

Notes to Consolidated Financial Statements

March 31, 2009 and 2008

1. Summary of Significant Accounting Policies

(a) Basis of presentation

The accompanying consolidated financial statements of IWASAKI ELECTRIC Co., Ltd. (the “Company”) and consolidated subsidiaries are 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 are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2008 to the 2009 presentation.

As permitted, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

(b) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and all significant subsidiaries.

The investments in significant affiliates are accounted for by the equity method.

As of March 31, 2009 and 2008, the numbers of consolidated subsidiaries and affiliates accounted for by equity method were 29 and 6, respectively.

In the elimination of investments in subsidiaries, the assets and liabilities of the 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.

All significant intercompany balances and transactions have been eliminated in consolidation.

Changes in Accounting Policy

Effective the year ended March 31, 2009, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Accounting Standards Board of Japan “ASBJ” Practical Issues Task Force No.18, issued on May 17, 2006) has been applied.

This change had no effect on the consolidated financial statements for the year ended March 31, 2009.

(c) Accounting period

The accounting period of the Company and its domestic subsidiaries begins April 1 and ends March 31 of the following year.

The accounting period of foreign consolidated subsidiaries is a fiscal year ending on December 31. The necessary adjustments for significant transactions between the fiscal year end of the Company and the fiscal year end of consolidated foreign subsidiaries, if any, are made in the preparation of the consolidated financial statements.

(d) Translation of foreign currency transactions and financial statements

Monetary assets and liabilities, including non-current receivables and payables denominated in foreign currencies are translated into yen at the rates in effect at the balance sheet date. The assets, liabilities, revenue and expense of foreign consolidated subsidiaries are translated into yen at the rate of exchange in effect at the balance sheet date, except for the components of net assets excluding minority interests which are translated at their historical exchange rates. Foreign exchange gains and losses resulting from foreign currency transactions are credited or charged to income. Translation differences resulting from the translation of the

financial statements are included in net assets and minority interests.

(e) Investment securities

Trading securities are carried at fair market value and held-to-maturity securities are amortized or accumulated to face value.

Available-for-sale securities with a fair market value are carried at fair market value. The difference between the acquisition cost and the carrying value of available-for-sale securities is recognized in valuation difference on available-for-sale securities, net of related deferred income taxes, in net assets. Available-for-sale securities without a fair market value are stated at cost determined by the moving average method. The cost of available-for-sale securities sold is calculated based by the moving average method.

During the years ended March 31, 2009 and 2008, the Company and consolidated subsidiaries had neither trading securities nor held-to-maturity securities.

(f) Derivatives and hedging activities

The Company uses derivative financial instruments to manage the risks arising from fluctuations in foreign currency exchange rates and their exposures to fluctuations in interest rates. The Company does not enter into derivative transactions for trading or speculative purposes. Interest rate swaps are utilized by the Company to reduce interest rate risks. Gains or losses arising from changes in the fair value of financial instruments designated as hedging instruments are deferred as assets or liabilities and charged to gains or losses during the same period in which the gains or losses on the hedged items are recognized. If interest rate swap agreements meet certain hedging criteria, the net amount to be paid or received under the agreement is added to or deducted from the interest on the hedged items.

Trade receivables, payable and forecasted transactions hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

(g) Inventories

Inventories are stated at cost as determined by the weighted-average method. Balance sheet value is stated by writing down the carrying value to reflect any decline in profitability.

Changes in Accounting Policy

Effective the year ended March 31, 2009, "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued on July 5, 2006) has been applied.

As a result of this change, operating loss and loss before income taxes and minority interests increased by ¥562 million, respectively, for the year ended March 31, 2009.

Impacts of this change on segment information are explained in Note 20.

(h) Property, plant and equipment, and depreciation (excluding leased assets)

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries except for buildings, but including structures attached to buildings, is principally calculated by the declining-balance method in conformity with the Corporation Tax Law of Japan. Depreciation of buildings of The Company and its domestic subsidiaries is calculated by the straight-line method. Depreciation of property, plant and equipment of foreign subsidiaries, excluding structures attached to buildings, of the Company and its domestic subsidiaries is calculated by the straight-line method.

Changes in Accounting Policy

Effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their method of depreciation based on an amendment to the Corporation Tax Law of Japan for tangible fixed assets acquired on or after April 1, 2007.

As a result of this change, operating income and income before income taxes and minority interests decreased by ¥75 million, respectively, for the year ended March 31, 2008.

Impacts of this change on segment information are explained in Note 20.

(Additional Information)

Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have changed the useful lives of machinery and equipment as a result of reviewing their status of use based on an amendment to the Corporation Tax Law of Japan in fiscal year 2008.

As a result of this change, operating loss and loss before income taxes and minority interests increased by ¥134 million, respectively, for the year ended March 31, 2009.

Impacts of this change segment information are explained in Note 20.

Effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their method of depreciation based on an amendment to the Corporation Tax Law of Japan for tangible fixed assets acquired on or prior to March 31, 2007. Such tangible fixed assets are to be depreciated based on the difference between the equivalent of 5% of acquisition cost and memorandum value over a period of 5 years once they have been fully depreciated to the limits of their respective depreciable amounts effective April 1, 2007.

As a result of this change, operating income decreased by ¥162 million, and ordinary income and income before income taxes and minority interests shrank by ¥163 million, respectively, for the year ended March 31, 2008.

Impacts of such change on segment information are explained in Note 20.

(i) Intangible assets and long-term prepaid expenses (excluding leased assets)

Depreciation of intangible assets of the Company and its subsidiaries are principally calculated by the straight-line method in conformity with the Corporation Tax Law of Japan.

Depreciation of software for internal use is calculated by the straight-line method over a useful life of 5 years.

(j) Leases

Noncancelable lease transactions that transfer substantially all risks and rewards associated with the ownership of assets are accounted for as finance leases. All other lease transactions are accounted for as operating leases and relating payments are charged to income as incurred.

Depreciation of leased assets under finance lease transactions, except for those that transfer ownership of the leased assets to the lessee, are calculated using the straight-line method over the lease term assuming no residual value.

Finance leases that commenced on or before March 31, 2008, except for those that transfer ownership of the leased assets to the lessee, are accounted for under the method applicable to operating lease transactions.

Changes in Accounting Policy

Until March 31, 2008, noncancelable lease transactions that do not transfer ownership of the leased assets to the lessee were accounted for under the method applicable to operating lease transactions.

Effective the year ended March 31, 2009, the Company and its consolidated subsidiaries adopted a revised accounting standard for leases and related implementation guidance. In accordance with the revised standard, noncancelable lease transactions which have been entered into on or after April 1, 2008 that do not transfer ownership of the leased assets to the lessee are accounted for as ordinary sales and purchase transactions.

The effect of this change was immaterial to the consolidated financial statements for the year ended March 31, 2009.

(k) Allowance for doubtful receivables

Allowance for doubtful accounts is provided based on the past experience for receivables, other than doubtful receivables, and the uncollectible amounts estimated separately on each doubtful receivable.

(l) Provision for employees' bonuses

The Company and domestic subsidiaries provide for payments of bonuses to employees at estimated amounts calculated based on their payment regulations. However, at foreign subsidiaries, a provision for employees' bonuses has not been recorded.

(m) Provision for directors' bonuses

Provision for bonuses to directors and corporate auditors is provided for the expected payment of director and corporate auditor bonuses for the current fiscal year to those directors and corporate auditors serving at the end of the fiscal year.

(n) Provision for employees' retirement benefits

Provision for employees' retirement benefits are provided based on the actuarially calculated value of retirement and severance benefits obligation and the pension assets.

A transitional obligation of ¥4,697 million is being amortized using straight-line method over 15 years from the year ended March 31, 2001. Actuarial gain or loss is amortized using the straight-line method over 15 years, which is within the estimated average remaining service years of employees.

Effective the year ended March 31, 2008, "Partial Amendments (No. 2) to Accounting Standards for Retirement Benefits" (ASBJ Statement No. 14 issued on May 15, 2007) has been applied.

(o) Provision for directors' retirement benefits

Provision for retirement benefits for directors and corporate auditors are provided for at an amount based upon internal rules at the balance sheet date.

(p) Allowance for claims management

Allowance for claims management is provided for free checkup and replacement expenses arising from any faults in "CERALUX" lamps at the end of the fiscal year.

(q) Amortization of negative goodwill

Negative goodwill is amortized by the straight-line method over a period of five years. Negative goodwill that is immaterial is credited to income in the year of acquisition.

(r) Consumption taxes

Consumption taxes are calculated by the tax exclusion method.

(s) Cash and cash equivalents

Cash and cash equivalents in the cash flow statements consist of cash on hand, demand deposits and liquid short-term investments with maturity of three months or less from acquisition dates, which can easily be converted to cash and are subject to little risk of change in value.

(t) Comparatives

Certain accounts in the consolidated financial statements for the year ended March 31, 2008, have been reclassified to conform to the 2009 presentation.

2. Investment Securities

Information regarding investment securities classified as available-for-sale securities with fair market value at March 31, 2009 and 2008 is summarized as follows:

	Millions of yen					
	2009			2008		
	Acquisition cost	Carrying amount (Fair market value)	Unrealized gain (Loss)	Acquisition cost	Carrying amount (Fair market value)	Unrealized gain (Loss)
Securities whose carrying amount (fair market value) exceeds their acquisition cost:						
Equity securities	¥881	¥1,421	539	¥956	¥2,021	¥1,064
Debt securities						
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
Subtotal	881	1,421	539	956	2,021	1,065
Securities whose acquisition cost exceeds their carrying amount (fair market value):						
Equity securities	513	465	(47)	550	511	(39)
Debt securities						
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
Other	—	—	—	—	—	—
Subtotal	513	465	(47)	550	511	(39)
Total	¥1,395	¥1,887	¥492	¥1,507	¥2,533	¥1,025

Proceeds from sales of securities classified as available-for-sale securities totaled ¥9 million and ¥20 million for the years ended March 31, 2009 and 2008, respectively, with gross realized gain of ¥6 million and ¥2 million for the years ended March 31, 2009 and 2008, respectively.

