

Annual Report

2011

IWASAKI ELECTRIC CO., LTD.

Profile

Living up to our corporate philosophy of “Employing light technology to create a comfortable society and sustainable environment,” we at Iwasaki Electric Co., Ltd. have always aimed high and steadily striven to achieve our business objectives by fully exerting our foresight and creativity. The past several years have seen highly significant R&D advances in the field of new light sources, lighting equipment and control devices that cater to newly arising needs for “eco-friendly” and “visual impact enhancement” lighting. Furthermore, our advanced technology allows us to diversify into a variety of light application fields such as information display systems, UV applications, electronics, and solar simulation systems. These endeavors represent our quest to realize light’s ultimate potential and enable us to advance continually forward. We are shifting from our former identity as a general manufacturer of lighting equipment to re-emerge as a “Light and Environment-focused Company” armed with leading-edge light technologies centering around HID (High Intensity Discharge) lamps and LEDs.

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Message from the President

Although signs of recovery have been seen in corporate earnings and capital investment, the Japanese economy has continued to suffer from severe market conditions amid concerns over the impact of the accelerated appreciation of the yen and fluctuations of stock prices. The occurrence of the Great East Japan Earthquake has also triggered increasing uncertainties about the future of the economy. Under such circumstances, all of us at the Iwasaki Electric Group focused intensely on measures including total cost reduction and a review of the personnel structure. As a result, the Company achieved profitability for the consolidated fiscal year ended March 31, 2011, with net sales, operating income and ordinary income each exceeding the levels recorded in the previous term.

In the Lighting Sector, sales increased as we introduced 45 lines of products including urbanscape lighting, the “LED EYE lamp” and approximately 220 new LED product items. We plan to launch 62 lines of products and approximately 300 new items during the next fiscal year. In addition, we will further expand our product range and speed up product development toward the anticipated expansion of the LED market. Furthermore, we will focus on sales of Ceralux products in order to capture replacement demand for high energy efficiency lamps.

In the Applied Optics Sector, we have seen a recovery in the sales of optics devices such as solar cells, liquid crystal panels and semiconductor-related products. We are determined to reinforce our sales activities with the aim of winning further orders for these items. At the same time, we will continue to focus on the promotion of UV curing products for which we have seen an increase of sales including in overseas markets.

The Company has set “reinforcement of overseas business,” “restructuring of corporate earnings structure,” “strengthening and expanding the LED business” and “further evolution of HID light sources” as four key policies for the Group to focus on for the next two years. We will endeavor to promote our businesses in a strategic manner by implementing thorough cost reduction measures and increasing operational efficiency in an effort to enhance our earnings capability and increase our corporate value. Lastly, in an environment where power saving will inevitably be required due to the expected power shortage, we will be committed to contributing to energy and power savings through our energy efficient products with a concentration on LED products.

We would be grateful for the continued support of all our stakeholders.

Bunya Watanabe, President and Representative Director

A handwritten signature in black ink, appearing to read "B. Watanabe", enclosed within a large, stylized circular flourish.

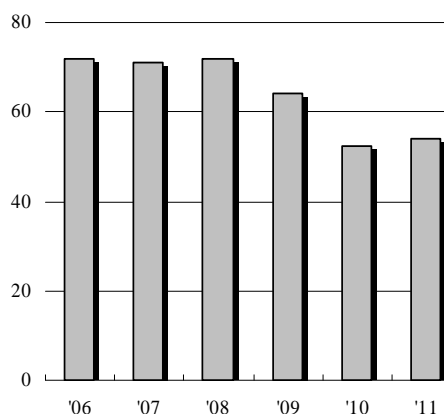
Consolidated Six-Year Summary

	Millions of yen					
	Year ended March 31					
	2011	2010	2009	2008	2007	2006
For the year:						
Net sales	¥54,158	¥52,432	¥64,203	¥71,746	¥70,989	¥71,743
Net (loss) income	1,731	(8,031)	(2,397)	1,035	475	745
At year-end:						
Total assets	¥62,620	¥61,183	¥69,190	¥76,823	¥78,114	¥77,996
Total shareholders' equity ²	18,930	17,568	25,257	29,526	30,228	30,247
Working capital	21,112	20,066	17,033	21,721	23,788	18,787
Long-term bank loans, less current portion	6,095	8,030	3,275	903	3,234	3,328
Amounts per share:³						
Net (loss) income	¥23.34	(¥108.24)	(¥32.30)	¥13.61	¥6.10	¥9.32
Cash dividends	—	—	—	5.00	5.00	5.00

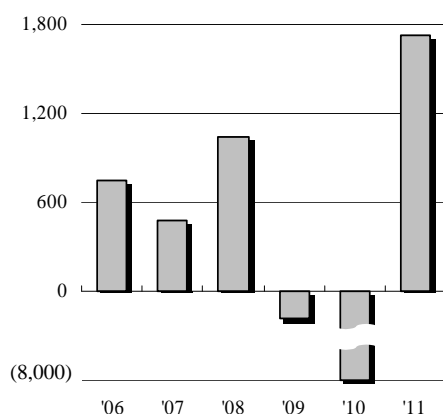
1. As permitted by accounting standards generally accepted in Japan, amounts of less than one million yen have been omitted.

2. Total shareholders' equity = Total net assets – Minority interests.

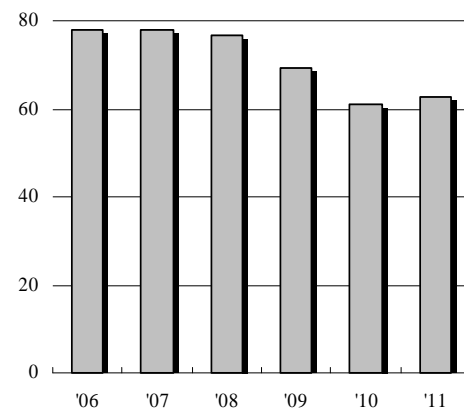
3. Per share figures are in exact yen amounts.



Net Sales
(Billions of yen)



Net Income (Loss)
(Millions of yen)



Total Assets
(Billions of yen)

Status of the Business

Outline of the Operating Results

1. Operating Results

During the consolidated fiscal year ended March 31, 2011, market conditions in the Japanese economy continued to be generally severe amid concerns over the impact of the accelerated appreciation of the yen and fluctuations of stock prices in spite of the signs of recovery seen in corporate earnings and capital investment. Furthermore, the Great East Japan Earthquake, which occurred on March 11, 2011, led to increasing uncertainties about the future of the economy.

Under these circumstances, the Group implemented business improvement measures such as a total cost reduction program, review of the personnel structure, etc. in order to ensure profitability even under the current economic situation.

As a result, this consolidated fiscal year resulted in net sales of ¥54,158 million (a 3.3% increase from ¥52,432 million in the previous term), operating income of ¥2,981 million (an improvement of ¥3,394 million compared to an operating loss of ¥412 million in the previous term), and ordinary income of ¥2,585 million (an improvement of ¥3,235 million compared to an ordinary loss of ¥649 million in the previous term). Net income stood at ¥1,731 million (an improvement of ¥9,763 million compared to a net loss of ¥8,031 million in the previous term), reflecting extraordinary income of ¥504 million as proceeds from the sale of plant, property and equipment and an extraordinary loss relating to special retirement expenses of ¥520 million as a result of the implementation of a voluntary early retirement program, disaster-related losses of ¥349 million from the Great East Japan Earthquake and a loss on valuation of investment securities of ¥154 million, etc.

Operating results by business segment are described below:

<Lighting Sector>

In the Lighting Sector, the Group focused on product development and sales activities for high intensity discharge (HID) and light emitting diode (LED) products concentrating on high energy efficiency and replacement market demand. Public-work related orders saw an increase in tunnel and park-related orders despite a decrease in road-related orders. Meanwhile, there was an increase in orders from the private sector including orders for factories and commercial facilities, etc., as well as lamp maintenance orders, etc., backed by a recovery of the sector. In addition, sales of LED illumination products increased significantly in and after the third quarter of the consolidated fiscal year, boosted by the introduction of new products.

As a result, sales and operating income for this sector amounted to ¥34,297 million (a 3.5% increase from ¥33,123 million in the previous term) and ¥2,047 million (a 144.8% increase from ¥835 million in the previous term), respectively.

<Applied Optics Sector>

The Group continued to concentrate its management resources on the Applied Optics Sector as a growth area. Although the market environment remained extremely severe as a result of sluggish capital investment among other factors during the first half of the fiscal year, a clear recovery trend was evident from the second half of the year. Sales and operating income from projector light source products were below those of the previous fiscal year, which reflected significant price erosion despite an increase in volume. Meanwhile, orders for optics devices including liquid crystal, semiconductor and solar cell-related products, etc., picked up with an increase in sales. Operating income for these products also increased significantly as a result of the effect of cost reduction efforts.

As a result, sales and operating income for this sector totaled ¥19,861 million (a 2.9% increase from ¥19,308 million in the previous term) and ¥2,551 million (a 336.6% increase from ¥584 million in the previous term), respectively.

2. Cash Flows

Cash and cash equivalents as of the end of the consolidated fiscal year increased by ¥1,761 million compared to the previous term, to ¥12,929 million.

(1) Cash flows from operating activities

Operating activities in this consolidated fiscal year resulted in a net inflow of ¥2,911 million (a net outflow of ¥515 million in the previous term).

