

***Consolidated Financial Statements  
for the year ended March 31, 2019***

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

# **CONSOLIDATED BALANCE SHEET**

SWCC SHOWA HOLDINGS CO., LTD. and Consolidated Subsidiaries

At March 31

	2018	2019	2019
	(Millions of yen)		(Thousands of U.S. dollars)
			(Note 3)
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and time deposits (Notes 4 and 16)	¥4,682	¥4,877	\$43,941
Trade notes and accounts receivable (Note 16)	39,730	43,438	391,369
Inventories (Note 5)	21,899	21,265	191,593
Other	4,637	4,582	41,283
Allowance for doubtful accounts	(12)	(23)	(207)
<b>Total current assets</b>	<u>70,936</u>	<u>74,139</u>	<u>667,979</u>
<b>Property, plant and equipment:</b>			
Buildings and structures (Notes 7 and 14)	38,230	38,410	346,067
Machinery, equipment and tools (Notes 7 and 14)	70,966	70,551	635,652
Land (Notes 7, 11 and 14)	23,604	23,600	212,632
Other	1,516	1,466	13,208
Accumulated depreciation	(94,750)	(94,782)	(853,969)
<b>Total property, plant and equipment</b>	<u>39,566</u>	<u>39,245</u>	<u>353,590</u>
<b>Intangible assets</b>			
Other	1,499	1,225	11,037
<b>Total intangible assets</b>	<u>1,499</u>	<u>1,225</u>	<u>11,037</u>
<b>Investments and other assets:</b>			
Investment securities (Notes 6, 7 and 16)	5,441	5,537	49,887
Deferred tax assets (Note 15)	1,068	1,102	9,929
Other	1,492	2,014	18,146
Net defined benefit asset (Note 9)	3,657	1,911	17,218
Allowance for doubtful accounts	(141)	(1,007)	(9,073)
<b>Total investments and other assets</b>	<u>11,517</u>	<u>9,557</u>	<u>86,107</u>
<b>Total assets</b>	<u>¥123,518</u>	<u>¥124,166</u>	<u>\$1,118,713</u>

See Accompanying Notes to Consolidated Financial Statements.

	2018	2019	2019
	(Millions of yen)		(Thousands of U.S. dollars)
			(Note 3)
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Short-term debt (Notes 7 and 16)	¥34,879	¥33,881	\$305,262
Trade notes and accounts payable (Note 16)	21,931	21,238	191,351
Accrued income taxes	615	651	5,865
Provision for loss on construction contracts	58	53	478
Provision for business structure improvement expenses	7	6	54
Provision for product repair costs	600	855	7,703
Other accounts payable	8,101	8,620	77,665
Other	3,767	4,451	40,102
<b>Total current liabilities</b>	<b>69,958</b>	<b>69,755</b>	<b>628,480</b>
<b>Long-term liabilities:</b>			
Long-term debt (Notes 7 and 16)	14,115	12,777	115,118
Net defined benefit liability (Note 9)	626	636	5,730
Accrued retirement benefits for directors and statutory auditors	128	60	541
Deferred tax liabilities (Note 15)	-	37	333
Deferred tax liabilities related to land revaluation (Notes 11 and 15)	4,188	4,188	37,733
Other	1,025	1,084	9,767
<b>Total long-term liabilities</b>	<b>20,082</b>	<b>18,782</b>	<b>169,222</b>
<b>Total liabilities</b>	<b>90,040</b>	<b>88,537</b>	<b>797,702</b>
<b>Contingent liabilities (Note 10)</b>			
<b>Net assets:</b>			
<b>Shareholders' equity:</b>			
Common stock:			
Authorized - 70,000,000 shares			
Issued - 30,826,861 shares (Note 12)	24,222	24,222	218,236
Capital surplus (Note 12)	5,537	5,537	49,887
Retained earnings (Note 12)	(3,455)	966	8,703
Treasury stock (Note 12)	(916)	(917)	(8,262)
<b>Total shareholders' equity</b>	<b>25,388</b>	<b>29,808</b>	<b>268,564</b>
<b>Accumulated other comprehensive income:</b>			
Unrealized holding gains on other securities	788	918	8,271
Variance of land revaluation (Note 11)	5,582	5,582	50,293
Foreign currency translation adjustments	1,681	1,214	10,938
Remeasurements of defined benefit plans	(581)	(2,578)	(23,227)
<b>Total accumulated other comprehensive income</b>	<b>7,470</b>	<b>5,136</b>	<b>46,275</b>
<b>Non-controlling interests</b>	<b>620</b>	<b>685</b>	<b>6,172</b>
<b>Total net assets</b>	<b>33,478</b>	<b>35,629</b>	<b>321,011</b>
<b>Total liabilities and net assets</b>	<b>¥123,518</b>	<b>¥124,166</b>	<b>\$1,118,713</b>

See Accompanying Notes to Consolidated Financial Statements.

# **CONSOLIDATED STATEMENT OF OPERATIONS**

SWCC SHOWA HOLDINGS CO., LTD. and Consolidated Subsidiaries

For the year ended March 31

	2018	2019	2019
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
<b>Net sales</b>	¥168,187	¥177,174	\$1,596,306
<b>Cost of sales (Notes 5 and 13)</b>	146,540	155,455	1,400,622
Gross profit	<u>21,647</u>	<u>21,719</u>	<u>195,684</u>
<b>Selling, general and administrative expenses (Note 13)</b>	15,371	15,078	135,850
Operating income	<u>6,276</u>	<u>6,641</u>	<u>59,834</u>
<b>Other income (expenses):</b>			
Interest income	77	144	1,297
Dividend income	81	64	577
Interest expense	(842)	(806)	(7,262)
Foreign exchange gain (loss)	37	(76)	(685)
Equity in losses of affiliates	(415)	(476)	(4,289)
Gain on sales of investment securities (Note 6)	14	50	450
Loss on sales of investment securities (Note 6)	(8)	(1)	(9)
Loss on impairment of fixed assets (Note 14)	-	(87)	(784)
Provision for product repair costs	(809)	-	-
Other, net	(321)	113	1,020
	<u>(2,186)</u>	<u>(1,075)</u>	<u>(9,685)</u>
Income before income taxes and non-controlling interests	<u>4,090</u>	<u>5,566</u>	<u>50,149</u>
<b>Income taxes (Note 15)</b>			
Current	730	889	8,010
Deferred	(491)	22	198
	<u>239</u>	<u>911</u>	<u>8,208</u>
<b>Income</b>	<u>3,851</u>	<u>4,655</u>	<u>41,941</u>
<b>Income attributable to non-controlling interests</b>	114	85	766
<b>Income attributable to owners of the Company</b>	<u>¥3,737</u>	<u>¥4,570</u>	<u>\$41,175</u>

See Accompanying Notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SWCC SHOWA HOLDINGS CO., LTD. and Consolidated Subsidiaries

For the year ended March 31

	2018	2019	2019
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
<b>Income</b>	¥3,851	¥4,655	\$41,941
<b>Other comprehensive income (Note 19)</b>			
Unrealized holding gains on other securities	45	128	1,153
Variance of land revaluation	38	-	-
Foreign currency translation adjustments	(29)	(286)	(2,577)
Remeasurements of defined benefit plans	1,722	(1,997)	(17,993)
Share of other comprehensive income of affiliates in equity method	95	(186)	(1,675)
<b>Total other comprehensive income</b>	1,871	(2,341)	(21,092)
<b>Comprehensive income</b>	¥5,722	¥2,314	\$20,849
<b>Comprehensive income attributable to</b>			
Owners of the Company	¥5,607	¥2,235	\$20,137
Non-controlling interests	115	79	712

