

Annual Report

2019

IWASAKI ELECTRIC CO., LTD.

Profile

Living up to our corporate philosophy of “Employing optical technologies to create a comfortable society and sustainable environment,” we at Iwasaki Electric Co., Ltd. have always set ambitious visions and striven to achieve our business objectives steadily by exerting our foresight and creativity. As the nation’s first company that developed a reflective incandescent lamp, we are committed to contribute to the society by developing, manufacturing and selling various light sources by ourselves, ahead of the competition, as the fundamental policy of our business. Toward a brighter future, we will endeavor to realize the full potential of lights and to make effective use of our leading-edge optical technologies as the “Light & Environment Company.”

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Message from the President

During the consolidated fiscal year ended March 31, 2019, the Iwasaki Electric Group engaged in a number of initiatives. In the Lighting sector, we endeavored to enhance the product lineup for LED lighting equipment for outdoor use such as road, tunnel and street lamps. As a result, sales of tunnel and street lamps remained robust. While orders for lighting equipment used in sports facilities did not grow as much as anticipated, lighting equipment used in special environments including high ceiling lighting equipment and LED explosion-proof lighting equipment saw strong growth in orders. In addition, we strived to expand the sales of IoT control equipment and lighting equipment compatible with control devices by making lighting proposals on the usage of DALI lighting control systems and DMX, thus taking proactive measures to promote new technologies and solutions.

In the Applied Optics and Environment sector, we installed compound environmental testing equipment in our own plants and received orders from customers in business fields related to environmental testing equipment. Compound environmental testing equipment combines optics with other testing elements including temperature, humidity and water spraying. It is capable of conducting environmental testing on materials as well as products. We think that this is a promising business field for the future. In business related to disinfection and sterilization, we worked on new applications and recorded increased sales. While the UV curing business posted decreased sales due to sluggish orders related to flat panel displays and printing, we plan to increase the number of businesses with higher market shares, such as by expanding sales of in-house developed UV-LED equipment.

This year marks the 75th anniversary of the Iwasaki Electric Group. We recognize this milestone as a significant turning point, and will aim to achieve new growth in ways other than simply pursuing the extensions of the status quo.

With regard to the business outlook for the fiscal year ending March 31, 2020, in the Lighting sector, we have already started and plan to push forward with a total solution business that will not only focus on the sales of products such as lighting equipment used for road, street and sport facilities, but will also cover processes from initial assessment to after-sales care to further expand market share in the facility lighting and special lighting fields. For example, the conversion of road and street lamps to LED lighting commenced nine years ago in Japan, yet only about 35% of the lighting equipment has been replaced with LED lighting products, and stock demand is estimated to be at 65%. Since a majority of orders in this business are based on lease contracts, we have participated in proposal-based lease transactions as a business operator, ensuring that we can provide total solutions from initial assessment to maintenance. Moreover, in order to expand the field of the lighting business, we will endeavor to develop businesses by looking ahead of the provision of relevant software and services in addition to actual products.

In the Applied Optics and Environment sector, we will aim to develop new applications and create new business fields by promoting the application of optical technologies and combining them with peripheral technologies. We generate ideas through open innovation with a wide range of companies at the technology center located within our plant, which will help to incubate and expand specific businesses in the future.

By setting a goal of breaking away from the principle of self-sufficiency and expanding businesses in the fields of lighting, optics and environment with a focus on speed, we will seek to achieve continuous growth and increase our corporate value.

In Overseas Business sector, while we have been faced by extremely severe operating environment due to a significant decrease in HID lamps and a decline in LED price, we still regard it as a key business for our future. By promoting structural reforms including the suspension of LED equipment production in North America and developing business bases with a focus on Southeast Asia and Australia, we will continue to make aggressive moves to expand our overseas business.

June 2019

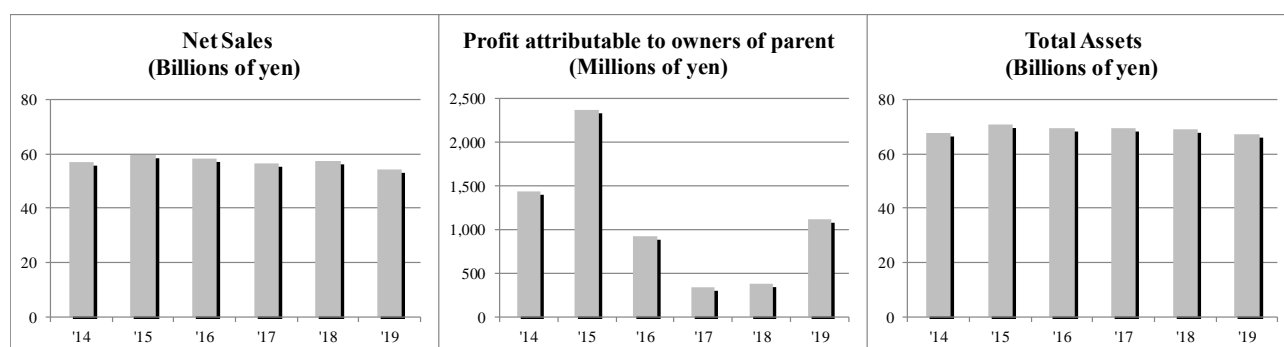
Yoshitake Ito
President and Chief Executive Officer



Consolidated Six-Year Summary

	Millions of yen					
	Year ended March 31					
	2014	2015	2016	2017	2018	2019
For the year:						
Net sales	¥57,030	¥59,476	¥58,206	¥56,611	¥57,328	¥54,006
Profit attributable to owners of parent	1,439	2,371	920	335	381	1,119
At year-end:						
Total assets	¥67,473	¥70,573	¥69,636	¥69,463	¥69,625	¥67,288
Total shareholders' equity ²	21,826	25,968	24,722	25,791	26,342	26,921
Working capital	23,270	23,381	27,862	25,777	22,133	25,448
Long-term bank loans, less current portion	1,890	500	2,350	2,816	2,500	5,300
Amounts per share:³						
Profit attributable to owners of parent	¥19.35	¥31.88	¥12.38	¥44.34	¥49.31	¥144.75
Cash dividends	2.00	4.00	4.00	4.00	40.00	40.00

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 – Non-controlling interests.
3. Per share figures are in exact yen amounts.



Status of the Business

1. Management Policy, Business Environment, and Challenges Facing the Company

The Iwasaki Electric Group upholds the corporate philosophy of “Employing optical technologies to create a comfortable society and sustainable environment” and the management policy to become a “Light & Environment Company” that contributes to energy saving and a safe environment by realizing the full potential of light and maximizing its leading edge optical technologies.

Looking at the business environment for the Iwasaki Electric Group, while the global economy is at risk of a downturn due to the impact of trade frictions between the U.S. and China as well as the UK’s exit from the EU and other factors, uncertainty is also increasing in the economic outlook for Japan.