Securities whose fair market value is not available at March 31, 2009 and 2008 were as follows:

	Millions of yen	
	2009	2008
Available-for-sale securities:		
Non-marketable equity securities	¥418	¥422
Total	¥418	¥422

3. Short-Term Loans, Long-Term Loans and Other Long-Term Liabilities with Interest

Short-term loans from banks at an average interest rate of 1.02% amounted to ¥3,066 million and ¥2,699 million at March 31, 2009 and 2008, respectively.

Long-term loans, lease obligations and deposits received classified as other long-term liabilities with interest at March 31, 2009 and 2008 consisted of the following:

	Millions of yen	
	2009	2008
Loans, principally from banks, maturing in installments through 2012 with an average interest rate of 1.31%	¥3,421	¥3,262
Less current portion of loans	(146)	(2,360)
Net loans	3,275	902
Lease obligations	78	-
Less current portion of lease obligations	(14)	-
Net lease obligations	64	-
Deposits received with an average interest rate of 2.92%	2,788	2,845
Total	¥6,127	¥3,747

The annual maturities of long-term loans and lease obligations subsequent to March 31, 2009 are summarized as follows:

	Loans	Lease obligations
	Millions of yen	Millions of yen
Year ending March 31,		
2010	¥146	¥14
2011	730	14
2012	2,545	14
2013	-	12
2014 and thereafter	-	24

4. Bonds

Bonds at March 31, 2009 and 2008 consisted of the following:

	Millions of yen	
	2009	2008
Unsecured straight bond, issued on October 11, 2006, due October 9, 2009 With an interest rate of 1.29%	¥1,600	¥1,600
Unsecured straight bond, issued on October 10, 2006, due October 9, 2009 With an interest rate of 1.25%	1,200	1,200
Unsecured straight bond, issued on October 12, 2006, due October 9, 2009 With an interest rate of 1.15%	500	500
Unsecured straight bond, issued on October 12, 2006, due October 9, 2009 With an interest rate of 1.08%	300	300
Unsecured straight bond, issued on October 10, 2006, due October 9, 2009 With an interest rate of 1.34%	300	300
Total	¥ 3,900	¥ 3,900
Less current portion	(3,900)	-
	-	¥ 3,900

The aggregate annual maturities of bonds subsequent to March 31, 2009 are summarized as follows:

	Millions of yen
Year ending March 31, 2010 and thereafter	3,900

5. Income Taxes

The tax effects of temporary differences that give rise to a significant portion of the deferred tax assets and deferred tax liabilities at March 31, 2009 and 2008 were as follows:

	Millions of yen	
	2009	2008
Deferred tax assets:		
Loss carryforward for tax purposes	¥1,693	¥577
Provision for retirement benefits	3,872	3,744
Unrealized loss on available-for-sale securities	18	15
Other	848	1,032
Gross deferred tax assets	6,432	5,370
Valuation allowance	(1,939)	(571)
Total deferred tax assets	¥4,493	¥4,798
Deferred tax liabilities:		
Land revaluation	(114)	(114)
Unrealized gain on available-for-sale securities	(215)	(425)
Other	(35)	(58)
Gross deferred tax liabilities	(366)	(598)
Net deferred tax assets	¥4,127	¥4,199

The reconciliation of the Japanese statutory tax rate and the actual tax rate applicable to the Company for the year ended March 31, 2008 was as follows:

	2008
Japanese statutory tax rate	40.0 %
Permanent differences, including entertainment etc.	4.3
Permanent differences, including dividend income	13.3
Inhabitant taxes per capita etc.	5.8
Valuation allowance	(35.7)
Amortization of negative goodwill	(5.2)
Other	(0.7)
Actual tax rate	21.8 %

Figures for the year ended March 31, 2009 are not provided because a loss before income taxes and minority interests was recorded.

6. Shareholders' Equity

The Corporation Law of Japan (hereafter, the "Law") provides that an amount equal to at least 10% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the sum of the reserve and the additional paid-in capital account, which is included in capital surplus in consolidated balance sheet, equals 25% of the common stock account. The Law provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock upon approval by the Board of Directors. Accordingly, the Law provides that if the total amount of additional paid-in capital and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders.

7. Investments in Affiliates

Investments in affiliates at March 31, 2009 and 2008 amounted to ¥589 million and ¥888 million, respectively, and are accounted for principally by the equity method.