Major inflow items included ¥1,874 million in depreciation and amortization and a ¥353 million increase in provision for retirement benefits. Major outflow items included a ¥948 million increase in inventories and a ¥865 million decrease in trade notes and accounts payable.

(2) Cash flows from investing activities

Investment activities in this consolidated fiscal year resulted in a net outflow of ¥169 million (a net inflow of ¥1,225 million in the previous term).

The main inflow item was the proceeds of the sale of plant, property and equipment of ¥574 million. The main outflow item was the ¥848 million spent on purchases of plant, property and equipment.

(3) Cash flows from financing activities

Financing activities in this consolidated fiscal year resulted in a net outflow of ¥830 million (a net inflow of ¥272 million in the previous term).

The major outflow item was a net decrease of ¥754 million in short-term bank loans.

3. Challenges Facing the Company

Although the global economy is forecast to benefit from the continuing high growth in emerging countries, the domestic operating environment surrounding the Company is expected to be severe in light of concerns over sluggish economic activity as a result of the various impacts of the Great East Japan Earthquake.

Amid this environment, the Company has set “reinforcement of overseas business,” “restructuring of corporate earnings structure,” “strengthening and expanding the LED business” and “further evolution of HID light sources” as four key policies for the Group to focus on for the next two years.

In the Lighting Business, we expect that LED illumination products, which recorded a significant increase in sales during the previous fiscal year, will achieve full-scale growth on the back of increasing demand. With the aim of securing a position as a top LED supplier as the market expands, the Company will concentrate on the development of new LED products as well as the cultivation of the market. Moreover, in order to address the issue of LED illumination products which have a short product life cycle, the Company will make concerted efforts to achieve vertical start-up of new products on a continuous basis, as well as to develop “unique products” drawing on our strengths as a specialized manufacturer of lighting products, setting these as corporate objectives. The Company will also implement organizational reforms to introduce new sales methods and structures. With regard to HID light sources, we will continue to develop new-generation light source products by further evolving the advantages and characteristics of HID light sources.

In order to ensure that the Applied Optics Sector will become a growth area for the Company, we have clarified our targets, enhanced our core technologies and worked on the reform and reinforcement of our sales, design and maintenance systems with the aim of establishing a business model to increase the ratio of standard products. Furthermore, we will accelerate our efforts to develop an overseas sales structure, responding to the fact that major markets for many products are located overseas, particularly in other Asian countries. We will also aim to speed up the commercialization of new items by integrating the product development, sales and marketing functions.

In order to address these issues, we will continue to strengthen our intellectual property strategy and focus on distributing our management resources on research and development and marketing from a global perspective. Moreover, as cost is a basis of our corporate competitiveness, we will aim to enhance our financial position by increasing operational efficiency and implementing thorough cost reduction efforts, accelerate the progress of these management measures and increase our corporate value.

4. Important Business Agreements, etc.

Not applicable.

Financial Review

Analyses of the Financial Position and Operating Results

1. Financial Position

(Current Assets)

Current assets as of the end of this consolidated fiscal year totaled ¥41,016 million, an increase of ¥2,801 million from a year earlier. This was principally attributable to increases of ¥1,711 million in cash and time deposits and ¥791 million in inventories.

(Noncurrent Assets)

Noncurrent assets as of the end of this consolidated fiscal year stood at ¥21,604 million, a decrease of ¥1,363 million compared to the previous fiscal year-end. This was mainly due to a decrease of ¥847 million in plant, property and equipment, a decrease of ¥153 million in intangible assets and a decrease of ¥153 million in investment securities.

(Current Liabilities)

Current liabilities as of the end of this consolidated fiscal year were ¥19,904 million, an increase of ¥1,755 million compared to the previous fiscal year-end. This was mainly attributable to increases of ¥1,935 million in current portion of long-term loans payable, ¥326 million in income taxes payable and a decrease of ¥759 million in short-term bank loans.

(Noncurrent Liabilities)

Noncurrent liabilities as of the end of this consolidated fiscal year were ¥22,413 million, a decrease of ¥1,653 million compared to the previous fiscal year-end. This was mainly attributable to a decrease of ¥1,935 million in long-term bank loans and an increase of ¥353 million in provision for retirement benefits.

(Net Assets)

Net assets as of the end of this consolidated fiscal year totaled ¥20,302 million, an increase of ¥1,335 million compared to the previous fiscal year-end. This was mainly due to an increase of ¥1,731 million in retained earnings which resulted from increased net income.

2. Analysis of Operating Results

(Gross Profit)

Gross profit for this consolidated fiscal year increased by ¥2,350 million from the previous term to ¥16,129 million. In the Lighting Sector, profit from public works for tunnels and parks increased, while profit from road-related public works decreased. In addition, profit from the private sector including orders for factories, commercial facilities, etc. as well as lamp maintenance orders increased from a year earlier reflecting a recovery in demand. Furthermore, there was a significant increase in profit from LED illumination products in and after the third quarter of the fiscal year, boosted by the introduction of new products. Meanwhile, orders for optics devices including liquid crystal, semiconductor and solar cell-related products, etc., picked up with an increase in sales. As a result, the profitability of the sector rebounded significantly also due to the effect of the cost reduction measures.

(Operating Income)

Operating income for this consolidated fiscal year totaled ¥2,981 million, an improvement of ¥3,394 million compared to an operating loss of ¥412 million in the previous term. The main reasons behind the increase in operating income over the previous year include, in addition to the factors explained in "Gross Profit" above, the cost reduction efforts which took effect and resulted in a decrease of ¥1,043 million in selling, general and administrative expenses.

(Ordinary Income)

This consolidated fiscal year resulted in ordinary income of ¥2,585 million, an improvement of ¥3,235 million compared to an ordinary loss of ¥649 million in the previous term. The main factors are the same as those described above about gross profit and operating income.

(Net Income)

This consolidated fiscal year resulted in net income of ¥1,731 million, an improvement of ¥9,763 million compared to a net loss of ¥8,031 million in the previous term. This is mainly attributable to, besides the reasons described above, the fact that there was no reversal of deferred tax assets which had been recognized in the previous consolidated fiscal year.

Consolidated Balance Sheets

March 31, 2011 and 2010

ASSETS

	Millions of yen	
	March 31, 2011	March 31, 2010
Current assets:		
Cash and deposits (Note 18)	¥ 13,731	¥ 12,020
Notes and accounts receivable - trade	14,523	14,533
Merchandise and finished goods	5,725	5,104
Work in process	1,713	1,676
Raw materials and supplies	3,306	3,172
Deferred tax assets	1,136	723
Other	947	1,100
Allowance for doubtful accounts	(68)	(116)
Total current assets	41,016	38,215
Property, plant and equipment		
Land (Notes 10 and 11)	10,605	10,615
Buildings and structures (Note 10)	12,905	13,183
Machinery, equipment and vehicles (Note 10)	16,840	16,792
Tools, furniture and fixtures	7,859	7,980
Construction in progress	166	229
Leased assets (Note 19)	192	77
	48,567	48,876
Accumulated depreciation	(31,262)	(30,722)
Property, plant and equipment, net	17,305	18,153
Intangible assets		
Software	417	526
Other	150	195
Intangible assets, net	568	721
Investments and other assets:		
Investment securities (Notes 3 and 9)	3,003	3,138
Long-term loans receivable	164	173
Deferred tax assets (Note 6)	368	403
Other	511	661
Allowance for doubtful accounts	(318)	(285)
Total investments and other assets	3,729	4,092
Total assets	¥ 62,620	¥ 61,183

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

March 31, 2011 and 2010

LIABILITIES AND NET ASSETS

	Millions of yen	
	March 31, 2011	March 31, 2010
Current liabilities:		
Notes and accounts payable - trade	¥ 11,761	¥ 12,675
Short-term loans payable (Note 4)	3,974	2,798
Income taxes payable	459	133
Accrued consumption taxes	177	118
Provision for employees' bonuses	368	203
Provision for directors' bonuses	–	1
Provision for loss on disaster	288	–
Other	2,873	2,218
Total current liabilities	19,904	18,149
Noncurrent liabilities:		
Long-term loans payable (Notes 4 and 10)	6,095	8,030
Deferred tax liabilities (Note 6)	393	348
Deferred tax liabilities for land revaluation (Note 11)	1,868	1,868
Provision for employees' retirement benefits (Note 20)	10,747	10,394
Provision for directors' retirement benefits	237	243
Asset retirement obligations	67	–
Other	3,003	3,182
Total noncurrent liabilities	22,413	24,067
Total liabilities	42,317	42,216
Net Assets		
Shareholders' equity		
Common stock:		
Authorized: 239,000,000 shares in 2011 and 2010		
Issued and outstanding: 78,219,507 shares in 2011 and 2010	8,640	8,640
Capital surplus	6,174	6,174
Retained earnings	3,600	1,868
Treasury stock	(939)	(938)
Total shareholders' equity	17,476	15,745
Other comprehensive income:		
Valuation difference on available-for-sale securities	344	360
Revaluation reserve for land	2,593	2,593
Foreign currency translation adjustment	(1,484)	(1,132)
Total other comprehensive income	1,453	1,821
Minority interests	1,372	1,399
Total net assets	20,302	18,967
Contingent liabilities (Note 21)		
Total liabilities and net assets	¥ 62,620	¥ 61,183