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	Variance of land evaluation	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2017	¥24,222	¥5,537	¥(7,192)	¥(16)	¥22,551	¥743	¥5,543	¥1,617	¥(2,302)	¥5,601	¥504	¥28,656
Income (loss) attributable to owners of the Company for the year			3,737		3,737							3,737
Purchase of treasury stock				(900)	(900)							(900)
Changes other than shareholder's equity						45	39	64	1,721	1,869	116	1,985
Balance at March 31, 2018	¥24,222	¥5,537	¥(3,455)	¥(916)	¥25,388	¥788	¥5,582	¥1,681	¥(581)	¥7,470	¥620	¥33,478

(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	Variance of land evaluation	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2018	¥24,222	¥5,537	¥(3,455)	¥(916)	¥25,388	¥788	¥5,582	¥1,681	¥(581)	¥7,470	¥620	¥33,478
Cash dividends paid			(149)		(149)							(149)
Income (loss) attributable to owners of the Company for the year			4,570		4,570							4,570
Purchase of treasury stock				(1)	(1)							(1)
Changes other than shareholder's equity						130	-	(467)	(1,997)	(2,334)	65	(2,269)
Balance at March 31, 2019	¥24,222	¥5,537	¥966	¥(917)	¥29,808	¥918	¥5,582	¥1,214	¥(2,578)	¥5,136	¥685	¥35,629

(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	Variance of land evaluation	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2018	\$218,236	\$49,887	\$(31,130)	\$(8,253)	\$228,740	\$7,100	\$50,293	\$15,146	\$(5,235)	\$67,304	\$5,586	\$301,630
Cash dividends paid			(1,342)		(1,342)							(1,342)
Income (loss) attributable to owners of the Company for the year			41,175		41,175							41,175
Purchase of treasury stock				(9)	(9)							(9)
Changes other than shareholder's equity						1,171	-	(4,208)	(17,992)	(21,029)	586	(20,443)
Balance at March 31, 2019	\$218,236	\$49,887	\$8,703	\$(8,262)	\$268,564	\$8,271	\$50,293	\$10,938	\$(23,227)	\$46,275	\$6,172	\$321,011

See Accompanying Notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

SWCC SHOWA HOLDINGS CO., LTD. and Consolidated Subsidiaries

For the year ended March 31

	2018	2019	2019
	(Millions of yen)		(Thousands of U.S. dollars)
			(Note 3)
<b>Cash flows from operating activities:</b>			
Income before income taxes and non-controlling interests	¥4,090	¥5,566	\$50,149
Depreciation and amortization	2,877	3,012	27,138
Loss on impairment of fixed assets	-	87	784
Gain on sales of investment securities	(6)	(49)	(441)
Increase (decrease) in allowance for doubtful accounts	(8)	877	7,902
Increase (decrease) in reserve for construction loss	(34)	(6)	(54)
Increase (decrease) in provision for product repair costs	600	255	2,298
Increase (decrease) in provision for net defined benefit liability	4	10	90
Interest and dividend income	(158)	(208)	(1,874)
Interest expenses	842	806	7,262
Foreign exchange (gain) loss	(269)	213	1,919
Equity in losses (gain) of affiliates	415	476	4,289
(Increase) decrease in trade notes and accounts receivable	1,723	(3,997)	(36,013)
(Increase) decrease in inventories	(2,782)	430	3,874
Increase (decrease) in trade notes and accounts payable	998	456	4,108
(Increase) decrease in other current assets	(48)	127	1,144
Increase (decrease) in other current liabilities	678	983	8,857
Other	(981)	(702)	(6,326)
Sub-total	7,941	8,336	75,106
Interest and dividends received	175	176	1,586
Interest paid	(845)	(809)	(7,289)
Business structure improvement expenses paid	(3)	(1)	(9)
Income taxes paid	(463)	(800)	(7,208)
Net cash provided by (used in) operating activities	6,805	6,902	62,186
<b>Cash flows from investing activities:</b>			
Purchases of investment securities	(14)	(10)	(90)
Proceeds from sales of investment securities	487	64	577
Purchases of property, plant and equipment	(2,751)	(2,438)	(21,966)
Proceeds from sales of property, plant and equipment	29	7	63
Purchases of intangible assets	(303)	(364)	(3,280)
Expenditures for acquisition of investments in an affiliate		(573)	(5,163)
Proceeds from sales of investments in subsidiaries capital in change in scope of consolidation		(48)	(432)
(Increase) decrease in short-term loans receivable	(1,561)	1	9
Payments for execution of assets retirement obligations	(4)	(125)	(1,126)
Other	66	(67)	(604)
Net cash provided by (used in) investing activities	(4,051)	(3,553)	(32,012)

	2018	2019	2019
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term bank borrowings	(268)	(658)	(5,928)
Proceeds from long-term debt	7,000	6,500	58,564
Repayment of long-term debt	(8,550)	(8,172)	(73,628)
Cash dividends paid to non-controlling interests	-	(149)	(1,342)
Purchase of treasury stocks	(903)	(1)	(9)
Other	(575)	(491)	(4,425)
Net cash provided by (used in) financing activities	(3,296)	(2,971)	(26,768)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(47)	(261)	(2,352)
<b>Net increase (decrease) in cash and cash equivalents</b>	(589)	117	1,054
<b>Cash and cash equivalents at beginning of year</b>	5,193	4,604	41,481
<b>Cash and cash equivalents at end of year (Note 4)</b>	¥4,604	¥4,721	\$42,535

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 20 at March 31, 2019, which are listed as follows:

Name	Percentage of equity ownership	Paid-in capital
		(Millions)
SWCC Showa Cable Systems Co., Ltd.	100.0 %	¥10,000
Unimac Ltd.	55.0	480
Fuji Electric Cable Co., Ltd.	100.0	318
AXIO Corporation	100.0	310
Daiji 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
Shoukou Equipment Industry Co., Ltd.	100.0	80
Tamagawa Magnet Wire Co., Ltd.	100.0	46
Showa Science Co., Ltd.	70.0	40
Showa Recycle Co., Ltd.	100.0	20
Showa Technical Corporation	100.0	20
SWCC Showa (H.K.) Co., Ltd.	100.0	HK\$84.3
SWCC Showa (ShangHai) Co., Ltd.	100.0	US\$9.9
SWCC Showa (VIETNAM) Co., Ltd.	100.0	US\$7.0
Dongguan Showa Interconnect Products Co., Ltd.	100.0	US\$3.6
Fuqing Showa Precision Electronics Co., Ltd.	100.0	US\$3.4
Jiaxing Showa Interconnect Products Co., Ltd.	95.2	US\$3.2
SWCC Daiji Vietnam Interconnect Products Co., Ltd.	100.0	US\$2.0

The number of affiliates, in which investments are accounted for by the equity method, is 4 at March 31, 2019, which are listed as follows:

	Percentage of equity ownership	Paid-in capital
		(Millions)
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¥170

Tianjin Showa Enamelled Wire Co., Ltd. was excluded from the scope of consolidation due to sales of all shares. Although the date at which transfer of shares was conducted deemed to be the beginning of the year ended March 31, 2019 for consolidation, the consolidated statement of operations for the year ended March 31, 2019 includes their loss from January 1 to March 31, 2018 since their closing date was December 31 and the Company used the financial statements for their first quarter accounting period for consolidation. At May 22, 2018, their name was changed to Tianjin Futong Enamelled Wire 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	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.

***(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 12 years) from the year following that in which they arise.

***(3) Application of simplified method in small business***

Certain consolidated subsidiaries use a simplified method for calculating retirement benefit expenses and obligations based on the assumption that the benefits liabilities, which are calculated as if all eligible employees voluntarily terminated their employment at fiscal year-end, approximates the retirement benefit obligation at year-end.

***(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 provided based on an estimate of business structure improvement expenses.