8. Pledged Assets

A summary of assets pledged as collateral for short-term loans in the amount of ¥16 million and ¥1,134 million, and long-term loans in the amount of ¥1,100 million and ¥16 million at March 31, 2009 and 2008, respectively, is presented below:

	Millions of yen	
	2009	2008
Buildings and structures	¥751	¥ 811
Machinery, equipment and vehicles	1,124	1,256
Land	3,090	3,100
Total	¥4,966	¥5,168

9. Land Revaluation

Based on the Law Concerning Land Revaluation, promulgated on March 31, 1998, the Company revalued its land used for business purposes as of March 31, 2000, in accordance with the revaluation method as stated in Article 3-3.

The value of land is based on the official notice prices calculated as directed by public notification of the Commissioner of the National Tax Administration and as provided for in the Law Concerning Public Notification of Land Prices, as stipulated in Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No. 119, promulgated March 31, 1998), after making reasonable adjustments.

The differences between the revalued carrying amount and the fair value as of March 31, 2009 and 2008 of lands revalued pursuant to the Article 10 of the law were ¥1,394 million and ¥1,808 million, respectively.

The amount of tax effect on the revaluation differences is reported as deferred tax liabilities for land revaluation. The revaluation difference less this tax liability is reported as revaluation reserve for land in valuation and translation adjustments.

10. Cost of Sales

Loss on valuation of inventories of ¥562 million was included in cost of sales for the year ended March 31, 2009, after writing down the carrying values to reflect declines in profitability.

11. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen	
	2009	2008
Salaries	¥5,677	¥5,830
Packing and transportation costs	1,831	1,881
Employees' bonuses	961	903

Research and development expenses included in general and administrative expenses for the years ended March 31, 2009 and 2008 amounted to ¥453 million and ¥459 million, respectively.

12. Other Income

Gain on sale of noncurrent assets included gain on sales of machinery and equipment of ¥1 million and ¥2 million for the years ended March 31, 2009 and 2008, respectively.

13. Other Expenses

For the year ended March 31, 2009

Loss on sales and retirement of noncurrent assets primarily resulted from loss on sales of buildings of ¥13 million, loss on sales of machinery and equipment of ¥19 million, loss on retirement of machinery and equipment of ¥41 million, loss on retirement of tools, furniture and fixtures of ¥22 million, and loss on sales of land of ¥9 million.

Loss on litigation, including attorney's fees, represents the cost of protecting certain of the Company's intellectual property rights.

Loss on disposal of inventories of ¥196 million was incurred as a result of the discontinuance of fluorescent lamp assemblies for industrial use, including finished goods of ¥128 million, materials of ¥50 million, and work in process of ¥18 million.

For the year ended March 31, 2008

Loss on sales and retirement of noncurrent assets primarily resulted from loss on sale of buildings of ¥11 million, loss on retirement of buildings of ¥18 million, loss on retirement of machinery and equipment of ¥37 million, and loss on retirement and sales of tools, furniture and fixtures of ¥23 million.

Loss on litigation, including attorney's fees, represents the cost of protecting certain of the Company's intellectual property rights.

Loss on disposal of inventories of ¥437 million was primarily incurred as a result of the disposal of products that are not permitted to be distributed from the next fiscal year due to the enforcement of the Electrical Appliance and Material Safety Law ("PSE Law").

Claims management expenses represent the expenses incurred from free checkup and replacement due to faults in "CERALUX" lamps.

14. Supplemental Information of Consolidated Statements of Changes in Net Assets

(a) Type and number of issued shares and treasury stock

For the year ended March 31, 2009

	Number of shares (thousand)			
	March 31, 2008	Increase	Decrease	March 31, 2009
Type of issued shares				
Common stock	78,219	—	—	78,219
Total	78,219	—	—	78,219
Type of treasury stock				
Common stock	3,999	18	6	4,011
Total	3,999	18	6	4,011

Note: With respect to changes in the number of shares of common stock in treasury, the increase of 18,000 shares was due to the repurchase of fractional shares and the decrease of 6,000 shares was due to sale of fractional shares upon request of holders of fractional shares.

For the year ended March 31, 2008

	Number of shares (thousand)			
	March 31, 2007	Increase	Decrease	March 31, 2008
Type of issued shares				
Common stock	78,219	–	–	78,219
Total	78,219	–	–	78,219
Type of treasury stock				
Common stock	354	3,687	42	3,999
Total	354	3,687	42	3,999

Note: The increase of 3,687,229 shares in treasury stock of common stock is the total of 3,669,000 shares acquired based on the resolution of the Board of Directors, 11,830 shares from repurchase of fractional shares upon request of holders of fractional shares, and 6,399 shares due to changes in equity. The decrease of 42,115 shares consists of 3,935 shares sold to holders of fractional shares, and 38,180 shares sold.