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

Years ended March 31, 2011 and 2010

	Millions of yen	
	Year ended March 31, 2011	Year ended March 31, 2010
Net sales	¥ 54,158	¥ 52,432
Cost of sales (Note 12)	38,028	38,652
Gross profit	16,129	13,779
Selling, general and administrative expenses (Note 13)	13,147	14,191
Operating income (loss)	2,981	(412)
Other income (Note 14):		
Interest and dividend income	72	73
Equity in earnings of affiliates	26	—
Amortization of negative goodwill	160	235
Gain on sale of noncurrent assets	504	328
Gain on sale of investment securities	—	0
Other	191	167
	956	806
Other expenses (Note 15):		
Interest expenses	295	265
Amortization of net retirement benefit obligation at transition	312	312
Foreign exchange losses	176	15
Equity in losses of affiliates	—	39
Loss on sale and retirement of noncurrent assets	101	73
Loss on valuation of investment securities	154	1
Provision of allowance for doubtful accounts	—	3
Loss on litigation	—	328
Litigation settlement	—	4,142
Loss on adoption of accounting standard for asset retirement obligations	45	—
Loss on disaster	349	—
Special retirement expenses	520	—
Other	50	178
	2,005	5,360
Income (loss) before income taxes and minority interests	1,933	(4,966)
Income taxes (Note 6)		
Income taxes - current	493	144
Income taxes - deferred	(344)	2,983
	149	3,128
Income (loss) before minority interests	1,783	(8,093)
Minority interests in income	52	(63)
Net income (loss)	¥ 1,731	¥ (8,031)

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Years ended March 31, 2011

	Millions of yen
	Year ended March 31, 2011
Income before minority interests	1,783
Other comprehensive income	
Valuation difference on available-for-sale securities	(15)
Foreign currency translation adjustment	(350)
Share of other comprehensive income of affiliates accounted for using equity method	(1)
Total other comprehensive income	(368)
Comprehensive income	1,415
Comprehensive income attributable to	
Comprehensive income attributable to shareholders of Iwasaki Electric Co., Ltd	1,363
Comprehensive income attributable to minority interests	51

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2011 and 2010

	Number of shares of common stock issued	Millions of yen					Total shareholders' equity
		Shareholders' equity					
		Common stock	Capital surplus	Retained earnings	Treasury stock		
Balance at March 31, 2010	78,219,507	¥8,640	¥6,174	¥1,868	(¥938)	¥15,745	
Issuance of new shares	-	-	-	-	-	-	
Dividends from surplus	-	-	-	-	-	-	
Net income	-	-	-	1,731	-	1,731	
Purchase of treasury stock	-	-	-	-	(1)	(1)	
Disposal of treasury stock	-	-	-	-	-	-	
Reversal of revaluation reserve for land	-	-	-	-	-	-	
Transfer to capital surplus from retained earnings	-	-	-	-	-	-	
Net changes of items other than shareholders' equity	-	-	-	-	-	-	
Balance at March 31, 2011	78,219,507	¥8,640	¥6,174	¥3,600	(¥939)	¥17,476	
	Number of shares of common stock issued	Millions of yen					Total net assets
		Accumulated other comprehensive income					
		Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Total valuation and translation adjustments	Minority interests	
Balance at March 31, 2010	¥360	¥2,593	(¥1,132)	¥1,821	¥1,399	¥18,967	
Issuance of new shares	-	-	-	-	-	-	
Dividends from surplus	-	-	-	-	-	-	
Net income	-	-	-	-	-	1,731	
Purchase of treasury stock	-	-	-	-	-	(1)	
Disposal of treasury stock	-	-	-	-	-	-	
Reversal of revaluation reserve for land	-	-	-	-	-	-	
Transfer to capital surplus from retained earnings	-	-	-	-	-	-	
Net changes of items other than shareholders' equity	(15)	-	(352)	(368)	(26)	(395)	
Balance at March 31, 2011	¥344	¥2,593	(¥1,484)	¥1,453	¥1,372	¥20,302	

	Number of shares of common stock issued	Millions of yen					Total shareholders' equity
		Shareholders' equity					
		Common stock	Capital surplus	Retained earnings	Treasury stock		
Balance at March 31, 2009	78,219,507	¥8,640	¥6,174	¥9,417	(¥936)	¥23,296	
Issuance of new shares	-	-	-	-	-	-	
Dividends from surplus	-	-	-	-	-	-	
Net loss	-	-	-	(8,031)	-	(8,031)	
Purchase of treasury stock	-	-	-	-	(1)	(1)	
Disposal of treasury stock	-	-	-	-	(0)	(0)	
Reversal of revaluation reserve for land	-	-	-	482	-	482	
Transfer to capital surplus from retained earnings	-	-	-	-	-	-	
Net changes of items other than shareholders' equity	-	-	-	-	-	-	
Balance at March 31, 2010	78,219,507	¥8,640	¥6,174	¥1,868	(¥938)	¥15,745	
	Number of shares of common stock issued	Millions of yen					Total net assets
		Valuation and translation adjustments					
		Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Total valuation and translation adjustments	Minority interests	
Balance at March 31, 2009	¥292	¥3,076	(¥1,408)	¥1,960	¥1,689	¥26,946	
Issuance of new shares	-	-	-	-	-	-	
Dividends from surplus	-	-	-	-	-	-	
Net loss	-	-	-	-	-	(8,031)	
Purchase of treasury stock	-	-	-	-	-	(1)	
Disposal of treasury stock	-	-	-	-	-	(0)	
Reversal of revaluation reserve for land	-	-	-	-	-	482	
Transfer to capital surplus from retained earnings	-	-	-	-	-	-	
Net changes of items other than shareholders' equity	68	(482)	276	(138)	(289)	(428)	
Balance at March 31, 2010	¥360	¥2,593	(¥1,132)	¥1,821	¥1,399	¥18,967	

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2011 and 2010

	Millions of yen	
	Year ended March 31, 2011	Year ended March 31, 2010
Cash Flows from Operating Activities:		
Income (loss) before income taxes and minority interests	¥ 1,933	¥ (4,966)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	1,874	1,995
Amortization of negative goodwill	(160)	(235)
Increase (decrease) in provision for employees' retirement benefits	353	523
Increase (decrease) in provision for directors' retirement benefits	(5)	(3)
Increase (decrease) in provision for employees' bonuses	165	(227)
Increase (decrease) in provision for directors' bonuses	(1)	(3)
Increase (decrease) in allowance for doubtful accounts	(9)	(23)
Increase (decrease) in provision for loss on disaster	288	—
Interest and dividend income	(72)	(74)
Interest expenses	300	275
Foreign exchange losses	26	0
(Gain) on sales and retirement of property, plant and equipment	(403)	(255)
Equity in (earnings) losses of affiliates	(26)	39
(Gain) on sales of investment securities	—	(0)
Loss on valuation of investment securities	154	—
Loss on adoption of accounting standard for asset retirement obligations	45	—
Special retirement expenses	520	—
Litigation settlement	—	4,142
Change in assets and liabilities:		
Decrease (increase) in notes and accounts receivable - trade	(49)	2,610
Decrease (increase) in inventories	(948)	474
Increase (decrease) in notes and accounts payable - trade	(865)	(695)
Other, net	223	371
Subtotal	3,341	3,947
Interest and dividend income received	76	82
Interest expenses paid	(309)	(233)
Litigation settlement paid	—	(4,142)
Income taxes paid	(197)	(169)
Net cash provided by (used in) operating activities	2,911	(515)
Cash Flows from Investing Activities:		
Payments into time deposits	(50)	(51)
Proceeds from withdrawal of time deposits	100	101
Purchases of property, plant and equipment	(848)	(718)
Proceeds from sales of property, plant and equipment	574	2,054
Purchase of intangible assets	(104)	(112)
Purchase of investment securities	(27)	(7)
Proceeds from sales of investment securities	—	0
Payments of loans receivable	(17)	(44)
Collection of loans receivable	27	39
Other, net	176	(35)
Net cash provided by (used in) investing activities	(169)	1,225
Cash Flows from Financing Activities:		
Increase in short-term loans payable	4,859	6,110
Decrease in short-term loans payable	(5,614)	(7,307)
Proceeds from long-term loans payable	950	5,700
Repayment of long-term loans payable	(950)	(161)
Decrease in current portion of bonds	—	(3,900)
Purchase of treasury stock	(1)	(1)
Purchase of treasury stock of subsidiaries in consolidation	(48)	(145)
Cash dividends paid to minority shareholders	—	(3)
Other, net	(27)	(17)
Net cash provided by (used in) financing activities	(830)	272
Effect of exchange rate change on cash and cash equivalents	(149)	63
Net increase in cash and cash equivalents	1,761	1,046
Cash and cash equivalents at beginning of year	11,168	10,122
Cash and cash equivalents of the end of year	¥ 12,929	¥ 11,168

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

March 31, 2011 and 2010

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, 2010 to the 2011 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, 2011 and 2010, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 27 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.

Application of the “Accounting Standard for Equity Method of Accounting for Investments” and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method”

Effective the year ended March 31, 2011, the “Accounting Standard for Equity Method of Accounting for Investments” (Accounting Standards Board of Japan “ASBJ” Statement No. 16, issued on March 10, 2008) and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (Practical Issues Task Force “PITF” No.24, issued on March 10, 2008) have been adopted.

This change had no effect on the consolidated financial statements for the year ended March 31, 2011.

(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, 2011 and 2010, 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) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents include cash on hand, demand deposits and short-term investments that are easily convertible into cash and exposed to little price fluctuation risk.

(h) 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.

(i) 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 is calculated by the straight-line method.

(j) 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.

(k) 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.

(l) 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 for specific doubtful receivables.