Under these circumstances, in the Lighting sector, the use of LED lighting is expected to spread, supported by national and local government programs such as subsidies for the stock demand, although price competition will intensify. We expect that the Applied Optics and Environment sector will see consistent demand as the awareness of programs to reduce environmental burden in related markets has increased, such as the use of UV curing.

The Iwasaki Electric Group will combine the optical technology and peripheral technologies that it has cultivated to continue the expansion of the Lighting sector and the Applied Optics and Environment sector.

The Lighting sector will pursue the total solution business including peripheral businesses and maintenance in the fields of facility lighting and industrial lighting.

In the LED lighting equipment business, we not only improve the energy-saving performance and the quality of light, but also pursue convenience and smartness to develop products with added value. We also work on strengthening our design proposal ability to create the optimal lighting design that fits the individual customers’ facility environment.

Especially in product development, we strengthen the procurement of equipment and devices to promptly provide attractive products to customers. We also fuse our technology with peripheral technologies to be able to offer unique products and services. By steadily implementing these activities, we maintain and expand our share in the facility lighting and special lighting areas. We also promote research and development that can achieve technologies and solutions incorporating related software and new services in addition to the hardware.

The Applied Optics and Environment sector strives to grow its three main businesses: environmental testing, UV/EB curing, and sterilization businesses, by applying the Group’s various lighting technologies, such as electron beams and ultraviolet rays.

The environmental testing business strives to maintain and expand its business by developing new test equipment and a light radiation system, as well as by strengthening activities in both Japanese and international markets.

The UV/EB cure business and the sterilization/disinfection/water treatment-related business develop new applications and create new business fields, aiming to achieve “lighting and more” by proactively combining the Iwasaki Electric Group’s core technologies with peripheral technologies.

The Iwasaki Electric Group aims to build a corporate structure that supports sustainable growth by improving corporate value with its lighting and optical technologies. To achieve this goal, in the Lighting sector and the Applied Optics and Environment sector, we allocate our business resources intensively to research and development and marketing activities to promote solutions businesses and to optimize our workforce so as to respond quickly to changes in the market.

2. Outline of the Operating Results, etc.

Financial position, operating results and cash flows (hereinafter, “Operating Results, etc.”) of the Iwasaki Electric Group (Iwasaki Electric Co., Ltd. and its consolidated subsidiaries and affiliates accounted for by the equity method) are as follows.

The Group has adopted the “Partial Revision of Accounting Standards for Tax Effect Accounting” (Corporate Accounting Standard No. 28, February 16, 2018) and other accounting standards from the beginning of the current fiscal year. Figures reported as of the last day of the previous fiscal year were recalculated based on these newly adopted standards to compare the financial position between the current year and the previous year.

(1) Financial Position and Operating Results

During the fiscal year ended March 31, 2019, the global economy was on a moderate recovery track, supported by the continued improvement in employment and income in the U.S., and steady domestic demand in the Euro block despite slowing exports. In Asia, capital investment stagnated and the economy continued to decelerate in China. The Japanese economy remained on a mild recovery track as personal spending and capital investments in the corporate sector continued to pick up. On the other hand, uncertainty has generally increased for the global economy in the second half of the year, with signs of an economic slowdown due to the effects of trade frictions between the U.S. and China, and increasing concerns regarding the UK’s exit from EU.

Under these business circumstances, the Iwasaki Electric Group focused on the three core corporate strategies of “expanding the LED lighting business through the pursuit of added value,” “developing new business in the Applied Optics and Environment Business,” and “promoting business through strategic product launches targeting key overseas markets.” In the Lighting sector, LED light sales increased while the growth of general sales in North America was slower. Sales of the Applied Optics and Environment sector decreased as shipments by the UV curing and information equipment businesses were fewer than the projects it delivered last year. However, operating income improved because the complaints handling costs decreased from the previous year.

As a result, net sales amounted to ¥54,006 million (a 5.8% decrease from ¥57,328 million in the previous fiscal year). Operating income increased to ¥1,458 million (an increase of ¥1,326 million from ¥131 million in the previous fiscal year). Ordinary income totaled ¥1,712 million (a 649.2% increase from ¥228 million in the previous fiscal year). Profit attributable to owners of parent increased to ¥1,119 million (a 193.6% increase from ¥381 million in the previous fiscal year).

Operating results by business segment are described below.

Lighting Sector

In the Lighting sector, the LED light business has pursued energy saving, improved the quality of light, and expanded the product line-up with communication control functions. The sector also used the approach of showing actual products to prospective customers and conducting corporate seminars to promote sales of new products. We have also strengthened our lighting design capabilities so that we can propose the creation of a more comfortable and appropriate lighting environment. In Japan, sales of large-scale floodlights decreased due to a rebound in the delivery of large projects in the previous year, while sales of outdoor lights, high ceiling lights, and special environment lights grew steadily. On the other hand, overseas sales were slow due to a delay in the development of the product lineup, especially in North America. However, operating income improved because the complaints handling costs decreased from the previous year.

As a result, this sector reported net sales of ¥39,859 million (a 3.7% decrease from ¥41,378 million in the previous fiscal year), and operating income of ¥2,527 million (an 80.9% increase from ¥1,396 million in the previous fiscal year).

Applied Optics and Environment Sector

The Applied Optics and Environment sector worked to further cultivate the environmental testing-related field, expand the sterilization and disinfection field, and strengthen the UV curing field. The sector also promoted sales of new products, such as compact electron beam equipment, new xenon testers, and UV-LED radiators,

and actively exhibited these new products at trade shows, aiming to appeal to new business fields. In the environmental testing business, sales of new xenon testers increased while sales of environmental testing equipment for the automotive industry decreased from the previous fiscal year due to a decline in shipments. The sterilization and disinfection business posted a sales increase while sales by the UV curing business decreased due to the weak sales in the FPDs (flat panel displays) related and printing fields. Sales by the information equipment business decreased because shipments were fewer than the large projects it delivered last year.

As a result, this sector reported net sales of ¥14,202 million (an 11.2% decrease from ¥15,987 million in the previous fiscal year), and operating income of ¥807 million (a 16.6% increase from ¥692 million in the previous fiscal year).

The financial position as of March 31, 2019, was as follows:

Total assets as of March 31, 2019, totaled ¥67,288 million, a decrease of ¥2,337 million compared to the previous fiscal year-end.

Current Assets

Current assets as of March 31, 2019, totaled ¥43,832 million, a decrease of ¥1,046 million compared to the previous fiscal year-end. The major factors were a decrease of ¥1,516 million in notes and accounts receivable and electronically recorded monetary claims - operating, and an increase of ¥488 million yen in cash and deposits.

Noncurrent Assets

Noncurrent liabilities as of March 31, 2019, totaled ¥23,455 million, a decrease of ¥1,290 million, compared to the previous fiscal year-end. Major factors were a decrease of ¥877 million yen in tangible and intangible noncurrent assets, mainly because depreciation/amortization expenses were higher than the total value of the newly acquired assets, and a decrease of ¥345 million yen in investments and other assets mainly due to fluctuations in market prices.