(b) Matters related to dividends

For the year ended March 31, 2009

Approvals by ordinary general meeting of shareholders held on June 27, 2008 are as follows:

Dividends on common stock

Total amount of dividends	¥372 million
Dividends per share	¥5
Record date	March 31, 2008
Effective date	June 30, 2008

Dividends whose record date is attributable to the accounting period ended March 31, 2009, but whose effective date is after the said accounting period: Not applicable.

For the year ended March 31, 2008

Approvals by ordinary general meeting of shareholders held on June 28, 2007 are as follows:

Dividends on common stock

Total amount of dividends	¥390 million
Dividends per share	¥5
Record date	March 31, 2007
Effective date	June 29, 2007

15. Supplemental Cash Flow Information

A reconciliation of cash and cash equivalents as of March 31, 2009 and 2008 to cash and deposits in the accompanying consolidated balance sheets was as follows:

	Millions of yen	
	2009	2008
Cash and deposits	¥11,023	¥13,187
Time deposits with maturity in excess of three months	(901)	(851)
Cash and cash equivalents	¥10,122	¥12,336

16. Leases

Finance lease transactions, except for those that transfer ownership of leased assets to the lessee, are accounted for as explained in Note 1 (j).

Leased assets include production equipment (machinery and equipment) as property, plant and equipment, and software as intangible assets.

Finance lease transactions that commenced on or before March 31, 2008, except for those that transfer ownership of leased assets to the lessee, are accounted for under the method applicable to operating lease transactions. Details are as follows:

(1) A summary of pro forma amounts (inclusive of imputed interest expense portion) of acquisition cost, accumulated depreciation and net book value at March 31, 2009 and 2008, of mainly leased tools, furniture and fixtures on an “as if capitalized” basis is as follows:

	Millions of yen	
	2009	2008
Acquisition cost	¥1,024	¥1,395
Accumulated depreciation	634	916
Net book value	¥390	¥478

(2) A summary of future minimum lease payments (inclusive of imputed interest expense portion), required under non-cancelable operating leases at March 31, 2009 and 2008, was as follows:

	Millions of yen	
	2009	2008
Due in one year or less	¥166	¥171
Due after one year	223	307
Total	¥390	¥478

(3) Lease payments and pro forma depreciation for the years ended March 31, 2009 and 2008, were as follows:

	Millions of yen	
	2009	2008
Lease payments	¥182	¥206
Depreciation expense	182	206

(4) Depreciation charges are calculated using the straight-line method over the lease term assuming no residual value.

(5) There was no impairment loss on leased assets.

17. Employees' Retirement Benefits

The Company and its certain domestic subsidiaries have defined benefit plans covering substantially all of their employees. The plan includes the lump sum payment plan and the tax-qualified funded pension plan. In addition, the Company has a multi-employer welfare pension fund plan, established by companies. Certain of its domestic subsidiaries have the Cooperative for Retirement Benefits for Medium-Sized and Small Companies and a defined contribution pension plan.

The plans' funded status and amount recognized in the accompanying consolidated balance sheets at March 31, 2009 and 2008 were as follows:

	Millions of yen	
	2009	2008
Projected benefit obligation	¥ (15,821)	¥ (15,930)
Plan assets at fair value	2,205	2,562
Projected benefit obligation in excess of plan assets	(13,615)	(13,368)
Unrecognized transitional obligation	1,879	2,192
Unrecognized actuarial loss	1,865	1,656
Accrued employees' retirement benefits	¥ (9,871)	¥ (9,519)

Note: Certain consolidated subsidiaries adopted a simplified method in the calculation of their projected benefit obligation.

The components of net periodic benefit costs of employees' retirement benefits for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen	
	2009	2008
Service cost	¥ 831	¥ 900
Interest cost	281	283
Expected return on plan assets	(55)	(71)
Amortization of actuarial loss	178	162
Amortization of transitional obligation	313	312
Net periodic benefit costs	¥ 1,549	¥ 1,586
Gain on dissolution of the contributory defined benefit pension plan	—	(4)
Total	¥ 1,549	¥ 1,581

Notes: Service cost contains benefit costs of certain consolidated subsidiaries of which projected benefit obligations are calculated by a simplified method.

In addition, the Company paid ¥736 million for the year ended March 31, 2009 and ¥707 million for the year ended March 31, 2008 for the multi-employer welfare pension fund plan.

The actuarial assumptions used in accounting for the pension plans for the years ended March 31, 2009 and 2008, were as follows:

	2009	2008
Periodic allocation method for projected benefits	Straight-line method	Straight-line method
Discount rate	1.9%	1.9%
Expected return on plan assets	2.3%	2.7%
Amortization period of actuarial gain/loss	15 years	15 years
Amortization period of transitional obligation	15 years	15 years

The total funded status of the multi-employer welfare pension fund plan for the years ended March 31, 2009

and 2008 were as follows:

	Millions of yen	
	2009	2008
Projected benefit obligations under pension funding computation	¥327,524	¥315,981
Plan assets at fair value	299,283	343,789
Projected benefit obligation in excess of plan assets	¥28,241	¥(27,808)

Notes: The ratio of the group's contribution to total contributions of the plan above was 3.98% for the year ended March 31, 2009 and 3.87% for the year ended March 31, 2008.