(m) 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.

(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 ¥4,682 million is being amortized using the straight-line method over 15 years from the year ended March 31, 2001. Prior service liabilities are recognized by the straight-line method over a period not exceeding the expected average remaining working life of employees (14 years) from the fiscal year when such liabilities are identified. 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 to Accounting Standard for Retirement Benefits (Part2)" (ASBJ Statement No. 14 issued on May 15, 2007) has been applied.

(Additional information)

The Company and some consolidated subsidiaries in Japan terminated their tax-qualified retirement pension plan and introduced a defined-benefit pension plan on November 1, 2009.

There was no material impact on the statement of operations from this change.

(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) Provision for loss on disaster

Provision for loss on disaster is provided for expenses expected to be incurred for the recovery, etc., of assets damaged by the Great East Japan Earthquake at an estimated amount as of the end of the fiscal year.

(q) Accounting for significant revenues and expenses

Accounting for revenues and costs of completed construction work

a) Construction contracts in which the outcome of the part completed by the period end can be estimated reliably.

Percentage-of-completion method (The percentage of completion is estimated based on the cost incurred as a percentage of the estimated total contract cost.)

b) Other construction contracts

Completed contract method

(Changes in accounting policy)

Revenues relating to construction contracts were previously accounted for by the completed contract method. Effective from the year ended March 31, 2010, the “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15; December 27, 2007) and the “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18; December 27, 2007) have been adopted. With respect to construction contracts started in the year ended March 31, 2010 or later, those in which the outcome of the completed part of the contract can be estimated reliably are accounted for by the percentage-of-completion method (The percentage of completion is estimated based on the cost incurred as a percentage of the estimated total contract cost.) and other contracts are accounted for by the completed contract method.

This change has no impact on the statement of operations.

(r) Consumption taxes

Consumption taxes are calculated by the tax exclusion method.

(s) 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.

(t) Comparatives

Certain accounts in the consolidated financial statements for the year ended March 31, 2010, have been reclassified to conform to the 2011 presentation.

(u) Litigation settlements

The patent litigation with Philips, which was pending in Germany and the United States, was settled with the Company paying Philips Corporate Intellectual Property & Standards GmbH ¥639 million on October 29, 2009; and the Company paying U.S. Philips Corporation ¥3,502 million on January 7, 2010. The patent litigation concluded upon completion of the procedures relating to the said settlements.

This resulted in the inclusion of litigation settlement payments of ¥4,142 million in other expenses reported for the year ended March 31, 2010.

(v) Consolidated Statements of Cash Flows

“Loss on valuation of investment securities,” which had been included in “Others” as part of the cash flows from operating activities until the year ended March 31, 2010, has been separately presented under the cash flows from operating activities because of its increased significance.

“Loss on valuation of investment securities,” which had been included in “Others” as part of the cash flows from operating activities for the year ended March 31, 2010, was ¥1 million.

(w) Accounting Standard for Presentation of Comprehensive Income

Effective the year ended March 31, 2011, the “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, issued on June 30, 2010) has been applied. However, amounts included in “Accumulated other comprehensive income” and “Total accumulated other comprehensive income” in the accompanying consolidated balance sheets as of March 31, 2010 had previously been presented as “Valuation and translation adjustments” and “Total valuation and translation adjustments” respectively.

2. Changes in Accounting Policies

(a) Application of the “Accounting Standard for Asset Retirement Obligations,” etc.

Effective the year ended March 31, 2011, the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, issued on March 31, 2008) and the “Implementation Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, issued on March 31, 2008) have been adopted.

As a result of this change, operating income decreased by ¥4 million, and income before income taxes and minority interests decreased by ¥49 million for the year ended March 31, 2011.

(b) Application of the “Accounting Standard for Business Combinations,” etc.

Effective the year ended March 31, 2011, the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued on December 26, 2008), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, issued on December 26, 2008), the “Partial Amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23, issued on December 26, 2008), the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, Revised, 2008), the “Revised Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, issued on December 26, 2008), and the “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, Revised, 2008) have been adopted.

3. Investment Securities

Information regarding investment securities classified as available-for-sale securities with fair market value at March 31, 2011 and 2010 is summarized as follows:

	Millions of yen					
	2011			2010		
	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	¥978	¥1,636	¥657	¥1,050	¥1,710	¥659
Debt securities						
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
Other	—	—	—	—	—	—
Subtotal	978	1,636	657	1,050	1,710	659
Securities whose acquisition cost exceeds their carrying amount (fair market value):						
Equity securities	450	373	(76)	350	298	(51)
Debt securities						
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
Other	—	—	—	—	—	—
Subtotal	450	373	(76)	350	298	(47)
Total	¥1,428	¥2,009	¥580	¥1,401	¥2,008	¥607

Note: 1. Unlisted equity securities are not included in available-for-sale securities listed above as they do not have market prices and their fair values are not readily determinable.

2. There were no sales of securities classified as available-for-sale securities for the year ended March 31, 2011.

3. Securities for which impairment losses were recognized for the year ended March 31, 2011

For the year ended March 31, 2011, no impairment losses were recognized for available-for-sale equity securities with fair market value and ¥154 million impairment losses were recognized for equity securities without fair market value.

In cases where the fair market value of a security as of the end of the fiscal year has declined 50% or more from its acquisition cost, an impairment loss is recognized for the full amount. In cases where the fair market value of a security as of the end of the fiscal year has declined 30% or more but less than 50% from its acquisition cost, an impairment loss is recognized for an amount deemed necessary in consideration of a possibility of restoration, etc., on a case-by-case basis.

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

Short-term loans from banks at an average interest rate of 1.18% amounted to ¥1,109 million and ¥1,868 million at March 31, 2011 and 2010, respectively.

Long-term loans, lease obligations and deposits received classified as other long-term liabilities with interest at March 31, 2011 and 2010 consisted of the following:

	Millions of yen	
	2011	2010
Loans, principally from banks, maturing in installments through 2012 with an average interest rate of 1.98%	¥8,960	¥8,960
Less current portion of loans	(2,865)	(930)
Net	6,095	8,030
Lease obligations	197	90
Less current portion of lease obligations	(61)	(20)
Net	136	70
Deposits received with an average interest rate of 3.11%	2,702	2,790
Total	¥8,933	¥10,620

The annual maturities of long-term loans and lease obligations subsequent to March 31, 2011 are summarized as follows:

	Loans	Lease obligations
	Millions of yen	Millions of yen
Year ending March 31,		
2013	¥5,520	¥59
2014	310	52
2015	225	19
2016 and thereafter	40	4

5. Asset Retirement Obligations

No description is provided pursuant to the provisions of Article 92-2 of the Regulations for Consolidated Financial Statements because the amount of asset retirement obligations as of March 31, 2011 accounted for less than 1% of total liabilities and net assets as of the end of the fiscal year.

6. 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, 2011 and 2010 were as follows:

	Millions of yen	
	2011	2010
Deferred tax assets:		
Loss carryforward for tax purposes	¥2,316	¥3,273
Provision for retirement benefits	4,181	4,048
Unrealized loss on available-for-sale securities	30	20
Other	1,289	834
Gross deferred tax assets	7,818	8,177
Valuation allowance	(6,276)	(6,992)
Total deferred tax assets	¥1,541	¥1,184
Deferred tax liabilities:		
Land revaluation	(114)	(114)
Unrealized gain on available-for-sale securities	(262)	(263)
Other	(52)	(27)
Gross deferred tax liabilities	(430)	(405)
Net deferred tax assets	¥1,111	¥778

Note: Net deferred tax assets for the year ended March 31, 2011 were included in the following items on the consolidated balance sheets.

	Millions of yen	
	2011	2010
Current assets - Deferred tax assets	¥1,136	¥723
Investments and other assets -Deferred tax assets	368	403
Noncurrent liabilities - Deferred tax liabilities	(393)	(348)

No reconciliation of the Japanese statutory tax rate and the effective tax rate applicable to the Company for the year ended March 31, 2010 is provided because the fiscal year resulted in a net loss before income taxes and minority interests was recorded.

The reconciliation of the Japanese statutory tax rate and the effective tax rate applicable to the Company for the year ended March 31, 2011 was as follows:

	2011
Japanese statutory tax rate	40.0%
(Adjustments)	
Permanent differences, including entertainment, etc.	1.6
Permanent differences, including dividend income	(2.5)
Inhabitants taxes per capita, etc.	3.5
Decrease in valuation allowance	(37.1)
Amortization of negative goodwill	(3.9)
Other	6.1
Effective tax rate	7.7

7. Rental Properties

For the year ended March 31, 2011 and 2010

No description is provided because the total amount of rental properties is immaterial.

(Additional information)

Effective from the year ended March 31, 2011, the “Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Statement No. 20; November 28, 2008) and the “Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Guidance No. 23; November 28, 2008) have been adopted.

8. 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.

9. Investments in Affiliates

Investments in affiliates at March 31, 2011 and 2010 amounted to ¥730 million and ¥712 million, respectively, and are accounted for principally by the equity method.

10. Pledged Assets

A summary of assets pledged as collateral for long-term loans at March 31, 2011 and 2010, in the amount of ¥2,300 million respectively, is presented below:

	Millions of yen	
	2011	2010
Buildings and structures	¥1,160	¥1,263
Machinery, equipment and vehicles	982	1,382
Land	7,354	7,354
Total	¥9,498	¥10,000

11. 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, 2011 and 2010 of land revalued pursuant to Article 10 of the law were ¥2,152 million and ¥1,945 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.