Current Liabilities

Current liabilities as of March 31, 2019, totaled ¥18,384 million, a decrease of ¥4,361 million, compared to the previous fiscal year-end. Major factors were a decrease of ¥2,600 million yen in the current portion of corporate bonds, a decrease of ¥416 million in the current portion of long-term loans payable, and a decrease of ¥1,525 million in notes and accounts payable and electronically recorded obligations - operating.

Noncurrent Liabilities

Noncurrent liabilities as of March 31, 2019, totaled ¥21,966 million, an increase of ¥1,440 million, compared to the previous fiscal year-end. Major factors were an increase of ¥2,800 million in long-term loans payable due to additional borrowings to repay the current portion of corporate bonds and the current portion of long-term loans payable, and a decrease of ¥642 million in liability for retirement benefits.

Net Assets

Net assets as of March 31, 2019, totaled ¥26,937 million, an increase of ¥583 million compared to the previous fiscal year-end.

Under shareholders' equity, retained earnings increased by ¥785 million. Major factors were recognition of profit attributable to owners of parent of ¥1,119 million and the dividend payment of ¥312 million.

Accumulated other comprehensive income decreased by ¥206 million. Major factors were an increase of ¥269 million in retirement benefits liability adjustments, a decrease of ¥294 million in valuation difference on available-for-sale securities due to fluctuations in market prices and a decrease of ¥202 million in foreign currency translation adjustments due to the fluctuation in the exchange rates.

(2) Cash Flows

Cash and cash equivalents as of March 31, 2019, increased by ¥488 million to ¥14,773 million compared to the end of the previous fiscal year.

Cash flows from operating activities

Operating activities in the current fiscal year resulted in a net cash inflow of ¥2,114 million, compared to the net cash inflow of ¥977 million in the previous fiscal year.

The main inflows were ¥1,694 million in income before income taxes and minority interests, ¥1,715 million in depreciation expenses, a decrease of ¥1,477 million in trade receivables. The main outflow was for ¥1,502 in trade payables.

Cash flows from investment activities

Net cash used in investment activities amounted to ¥999 million, compared to a net cash outflow of ¥847 million in the previous fiscal year.

The major factors were payments of ¥794 million for the purchase of property, plant and equipment and payments of ¥93 million for the purchase of intangible assets.

Payments for property, plant and equipment decreased by ¥1,097 million from the previous fiscal year, to ¥1,891 million. The major reason was the construction of the Iwasaki Electric Techno Center, a new technology development building, in the previous fiscal year.

Also in the previous fiscal year, we also gained ¥1,139 million from the sale of investment securities as a result of the sale of shares held for strategic purposes.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥620 million, compared to a net cash outflow of ¥598 million in the previous fiscal year.

The major factor was ¥312 million for payments of dividends.

Net cash used for short-term and long-term loans payable and corporate bonds decreased by ¥205 million, mainly as a result of refinancing of long-term loans payable and corporate bonds.

3. Management's Analysis and Discussion of Operating Results, etc.

Management's recognition, analysis and discussion of the Iwasaki Electric Group's Operating Results, etc. are as follows.

Forward-looking statements in the document are based on the judgments as of the end of the fiscal year ended March 2019.

(1) Significant Accounting Policies and Financial Estimations

The consolidated financial statements of the Iwasaki Electric Group are prepared in accordance with the generally accepted accounting principles of Japan. We took into account the past results and present conditions and used rational standards to make estimates necessary for preparing the consolidated financial statements.

However, because forward-looking statements include uncertainty, the actual results may differ from these estimates. Significant Accounting Policies and Financial Estimations are described in "Notes to Consolidated Financial Statements."

(2) Recognition, Analysis and Discussion of Operating Results, etc. for the Fiscal Year Ended March 2019

• Business Results

Gross profit

Gross profit for the year ended March 31, 2019, increased by ¥1,042 million from the previous fiscal year to ¥16,496 million. This improvement occurred mainly because complaint handling costs, which were provided to the reserve for complaints handling costs in the previous fiscal year in connection with defects in LED lights (approximately ¥880 million), were not recorded in the current fiscal year.

The profit margin ratio has improved from the previous year as a result of cost improvement and other efforts, even without the effect of the complaint-related costs last year.

Operating income

Operating income for the year ended March 31, 2019, increased by ¥1,326 million from the previous fiscal year to ¥1,458 million. Major factors were an increase in gross profit as mentioned above, and a decrease of ¥284 million in selling, general and administrative expenses as a result of the decrease in labor costs.

Ordinary income

Ordinary income for the year ended March 31, 2019, increased by ¥1,483 million from the previous fiscal year to ¥1,712 million. Major factors were the above-mentioned increases in gross profit and operating profit, and an increase in extraordinary income, including an increase of ¥83 million in investment income by equity method and foreign exchange gains of ¥33 million (compared to the exchange loss of ¥51 million in the previous year).

Profit attributable to owners of parent

Profit attributable to owners of parent totaled ¥1,119 million in the year ended March 31, 2019, an increase of ¥738 million compared to the previous fiscal year. Major factors are the increases in profits as mentioned above, a decrease in extraordinary income because no gain on sales of investment securities was recorded in the current year compared to the ¥700 million recorded in the previous fiscal year, such as for part of shares held for strategic purposes, and an increase of ¥325 million in taxes due to the increase in profits.

Under the medium-term management plan, which completed in March 2019, the Iwasaki Electric Group focused on the three core corporate strategies of "expanding the LED lighting business through the pursuit of added value," "developing new business in the Applied Optics and Environment Business," and "promoting business through strategic product launches targeting key overseas markets." In the Lighting sector, the LED lighting business in Japan posted sales growth in outdoor lighting, special environmental lighting, and some other areas by introducing new products. However, the sales targets could not be achieved in the international market due to the delay in product introduction and intensified competition. The Applied Optics and Environment sector developed new applied products using EB and introduced new products such as UV-LED

radiators. However, the sales targets could not be achieved in the FPD-related UV curing business.

Based on the current conditions, the Lighting sector of the Iwasaki Electric Group promotes the development of more unique products. The sector also strengthens the development of technologies for not only hardware, but also for related software and services. The Applied Optics and Environment sector creates new applications and business fields by combining Iwasaki's core technologies with peripheral technologies.

- Capital resources and liquidity of funds

The analysis of cash flow for the current fiscal year is described in (2) Cash Flows under “2. Outline of the Operating Results, etc.”

The Iwasaki Electric Group mainly uses its own funds internally earned through its business activities as working capital, and also raises funds by borrowings from financial institutions and private placement of corporate bonds.

Group companies use intra-group loans from Iwasaki Electric Co., Ltd., in addition to loans from financial institutions, as appropriate, according to their cash plans, which are developed based on their respective operation policies and retention of financing costs such as interest.