The main component of projected benefit obligation in excess of plan assets was prior service cost of ¥21,928 million for the year ended March 31, 2009 and ¥24,630 million for the year ended March 31, 2008. Prior service cost is amortized by the straight-line method over a period of 20 years.

18. Commitment and Contingent Liabilities

(a) In a patent claim filed against the Company by U.S. Philips Corporation on January 8, 2003 in the United States District Court for the Southern District of New York, alleging infringement of its U.S. patent on a projector lamp, the court awarded damages of about \$61,040,000 (including prejudgment interest) against the Company on January 30, 2009, finding that its product infringed upon the Philips patent. Since the Company and Philips agreed to invalidate the injunction prohibiting the Company from actively inducing infringement by indemnifying customers for future sales of the infringing product within the United States, the judgment included no such injunction.

The Company immediately appealed the judgment, to continue the litigation, and it expects further negotiations with U.S. Philips Corporation.

The Company has been proceeding with the appeal by obtaining a bank guarantee and posting a bond of about \$63,500,000 with the appeals court, which is equivalent to the damages awarded in the first instance (including prejudgment interest) plus the estimated interest that will accrue during the appeal.

(b) The Company has entered into commitment line contracts with seven banks in order to ensure the timeliness of financing.

Relevant figures as of March 31, 2009 are as follows:

Commitment lines extended	¥7,000 million
Loans payable	¥1,500 million
Unused balance	¥5,500 million

(c) Restrictive financial covenants

- (1) A commitment line contract entered into on March 29, 2007 includes a restrictive financial covenant requiring the Company to maintain consolidated and non-consolidated net assets of no less than ¥23.8 billion and ¥15.1 billion, respectively, at the end of the half-year and full-year periods of each fiscal year.
- (2) A commitment line contract entered into on March 30, 2009 includes a restrictive financial covenant requiring the Company to maintain, at the end of each quarter of each fiscal year, consolidated net assets of no less than ¥21.9 billion; or no less than ¥10.0 billion yen if any patent litigation results in a settlement or adverse final judgment or any other result effectively equivalent thereto under any foreign law, or if the Company records a provision for payments in connection with such litigation.

19. Derivatives

The Company has entered into forward exchange contracts for the purpose of hedging its exposure to adverse fluctuations in foreign exchange rates related to its trade receivables, payables and forecasted

transactions denominated in foreign currencies. The Company also has entered into an interest rate swap agreement to reduce its exposure to future adverse fluctuations in interest rates to its debt instruments. It is the policy of the Company and its subsidiaries not to enter into speculative derivative transactions.

As the Company enters into contracts with banks with high credit ratings, the Company does not anticipate any risk of nonperformance by these counterparties.

In addition, the execution and control of derivative transactions are carried out by the finance division based on the approval by the authorized person in accordance with the Company's internal control policy in terms of the nature and maximum amount of transactions and authorization.

In the years ended March 31, 2009 and 2008, the Company has applied hedge accounting for all derivative instruments and omitted disclosure regarding their notional amounts and estimated fair value outstanding at March 31, 2009 and 2008, in accordance with generally accepted accounting principles in Japan.

20. Segment Information

The industry and geographic segments for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen	
	2009	2008
(a) Industry Segments		
Sales:		
Lighting Sector	¥ 37,094	¥ 41,524
Applied Optics Sector	26,222	29,415
Other Sector	886	806
	64,203	71,746
Corporate and eliminations	—	—
	¥ 64,203	¥ 71,746
Operating costs:		
Lighting Sector	¥ 36,544	¥ 39,415
Applied Optics Sector	24,991	26,551
Other Sector	874	976
	62,409	66,943
Corporate and eliminations	2,009	2,113
	¥ 64,418	¥ 69,057
Operating (loss) income:		
Lighting Sector	¥ 550	¥ 2,108
Applied Optics Sector	1,231	2,864
Other Sector	12	(170)
	1,793	4,802
Corporate and eliminations	(2,009)	(2,113)
	¥ (215)	¥ 2,688
Assets:		
Lighting Sector	¥ 28,843	¥ 31,572
Applied Optics Sector	25,440	28,986
Other Sector	873	858
	55,157	61,416
Corporate and eliminations	14,033	15,406
	¥ 69,190	¥ 76,823
Depreciation:		
Lighting Sector	¥ 1,263	¥ 1,431
Applied Optics Sector	741	517
Other Sector	1	6
	2,006	1,954
Corporate and eliminations	44	38
	¥ 2,050	¥ 1,992
Capital expenditures:		
Lighting Sector	¥ 1,378	¥ 1,184
Applied Optics Sector	502	388
Other Sector	—	3
	1,881	1,575
Corporate and eliminations	57	23
	¥ 1,938	¥ 1,599

Industry segments include the Lighting Sector, Applied Optics Sector and Others.