12. Cost of Sales

Gain on valuation of inventories of ¥67 million was included in cost of sales for the year ended March 31, 2011, after writing down the carrying values to reflect declines in profitability.

13. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2011 and 2010 were as follows. The figures in the following table have been offset against reversals.

	Millions of yen	
	2011	2010
Salaries	¥4,783	¥5,264
Packing and transportation costs	1,618	1,678
Provision for employees' retirement benefits	699	747
Provision for employees' bonuses	186	112
Provision of allowance for doubtful accounts	—	41

Research and development expenses included in general and administrative expenses for the years ended March 31, 2011 and 2010 amounted to ¥450 million and ¥448 million, respectively.

14. Other Income

Gain on sale of noncurrent assets includes a gain on sale of land, etc., of ¥494 million.

15. Other Expenses

For the year ended March 31, 2011

Loss on sales and retirement of noncurrent assets primarily resulted from loss on retirement of buildings of ¥49 million and loss on retirement of tools, furniture and fixtures of ¥21 million.

Loss on disaster includes a provision for loss on disaster of ¥288 million, impairment loss on inventories of ¥35 million, and impairment loss on property, plant and equipment of ¥20 million, etc.

Special retirement benefits include special retirement benefits and re-employment support allowance.

For the year ended March 31, 2010

Loss on sales and retirement of noncurrent assets primarily resulted from loss on sales of buildings of ¥15 million, loss on retirement of buildings of ¥15 million, loss on sales of machinery and equipment of ¥3 million, loss on retirement of machinery and equipment of ¥18 million, loss on retirement of tools, furniture and fixtures of ¥12 million, and loss on sales of land of ¥7 million.

Loss on litigation settlement including attorney's fees, represents the cost of concluding all proceedings at patent court. For the settlement, these patent court procedures have been completed.

16. Statement of Comprehensive Income

For the year ended March 31, 2010

Comprehensive income for the year ended March 31, 2010 for comparative purposes was as follow:

	Millions of yen
Comprehensive income (loss) attributable to owners of the parent	¥ (7,687)
Comprehensive income (loss) attributable to minority interests	¥ (62)
Total	¥ (7,749)

Other comprehensive income for the year ended March 31, 2010 for comparative purposes was as follow:

	Millions of yen
Valuation difference on available-for-sale securities	¥69
Foreign currency translation adjustment	¥96
Share of other comprehensive income of associates accounted for using the equity method	¥179
Total	¥345

17. 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, 2011

	Number of shares (thousand)			
	March 31, 2010	Increase	Decrease	March 31, 2011
Type of issued shares				
Common stock	78,219	–	–	78,219
Total	78,219	–	–	78,219
Type of treasury stock				
Common stock	4,021	5	–	4,027
Total	4,021	5	–	4,027

Note: The increase of 5,819 shares of common stock in treasury was due to the repurchase of fractional shares.

For the year ended March 31, 2010

	Number of shares (thousand)			
	March 31, 2009	Increase	Decrease	March 31, 2010
Type of issued shares				
Common stock	78,219	–	–	78,219
Total	78,219	–	–	78,219
Type of treasury stock				
Common stock	4,011	10	–	4,021
Total	4,011	10	–	4,021

(b) Matters related to dividends

Not applicable.

18. Supplemental Cash Flow Information

A reconciliation of cash and cash equivalents as of March 31, 2011 and 2010 to cash and deposits in the accompanying consolidated balance sheets was as follows:

	Millions of yen	
	2011	2010
Cash and deposits	¥13,731	¥12,020
Time deposits with maturity in excess of three months	(801)	(851)
Cash and cash equivalents	¥12,929	¥11,168

19. Leases

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

Leased assets include production equipment (machinery and equipment) and dies and molds (tools, furniture and fixtures) 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 the imputed interest expense portion) of acquisition cost, accumulated depreciation and net book value at March 31, 2011 and 2010, of mainly leased tools, furniture and fixtures on an “as if capitalized” basis is as follows:

	Millions of yen	
	2011	2010
Acquisition cost	¥472	¥816
Accumulated depreciation	376	577
Net book value	¥96	¥238

- (2) A summary of future minimum lease payments (inclusive of imputed interest expense portion), required under non-cancelable operating leases at March 31, 2011 and 2010 was as follows:

	Millions of yen	
	2011	2010
Due in one year or less	¥64	¥94
Due after one year	31	143
Total	¥96	¥238

(3) Lease payments and pro forma depreciation for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen	
	2011	2010
Lease payments	¥83	¥151
Depreciation expense	83	151

(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.

20. Employees' Retirement Benefits

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

The company and some consolidated subsidiaries in Japan terminated their tax-qualified pension plan and introduced a defined-benefit pension plan on November 1, 2009. The plans' funded status and amount recognized in the accompanying consolidated balance sheets at March 31, 2011 and 2010 were as follows:

	Millions of yen	
	2011	2010
Projected benefit obligation	¥ 15,369	¥ (15,553)
Plan assets at fair value	2,221	2,290
Projected benefit obligation in excess of plan assets	(13,148)	(13,263)
Unrecognized transitional obligation	1,248	1,560
Unrecognized actuarial loss	1,120	1,275
Unrecognized past service liabilities	30	33
Accrued employees' retirement benefits	¥ (10,747)	¥ (10,394)

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, 2011 and 2010 were as follows:

	Millions of yen	
	2011	2010
Service cost	821	¥ 935
Interest cost	270	278
Expected return on plan assets	(49)	(60)
Amortization of actuarial loss	205	242
Amortization of transitional obligation	312	318
Past service liabilities recognized as expense	2	1
Net periodic benefit costs	¥ 1,563	¥ 1,715
Gain on dissolution of the contributory defined benefit pension plan	2	1
Total	¥ 1,563	¥ 1,715

Note: 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 ¥509 million for the year ended March 31, 2011 and ¥584 million for the year ended March 31, 2010 for the multi-employer welfare pension fund plan. The actuarial assumptions used in

accounting for the pension plans for the years ended March 31, 2011 and 2010 were as follows:

	2011	2010
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%	2.9%
Amortization period of past service liability	14 years	14 years
Amortization period of actuarial gain/loss	14 years	14 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, 2011 and 2010 were as follows:

	Millions of yen	
	2011	2010
Projected benefit obligations under pension funding computation	¥304,796	¥328,394
Plan assets at fair value	267,165	235,665
Projected benefit obligation in excess of plan assets	¥37,630	¥92,729

Notes: The ratio of the group's contribution to total contributions of the plan above was 3.50% for the year ended March 31, 2011 and 4.16% for the year ended March 31, 2010.

The main component of projected benefit obligation in excess of plan assets was prior service cost of ¥17,094 million for the year ended March 31, 2011 and ¥20,109 million for the year ended March 31, 2010. Prior service cost is amortized by the straight-line method over a period of 20 years.

21. Commitment and Contingent Liabilities

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

Relevant figures as of March 31, 2011 are as follows:

Commitment lines extended	¥5,000 million
Loans payable	¥ -
Unused balance	¥5,000 million

(b) Restrictive financial covenants

A commitment line contract entered into on March 30, 2010 and a long-term loan agreement entered into on December 22, 2010 include restrictive financial covenants that require the Company (i) to maintain net assets of at least ¥13.8 billion or, if losses or allowances are posted as restructuring costs relating to an early retiree support program, employee transfers, etc., ¥12.0 billion, on the consolidated balance sheet as of the end of each quarter of each fiscal year; (ii) to not conclude the year ended March 31, 2011 with a consolidated ordinary loss; (iii) to not allow the consolidated ordinary loss as of the end of the second quarter of the year ended March 31, 2011 (July through September 2010) to exceed ¥1.5 billion (excluding the long-term loan agreement); (iv) and to not allow the total amount of interest-bearing liabilities (excluding lease liabilities) on the consolidated balance sheet as of the end of the year ended March 31, 2011 to exceed ¥16.0 billion.

In addition, with regard to loan agreements (including the commitment line contract) which have been entered into between the Company and financial institutions such as banks, etc., the aforementioned long-term loan agreement includes a covenant that allows the two parties to discuss the removal of these restrictive financial covenants after March 2012 in cases where there are no agreements with restrictive financial covenants other than the said long-term loan agreement, and the Company requests the counterparty of the agreement to discuss the said matter.

22 . Financial Instruments

For the year ended March 31, 2011

1. Matters relating to the status of financial instruments

(1) Policy toward financial instruments

In light of its capital investment plans, the Group procures necessary funds for business operations related to manufacturing and sales of lighting fixtures mainly through bank loans. Temporary surplus funds are kept in highly liquid, secure financial assets and short-term operating funds are procured by bank loans. The Company uses derivative transactions to manage foreign exchange risks and interest rate risks. It is the policy of the Company not to enter into derivative transactions for speculative purposes.

(2) Details of financial instruments, associated risks and risk control measures

Trade notes and accounts receivable carry customer credit risks. These risks are addressed in accordance with the Group's credit management rules by controlling the due dates and balances for each customer and investigating the credit status of major customers every three months.

Stocks carry market risks. Most stocks are those of companies which have business relationships with the Company and their market prices are regularly reported to the officer in charge of finance.

Most trade notes and accounts payable are due in one year or less.

Short-term loans payable are borrowed mainly as operating funds and long-term loans payable (in principle, due in five years or less) are borrowed mainly as funds for capital investments. Floating-rate loans carry interest rate fluctuation risk and each contract is hedged by using a derivative contract (interest rate swap) to mitigate its interest risk and stabilize interest expense. Examination of hedging effectiveness is omitted as hedging contracts have been judged to satisfy the requirements for special treatment of interest rate swaps.