***(n) Provision for Product Repair Costs***

Provision for product repair costs is provided based on reasonably estimated costs of product repairment to be requested by customers due to quality issues of the Companies' products.

***(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.

***(s) Accounting standards issued but not yet effective***

Accounting Standard for Revenue Recognition (ASBJ Statement No.29 issued on March 30, 2018)

Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No.30 issued on March 30, 2018)

**(1) Overview**

This is a comprehensive accounting standard for revenue recognition, which provides the following five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction value
4. Allocate the transaction value to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligations

**(2) Schedule date of adoption**

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

**(3) Impact of adoption of accounting standard and implementation guidance**

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

***(t) Change in presentation method***

(Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

On application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No.28, February 16, 2018) from the beginning of the fiscal year ended March 31, 2019, the Company changed the presentation of deferred tax assets and deferred tax liabilities, in which deferred tax assets are classified as investments and other assets and deferred tax liabilities are classified as long-term liabilities.

As a result of the reclassification of the consolidated balance sheet for the prior fiscal year, the deferred tax assets in current assets was decreased by ¥1,404 million and the deferred tax assets in investments and other assets were increased by ¥1,028 million. Total assets after reclassification of the consolidated balance sheet for the prior fiscal year was decreased by ¥376 million since the Company offset the deferred tax assets and the deferred tax liabilities of the same corporation.

***(u) Change in accounting estimate***

In accounting for retirement benefits, the periods over which actuarial gains and losses were amortized were mainly 13 years. However, since the Company noted that the average remaining service lives of employees have shortened, from the fiscal year ended March 31, 2019, the Company changed the amortization period to mainly 12 years.

As a result of the change, the operating income and income before income taxes and non-controlling interests for the year ended March 31, 2019 were decreased by ¥8 million (US\$72 thousand) respectively.

**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 ¥110.99= US\$1.00 prevailing on March 31, 2019. 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, 2018 and 2019 was as follows:

	2018	2019	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Cash and time deposits due within 3 months	¥4,604	¥4,721	\$42,535
Time deposits due over 3 months	78	156	1,406
Total	¥4,682	¥4,877	\$43,941

#### 5. Inventories

The breakdown of Inventories at March 31, 2018 and 2019 was as follows:

	2018	2019	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Merchandise and finished goods	¥10,060	¥9,167	\$82,593
Work in process	7,148	7,481	67,402
Raw materials and supplies	4,691	4,617	41,598
	¥21,899	¥21,265	\$191,593

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, 2018 and 2019 in the amounts of ¥54 million and ¥ 437 million (US\$ 3,937 thousand) , respectively.

#### 6. Investment Securities

(a) Information regarding marketable other securities at March 31, 2018 and 2019 was as follows:

	2018			2019			2019		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
	(Millions of yen)						(Thousands of U.S. dollars)		
Securities whose carrying value exceeds their acquisition cost:									
Stocks	¥800	¥1,948	¥1,148	¥946	¥2,288	¥1,343	\$8,523	\$20,614	\$12,100
Securities whose acquisition cost exceeds their carrying value:									
Stocks	216	201	(15)	80	66	(15)	721	595	(135)
Total	¥1,016	¥2,149	¥1,133	¥1,026	¥2,354	¥1,328	\$9,244	\$21,209	\$11,965

(b) Sales of other securities

Information regarding other securities which have been sold out by March 31, 2018 and 2019 was as follows:

	2018			2019			2019		
	Amount of the sale	Income of the sale	Loss of the sale	Amount of the sale	Income of the sale	Loss of the sale	Amount of the sale	Income of the sale	Loss of the sale
	(Millions of yen)						(Thousands of U.S. dollars)		
Stock	¥487	¥14	¥(8)	¥81	¥50	¥(1)	\$730	\$450	\$ (9)

#### 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, 2019 were 1.755% and 1.379%, respectively.

Short-term borrowings and long-term borrowings at March 31, 2018 and 2019 consisted of the following:

	2018	2019	2019
	(Millions of yen)		(Thousands of U.S. dollars)
<b>Short-term borrowings</b>			
Unsecured	¥7,530	¥7,418	\$66,835
Secured	19,100	18,841	169,754
	<u>¥26,630</u>	<u>¥26,259</u>	<u>\$236,589</u>
<b>Long-term borrowings</b>			
Unsecured	¥13,792	¥12,636	\$113,848
Secured	7,200	6,685	60,231
	<u>¥20,992</u>	<u>¥19,321</u>	<u>\$174,079</u>

Long-term debt at March 31, 2018 and 2019 consisted of the following:

	2018	2019	2019
	(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 1.336%	¥20,992	¥19,321	\$174,079
Finance lease obligations due 2026	1,373	1,078	9,712
Less: portion due within one year	<u>(8,250)</u>	<u>(7,622)</u>	<u>(68,673)</u>
	<u>¥14,115</u>	<u>¥12,777</u>	<u>\$115,118</u>

The aggregate annual maturities of long-term debt subsequent to March 31, 2019 were as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2021	¥5,445	\$49,059
2022	4,002	36,057
2023	2,377	21,416
2024 and thereafter	<u>953</u>	<u>8,586</u>
	<u>¥12,777</u>	<u>\$115,118</u>

At March 31, 2018 and 2019, the following assets were pledged as collateral for certain of the above debts:

	2018	2019	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Investment securities	¥277	¥6	\$54
Property, plant and equipment, at net book value:			
Buildings and structures	3,746	3,631	32,715
Machinery, equipment and tools	581	958	8,631
Land	18,180	18,180	163,799
Other	39	53	477
	<u>¥22,823</u>	<u>¥22,828</u>	<u>\$205,676</u>

## 8. Leases

The future minimum payment for operating leases subsequent to March 31, 2018 and 2019 are summarized as follows:

	2018	2019	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Within one year	¥61	¥62	\$559
Over one year	408	352	3,171
Total	<u>¥469</u>	<u>¥414</u>	<u>\$3,730</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 obligations and retirement benefit costs by the simplified method.

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

#### (1) Movements in retirement benefit obligations

	2018	2019	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Beginning balance	¥13,522	¥13,777	\$124,128
Service cost	507	497	4,478
Interest cost	42	33	298
Actuarial gains and losses	283	942	8,487
Benefits paid	(577)	(567)	(5,109)
Ending balance	<u>¥13,777</u>	<u>¥14,682</u>	<u>\$132,282</u>

#### (2) Movements in plan assets

	2018	2019	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Beginning balance	¥15,126	¥17,232	\$155,257
Expected return on plan assets	530	603	5,433
Actuarial gains and losses	1,551	(1,481)	(13,343)
Contributions paid by the employer	602	596	5,370
Benefits paid	(577)	(567)	(5,109)
Ending balance	<u>¥17,232</u>	<u>¥16,383</u>	<u>\$147,608</u>

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

	2018	2019	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Funded retirement benefit obligations	¥13,777	¥14,682	\$132,282
Plan assets	(17,232)	(16,383)	(147,608)
Total net defined benefit liabilities (assets)	<u>¥ (3,455)</u>	<u>¥ (1,701)</u>	<u>\$ (15,326)</u>
Net defined benefit liabilities	<u>¥ (3,455)</u>	<u>¥ (1,701)</u>	<u>\$ (15,326)</u>
Total net defined benefit liabilities (assets)	<u>¥ (3,455)</u>	<u>¥ (1,701)</u>	<u>\$ (15,326)</u>

(4) Retirement benefit costs

	2018	2019	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥507	¥497	\$4,478
Interest cost	42	33	298
Expected return on plan assets	(530)	(603)	(5,433)
Amortization of actuarial gains and losses	426	354	3,189
Total retirement benefit costs	¥445	¥281	\$2,532