1. Industry segments are defined by similarity of products.
2. The main products in each industry segment include:

Lighting Sector	HID lamps and Luminaires/Incandescent lamps and Luminaires/Fluorescent lamps and Luminaires
Applied Optics Sector	Information Display Systems/UV Curing Systems/EB Radiation Systems
Other Sector	Shop & Home Facilities and Agency Services for EYE Group

3. Unallocatable operating costs included in “Corporate and eliminations” are incurred mainly in corporate division of the Company.

4. Assets included in “Corporate and eliminations” are mainly composed of “Cash and deposits,” “Investment securities” and assets used in the corporate division in the Company.

5. Changes in Accounting Policy

(Accounting standard for measurement of inventories)

As explained in Note 1 (g), effective the year ended March 31, 2009, “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, issued on July 5, 2006) has been applied.

This change resulted in decreases in operating income of ¥441 million in the Lighting Sector and ¥121 million in the Applied Optics Sector, as compared to the amounts that would have been recorded under the accounting method applied previously.

(Depreciation method of property, plant and equipment)

As explained in Note 1 (h), effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their method of depreciation based on an amendment to the Corporation Tax Law of Japan for tangible fixed assets acquired on or after April 1, 2007.

This change resulted in decreases in operating income of ¥57 million in the Lighting Sector, ¥17 million in the Applied Optics Sector, ¥0 million in the Other Sector and ¥0 million in “Corporate and eliminations” as compared to the amounts that would have been recorded under the accounting method applied previously.

6. Additional Information

(Changes in useful lives of property, plant and equipment)

As explained in Note 1 (h), effective April 1, 2008, the Company and its domestic consolidated companies have changed the useful lives of machinery and equipment as a result of reviewing their status of use based on an amendment to the Corporation Tax Law of Japan in fiscal 2008.

This change resulted in decreases in operating income of ¥79 million in the Lighting Sector and ¥55 million in the Applied Optics Sector, as compared to the that would have been recorded under the useful lives applied previously.

(Depreciation method of property, plant and equipment)

As explained in Note 1 (h), effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their method of depreciation based on an amendment to the Corporation Tax Law of Japan for tangible fixed assets acquired on or prior to March 31, 2007. Such tangible fixed assets are to be depreciated based on the difference between the equivalent of 5% of acquisition cost and memorandum value over a period of 5 years once they have been fully depreciated to the limits of their respective depreciable amounts effective April 1, 2007.

This change resulted in decreases in operating income of ¥127 million in the Lighting Sector, ¥31 million in the Applied Optics Sector, ¥0 million in the Other Sector and ¥2 million in “Corporate and eliminations” as compared to the amounts that would have been recorded under the accounting method applied previously.

	Millions of yen			
	March 31, 2009		March 31, 2008	
(b) Geographic Segments				
Sales:				
Japan	¥	59,959	¥	65,432
North America		4,277		5,773
Asia		1,087		1,595
Europe		93		156
		65,417		72,957
Corporate and eliminations		(1,213)		(1,211)
	¥	64,203	¥	71,746
Operating costs				
Japan	¥	58,474	¥	61,500
North America		3,918		5,009
Asia		1,042		1,372
Europe		94		174
		63,529		68,056
Corporate and eliminations		889		1,001
	¥	64,418	¥	69,057
Operating income				
Japan	¥	1,484	¥	3,932
North America		358		764
Asia		45		222
Europe		—		(17)
		1,887		4,901
Corporate and eliminations		(2,103)		(2,212)
	¥	(215)	¥	2,688
Assets:				
Japan	¥	50,763	¥	55,350
North America		3,223		4,312
Asia		1,473		1,908
Europe		97		299
		55,558		61,871
Corporate and eliminations		13,632		14,952
	¥	69,190	¥	76,823

Geographic segments are defined by geographical proximity.

- Each region consists principally of the countries as follows:
North America - U.S.A.
Asia - China, Singapore and Malaysia
Europe - the United Kingdom
- Unallocatable operating costs included in “Corporate and eliminations” are incurred mainly in the corporate division of the Company.
- Assets included in “Corporate and eliminations” are mainly composed of “Cash and deposits,” “Investment securities” and assets used in the corporate division in the Company.
- Changes in Accounting Policy
(Accounting standard for measurement of inventories)

As explained in Note 1 (g), effective from the year ended March 31, 2009, “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, issued on July 5, 2006) has been applied. This change resulted in decreases in operating income of ¥562 million, as compared to the amounts that would have been recorded under the accounting method applied previously.