The Company secures the cash on hand at a level of sales revenues for one to two months and also has concluded commitment credit line agreements with financial institutions to maintain the liquidity to respond to an urgent cash demand and changes in the economic environment.

The balance of loans from financial institutions at the end of the current fiscal year was ¥7,580 million, a decrease of ¥205 million from the end of the previous fiscal year. The balance of cash and cash equivalents as of March 31, 2019, is ¥14,773 million.

The Company will use cash on hand for growth strategies, returns to shareholders, and the reduction of interest-bearing debts.

In the research and development area, we aggressively invest in the development of the solution business and new applications to deliver “lighting and more” in the Applied Optics and Environment sector.

Capital investments decreased to ¥906 million in the current fiscal year. This was due to fewer large investments than in the previous two fiscal years, during which large-scale investments were made in the construction of the Iwasaki Electric Techno Center, a new technology development hub within the Saitama Plant, which was completed in the previous fiscal year.

We expect that large-scale investments in production facilities will decrease in the future as structural changes are expected in the Lighting sector, such as a shift to LEDs.

We plan to cover future capital investments with our own funds.

4. Important Business Agreements

Not Applicable.

Consolidated Balance Sheet

At March 31, 2019 and 2018

ASSETS

	Millions of yen	
	March 31, 2019	March 31, 2018
Current assets		
Cash and deposits (Notes 20 and 24)	¥ 14,774	¥ 14,285
Notes and accounts receivable - trade (Notes 13 and 24)	12,820	14,311
Electronically recorded monetary claims - operating (Notes 13 and 24)	2,107	2,132
Merchandise and finished goods	7,077	6,930
Work in process	1,538	1,550
Raw materials and supplies	4,916	4,898
Other	653	800
Allowance for doubtful accounts	(54)	(29)
Total current assets	43,832	44,879
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (Note 11)	16,177	15,991
Machinery, equipment and vehicles (Note 11)	14,831	15,112
Tools, furniture and fixtures	8,063	8,045
Land (Notes 11 and 12)	9,619	9,622
Leased assets (Note 21)	141	136
Construction in progress	130	164
	48,961	49,071
Accumulated depreciation	(31,738)	(31,216)
Property, plant and equipment, net	17,224	17,854
Intangible assets		
Software	701	927
Other	314	335
Intangible assets, net	1,015	1,263
Investments and other assets		
Investment securities (Notes 4, 10 and 24)	4,209	4,554
Deferred tax assets (Note 7)	475	677
Other	562	415
Allowance for doubtful accounts	(32)	(19)
Total investments and other assets	5,214	5,628
Total noncurrent assets	23,455	24,746
Total assets	¥ 67,288	¥ 69,625

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet

At March 31, 2019 and 2018

LIABILITIES AND NET ASSETS

	Millions of yen	
	March 31, 2019	March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade (Note 24)	¥ 7,932	¥ 10,262
Electronically recorded obligations - operating (Note 24)	3,687	2,882
Short-term loans payable (Notes 5 and 24)	980	970
Current portion of bonds (Notes 5, 11 and 24)	–	2,600
Current portion of long-term loans payable (Notes 5, 11 and 24)	1,300	1,716
Income taxes payable	358	370
Accrued consumption taxes	553	64
Provision for employees' bonuses	732	618
Provision for repair claims	169	628
Other	2,670	2,632
Total current liabilities	18,384	22,746
Noncurrent liabilities		
Long-term loans payable (Notes 5, 11 and 24)	5,300	2,500
Deferred tax liabilities (Note 7)	72	206
Deferred tax liabilities for land revaluation (Note 12)	1,208	1,208
Liability for retirement benefits (Note 22)	13,018	13,661
Asset retirement obligations (Note 6)	62	77
Provision for share-based remuneration for directors (and other officers)	24	–
Other	2,279	2,871
Total noncurrent liabilities	21,966	20,525
Total liabilities	40,350	43,272
Commitments and contingent liabilities (Note 23)		
Net assets (Note 19)		
Shareholders' equity (Note 9)		
Common stock:	8,640	8,640
Authorized: 23,900,000 shares in 2018 and 2019		
Issued: 7,821,950 shares in 2018 and 2019		
Capital surplus	2,069	2,069
Retained earnings	13,955	13,169
Treasury stock	(140)	(139)
Total shareholders' equity	24,524	23,739
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,581	1,875
Revaluation reserve for land (Note 12)	2,552	2,531
Foreign currency translation adjustments	(291)	(88)
Retirement benefits liability adjustments	(1,445)	(1,714)
Total accumulated other comprehensive income	2,396	2,603
Non-controlling interests	16	11
Total net assets	26,937	26,353
Total liabilities and net assets	¥ 67,288	¥ 69,625

See accompanying notes to consolidated financial statements.

Consolidated Statement of Income

Years ended March 31, 2019 and 2018

	Millions of yen	
	Year ended March 31, 2019	Year ended March 31, 2018
Net sales	¥ 54,006	¥ 57,328
Cost of sales (Note 14)	37,509	41,874
Gross profit	16,496	15,454
Selling, general and administrative expenses (Note 15)	15,038	15,322
Operating income	1,458	131
Other income (Note 16)		
Interest and dividend income	94	111
Foreign exchange gains	33	–
Equity in earnings of affiliates	125	42
Gain on sales of noncurrent assets	15	19
Gain on sales of investment securities	–	700
Other	142	128
Total other income	413	1,001
Other expenses (Note 17)		
Interest expenses	121	124
Foreign exchange losses	–	51
Loss on sale and retirement of noncurrent assets	23	269
Loss on valuation of investment securities	10	–
Loss on reversal of foreign currency translation adjustments due to liquidation of subsidiaries and affiliates	–	49
Other	23	8
Total other expenses	177	503
Profit before income taxes	1,694	629
Income taxes (Note 7)		
Income taxes - current	386	485
Income taxes - deferred	182	(242)
Total income taxes	569	243
Profit	1,125	385
Profit attributable to non-controlling interests	5	4
Profit attributable to owners of parent	¥ 1,119	¥ 381

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Years ended March 31, 2019 and 2018

	Millions of yen	
	Year ended March 31, 2019	Year ended March 31, 2018
Profit	¥ 1,125	¥ 385
Other comprehensive income (Note 18)		
Valuation difference on available-for-sale securities	(294)	116
Foreign currency translation adjustments	(160)	35
Retirement benefits liability adjustments	269	314
Share of other comprehensive income of affiliates accounted for by equity method	(41)	17
Total other comprehensive income	(227)	484
Comprehensive income	897	870
Comprehensive income attributable to:		
Owners of parent	891	866
Non-controlling interests	¥ 5	¥ 4

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Years ended March 31, 2019 and 2018