Derivative transactions are executed and managed by the Company's financing department with the approval of the responsible officer, in accordance with the internal rules that stipulate the authorized individuals and trading limits. In order to mitigate credit risks, all derivative transactions are undertaken with highly creditworthy financial institutions.

(3) Supplemental explanation regarding fair value, etc., of financial instruments

The fair value of financial instruments includes values based on market prices and, with respect to financial instruments without a market price, value determined by reasonable calculation. Such calculation can include factors with variable parameters and different fair values are possible if different assumptions are employed.

2. Matters relating to fair value, etc. of financial instruments

The carrying amounts and fair values as of March 31, 2011 and differences are as follows. Financial instruments whose fair value is not readily determinable are not included in the following table (See Note 2).

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	¥13,731	¥13,731	-
(2) Notes and accounts receivable - trade	14,523	14,523	-
(3) Investment securities	2,009	2,009	-
Total assets	30,264	30,264	-
(4) Notes and accounts payable - trade	11,761	11,761	-
(5) Short-term loans payable	1,109	1,109	-
(6) Long-term loans payable	8,960	9,056	96
Total liabilities	21,831	21,927	96
Derivatives	-	-	-

(Notes)

1. Calculation method for fair value of financial instruments and matters relating to securities and derivatives

Assets

“(1) Cash and deposits” and “(2) Notes and accounts receivable - trade”

Book value is used as fair value because these items are to be settled in a short period of time and fair value is almost equal to book value.

“(3) Investment securities”

For stocks, the exchange price is used as fair value. Notes relating to securities held for different purposes are described in notes under “3. Investment Securities.”

Liabilities

“(4) Notes and accounts payable - trade” and “(5) Short-term loans payable”

Book value is used as fair value because these items are to be settled in a short period of time and fair value is almost equal to book value.

“(6) Long-term loans payable”

The fair value of long-term loans payable is determined by discounting the total amount of principal and interest of a loan by the interest rate applicable for a similar new loan. Floating-rate long-term loans are subject to the special treatment of interest rate swaps, in which the fair value is determined by discounting the amount of principal and interest, which factors in the relevant interest rate swap, by the interest rate reasonably estimated for a similar loan.

Derivatives

See note “23. Derivatives.”

2. Financial instruments whose fair values are not readily determinable are as follows:

Category	Carrying amount (Millions of yen)
Unlisted equity securities	993

These financial instruments do not have a market price and excessive costs would be incurred in estimating their future cash flows. Therefore, they are not included in “(3) Investment securities” as the fair value is not readily determinable.

3. Monetary claims with maturity dates subsequent to March 31, 2011 are summarized as follows:

	Due in one year or less (Millions of yen)	Due after one year (Millions of yen)
(1) Cash and deposits	13,727	-
(2) Notes and accounts receivable - trade	14,523	-
Total monetary claims	28,250	-

4. The redemption schedule for long-term debt, lease payments and other liabilities with interest are disclosed in Note 4.

For the year ended March 31, 2010

1. Matters relating to the status of financial instruments

(1) Policy toward financial instruments

In light of its capital investment plans, the Group procures necessary funds for business operations related to manufacturing and sales of lighting fixtures mainly through bank loans. Temporary surplus funds are kept in highly liquid, secure financial assets and short-term operating funds are procured by bank loans. The Company uses derivative transactions to manage foreign exchange risks and interest rate risks. It is the policy of the Company not to enter into derivative transactions for speculative purposes.

(2) Details of financial instruments, associated risks and risk control measures

Trade notes and accounts receivable carry customer credit risks. These risks are addressed in accordance with the Group’s credit management rules by controlling the due dates and balances for each customer and investigating the credit status of major customers every three months.

Stocks carry market risks. Most stocks are those of companies which have business relationships with the Company and their market prices are regularly reported to the officer in charge of finance. Most trade notes and accounts payable are due in one year or less.

Short-term loans payable are borrowed mainly as operating funds and long-term loans payable (in principle, due in five years or less) are borrowed mainly as funds for capital investments. Floating-rate loans carry interest rate fluctuation risk and each contract is hedged by using a derivative contract (interest rate swap) to mitigate its interest risk and stabilize interest expense. Examination of hedging effectiveness is omitted as hedging contracts have been judged to satisfy the requirements for special treatment of interest rate swaps.

Derivative transactions are executed and managed by the Company’s financing department with the approval of the responsible officer, in accordance with the internal rules that stipulate the authorized individuals and trading limits. In order to mitigate credit risks, all derivative transactions are undertaken with highly creditworthy financial institutions.

(3) Supplemental explanation regarding fair value, etc., of financial instruments

The fair value of financial instruments includes values based on market prices and, with respect to financial instruments without a market price, value determined by reasonable calculation. Such

calculation can include factors with variable parameters and different fair values are possible if different assumptions are employed. In “2. Matters relating to fair value, etc., of financial instruments,” contract amounts, etc., of derivatives do not represent their market risks.

2. Matters relating to fair value, etc. of financial instruments

The carrying amounts and fair values as of March 31, 2010 and differences are as follows. Financial instruments whose fair value is not readily determinable are not included in the following table (See Note 2).

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	¥12,020	¥12,020	-
(2) Notes and accounts receivable – trade	14,533	14,533	-
(3) Investment securities	2,008	2,008	-
Total assets	28,562	28,562	-
(4) Notes and accounts payable – trade	12,675	12,675	-
(5) Short-term loans payable	1,868	1,868	-
(6) Long-term loans payable	8,960	9,065	105
Total liabilities	23,504	23,610	105
Derivatives	-	-	-

(Notes)

1. Calculation method for fair value of financial instruments and matters relating to securities and derivatives

Assets

“(1) Cash and deposits” and “(2) Notes and accounts receivable - trade”

Book value is used as fair value because these items are to be settled in a short period of time and fair value is almost equal to book value.

“(3) Investment securities”

For stocks, the exchange price is used as fair value. Notes relating to securities held for different purposes are described in notes under “3.Investment Securities.”

Liabilities

“(4) Notes and accounts payable - trade” and “(5) Short-term loans payable”

Book value is used as fair value because these items are to be settled in a short period of time and fair value is almost equal to book value.

(6) Long-term loans payable

The fair value of long-term loans payable is determined by discounting the total amount of principal and interest of a loan by the interest rate applicable for a similar new loan. Floating-rate long-term loans are subject to the special treatment of interest rate swaps, in which the fair value is determined by discounting the amount of principal and interest, which factors in the relevant interest rate swap, by the interest rate reasonably estimated for a similar loan.

Derivatives

See note “23.Derivatives.”

2. Financial instruments whose fair values are not readily determinable are as follows:

Category	Carrying amount (Millions of yen)
Unlisted equity securities	1,130

These financial instruments do not have a market price and excessive costs would be incurred in estimating their future cash flows. Therefore, they are not included in “ (3) Investment securities” as the fair value is not readily determinable.

3. Monetary claims with maturity dates subsequent to March 31, 2010 are summarized as follows:

	Due in one year or less (Millions of yen)	Due after one year (Millions of yen)
(1) Cash and deposits	12,020	-
(2) Notes and accounts receivable - trade	14,533	-
Total monetary claims	26,553	-

(Additional information)

Effective from the year ended March 31, 2010, the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10; last revised on March 10, 2008) and the “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19; March 10, 2008) have been adopted.

23. 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 on 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.

As of March 31, 2011 and 2010, there were no derivative transactions outstanding for which hedge accounting has not been applied.

The notional amounts and the fair value of the derivative instruments outstanding as of March 31, 2011, for which hedge accounting has been applied are summarized as follows:

For the year ended March 31, 2011

	Notional Amount(Millions of yen)		Fair value(Millions of yen)
	Maturing within one year	Maturing after one year	
Interest rate swap hedging long-term loans payable, accounted for short-cut method:			
Receiving/floating and pay/fixed	¥5,215	¥3,935	*1

*1 The fair value is included in the fair value of long-term loans payable, since the shortcut method is applied.

For the year ended March 31, 2010

	Notional Amount(Millions of yen)		Fair value(Millions of yen)
	Maturing within one year	Maturing after one year	
Interest rate swap hedging long-term loans payable, accounted for short-cut method:			
Receiving/floating and pay/fixed	¥5,395	¥5,215	*1

*1 The fair value is included in the fair value of long-term loans payable, since the shortcut method is applied.

See note “22.Financial instruments.”

24. Segment Information

The industry and geographic segments for the year ended March 31, 2010 is summarized as follows:

	Millions of yen	
	2010	
(a) Industry Segments		
Sales:		
Lighting Sector	¥	32,899
Applied Optics Sector		19,308
Other Sector		223
		52,432
Corporate and eliminations		–
	¥	52,432
Operating costs:		
Lighting Sector	¥	31,969
Applied Optics Sector		18,710
Other Sector		294
		50,974
Corporate and eliminations		1,869
	¥	52,844
Operating (loss) income:		
Lighting Sector	¥	930
Applied Optics Sector		598
Other Sector		(71)
		1,457
Corporate and eliminations		(1,869)
	¥	(412)
Assets:		
Lighting Sector	¥	28,503
Applied Optics Sector		22,902
Other Sector		712
		52,118
Corporate and eliminations		9,064
	¥	61,183
Depreciation:		
Lighting Sector	¥	1,290
Applied Optics Sector		665
Other Sector		2
		1,958
Corporate and eliminations		37
	¥	1,995
Capital expenditures:		
Lighting Sector	¥	630
Applied Optics Sector		198
Other Sector		0
		829
Corporate and eliminations		0
	¥	830

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/LED 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.