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

	2018	2019	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Actuarial gains and losses	¥1,694	¥(2,069)	\$(18,641)
Total	¥1,694	¥(2,069)	\$(18,641)

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

	2018	2019	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Unrecognized actuarial gains and losses	¥1,383	¥3,451	\$31,093
Total	¥1,383	¥3,451	\$31,093

(7) Plan assets

1) Plan assets at March 31, 2018 and 2019 comprise the following:

	2018	2019
Life insurance company general accounts	26.0%	29.5%
Domestic bonds	8.6%	9.0%
Domestic equity securities	40.6%	35.0%
Foreign bonds	6.6%	6.1%
Foreign equity securities	7.8%	8.0%
Other assets	10.4%	12.4%
Total	100.0%	100.0%

Note: In the above plan assets, the percentage of the retirement benefit trust for the years ended March 31, 2018 and 2019 was 32.9% and 29.2%, 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, 2018 and 2019 are as follows:

	2018	2019
Discount rate	0.2%	0.2%
Long-term expected rate of return	3.5%	3.5%
Assumed salary increase rate	2.6~3.5%	2.7~3.2%

(b) Defined benefit plans applying the simplified method

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

	2018	2019	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Beginning balance	¥453	¥423	\$3,811
Retirement benefit costs	183	203	1,829
Benefits paid	(80)	(66)	(595)
Contributions paid by the employer	(133)	(134)	(1,207)
Foreign currency translation adjustments	-	-	-
Ending balance	¥423	¥426	\$3,838



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

	2018	2019	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Funded retirement benefit obligations	¥1,421	¥1,458	\$13,136
Plan assets	(1,328)	(1,396)	(12,578)
Unfunded retirement benefit obligations	330	364	3,280
Total net defined benefit liabilities (assets)	¥423	¥426	\$3,838
Net defined benefit liabilities	¥626	¥636	\$5,730
Net defined benefit assets	(203)	(210)	(1,892)
Total net defined benefit liabilities (assets)	¥423	¥426	\$3,838

(3) Retirement benefit cost calculated by the simplified method

	2018	2019	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Retirement benefit cost	¥183	¥203	\$1,829

(c) Defined contribution plans

The amount of contributions to the defined contribution plans of the Company and its consolidated subsidiaries at March 31, 2018 and 2019 were ¥228 million and ¥229 million (US\$2,063 thousand), respectively.

## 10. Contingent Liabilities

At March 31, 2018 and 2019, the Companies were contingently liable for the following items:

	2018	2019	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Discounted and endorsed trade notes receivable	¥2,710	¥2,835	\$25,543
Guarantees of indebtedness of employees	1	1	9
	¥2,711	¥2,836	\$25,552

## 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, 2018 and 2019 was lower than its carrying amount by ¥8,857 million and ¥8,520 million (US\$76,764 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, 2018 and 2019 was as follows:

*(a) Shares issued and treasury stock*

**For the year ended March 31, 2018**

Types of shares	Number of shares at April 1, 2017	Increase	Decrease	Number of shares at March 31, 2018
<i>Thousands of shares</i>				
Share issued:				
Common stock	<u>308,269</u>	<u>-</u>	<u>277,442</u>	<u>30,827</u>
Treasury stock:				
Common stock	<u>138</u>	<u>988</u>	<u>124</u>	<u>1,002</u>

Notes:

(1) Effective October 1, 2017, the Company carried out a 10-to-1 share consolidation for its common stock.

(2) Decrease of 277,442 thousand shares in share issued is due to the share consolidation.

(3) Increase of 988 thousand shares in treasury stock is due to increase of 987 thousand shares in acquisition of shares from another company and 1 thousand shares in purchase of shares less than standard unit.

(4) Decrease of 124 thousand shares in treasury stock is due to decrease of 124 thousand shares in the share consolidation.

**For the year ended March 31, 2019**

Types of shares	Number of shares at April 1, 2018	Increase	Decrease	Number of shares at March 31, 2019
<i>Thousands of shares</i>				
Share issued:				
Common stock	<u>30,827</u>	<u>-</u>	<u>-</u>	<u>30,827</u>
Treasury stock:				
Common stock	<u>1,002</u>	<u>1</u>	<u>-</u>	<u>1,003</u>

*(b) Dividends*

1) Dividend payment

There were no dividends paid to owners of the Company for the year ended March 31, 2018.

**Dividends paid to owners of the Company for the year ended March 31, 2019:**

Resolution	Type of Shares	Total amount of dividends	Funds for dividends	Dividends per share	Record date	Effective date
Shareholders' meeting held on June 26, 2018	Common stock	¥ 149million	Retained earnings	¥5.00	March 31, 2018	June 27, 2018

2) Dividends whose record date is attributable to the year ended March 31, 2019 but to be effective in the following year

Resolution	Type of Shares	Total amount of dividends	Funds for dividends	Dividends per share	Record date	Effective date
Shareholders' meeting held on June 26, 2019	Common stock	¥ 209million (\$1,883thousand)	Retained earnings	¥7.0 (\$0.06)	March 31, 2019	June 27, 2019

### 13. Selling, General and Administrative Expenses

The breakdown of “Selling, General and Administrative Expenses” for the years ended March 31, 2018 and 2019 was as follows:

	2018	2019	2019
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Shipping charges	¥1,332	¥1,351	\$12,172
Other selling expenses	390	405	3,649
Salaries and other allowances for employees	6,019	6,001	54,068
Retirement benefits expenses for employees	341	287	2,586
Retirement benefits expenses for directors and statutory auditors	16	38	342
Allowance for doubtful accounts	3	10	90
Depreciation and amortization cost	855	783	7,055
Other	6,415	6,203	55,888
	<u>¥15,371</u>	<u>¥15,078</u>	<u>\$135,850</u>

Research and development expensed included in “Selling, general and administrative expenses” and manufacture costs for the years ended March 31, 2018 and 2019 amounted to ¥811million and ¥235 million, ¥926 million (US\$8,343 thousand) and ¥193 million (US\$1,739 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 manufacturing equipment for automobile cable, the profitability from the business has been decreased as compared to the profitability estimated in initial business plan, and it was probable that the book value of those assets cannot be recovered from the business. As a result, the book value was reduced to the recoverable amount.

The recoverable amount was determined at their value in use based on the expected future cash flows from their operation discounted at 2.23%.

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:

	2018	2019	2019
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Buildings and structures	¥ -	¥ 15	\$ 135
Machinery, equipment and vehicles	-	71	640
Tools, furniture and fixtures	-	1	9
	<u>¥ -</u>	<u>¥ 87</u>	<u>\$ 784</u>

Location	Asset Group	Fixed Assets	2018	2019	2019
			<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Miyagi, Japan	Manufacturing equipment for automobile cable	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, lease assets and others	¥ -	¥ 87	\$ 784
	Total:		<u>¥ -</u>	<u>¥ 87</u>	<u>\$ 784</u>

## 15. Income Taxes

Significant components of deferred taxes at March 31, 2018 and 2019 were as follows:

	2018	2019	2019
		(Millions of yen)	(Thousands of U.S. dollars)
Deferred tax assets:			
Loss carry-forwards	¥1,368	¥576	\$5,190
Unrealized gain on real estate	618	618	5,568
Other accounts payable	579	573	5,163
Accrued bonuses	524	595	5,361
Depreciation	1,830	1,578	14,217
Inventories	97	229	2,063
Other	1,733	1,712	15,425
Subtotal deferred tax assets	6,749	5,881	52,987
Valuation allowance:			
Loss carry-forwards	-	(453)	(4,081)
Total of future deductible temporary differences, etc.	-	(3,183)	(28,679)
Subtotal valuation allowance	(4,615)	(3,636)	(32,760)
Total deferred tax assets	2,134	2,245	20,227
Deferred tax liabilities:			
Net defined benefit asset	(62)	(72)	(649)
Unrealized holding gains on securities	(346)	(408)	(3,676)
Profit and loss adjustment of group company transaction	(149)	(149)	(1,342)
Undistributed earnings of subsidiary companies	(276)	(315)	(2,839)
Other	(233)	(236)	(2,126)
Total deferred tax liabilities	(1,066)	(1,180)	(10,632)
Net deferred tax assets (liabilities):	¥1,068	¥1,065	\$9,595
Deferred tax assets related to land revaluation:	1,201	1,201	10,821
Valuation allowance	(1,201)	(1,201)	(10,821)
Total deferred tax assets related to land revaluation	-	-	-
Deferred tax liabilities related to land revaluation:	(4,188)	(4,188)	(37,733)
Total deferred tax assets (liabilities) related to land revaluation	(4,188)	(4,188)	(37,733)
Net deferred tax liabilities related to land revaluation:	¥ (4,188)	¥ (4,188)	\$(37,733)

Notes:

1) The amount of decrease of valuation allowance is ¥ 977 million (US\$ 8,803 thousand). The decrease is mainly due to the decrease of loss carry-forwards at SWCC Showa Cable Systems Co., Ltd. for the current fiscal year as a result of higher performance than expected.

2) Loss carry-forwards as of March 31, 2019 will expire as follows:

	Millions of yen						
	1 year or less	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	Over 5 years	Total
March 31, 2019							
Loss carry-forwards	¥53	¥44	¥78	¥130	¥37	¥234	¥576
Valuation allowance	(11)	(38)	(76)	(130)	(37)	(161)	(453)
Deferred Tax Assets	¥42	¥6	¥2	¥ -	¥ -	¥73	¥123

	Thousands of US dollars						
	1 year or less	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	Over 5 years	Total
March 31, 2019							
Loss carry-forwards	\$478	\$396	\$703	\$1,171	\$333	\$2,109	\$5,190
Valuation allowance	(100)	(342)	(685)	(1,171)	(333)	(1,450)	(4,081)
Deferred Tax Assets	\$378	\$54	\$18	\$ -	\$ -	\$659	\$1,109

Notes:

- 1) The loss carry-forward listed in the sheet above are amounts multiplied by statutory effective tax rate.
- 2) Deferred tax assets ¥123 million (US\$1,109 thousand) is recognized for loss carry-forwards of ¥576 million (US\$5,190 thousand) by using statutory effective tax rate, and the major component is loss carry-forwards of ¥91 million (US\$820 thousand) of SWCC Showa Cable Systems Co., Ltd. included in consolidated tax return group. The loss carry-forwards was incurred due to loss before income tax of SWCC Showa Cable Systems Co., Ltd. in the year ended on March 31, 2016. The Company believes that deferred tax assets for the loss carry forwards will be recovered by estimated future taxable income.

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

	2018	2019
	(%)	(%)
Statutory effective tax rate	30.8	30.6
The items which are never counted in loss of money such as donations	1.5	0.7
The amount of increase and decrease of the amount of evaluation-related mortgage	△30.2	△17.5
The items which are never counted in loss of money such as receipt dividend	△0.5	△0.3
Residence tax per capita rate	1.4	1.0
The amount of foreign tax	1.5	1.1
Investment loss by the equity method	3.1	2.6
Retained earnings of subsidiary companies	6.8	0.7
Other	△8.6	△2.5
Effective tax rate	5.8	16.4

## 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 5 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, 2018 and 2019 is shown as follows:

	2018	2019	2019
	Carrying amounts		
	(Millions of yen)		(Thousands of U.S. dollars)
Other securities			
Investments in unlisted companies	¥3,292	¥3,183	\$28,678
	¥3,292	¥3,183	\$28,678

The carrying amounts and fair values of the financial instruments as of March 31, 2018 and 2019 are summarized as follows:

	2018			2019			2019		
	Carrying amounts	Fair Values	Differences	Carrying amounts	Fair Values	Differences	Carrying amounts	Fair Values	Differences
	(Millions of yen)						(Thousands of U.S. dollars)		
(1) Cash and time deposits	¥4,682	¥4,682	¥ -	¥4,877	¥4,877	¥ -	\$43,941	\$43,941	\$-
(2) Trade notes and accounts receivable	39,730	-	-	43,438	-	-	391,369	-	-
Allowance for doubtful accounts	(12)	-	-	(23)	-	-	(207)	-	-
	39,718	39,720	2	43,415	43,422	7	391,162	391,225	63
(3) Investment securities									
Other securities	2,149	2,149	-	2,354	2,354	-	21,209	21,209	-
(4) Trade notes and accounts payable	(21,931)	(21,931)	-	(21,238)	(21,238)	-	(191,351)	(191,351)	-
(5) Short-term borrowings	(26,630)	(26,630)	-	(26,259)	(26,259)	-	(236,589)	(236,589)	-
(6) Long-term borrowings	(20,992)	(20,965)	(27)	(19,320)	(19,241)	(79)	(174,070)	(173,358)	(712)
(7) Derivative transactions									
(i) Hedge accounting not applicable	-	-	-	-	-	-	-	-	-
(ii) Hedge accounting applicable	-	-	-	-	-	-	-	-	-

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 is 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.

(7) *Derivative transactions*

Refer to note "17. Derivatives".

Redemption schedules for cash and trade receivables after March 31, 2018 and 2019 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)		
<b>2018</b>						
Cash and time deposits	¥4,682	¥-	¥-			
Trade notes and accounts receivable	38,817	913	-			
Total of the amounts	¥43,499	¥913	¥-			
<b>2019</b>						
<b>Cash and time deposits</b>	<b>¥4,877</b>	<b>¥-</b>	<b>¥-</b>	<b>\$43,941</b>	<b>\$-</b>	<b>\$-</b>
<b>Trade notes and accounts receivable</b>	<b>42,098</b>	<b>1,340</b>	<b>-</b>	<b>379,295</b>	<b>12,073</b>	<b>-</b>
<b>Total of the amounts</b>	<b>¥46,975</b>	<b>¥1,340</b>	<b>¥-</b>	<b>\$423,236</b>	<b>\$12,073</b>	<b>\$-</b>

Redemption schedules for trade payables, short-term and long-term borrowings after March 31, 2018 and 2019 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)		
<b>2018</b>						
Trade notes and accounts payable	¥21,931	¥-	¥-			
Short-term borrowings	26,630	-	-			
Long-term borrowings	7,752	13,212	28			
Total of the amounts	¥56,313	¥13,212	¥28			
<b>2019</b>						
<b>Trade notes and accounts payable</b>	<b>¥21,238</b>	<b>¥-</b>	<b>¥-</b>	<b>\$191,351</b>	<b>\$-</b>	<b>\$-</b>
<b>Short-term borrowings</b>	<b>26,259</b>	<b>-</b>	<b>-</b>	<b>236,589</b>	<b>-</b>	<b>-</b>
<b>Long-term borrowings</b>	<b>7,266</b>	<b>12,055</b>	<b>-</b>	<b>65,465</b>	<b>108,613</b>	<b>-</b>
<b>Total of the amounts</b>	<b>¥54,763</b>	<b>¥12,055</b>	<b>¥-</b>	<b>\$493,405</b>	<b>\$108,613</b>	<b>\$</b>

## 17. Derivatives

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

### Currency-related Transactions

	2018			2019			2019		
	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value	Recognized gain (loss)
	(Millions of yen)						(Thousands of U.S. dollars)		
Forward foreign exchange contracts (Sell-USD)	¥-	¥-	¥-	¥-	¥-	¥-	\$-	\$-	\$-

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**

There were no currency-related transactions which meet the criteria for hedge accounting for the years ended March 31, 2018 and 2019, respectively.