	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 April 1, 2018	7,821,950	¥8,640	¥2,069	¥13,169	(¥139)	¥23,739	
Dividends of surplus	-	-	-	(312)	-	(312)	
Profit attributable to owners of parent	-	-	-	1,119	-	1,119	
Purchase of treasury shares	-	-	-	-	(0)	(0)	
Reversal of revaluation reserve for land	-	-	-	(21)	-	(21)	
Net changes of items other than shareholders' equity	-	-	-	-	-	-	
Total changes in items during period	-	-	-	785	(0)	785	
Balance at March 31, 2019	7,821,950	¥8,640	¥2,069	¥13,955	(¥140)	¥24,524	

	Millions of yen						Total net assets
	Accumulated other comprehensive income					Non-controlling interests	
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance at April 1, 2018	¥1,875	¥2,531	(¥88)	(¥1,714)	¥2,603	¥11	¥26,353
Dividends of surplus	-	-	-	-	-	-	(312)
Profit attributable to owners of parent	-	-	-	-	-	-	1,119
Purchase of treasury shares	-	-	-	-	-	-	(0)
Reversal of revaluation reserve for land	-	-	-	-	-	-	(21)
Net changes of items other than shareholders' equity	(294)	21	(202)	269	(206)	5	(201)
Total changes in items during period	(294)	21	(202)	269	(206)	5	583
Balance at March 31, 2019	¥1,581	¥2,552	(¥291)	(¥1,445)	¥2,396	¥16	¥26,937

	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 April 1, 2017	78,219,507	¥8,640	¥2,069	¥12,947	(¥137)	¥23,520	
Dividends of surplus	-	-	-	(312)	-	(312)	
Profit attributable to owners of parent	-	-	-	381	-	381	
Purchase of treasury shares	-	-	-	-	(2)	(2)	
Reversal of revaluation reserve for land	-	-	-	152	-	152	
Net changes of items other than shareholders' equity	-	-	-	-	-	-	
Total changes in items during period	(70,397,557)	-	-	221	(2)	219	
Balance at March 31, 2018	7,821,950	¥8,640	¥2,069	¥13,169	(¥139)	¥23,739	

	Millions of yen						Total net assets
	Accumulated other comprehensive income					Non-controlling interests	
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance at April 1, 2017	¥1,758	¥2,684	(¥141)	(¥2,029)	¥2,271	¥-	¥25,791
Dividends of surplus	-	-	-	-	-	-	(312)
Profit attributable to owners of parent	-	-	-	-	-	-	381
Purchase of treasury shares	-	-	-	-	-	-	(2)
Reversal of revaluation reserve for land	-	-	-	-	-	-	152
Net changes of items other than shareholders' equity	116	(152)	53	314	331	11	342
Total changes in items during period	116	(152)	53	314	331	11	561
Balance at March 31, 2018	¥1,875	¥2,531	(¥88)	(¥1,714)	¥2,603	¥11	¥26,353

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years ended March 31, 2019 and 2018

	Millions of yen	
	Year ended March 31, 2019	Year ended March 31, 2018
Cash flows from operating activities:		
Profit before income taxes	¥ 1,694	¥ 629
Adjustments to reconcile profit to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,715	1,748
Increase (decrease) in provision for employee's bonuses	113	(3)
Increase (decrease) in allowance for doubtful accounts	38	(12)
Increase (decrease) in liability for retirement benefits	(573)	(113)
Interest and dividend income	(95)	(111)
Interest expenses	121	124
Foreign exchange losses (gains)	(30)	32
Loss (gain) on sales and retirement of property, plant and equipment	7	250
Equity in (earnings) losses of affiliates	(125)	(42)
Loss (gain) on sales of investment securities	-	(700)
Changes in assets and liabilities:		
Decrease (increase) in notes and accounts receivable - trade	1,477	(244)
Decrease (increase) in inventories	(217)	(980)
Increase (decrease) in notes and accounts payable - trade	(1,502)	657
Other	(82)	142
Subtotal	2,539	1,377
Interest and dividends income received	97	118
Interest expenses paid	(126)	(122)
Income taxes paid	(395)	(395)
Net cash provided by operating activities	2,114	977
Cash flows from investing activities:		
Purchases of property, plant and equipment	(794)	(1,891)
Proceeds from sales of property, plant and equipment	48	221
Purchases of intangible assets	(93)	(459)
Purchases of investment securities	(10)	(19)
Proceeds from sales of investment securities	-	1,139
Other	(151)	160
Net cash used in investing activities	(999)	(847)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	10	(50)
Proceeds from long-term loans payable	4,100	1,500
Repayment of long-term loans payable	(1,716)	(633)
Redemption of bonds	(2,600)	(1,000)
Purchases of treasury shares	(0)	(2)
Cash dividends paid	(312)	(312)
Other	(101)	(99)
Net cash used in financing activities	(620)	(598)
Effect of exchange rate changes on cash and cash equivalents	(5)	(30)
Net increase (decrease) in cash and cash equivalents	488	(498)
Cash and cash equivalents at the beginning of the year	14,284	14,783
Cash and cash equivalents at the end of the year (Note 20)	¥ 14,773	¥ 14,284

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

At March 31, 2019 and 2018

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, 2018 to the 2019 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 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.

At March 31, 2019, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 23 and 8, 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. The Company, consolidated subsidiaries and affiliates accounted for by the equity method are collectively referred to as the “Group” within these consolidated financial statements.

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

Kawasato Denki Co., Ltd. was excluded from the scope of consolidation for the year ended March 31, 2019, as the company went into liquidation during the year.

(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 non-controlling 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 non-controlling interests.

(e) Securities and investment securities

Trading securities are carried at fair market value and held-to-maturity securities are carried at amortized cost.

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 tax effects, 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, 2019 and 2018, 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)

Amortization of property, plant and equipment assets of the Company and its subsidiaries are principally calculated by the declining balance method.

However, buildings acquired by the Company and its domestic subsidiaries (excluding attached facilities), attached facilities and structures acquired on or after April 1, 2016 and assets of overseas subsidiaries are depreciated by the straight-line method.

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

Amortization of intangible assets of the Company and its subsidiaries are principally calculated by the straight-line method.

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

(k) Leases

Noncancellable 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.

(l) Allowance for doubtful accounts

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 repair claims

Provision for repair claims is provided for the amount recognized as of the end of the current fiscal year for free inspections, and product exchanges, etc. due to product defects.

(o) Provision for share-based remuneration for directors (and other officers)

To prepare for the issuance of the Company's shares by a trust related to the share compensation system for directors (excluding outside directors), the estimated value of such shares to be issued is provided according to the points assigned to the directors based on the Regulations for Share Issuance to Officers.

(p) Retirement benefits**a) Method of attributing the estimated retirement benefit obligation to periods**

The straight-line method is used to attribute the estimated amount of retirement benefits to periods up to the current fiscal year.

b) Amortization of actuarial gain or loss and prior service costs

Prior service costs are amortized as incurred by the straight-line method over a period not exceeding the expected average remaining service years of employees (13 years).

Actuarial gain or loss is amortized from the following fiscal year after recognition using the straight-line method over a period not exceeding the expected average remaining service years of employees (13 years).

c) Adoption of simplified method for small enterprises, etc.