	Millions of yen	
	March 31, 2010	
(b) Geographic Segments		
Sales:		
Japan	¥	48,949
North America		3,816
Asia		970
Europe		116
		53,852
Corporate and eliminations		(1,420)
	¥	52,432
Operating costs		
Japan	¥	47,577
North America		3,663
Asia		943
Europe		113
		52,297
Corporate and eliminations		547
	¥	52,844
Operating income		
Japan	¥	1,372
North America		153
Asia		27
Europe		3
		1,555
Corporate and eliminations		(1,968)
	¥	(412)
Assets:		
Japan	¥	48,390
North America		2,805
Asia		1,362
Europe		116
		52,675
Corporate and eliminations		8,507
	¥	61,183

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.

Overseas sales by region and as a percentage of consolidated sales for the years ended March 31, 2011 and 2010 are summarized as follows:

		Millions of yen	
		2010	
(c) Overseas sales			
Sales:			
	To North America	¥	3,909
	To Asia		6,043
	To Europe		353
	To other		387
		¥	10,694
Ratio to consolidated net sales:			
	To North America		7.5 %
	To Asia		11.5
	To Europe		0.7
	To other		0.7
			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 overseas subsidiaries.

Segment Information (For the year ended March 31, 2011)

1. General Information about Reportable Segments

The reportable segments of the Company are business sectors of the Iwasaki Electric Group for which the Company is able to obtain separate individual financial information allowing the board of directors to conduct periodic analysis to evaluate their business performance and determine the optimum distribution of management resources.

The Iwasaki Electric Group has two reportable business segments, the “Lighting Sector” which includes the manufacture and sales of a wide range of light sources such as lamps and luminaires, and the “Applied Optics Sector” which includes the manufacture and sales of applied optics products.

2. Method for Calculating Net Sales, Income or Loss, Assets, Liabilities, and Other Items in Each Reportable Segment

In general, the method for the accounting of reportable business segments is the same as that described in the “Basis of presentation of the consolidated financial statements.” Income in the reportable segments is operating income. Inter-group net sales or transfers are based on actual market prices.

3. Information on Net Sales, Income or Loss, Assets, Liabilities, and Other Items in Each Reportable Segment

	Millions of yen	
	2011	2010
Sales:		
Lighting Sector	¥ 34,296	¥ 33,123
Applied Optics Sector	19,861	19,308
	54,158	52,432
Corporate and eliminations:		
Lighting Sector	1	–
Applied Optics Sector	–	–
	1	–
Adjustments	(1)	–
	¥ 54,158	¥ 52,432
Segment Income:		
Lighting Sector	¥ 2,047	¥ 835
Applied Optics Sector	2,551	584
	4,599	1,420
Adjustments	(1,617)	(1,832)
	¥ 2,981	¥ (412)
Segment Assets:		
Lighting Sector	¥ 31,357	¥ 29,812
Applied Optics Sector	22,819	22,991
	54,177	52,804
Adjustments	8,443	8,379
	¥ 62,620	¥ 61,183
Depreciation and Amortization:		
Lighting Sector	¥ 1,329	¥ 1,277
Applied Optics Sector	545	717
	1,874	1,995
Adjustments	–	–
	¥ 1,874	¥ 1,995
Increase (decrease) in Property, Plant and Equipment and Intangible Assets:		
Lighting Sector	¥ 687	¥ 606
Applied Optics Sector	265	223
	953	830
Adjustments	–	–
	¥ 953	¥ 830

1. The adjustments for segment income of ¥ (1,617) million and ¥ (1,832) million include corporate costs, etc., which have not been allocated to the reportable segments.
2. The adjustments for segment assets of ¥8,443 million and ¥8,379 million include financial assets, etc., of the Company which have not been allocated to the reportable segments.

Related Information

For the year ended March 31, 2011

1. Information by Product and Service

No description is provided because information on segments by product and service is the same as that of the reportable segments.

2. Information on Each Region

(1) Net Sales

Millions of yen					
Japan	North America	Asia	Europe	Others	Total
42,681	3,869	6,806	354	445	54,158

(2) Property, Plant and Equipment

No description is provided because property, plant and equipment in Japan as of March 31, 2011 accounts for more than 90% of property, plant and equipment in the consolidated balance sheets.

3. Information on Each Major Customer

No description is provided because no individual external customers account for 10% or more of net sales for the year ended March 31, 2011 in the consolidated statements of operations.

Information on the Amount of Amortization of Negative Goodwill and Balance in Each Reportable Segment

As of and for the year ended March 31, 2011

	Millions of yen			
	Lighting Sector	Applied Optics Sector	Corporate and eliminations	Total
Amortization for the year ended March 31, 2011	32	128	-	160
Balance as of March 31, 2011	66	88	-	154

(Additional information)

Effective from the year ended March 31, 2011, the Company has adopted the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17, March 27, 2009) and the Implementation Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20, March 21, 2008).

25.Amounts per Share

Per share information for the years ended March 31, 2011 and 2010 was as follows:

	Yen	
	2011	2010
Net income (loss)	¥23.34	(¥108.24)
Net assets	255.15	236.77

The basis of the computation of net income (loss) per share for the years ended March 31, 2011 and 2010 is as follows:

	Millions of yen	
	2011	2010
Net income (loss) per share		
Net income (loss)	¥1,731	(¥8,031)
Amount of not attributable to normal shareholders	–	–
Net income (loss) allocable to common shares	¥1,731	(¥8,031)
Average number of shares		
For the period (shares)	74,194,813	74,202,955

26. Business Combinations

For the year ended March 31, 2010
Not applicable.

For the year ended March 31, 2011
Not Applicable.

27. Related Party Transactions

For the year ended March 31, 2010
Not applicable.

For the year ended March 31, 2011
Not Applicable.

28. Stock Options

For the year ended March 31, 2010
Not applicable.

For the year ended March 31, 2011
Not Applicable.

29. Significant Subsequent Events

For the year ended March 31, 2010
Not applicable.

For the year ended March 31, 2011
Not Applicable.

Report of Independent Auditors

The Board of Directors
IWASAKI ELECTRIC Co., Ltd.

We have audited the accompanying consolidated balance sheets of IWASAKI ELECTRIC Co., Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of IWASAKI ELECTRIC Co., Ltd. and consolidated subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young Shin Nihon LLC

June 29, 2011

Board of Directors and Corporate Data

President
Bunya Watanabe
Representative Director

IWASAKI ELECTRIC Co., Ltd.
Date of Establishment: August 18, 1944

Managing Director
Masuaki Atsumi

Bakurocho-daiichi Bldg. 1-4-16,
Nihonbashi-bakurocho, Chuo-ku,
Tokyo 103-0002, Japan
Phone: (03)5847-8611

Directors
Shunichi Sasaki

<http://www.eye.co.jp/>

Masanobu Inoue

Capital: ¥8,640 million

Hideya Fujii

Common Stock
Authorized: 239,000,000 shares
Issued: 78,219,507 Shares

Tatsuyuki Kawajiri

Number of Shareholders: 8,831

Yoshimasa Kida

Kazuo Saotome

Corporate Auditors
Kazuei Aima

Noriaki Yamauchi

Auditors
Hirokazu Hyodo

Kouei Yamashiro

(As of July 1, 2011)

Major Shareholders	% of Total
Mizuho Corporate Bank, Ltd.	3.62
The Sumitomo Mitsui Banking Corp.	3.43
The Meiji Yasuda Life Insurance Company	2.55
Sompo Japan Insurance Inc.	2.53
CBNY DFA INT'L CAP VALUE PORTFOLIO	2.13
EYE LAMP employee stock ownership plan	2.07
The Master Trust Bank of Japan ,Ltd.	2.02
Iwasaki Electric Cooperative Association Stock Ownership Plan	1.99
The Dai-Ichi Mutual Life Insurance Company	1.91
Japan Trustee Services Bank, Ltd.(Trust Account)	1.84

Stock Exchange Listings
Tokyo Stock Exchange 1st Section

Correspondent Bank
Mizuho Corporate Bank, Ltd.
Sumitomo Mitsui Banking Corp.
The Bank of Yokohama, Ltd.
Resona Bank, Ltd.
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Development Bank of Japan Inc.