**(b) Interest-related Transactions**

	2018			2019			2019		
	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
Interest rate swaps									
Pay/fixed and Receive/floating									
Long-term debt	¥12,421	¥7,917	¥-	¥10,774	¥6,640	¥-	\$97,072	\$59,825	\$-

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, 2018 and 2019 were as follows:

	2018	2019	2019
		(Yen)	(U.S. dollars)
Income attributable to owners of the Company per share	¥123.93	¥153.22	\$1.380
Net assets per share	¥1,101.71	¥1,171.66	\$10.556

Income attributable to owners of the Company per share is calculated based on the income 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:

	2018	2019	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Income attributable to owners of the Company	¥3,737	¥4,570	\$41,175
Income attributable to shares of common stock	¥3,737	¥4,570	\$41,175
		(Thousands of shares)	
Weighted average number of shares of common stock	30,155	29,824	



## 19. Other Comprehensive Income

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

	2018	2019	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Net unrealized holding gains (losses) on other securities			
Increase (decrease) during the year	¥51	¥188	\$1,694
Reclassification adjustments	(5)	2	18
Subtotal before tax	46	190	1,712
Tax effect	(1)	(62)	(559)
Net unrealized holding gains (losses) on other securities	45	128	1,153
Deferred gains (losses) on hedges			
Increase (decrease) during the year	-	-	-
Net deferred gains (losses) on hedges	-	-	-
Variance of land revaluation			
Tax effect	38	-	-
Foreign currency translation adjustments			
Increase (decrease) during the year	-	(233)	(2,099)
Reclassification adjustments	-	(53)	(478)
Net foreign currency translation adjustments	(29)	(286)	(2,577)
Remeasurements of defined benefit plans			
Increase (decrease) during the year	1,268	(2,422)	(21,822)
Reclassification adjustments	426	354	3,189
Subtotal before tax	1,694	(2,068)	(18,633)
Tax effect	28	71	640
Net remeasurements of defined benefit plans	1,722	(1,997)	(17,993)
Share of other comprehensive income of affiliates in equity method			
Increase (decrease) during the year	95	(186)	(1,676)
Total other comprehensive income	¥1,871	¥(2,341)	\$(21,092)

## 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, communication cable constructions
- (3) Magnet Wire operations:  
Magnet wires
- (4) Communication System operations:  
Optical fiber cables, communication cables, communication accessories, optical components, connector, network solution system
- (5) Device operations:  
Wire harnesses, seismic isolation, vibration controlling and noise controlling devices, copier and printer device

Due to merger between power cable constructions section and communication cable constructions section in the Company's consolidated subsidiary, SWCC Showa Cable Systems Co., Ltd., communication cable constructions included in communication system operations have been transferred into power system operations from this first quarter of the year ended March 31, 2018. In conformity with the change in classification, segment information for the previous year is reclassified accordingly.

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, 2018 is summarized as follows:

2018	Reportable Business Segments					Others	Total	Adjustments	Consolidated
Segment Information	Electric Wire	Power System	Magnet Wire	Communication System	Device				
(Millions of yen)									
Net sales									
Outside customers	¥78,087	¥26,356	¥21,218	¥20,786	¥20,189	¥1,551	¥168,187	¥-	¥168,187
Inter segment	15,382	43	1,499	985	28	8,971	26,908	(26,908)	-
Total	¥93,469	¥26,399	¥22,717	¥21,771	¥20,217	¥10,522	¥195,095	¥(26,908)	¥168,187
Segment income (loss)	¥2,257	¥1,753	¥246	¥1,377	¥1,136	¥(503)	¥6,266	¥10	¥6,276
Segment assets	¥45,973	¥25,557	¥13,928	¥16,947	¥12,391	¥11,310	¥126,106	¥(2,212)	¥123,894
Depreciation	674	256	358	456	385	829	2,958	(81)	2,877
Investments in equity method affiliates	1,682	1,011	-	-	-	-	2,693	-	2,693
Increase in fix assets	675	446	538	692	560	541	3,452	(61)	3,391

Notes:

- (1) Segment income (loss) included in Adjustments of ¥10million, mainly consisted of unrealized gain of ¥27 million.
- (2) Segment assets included in Adjustments amounting to ¥2,212 million, mainly consisted of the common assets not allocated to any segment of ¥8,095million, elimination of inter-segment transactions of ¥8,298million and unrealized gain of ¥2,077 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 business segment information for the Companies for the year ended March 31, 2018 is summarized as follows:

2019	Reportable Business Segments					Others	Total	Adjustments	Consolidated
Segment Information	Electric Wire	Power System	Magnet Wire	Communication System	Device				
(Millions of yen)									
Net sales									
Outside customers	83,339	28,885	20,155	21,731	21,208	1,856	177,174	-	177,174
Inter segment	13,903	20	1,548	923	5	7,957	24,356	(24,356)	-
Total	97,242	28,905	21,703	22,654	21,213	9,813	201,530	(24,356)	177,174
Segment income (loss)	1,566	2,543	205	1,261	1,572	(544)	6,603	38	6,641
Segment assets	46,276	25,913	12,333	17,549	12,635	10,848	125,554	(1,388)	124,166
Depreciation	749	331	395	585	310	708	3,078	(66)	3,012
Investments in equity method affiliates	1,555	1,049	-	-	-	-	2,604	-	2,604
Increase in fix assets	566	302	510	507	417	697	2,999	(55)	2,944

2019	Reportable Business Segments					Others	Total	Adjustments	Consolidated
Segment Information	Electric Wire	Power System	Magnet Wire	Communication System	Device				
(Thousands of U.S. dollars)									
Net sales									
Outside customers	\$750,870	\$260,249	\$181,593	\$195,792	\$191,080	\$16,722	\$1,596,306	\$-	\$1,596,306
Inter segment	125,264	180	13,947	8,316	45	71,691	219,443	(219,443)	-
Total	\$876,134	\$260,429	\$195,540	\$204,108	\$191,125	\$88,413	\$1,815,749	\$(219,443)	\$1,596,306
Segment income (loss)	\$14,109	\$22,912	\$1,847	\$11,361	\$14,164	\$(4,901)	\$59,492	\$342	\$59,834
Segment assets	\$416,939	\$233,471	\$111,118	\$158,113	\$113,839	\$97,739	\$1,131,219	\$(12,506)	\$1,118,713
Depreciation	6,748	2,982	3,559	5,271	2,793	6,379	27,732	(594)	27,138
Investments in equity method affiliates	14,011	9,451	-	-	-	-	23,462	-	23,462
Increase in fix assets	5,100	2,721	4,595	4,568	3,757	6,280	27,021	(496)	26,525

Notes:

- (1) Segment income (loss) included in Adjustments of ¥ 38 million (US\$342 thousand), mainly consisted of unrealized gain of ¥ 29 million (US\$261 thousand).
- (2) Segment assets included in Adjustments amounting to ¥ 1,388 million (US\$12,506 thousand), mainly consisted of the common assets not allocated to any segment of ¥7,158 million (US\$64,492 thousand), elimination of inter-segment transactions of ¥ 7,076 million (US\$63,753 thousand) and unrealized gain of ¥ 2,048 million (US\$18,452 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.

#### **(Additional Information)**

##### **Change of Segmentation**

Until the year ended March 31, 2019, the reportable segments for the Companies have been presented as “Electric Wire operations”, “Power System operations”, “Magnet Wire operations”, “Communication System operations” and “Device operations”. The Company decided at the board of directors’ meeting held on February 4, 2019 that the Company will change reportable segments for the Companies from the year ending March 31, 2020 as “Energy and Infrastructure operations”, “Communication and Industrial Devices operations” and “Electrical Equipment and Component operations”.