Certain consolidated subsidiaries adopt a simplified method in calculating the retirement benefit obligation and retirement benefit expenses. Specifically, as for the lump-sum payment plan, the amount of retirement benefits payable assuming the voluntary retirement of all employees at fiscal year-end is assumed to be equal to retirement benefit obligations. With regard to the corporate pension plan, the latest amount of actuarial obligations under pension accounting is assumed to be equal to the retirement benefit obligations.

(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 year 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

(r) Consumption taxes

Consumption taxes are calculated by the tax exclusion method.

2. Accounting Standards Issued But Not Yet Effective

- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Implementation Guidance No. 30, March 30, 2018)

(1) Outline

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards for revenue recognition, and published “Revenue from Contracts with Customers” (IFRS 15 at IASB, Topic 606 at FASB) in May 2014. Considering that IFRS 15 would be effective for fiscal years beginning on or after January 1, 2018, and Topic 606 would be effective for fiscal years starting after December 15, 2017, the ASBJ developed the comprehensive accounting standard for revenue recognition and published it with the implementation guidance.

When the ASBJ developed the accounting standard for revenue recognition, the basic policy was to set accounting standards that incorporate the basic principles of IFRS 15, from the viewpoint of ensuring the comparability between financial statements, which is one of the benefits of maintaining consistency with IFRS 15. The standards also indicate that an alternative treatment may be added as long as comparability is not impaired, considering the circumstances that special consideration should be given to the conventional accounting practices that have been adopted in Japan.

(2) Scheduled date of adoption

The Company and its domestic subsidiaries will adopt this standard from the fiscal year starting on April 1, 2021.

(3) Impact of adopting the accounting standard and guidance

The Company is currently evaluating the effect of adopting the Accounting Standard for Revenue Recognition and the related implementation guidance on its consolidated financial statements.

3. Change in Presentation

(Change due to the adoption of Partial Amendments to Accounting Standard for Tax Effect Accounting)

The Company adopted the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018; hereinafter the “Partial Amendments to Tax Effect Accounting Standard”) starting from the beginning of the fiscal year ended March 31, 2019. As a result, deferred tax assets are now shown under “investments and other assets,” and deferred tax liabilities are shown under “noncurrent liabilities.” Also, notes to the financial statements related to tax effect accounting were also changed.

As a result, “deferred tax assets” under “current assets” decreased by ¥986 million, and “deferred tax assets” under “investments and other assets” increased by ¥312 million on the consolidated balance sheet as of March 31, 2018. “Deferred tax liabilities” under “noncurrent liabilities” decreased by ¥674 million. Because deferred tax assets and deferred tax liabilities of the same taxable entity are offset, total assets decreased by ¥674 million compared to the amount before the change.

In the notes related to tax effect accounting, additional information described in (Comment 8) in the “Accounting Standard for Tax Effect Accounting” (excluding the total amount of the valuation allowances) and (Comment 9) in the same standard as defined in paragraphs 3 to 5 of the Partial Amendments to Tax Effect Accounting Standard has been disclosed. However, in accordance with transitional treatment under provisions of Article 7 of the Partial Amendments to Tax Effect Accounting Standard, the comparative information for the previous fiscal year is not disclosed.

4. Securities and Investment Securities

Information regarding securities and investment securities classified as available-for-sale securities with fair market value at March 31, 2019 and 2018 is summarized as follows:

	Millions of yen					
	March 31, 2019			March 31, 2018		
	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	¥1,047	¥3,321	¥2,274	¥1,108	¥3,794	¥2,686
Debt securities						
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
Other	—	—	—	—	—	—
Subtotal	1,047	3,321	2,274	1,108	3,794	2,686
Securities whose acquisition cost exceeds their carrying amount (fair market value):						
Equity securities	71	70	(1)	—	—	—
Debt securities						
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
Other	—	—	—	—	—	—
Subtotal	71	70	(1)	—	—	—
Total	¥1,118	¥3,392	¥2,273	¥1,108	¥3,794	¥2,686

Notes: 1. Unlisted equity securities and investments in limited liability partnership 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. Securities for which impairment losses were recognized

For the year ended March 31, 2019, an impairment loss of ¥10 million was recorded in securities (¥10 million in shares under available-for-sale securities).

For the year ended March 31, 2018, no impairment losses were recognized.

In cases where the fair market value of a security at 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 at 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 the amount deemed necessary in consideration of the possibility of restoration, etc., on a case-by-case basis.

Information regarding the sales of investment securities classified as available-for-sale securities with fair market value for the year ended March 31, 2019 and the year ended March 31, 2018 is summarized as follows:

	Millions of yen					
	March 31, 2019			March 31, 2018		
	Proceeds from sales	Gross realized gain	Gross realized loss	Proceeds from sales	Gross realized gain	Gross realized loss
Equity securities	—	—	—	¥1,141	¥700	—
Debt securities						
Government bonds	—	—	—	—	—	—
Corporation bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total	—	—	—	¥1,141	¥700	—

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

Short-term loans from banks at an average interest rate of 0.94% amounted to ¥980 million and ¥970 million at March 31, 2019 and 2018, respectively.

Long-term loans, lease obligations and deposits received classified as other long-term liabilities with interest at March 31, 2019 and 2018 consisted of the following:

	Millions of yen	
	March 31, 2019	March 31, 2018
Loans, principally from banks, maturing in installments through 2022 with an average interest rate of 0.89%	¥6,600	¥4,216
Less current portion of loans	(1,300)	(1,716)
Net	5,300	2,500
Lease obligations	276	357
Less current portion of lease obligations	(91)	(99)
Net	185	258
Deposits received with an average interest rate of 2.14%	1,991	2,517
Total	¥7,476	¥5,275

The annual maturities of long-term loans and lease obligations subsequent to March 31, 2019 are summarized as follows:

	Long-term loans	Lease obligations
	Millions of yen	Millions of yen
Year ending March 31,		
2021	¥900	¥80
2022	4,200	71
2023	200	31
2024 and thereafter	–	2

Bonds payable at March 31, 2019 and 2018 consisted of the following:

Name of company	Issue	Date of issue	Millions of yen		Interest rate (%)	Collateral	Maturity date
			March 31, 2019	March 31, 2018			
Iwasaki Electric Co., Ltd.	23 rd Unsecured straight bond	September 30, 2015	–	250 (250)	0.41	N.A.	September 28, 2018
Iwasaki Electric Co., Ltd.	24 th Unsecured straight bond	October 5, 2015	–	1,200 (1,200)	0.73	N.A.	October 5, 2018
Iwasaki Electric Co., Ltd.	25 th Unsecured straight bond	October 9, 2015	–	900 (900)	0.31	N.A.	October 9, 2018
Iwasaki Electric Co., Ltd.	26 th Unsecured straight bond	October 30, 2015	–	250 (250)	0.76	N.A.	October 31, 2018
Total	–	–	–	¥2,600 (2,600)	–	–	–

Note: Numbers in parenthesis are scheduled redemption amounts due in 1 year or less.