Independent Certified Public Accountants
Ernst & Young ShinNihon

Directory

Domestic Plants and Offices

Head Office
Bakurocho-daiichi Bldg. 1-4-16,
Nihonbashi-bakurocho, Chuo-ku,
Tokyo 103-0002, Japan
Phone: (03)5847-8611

International Sales Department
Bakurocho-daiichi Bldg. 1-4-16,
Nihonbashi-bakurocho, Chuo-ku,
Tokyo 103-0002, Japan
Phone: (03)5847-8630
Facsimile: (03)5847-8647

Domestic Sales
& Marketing Department
Bakurocho-daiichi Bldg. 1-4-16,
Nihonbashi-bakurocho, Chuo-ku,
Tokyo 103-0002, Japan
Phone: (03)5847-8623
Local Offices: 42 locations

Private Sector Sales Department
Bakurocho-daiichi Bldg. 1-4-16,
Nihonbashi-bakurocho, Chuo-ku,
Tokyo 103-0002, Japan
Phone: (03)5847-8632

Light Source Sales Department
3361, Shimooshi, Konosu City,
Saitama 369-0113, Japan
Phone: (048)598-5880

Projection Lighting Sales
Department
3361, Shimooshi, Konosu City,
Saitama 369-0113, Japan
Phone: (048)598-5882

Applied Optics Sales Department
3361, Shimooshi, Konosu City,
Saitama 369-0113, Japan
Phone: (048)598-5885

Research and Development
Corporate Advanced
Technology Center

Development and Production
Saitama Plant
Honjo Factory
Kawasato Factory

Domestic Affiliates

●Manufacture

**EYE LIGHTING SYSTEMS
CORPORATION**
A joint venture with GE,
established in 1973
Manufacture of lighting luminaires,
power sources, ballasts and circuits

TSUKUBA IWASAKI CO., LTD.
Established in 1961
Manufacture and sales of luminaires
and electrical appliances

CHICHIBU IWASAKI CO., LTD.
Established in 1985
Manufacture of Halogen lamps,
Thin film products, etc.

KAN-ETSU IWASAKI CO., LTD.
Established in 1985
Manufacture of high-pressure sodium lamp
Arc tubes and quartz tubes (cutting)

EYE ELECTRON BEAM CO., LTD.
Established in 1986
Manufacture and sales of EB products,
EB equipment maintenance and
EB irradiation services

EYE THREE MFG. CO., LTD.
Established in 1988
Manufacture and sales of light poles,
stands and customized lighting luminaires

ITO DENKI CO., LTD.
Acquired in 1997
Manufacture of explosion proof luminaires

●Sales and Administration

EYE GRAPHICS CO., LTD.
Established in 1977
Sales of UV applied equipment and printing
platemakers

LIGHT CUBE CO., LTD.
Established in 1978
Design, manufacture, sales and application
of luminaires and allied products

KINKI LIGHT CUBE CO., LTD.
Established in 1995
Design, manufacture and sales of luminaires
including for emergency exit sign and of
components

ITO DENKI HANBAI CO., LTD.
Established in 1999
Sales of explosion proof luminaires

**IWASAKI ELECTRIC
ENGINEERING SERVICE CO., LTD.**
Established in 1994
Maintenance & inspection, troubleshooting
and remedy proposal of electric equipment

TEITO DENKI CO., LTD.
Established in 1966
Electrical work, and maintenance
management of buildings and road facilities

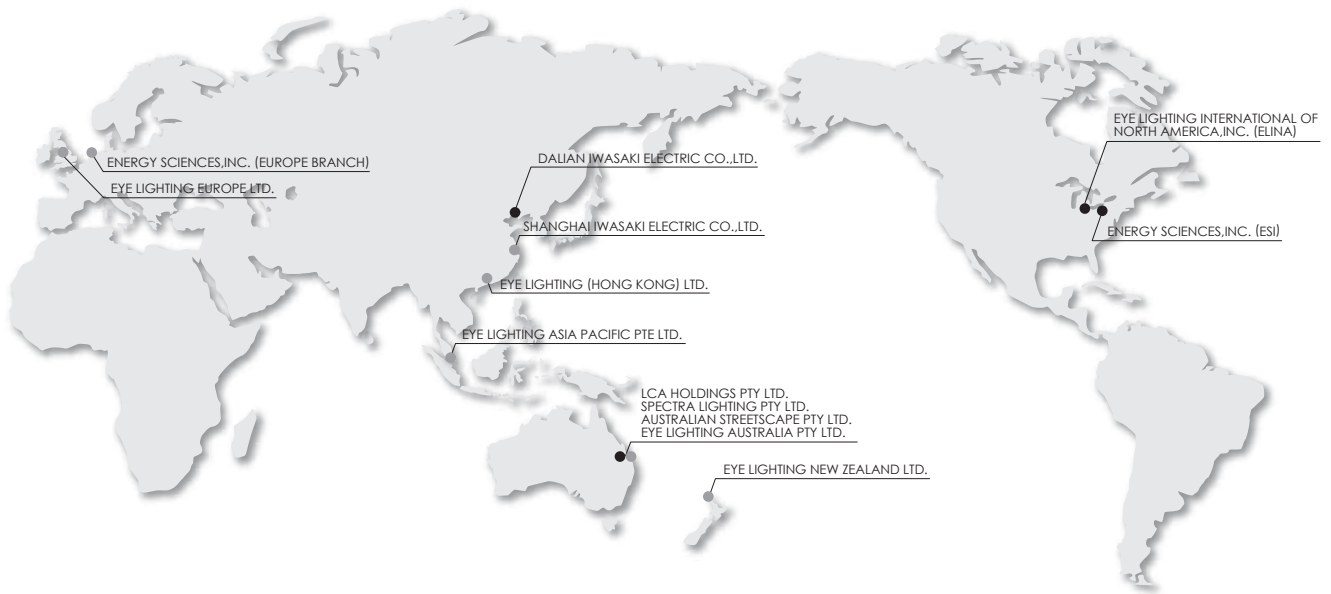
EYE ONE CO., LTD.
Established in 1987
Service trade for the Iwasaki Group, such as
insurance agency operations

EYE TRADING CO., LTD.
Established in 1988
Import of raw materials and materials, and
export of products other than luminaires

EYE LOGISTICS CO., LTD.
Established in 1996
Autotruck carrier business and Joint delivery

(As of July 1, 2011)

Global Network



●Manufacture

ENERGY SCIENCES, INC. (ESI)
Acquired in 1988
42 Industrial Way, Wilmington,
MA 01887, U.S.A.
Phone: (978) 694-9000
Facsimile: (978) 694-9046
Manufacture and sales of EB & UV
irradiation equipment and electric equipment

EYE LIGHTING INTERNATIONAL OF
NORTH AMERICA, INC. (ELINA)
Established in 1989
9150 Hendricks Road, Mentor,
OHIO44060, U.S.A.
Phone: (440) 350-7000
Facsimile: (440) 350-7001
Manufacture and sales of HID lamp,
arc tubes and outer bulbs

DALIAN IWASAKI ELECTRIC CO., LTD.
Established in 1995
Zhenpeng Industrial Area I-8-3, Dalian
Development Zone, Dalian, 116600, P.R. China
Phone: (411) 8751-4186
Facsimile: (411) 8751-4189
Manufacture of HID lamps, stems and UV lamps

SPECTRA LIGHTING PTY LTD.
Acquired in 1999
15 Industrial Avenue Wacol QLD 4076,
Australia
Phone: (7) 3335-3500
Facsimile: (7) 3335-3550
Manufacture and sales of luminaries

AUSTRALIAN STREETSCAPE PTY LTD.
Acquired in 1999
15 Industrial Avenue Wacol QLD 4076,
Australia
Phone: (7) 3335-3502
Facsimile: (7) 3335-3533
Manufacture and sales of streetscape luminaries

●Sales and Administration

ENERGY SCIENCES, INC.
(EUROPE BRANCH)
Established in 2000
Nijverheidsweg Noord 131
NL-3812 PL Amersfoort The Netherlands
Phone: (33)422-7288
Facsimile: (33)422-7280
Import and distributor of electron-beam
processors

EYE LIGHTING ASIA PACIFIC PTE LTD.
Established in 1988
21 Kaki Bukit Place, Eunos Techpark
Singapore 416199, Singapore
Phone: 6742-3611
Facsimile: 6743-5202
Sales of lamps, luminaires and electric equipment

EYE LIGHTING (HONG KONG) LTD.
A joint venture with Hosoda
Trading Company, established in 1992
Room 609, Silvercord Tower 2, 30 Canton Road,
Tsimshatsui, Kowloon, Hong Kong
Phone: 2368-8782
Facsimile: 2481-2661
Sales of lamps, luminaires and electric equipment

LCA HOLDINGS PTY LTD.
A joint venture with Marubeni Corporation,
established in 2000
15 Industrial Avenue Wacol QLD 4076,
Australia
Phone: (7) 3335-3555
Facsimile: (7) 3335-3522
Holding company

EYE LIGHTING AUSTRALIA PTY LTD.
Established in 1974
15 Industrial Avenue Wacol QLD 4076,
Australia
Phone: (7) 3335-3588
Facsimile: (7) 3335-3533
Sales of lamps, luminaires and electric
equipment

EYE LIGHTING NEW ZEALAND LTD.
Established in 1989
18 Levene Place, Mt. Wellington. Auckland,
NEW ZEALAND
Phone: (9) 276-8099
Facsimile: (9) 276-3474
Sales of lamps, luminaires and electric
equipment

EYE LIGHTING EUROPE LTD.
Established in 2007
Unit 2, Chartridge Development, Eskdale
Road, Uxbridge, Middlesex UB8 2RT, U.K.
Phone: (1895) 814418
Facsimile: (1895) 814666
Sales of lamps, luminaires and electric
equipment

SHANGHAI IWASAKI
ELECTRIC CO.,LTD.
Established in 2007
Room2512 Bldg."B"Far East International
Plaza No.317 Xianxia Road,Shanghai,
200051, P.R. China
Phone: 21-6235-1352
Facsimile: 21-6235-1353
Materials procurement in China,
inspection and exports
Sales in China of lamps, luminaries
and electric equipment

(As of July 1, 2011)



Bakurocho-daiichi Bldg. 1-4-16, Nihonbashi-bakurocho,
Chuo-ku, Tokyo 103-0002, Japan
<http://www.eye.co.jp/>