This change has been made from the business segment based on product lines to that in line with the business field and strategies of the Companies, in order to further promote the restructure of the infrastructure operation, the expansion of growing and new business, and change of the business portfolio under each responsible officer.

The following products are included in each of the reportable segments:

- (1) Energy and Infrastructure operations  
Industrial electric wires and cables, high-voltage power cables, electric power accessories, power cable engineering, aluminum cables, power distribution products, seismic isolators
- (2) Communication and Industrial Devices operations  
Communication cable, optical components, electronic cables, wire harnesses, precision electronic devices, vibration controlling and noise controlling devices
- (3) Electrical Equipment and Component operations  
Copper wires, magnet wires, copper-silver alloy wires

The amounts of sales, income, assets and other items of the changed reportable segments for the year ended March 31, 2019 are as follows:

2019							
Segment Information	Reportable Business Segments				Total	Adjustments	Consolidated
	Energy and	Communication	Electrical	Others			
	Infrastructure	and Industrial Devices	Equipment and Component				
(Millions of yen)							
Net sales							
Outside customers	¥83,427	¥35,957	¥52,250	¥5,540	¥177,174	¥-	¥177,174
Inter segment	¥18	¥642	¥2,144	¥6,258	¥9,062	¥(9,062)	-
Total	¥83,445	¥36,599	¥54,394	¥11,798	¥186,236	¥(9,062)	¥177,174
Segment income (loss)	¥3,912	¥2,200	¥823	¥181	¥7,116	¥(475)	¥6,641
Segment assets	¥55,712	¥28,432	¥25,727	¥7,826	¥117,697	¥6,469	¥124,166
Depreciation	¥906	¥829	¥604	¥739	¥3,078	¥(66)	¥3,012
Investments in equity method affiliates	¥1,049	¥-	¥1,555	¥-	¥2,604	¥-	¥2,604
Increase in fix assets	¥587	¥979	¥710	¥723	¥2,999	¥(55)	¥2,944

2019							
Segment Information	Reportable Business Segments				Total	Adjustments	Consolidated
	Energy and	Communication	Electrical	Others			
	Infrastructure	and Industrial Devices	Equipment and Component				
(Millions of yen)							
Net sales							
Outside customers	\$751,662	\$323,966	\$470,763	\$49,915	\$1,596,306	\$-	\$1,596,306
Inter segment	\$162	\$5,784	\$19,317	\$56,384	\$81,647	\$(81,647)	-
Total	\$751,824	\$329,750	\$490,080	\$106,299	\$1,677,953	\$(81,647)	\$1,596,306
Segment income (loss)	\$35,246	\$19,822	\$7,415	\$1,631	\$64,114	\$(4,280)	\$59,834
Segment assets	\$501,955	\$256,167	\$231,796	\$70,511	\$1,060,429	\$58,284	\$1,118,713
Depreciation	\$8,163	\$7,469	\$5,442	\$6,658	\$27,732	\$(594)	\$27,138
Investments in equity method affiliates	\$9,452	\$-	\$14,010	\$-	\$23,462	\$-	\$23,462
Increase in fix assets	\$5,289	\$8,821	\$6,397	\$6,514	\$27,021	\$(496)	\$26,525

Notes:

- (1) The segment "Others" includes business operations other than the operations included in the reportable business segments. The operations included in "Others" are new business operations (network solutions, automobile cables, etc.), logistics, etc.
- (2) Segment income (loss) included in Adjustments of ¥475 million (US\$4,280 thousand), mainly consisted of corporate costs not allocated to the reportable business segments. The corporate costs includes research and development costs not attributable to the reportable business segments.
- (3) Segment assets included in Adjustments amounting to ¥6,469 million (US\$58,284 thousand), mainly consisted of the common assets not allocated to any segment of ¥9,994 million (US\$90,044 thousand), elimination of inter-segment transactions of ¥2.055 million (US\$18,515 thousand) and unrealized gain of ¥2,048 million (US\$18,452 thousand). The common assets not allocated to any segment mainly consisted of cash, time deposits and investment securities.
- (4) Depreciation in Adjustments corresponds to unrealized gain.
- (5) Increase in fixed assets in Adjustments corresponds to unrealized gain.
- (6) Segment income (loss) corresponds to consolidated operating income.

## Geographical Segments

Geographical segment sales for the years ended March 31, 2018 and 2019 are summarized as follows:

Year ended March 31, 2018	Japan	Asia	Other	Total
	<i>(Millions of yen)</i>			
Sales	¥148,429	¥19,531	¥227	¥168,187
Year ended March 31, 2019	Japan	Asia	Other	Total
	<i>(Millions of yen)</i>			
Sales	¥159,959	¥17,059	¥156	¥177,174
Year ended March 31, 2019	Japan	Asia	Other	Total
	<i>(Thousands of U.S. dollars)</i>			
Sales	\$1,441,202	\$153,699	\$1,405	\$1,596,306

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

## Major Customer Information

2018		
Major customer	Sales <i>(Millions of yen)</i>	Segments
SENSHU ELECTRIC CO.,LTD.	¥22,032	Electric Wire and Communication System

2019		
Major customer	Sales <i>(Millions of yen)</i>	Segments
SENSHU ELECTRIC CO.,LTD.	¥19,364	Electric Wire and Communication System

2019		
Major customer	Sales <i>(Thousands of U.S. dollars)</i>	Segments
SENSHU ELECTRIC CO.,LTD.	\$174,466	Electric Wire and Communication System

Segment information on impairment losses on fixed assets for the years ended March 31, 2018 and 2019 are summarized as follows:

There were no impairment losses on fixed assets for the year ended March, 31, 2018.

	Reportable Business Segments							
Year ended March 31, 2019	Electric Wire	Power System	Magnet Wire	Communication System	Device	Others	Eliminations	Total
	<i>(Millions of yen)</i>							
Impairment losses of fixed assets	¥-	¥-	¥-	¥-	¥-	¥87	¥-	¥87

	Reportable Business Segments							
Year ended March 31, 2019	Electric Wire	Power System	Magnet Wire	Communication System	Device	Others	Eliminations	Total
	<i>(Thousands of U.S. dollars)</i>							
Impairment losses of fixed assets	\$-	\$-	\$-	\$-	\$-	\$784	\$-	\$784

Note: "Others" for the year ended March 31, 2019 is related to manufacturing equipment for automobile cable.

## 21. Related Party Transactions

### Transactions with Related Parties

#### Transactions of the Company with subsidiaries and affiliates which are not accounted by consolidation

	2018	2019
Type of related party	Affiliate	Affiliate
Name	FuTong-Showa Electric Wire & Cable (HangZhou) Co., Ltd.	FuTong-Showa Electric Wire & Cable (HangZhou) Co., Ltd.
Address	China	China
Capital in paid	374,230 thousands Chinese Yuan	374,230 thousands Chinese Yuan
Type of business	Manufacturing	Manufacturing
Owing (or owned) rate of voting right	Indirect 48.9 % (Indirect 21.1%)	Indirect 48.9 % (Indirect 21.1%)
Relation with related party	Loan receivable	Interest Income
Type of transaction	Loan receivable	Interest Income
Transaction amount	¥1,104million	¥88 million (US\$ 793 thousands)
Account	Other current assets	Other current assets
Ending balance of the account	¥2,125million	¥2,220 million (US\$ 20,002 thousands)

Note: The Company reasonably determines interests considering market interest rate. No collateral is provided.

## 22. Business Combinations

### (Business Divestiture)

On May 22, 2018, the subsidiary of the Company, SWCC Showa Cable Systems Co., Ltd., transferred all of its equity in the subsidiary of the Company, Tianjin Showa Enamelled Wire Co., Ltd. to FuTong-Showa Electric Wire & Cable (HangZhou) Co., Ltd.