(Depreciation method of property, plant and equipment)

As explained in Note 1 (h), effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their method of depreciation based on an amendment to the Corporation Tax Law of Japan for tangible fixed assets acquired on or after April 1, 2007. In addition, effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their method of depreciation based on an amendment to the Corporation Tax Law of Japan for tangible fixed assets acquired on or prior to March 31, 2007. Such tangible fixed assets are to be depreciated based on the difference between the equivalent of 5% of acquisition cost and memorandum value over a period of 5 years once they have been fully depreciated to the limits of their respective depreciable amounts effective April 1, 2007.

These changes resulted in decreases in operating income of ¥234 million in Japan and ¥2 million in “Corporate and eliminations” as compared to the amounts that would have been recorded under the accounting method applied previously.

5. Additional Information

(Changes in useful lives of property, plant and equipment)

As explained in Note 1 (h), effective April 1, 2008, the Company and its domestic consolidated companies have changed the useful lives of machinery and equipment as a result of reviewing their status of use based on an amendment to the Corporation Tax Law of Japan in fiscal 2008.

This change resulted in decreases in operating income of ¥134 million, as compared to the amounts that would have been recorded under the useful lives applied previously.

Overseas sales by region and as a percentage of consolidated sales for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen	
	2009	2008
(c) Overseas sales		
Sales:		
To North America	¥ 4,476	¥ 5,754
To Asia	8,931	7,860
To Europe	451	529
To other	493	497
	¥ 14,353	¥ 14,642
Ratio to consolidated net sales:		
To North America	7.0 %	8.0 %
To Asia	13.9	11.0
To Europe	0.7	0.7
To other	0.8	0.7
	22.4 %	20.4 %

- Each region consists principally of the following countries:
North America - U.S.A.
Asia - China, Singapore, Taiwan and Korea
Europe - the United Kingdom
Other - Australia
- Overseas sales include the export sales of the parent company and domestic subsidiaries and the domestic sales of the subsidiaries abroad.

21. Amounts per Share

Per share information for the years ended March 31, 2009 and 2008 was as follows:

	Yen	
	2009	2008
Net (loss) income	(¥ 32.30)	¥ 13.61
Net assets	340.35	397.82

The basis of the computation of net (loss) income per share for the years ended March 31, 2009 and 2008 is as follows:

	Millions of yen	
	2009	2008
Net (loss) income per share		
Net (loss) income	(¥2,397)	¥1,035
Amount of not attributable to normal shareholders	—	—
Net	(¥2,397)	¥1,035
Average number of shares		
For the period (shares)	74,214,201	76,042,772

22. Business Combination

For the year ended March 31, 2009

Not Applicable

For the year ended March 31, 2008

(Combination of consolidated subsidiary)

1. Name of combined company, the legal form of the combination, content of the combined business, principal reasons for the business combination, and overview of the business combination.

(1) Name of combined company and content of the combined business

a. IWASAKI ELECTRIC CO., Ltd.

Production of various light sources and lighting equipment, sale, and facilities construction.

b. Iwasaki Information Systems Co., Ltd.

Production and sale of telecommunications equipment, parts and accessories, and facilities construction.

(2) Legal form of the combination

Merger (IWASAKI ELECTRIC CO., Ltd. is the surviving company, and Iwasaki Information Systems Co., Ltd. is the absorbed company.)

(3) Name of the company after combination

IWASAKI ELECTRIC CO., Ltd.

(4) Principal reasons for the combination and overview of the business combination

For the purpose of utilizing the availability of the financial resources of the group, improving operational efficiency, and raising corporate value, IWASAKI ELECTRIC CO., Ltd. merged with Iwasaki Information Systems Co., Ltd.

(5) Date of combination

April 1, 2007

2. Overview of accounts processing

This combination is based on the "Accounting Standard for Business Combinations" (issued by the Business Accounting Council on October 31, 2003) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard Business Divestitures" (ASBJ Guidance No. 10 issued on December 27, 2005). This merger falls under business under common control.

3. Additional acquisition of subsidiary stocks

The Company acquired treasury stocks for ¥9 million from minority stockholders with the aim of making

Iwasaki Information Systems Co., Ltd. a 100% subsidiary before this merger. As a result, negative goodwill, amounting to ¥491 million was recorded.

Negative goodwill is amortized by the straight-line method over a period of five years. Negative goodwill that is immaterial is credited to income in the year of acquisition.

23. Related Party Transactions (Additional Information)

Not Applicable

Effective the fiscal year ended March 31, 2009, “Accounting Standard for Related Party Disclosures” (ASBJ Statement No. 11 issued on October 17, 2006) and “Guidance on Accounting Standard for Related Party Disclosures” (ASBJ Guidance No. 13 issued on October 17, 2006) have been applied.

This change did not involve any change in the scope of disclosure.