6. Asset Retirement Obligations

No description is provided pursuant to the provisions of Article 92-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements because the amount of asset retirement obligations at April 1, 2018 and March 31, 2019 accounted for less than 1% of total liabilities and net assets at the beginning and the end of the fiscal year.

7. Income Taxes

(1) 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, 2019 and 2018 were as follows:

	Millions of yen	
	March 31, 2019	March 31, 2018
Deferred tax assets:		
Losses carried forward for tax purposes* ¹	¥665	¥734
Liability for retirement benefits	3,541	3,655
Other	1,050	1,145
Gross deferred tax assets	5,256	5,535
Valuation allowance for tax loss carryforward* ¹	(514)	–
Valuation allowance for total future deductible temporary differences	(3,523)	–
Valuation reserve subtotal	(4,038)	(4,143)
Total deferred tax assets	1,218	1,392
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	(693)	(817)
Other	(122)	(103)
Gross deferred tax liabilities	(816)	(921)
Net deferred tax assets	¥402	¥470

*1. Tax loss carryforwards and valuation allowance expire as follows:

At March 31, 2019

	Due in 1 year or less (Millions of yen)	Due after 1 year and in 2 years or less (Millions of yen)	Due after 2 years and in 3 years or less (Millions of yen)	Due after 3 years and in 4 years or less (Millions of yen)	Due after 4 years and in 5 years or less (Millions of yen)	Due after 5 years (Millions of yen)	Total (Millions of yen)
Tax loss carryforwards* ¹	¥2	¥160	¥147	¥18	¥30	¥305	¥665
Valuation allowance	(2)	(67)	(111)	(16)	(29)	(287)	(514)
Deferred tax assets	¥–	¥93	¥36	¥2	¥0	¥17	¥150* ²

*1. Tax loss carryforwards are determined by using the statutory effective tax rate.

*2. Based on comprehensive consideration of past business performance, tax payment status, and future business performance forecast, the Company has determined that the deferred tax assets recognized for the tax loss carryforwards are recoverable.

(2) The reconciliation of the Japanese statutory tax rate and the effective tax rate applicable to the Company for the years ended March 31, 2019 and 2018 was as follows:

	Year ended March 31, 2019	Year ended March 31, 2018
Japanese statutory tax rate	30.6%	30.9%
(Adjustments)		
Permanent non-deductible differences, including entertainment, etc.	2.1	4.7
Permanent non-taxable differences, including dividend income	(1.1)	(5.7)
Inhabitants taxes per capita, etc.	3.8	10.2
Changes in valuation reserve	(7.6)	(6.5)
Special deduction amount for income taxes	(1.6)	(5.2)
Differences in tax rate from overseas subsidiaries	2.7	(3.4)
Revision of deferred tax assets at fiscal year-end due to the change in tax rate	–	16.1
Other	4.8	(2.4)
Effective tax rate	33.6	38.7

8. Rental Properties

For the years ended March 31, 2019 and 2018

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

9. Shareholders' Equity

The Companies 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.

10. Investments in Affiliates

Investments in affiliates at March 31, 2019 and 2018 amounted to ¥574 million and ¥490 million, respectively, and are accounted for principally by the equity method.

11. Pledged Assets and Secured Liabilities

A summary of assets pledged as collateral and secured liabilities at March 31, 2019 and 2018 is presented below:

	Millions of yen	
	March 31, 2019	March 31, 2018
Pledged assets		
Buildings and structures	¥2,155	¥2,206
Machinery, equipment and vehicles	212	302
Land	2,579	2,579
Total	¥4,946	¥5,088
Secured liabilities		
Current portion of bonds	¥-	¥2,100
Current portion of long-term loans payable	880	180
Long-term loans payable	2,779	1,359
Total	¥3,659	¥3,639

12. Land Revaluation

Based on the Law Concerning Land Revaluation, promulgated on March 31, 1998, the Company revalued its land used for business purposes at 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 Public Notice of Land Prices Act, 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 at March 31, 2019 and 2018 of land revalued pursuant to Article 16 of the law were ¥2,276 million and ¥2,277 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.

13. Trade Notes, etc. Maturing at Fiscal Year-end

For the accounting treatment for trade notes, etc. maturing at fiscal year-end, the settlement is made at the date of clearance, etc. As the closing date of the current fiscal year was a holiday for financial institutions, trade notes, etc. maturing at the year-end have been included in the corresponding balances as of the current fiscal year-end.

	Millions of yen	
	March 31, 2019	March 31, 2018
Notes receivable - trade	¥257	¥319
Electronically recorded monetary claims - operating	88	160

14. Cost of Sales

Loss on valuation of inventories of ¥135 million and ¥249 million, net of the amount of the reversal, was included in cost of sales for the years ended March 31, 2019 and 2018, respectively after writing down the carrying values to reflect declines in profitability.

15. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2019 and 2018 were as follows. The figures in the following table have been offset against reversals.

	Millions of yen	
	Year ended March 31, 2019	Year ended March 31, 2018
Salaries	¥5,441	¥5,634
Packing and transportation costs	1,717	1,760
Provision for employees' retirement benefits	666	664
Provision for employees' bonuses	403	335
Provision (reversal) of allowance for doubtful accounts	41	(0)

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2019 and 2018 amounted to ¥458 million and ¥457 million, respectively.

16. Other Income

Gain on sales of noncurrent assets for the years ended March 31, 2019 and 2018 were summarized as follows:

	Millions of yen	
	Year ended March 31, 2019	Year ended March 31, 2018
Machinery, equipment and vehicles	¥13	¥19
Land	1	–
Total	¥15	¥19

17. Other Expenses

Loss on sales and retirement of noncurrent assets for the years ended March 31, 2019 and 2018 were summarized as follows:

	Millions of yen	
	Year ended March 31, 2019	Year ended March 31, 2018
Buildings and structures	¥6	¥127
Machinery, equipment and vehicles	0	2
Tools, furniture and fixtures	0	2
Land	–	135
Other	15	2
Total	¥23	¥269

18. Statement of Comprehensive Income

Reclassification adjustments relating to other comprehensive income for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen	
	Year ended March 31, 2019	Year ended March 31, 2018
Valuation difference on available-for-sale securities:		
Amount arising during the year	¥(419)	¥881
Reclassification adjustments for gain (loss) included in profit	0	(700)
Total	(418)	181
Foreign currency translation adjustments:		
Amount arising during the year	(160)	35
Reclassification adjustments for gain (loss) included in profit	–	–
Total	(160)	35
Retirement benefits liability adjustments:		
Amount arising during the year	68	121
Reclassification adjustments for gain (loss) included in profit	200	193
Total	269	314
Share of other comprehensive income of affiliates accounted for by equity method:		
Amount arising during the year	(41)	17
Total amount before income taxes	(352)	550
Income taxes	124	(65)
Total other comprehensive income	¥(227)	¥484