#### 1. Overview of business divestiture

- (1) Name of acquirer:  
FuTong-Showa Electric Wire & Cable (HangZhou) Co., Ltd.
- (2) Details of divested business:  
Production and sales of magnet wires in China
- (3) Reason for business divestiture  
Though the Companies have operated in production and sales of magnet wires in China since Tianjin Showa Enamelled Wire Co., Ltd. had been established in Tianjin, China in 1993, the Companies decided to transfer all of the equity in Tianjin Showa Enamelled Wire Co., Ltd. to FuTong-Showa Electric Wire & Cable (HangZhou) Co., Ltd. as a group company of FuTong group, which has been a partner on the Companies' businesses in China over the years in order to restore its business.
- (4) Date of the business divestiture  
May 22, 2018 (The date was deemed to be April 1, 2018 for accounting treatment of the transaction.)
- (5) Overview of the business divestiture including legal form:  
SWCC Showa Cable Systems Co., Ltd. received a cash consideration in return for the transfer of the equity.

#### 2. Summary of accounting treatment

- (1) Gain on business transfer  
None
- (2) Carrying value and details of assets and liabilities related to transferred business

	Millions of yen	Thousands of U.S. dollars
Current assets	¥560	\$5,045
Non-current assets	¥289	\$2,604
Total assets	¥849	\$7,649
Current liabilities	¥1,893	\$17,056
Total liabilities	¥1,893	\$17,056

(3) Accounting treatment

The gap between the book value on consolidated balance sheets of Tianjin Showa Enamelled Wire Co., Ltd. and sales price of the equity was recognized as “Gain on sales of equity in related companies”. The Companies has credit (loan and other accounts receivables) to Tianjin Showa Enamelled Wire Co., Ltd. At the transaction, allowance for doubtful accounts was recognized for the credit. The amount of the allowance for doubtful accounts was equivalent to the amount of “Gain on sales of equity in related companies”. As a result, the transaction have no impact on the consolidated statement of operations for the year ended March 31, 2019.

3. Name of reportable segments in which divested businesses was included:

Magnet Wire operations

4. Summarized profit or loss of divested business recognized in the consolidated statements of income for the year ended March 31, 2019

The transaction deemed to be conducted at the beginning of the year ended March 31, 2019. The closing date of Tianjin Showa Enamelled Wire Co., Ltd. is December 31. For consolidation, the Companies used the financial statements of Tianjin Showa Enamelled Wire Co., Ltd. for the first quarter of the year ending December 31, 2019. Therefore, the following net sales and operating income for the period between January 1, 2018 through March 31, 2018 of Tianjin Showa Enamelled Wire Co., Ltd. was included in the consolidated statement of operations for the year ended March 31, 2019:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Net sales	574	5,172
Operating income (loss)	(42)	(37)

## 23. Subsequent Events

### (Capital Increase in Affiliate Accounted for Using Equity Method)

At the board of directors’ meeting held on May 29, 2019, the Company decided that our subsidiary, SWCC SHOWA CABLE SYSTEMS CO., LTD. will underwrite part of capital increase by their affiliate, FUTONG-SHOWA ELECTRIC WIRE & CABLE (HANGZHOU) CO., LTD.

1. Details of the affiliate

(1) Name of affiliate

FUTONG-SHOWA ELECTRIC WIRE & CABLE (HANGZHOU) CO., LTD.

(2) Paid in capital before capital increase

374,230,964.50 Chinese yuan (approximately, ¥ 6,164 million [US\$ 55,537thousand])

(3) Ownership ratio before capital increase

Futong Group Co., Ltd.	51.06%
SWCC SHOWA CABLE SYSTEMS CO., LTD.	48.93%

(4) Domicile: China

2. Purpose of capital increase

To invest in equipment for improvement of profitability and to expand business in China

3. Details of capital increase

(1) The amount of capital increase:

150,000,000.00 Chinese yuan (approximately, ¥ 2,470 million [US\$ 22,254 thousand])

SWCC SHOWA CABLE SYSTEMS CO., LTD. will underwrite 73,400 thousand Chinese yuan (approximately, ¥1,209 million [US\$10,893 thousand]).

(2) Paid in capital after capital increase

524,230,964.50 Chinese yuan (approximately, ¥8,634 million [US\$ 77,791 thousand])

(3) Payment date

In July 2019 (Plan)

(4) Ownership ratio after capital increase

Futong Group Co., Ltd.	51.06%
SWCC SHOWA CABLE SYSTEMS CO., LTD.	48.93%

### **(Establishment of a Subsidiary)**

At the Company's Board of directors held on June 18, 2019, it was resolved that the Company would conclude with Furukawa Electric Co., Ltd. (hereinafter "Furukawa Electric") a basic agreement on business alliance on production and sales of general-purpose power cable for construction and wholesaler market and on establishment of a jointly contributed sales company by integrating both companies' sales divisions. On the same date, the Company concluded the basic agreement with SWCC on the alliance with Furukawa Electric and other related companies in both groups. The Company aims to start the business of the new joint venture from April 1, 2020.

#### **1. Purpose and overview of business alliance and integration of sales divisions**

In the construction and wholesaler market in Japan, although the currently suspended investments will be resumed after the Tokyo Olympic and Paralympic Games, it is expected that the trend of the decrease in demand is overall unavoidable due to the structural decrease in demand outside the Tokyo Metropolitan area over the mid to long-term period and due to the decrease in the number of new residential housing starts. In addition, the decrease of profitability under the labor shortage and the increase of logistics cost are the urgent business issue.

The Company and Furukawa Electric has diligently worked for business improvement and reform in their respective group, however this time both companies agreed that it would be very difficult to further improve the performance under the current structure and concluded on the business alliance on the production and sales of general-purpose power cable for construction and wholesaler market and the integration of sales divisions of both companies. Based on the business alliance and integration, the new sales company jointly contributed will improve the efficiency of sales operation and win the higher level of the customer service by centrally managing inventories and by enhancing delivery and product lineup.

#### **Overview of business alliance and integration of sales divisions**

**Establishment of a new sales company:** The sales functions for general-purpose power cable for construction and wholesalers that are performed by the Company's wholly-owned subsidiaries SWCC Cable Systems Co., Ltd. (hereinafter "SWCC CS") and SDS, Inc. (hereinafter "SDS") and Furukawa Electric's wholly-owned subsidiary Furukawa Elecom Co., Ltd. (hereinafter "Furukawa Elecom") will be integrated into SFCC.

**Integrated brand product:** The main general-purpose power cable brands (IV, CV (6.6kV and less), CVV, VVF, VVR and Eco-friendly cable types of these) of both companies will be integrated under the brand name "SWCC FURUKAWA".

**Efficiency of production and logistics:** The Company and Furukawa Electric will consider to merge sales and logistics sites in both groups to enhance the efficiency of production and logistics.

The production companies and logistics companies will continue to conduct business under their existing capital relationships. SWCC CS, SDS and Furukawa Elecom continue to conduct business on sales of products other than general-purpose power cable for construction and wholesalers market.

#### **2. Overview of Corporation which will be established**

Name: SFCC Co., Ltd. (TBD)

Domicile: Kawasaki, Kanagawa

Content of business: Sales of general purpose wires and cables for domestic construction market

Percentage of equity ownership: SWCC Showa Holdings Co., Ltd. 60%, Furukawa Electric Co., Ltd. 40%



## 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, 2019 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.

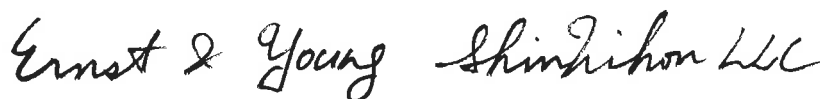
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *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, 2019 and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *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 26, 2019  
Tokyo, Japan