split

(i) Type of shares subject to the reverse split

Common stock

(ii) Rate of the reverse split

On October 1, 2017, the Company will consolidate at the rate of one per ten the stocks owned by shareholders listed in the shareholders' list at September 30, 2017.

(iii) The number of shares to be reduced through the reverse split

The number of issued shares before the reverse split (as of March 31, 2017)	308,268,611 shares
The number of the shares to be reduced through the reverse split	277,441,750 shares
The number of issued shares after the reverse split	30,826,861 shares

Note: "The number of the shares to be reduced through the reverse split" and "The number of issued shares after the reverse split" are the theoretical numbers calculated by multiplying the reverse split ratio by "The number of issued shares before the reverse split"

(iv) Processing of the fraction of less than one stock

When the fraction less than one stock is generated as a result of reverse split, in accordance with Article 235, Paragraph 1 of the Companies Act, the Company disposes of the whole of such fraction and distributes it to shareholders of the fraction according to the ratio of fraction.

(4) Schedule of change of the number of the unit stocks and reverse split

Resolution date of board of directors May 22, 2017

Resolution date of regular general meeting of shareholders June 23, 2017

Effective date of change of the number of the unit shares and reverse split October 1, 2017

(5) Impact on per share information

Supposing that the reverse split had been carried out in the beginning of previous fiscal year, the information of per share in previous fiscal year and current fiscal year is follows.

	2016	2017	2017
Net assets per share	¥823.37	¥913.60	\$8.143
Income (loss) attributable to owners of the Company per share	¥(296.98)	¥64.14	\$0.571

Note: The diluted income (loss) attributable to owners of the Company per share of common stock is not presented, since there were no shares with dilutive effect outstanding through the period.

(d) Free exchange of power electric components

Late in May 2017, SWCC Showa Cable Systems Co., Ltd.(consolidated subsidiary) was required to replace power electric components from its client as to the power cable laying, which was ordered in the Middle East in 2009. As a result of the negotiation, the Company will fill the client's need for the free exchange and book the extraordinary loss of approximately ¥800 million (US\$7,131 thousand) for the year ending March 31, 2018.

The above amount was estimated in June 2017, so there's a possibility that it will change due to fluctuations in the exchange rate, etc.

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of SWCC SHOWA HOLDINGS CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017 and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SWCC SHOWA HOLDINGS CO., LTD. and its consolidated subsidiaries as at March 31, 2017 and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

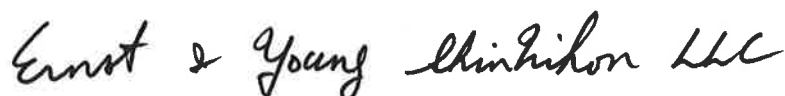
Emphasis of Matters

We draw attention to Note 21 to the financial statements, which describes that, regarding the power cable laying in the Middle East, which was ordered to SWCC Showa Cable Systems co., Ltd. in 2009, the Company expects to book the extraordinary loss of approximately ¥800 million for the year ending March 31, 2018.

Our opinion is not qualified in respect of that matter.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.



June 23, 2017
Tokyo, Japan