Tax effects relating to other comprehensive income for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen	
	March 31, 2019	March 31, 2018
Valuation difference on available-for-sale securities		
Before tax effect	¥(418)	¥181
Tax effect	124	(65)
After tax effect	(294)	116
Foreign currency translation adjustments		
Before tax effect	(160)	35
Tax effect	–	–
After tax effect	(160)	35
Retirement benefits liability adjustments		
Before tax effect	269	314
Tax effect	–	–
After tax effect	269	314
Share of other comprehensive income of affiliates accounted for by equity method		
Before tax effect	(41)	17
Tax effect	–	–
After tax effect	(41)	17
Total other comprehensive income		
Before tax effect	(352)	550
Tax effect	124	(65)
After tax effect	¥(227)	¥484

19. 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, 2019

	Number of shares (Thousand)			
	April 1, 2018	Increase	Decrease	March 31, 2019
Type of issued shares				
Common stock	7,821	–	–	7,821
Total	7,821	–	–	7,821
Type of treasury stock				
Common stock*1, *2	87	0	–	87
Total	87	0	–	87

*1. The increase of 0 thousand common shares in treasury stock is due to the buyback of fractional shares of less than one trading lot.

*2. The number of treasury shares as of March 31, 2019 includes 80,000 shares held by the Board Benefit Trust (BBT).

For the year ended March 31, 2018

	Number of shares (Thousand)			
	April 1, 2017	Increase	Decrease	March 31, 2018
Type of issued shares				
Common stock*1	78,219	–	70,397	7,821
Total	78,219	–	70,397	7,821
Type of treasury stock				
Common stock*2, *3, *4	861	6	780	87
Total	861	6	780	87

*1. As a result of the share consolidation of common stock at the ratio of ten shares to one share on October 1, 2017, the total number of outstanding shares decreased by 70,397,000 shares.

*2. The increase of 6,000 common shares in treasury stock was due to an increase of less than 1,000 shares of fractional shares in line with the share consolidation, and an increase of 6,000 shares by the repurchase of fractional shares (5,000 shares before the share consolidation and less than 1,000 shares after the share consolidation).

*3. The decrease of 780,000 common shares in treasury stock was due to the effect of the share consolidation.

*4. The number of treasury shares as of March 31, 2018 includes 80,000 shares held by the Board Benefit Trust (BBT).

(b) Matters related to dividends

1. Amount of dividends

For the year ended March 31, 2019

(Resolution)	Type	Total dividends paid (Millions of yen)	Amount of dividends per share (Yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders on June 27, 2018	Common stock	¥312	¥40	March 31, 2018	June 28, 2018

Note: "Total dividends paid" include dividends of ¥3 million corresponding to shares held by the Board Benefit Trust (BBT).

For the year ended March 31, 2018

(Resolution)	Type	Total dividends paid (Millions of yen)	Amount of dividends per share (Yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders on June 28, 2017	Common stock	¥312	¥4	March 31, 2017	June 29, 2017

Notes: 1. "Total dividends paid" include dividends of ¥3 million corresponding to shares held by the Board Benefit Trust (BBT).

2. The Company conducted the share consolidation of its common stock at the ratio of ten shares to one share on October 1, 2017. The amount of dividends per share indicates the amount prior to the share consolidation.

2. Dividends with the cut-off date in the year under review and the effective date in the following year

For the year ended March 31, 2019

(Resolution)	Type	Total dividends paid (Millions of yen)	Source of dividends	Amount of dividends per share (Yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders on June 27, 2019	Common stock	¥312	Retained earnings	¥40	March 31, 2019	June 28, 2019

Note: "Total dividends paid" include dividends of ¥3 million corresponding to shares held by the Board Benefit Trust (BBT).

For the year ended March 31, 2018

(Resolution)	Type	Total dividends paid (Millions of yen)	Source of dividends	Amount of dividends per share (Yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders on June 27, 2018	Common stock	¥312	Retained earnings	¥40	March 31, 2018	June 28, 2018

Note: "Total dividends paid" include dividends of ¥3 million corresponding to shares held by the Board Benefit Trust (BBT).

20. Supplemental Cash Flow Information

A reconciliation of cash and cash equivalents at March 31, 2019 and 2018 to cash and deposits in the accompanying consolidated balance sheets was as follows:

	Millions of yen	
	March 31, 2019	March 31, 2018
Cash and deposits	¥14,774	¥14,285
Time deposits with maturity in excess of three months	(1)	(1)
Cash and cash equivalents	¥14,773	¥14,284

21. 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.

22. Employees' Retirement Benefits

1. Outline of employees' retirement benefit plans adopted by the Company

The Company and some of its domestic consolidated subsidiaries have two types of defined benefit plan, namely, a defined benefit corporate pension plan (based on reserved funds) and a lump sum payment plan (non-reserved funds). At the same time, some of other consolidated subsidiaries participate in the Smaller Enterprise Retirement Allowance Mutual Aid (SERAMA) Scheme and a defined contribution pension plan.

In addition, the Company has a multi-employer welfare pension fund plan, established by participating companies. Since the amount of plan assets corresponding to the Company's contribution cannot be reasonably calculated, the amount is recognized in the same way as the defined contribution pension plan.

With regard to the defined-benefit pension plan and the lump-sum payment plan adopted by certain consolidated subsidiaries, a simplified method is used in the calculation of net retirement benefit liabilities and retirement benefit expenses.

2. Retirement benefit plan (excluding the plan using the simplified method)

(1) The changes in the retirement benefit obligations

	Millions of yen	
	Year ended March 31, 2019	Year ended March 31, 2018
Retirement benefit obligations at April 1	¥15,720	¥15,590
Service costs	681	690
Actuarial loss	(148)	(84)
Retirement benefits paid	(1,267)	(476)
Retirement benefit obligations at March 31	¥14,985	¥15,720

(2) The changes in plan assets

	Millions of yen	
	Year ended March 31, 2019	Year ended March 31, 2018
Plan assets at April 1	¥3,359	¥3,084
Expected return on plan assets	120	106
Actuarial gain	(79)	36
Contributions by the Company	360	367
Retirement benefits paid	(441)	(235)
Plan assets at March 31	¥3,318	¥3,359

(3) The funded status of the plans and the amounts recognized in the consolidated balance sheet at the end of year

	Millions of yen	
	March 31, 2019	March 31, 2018
Funded retirement benefit obligations	¥5,773	¥6,102
Plan assets	(3,318)	(3,359)
	2,455	2,743
Unfunded retirement benefit obligations	9,212	9,617
Net liability for retirement benefits in the consolidated balance sheet	11,667	12,360
Liability for retirement benefits	11,667	12,360
Net liability for retirement benefits in the consolidated balance sheet	¥11,667	¥12,360

(4) The components of retirement benefit expenses

	Millions of yen	
	Year ended March 31, 2019	Year ended March 31, 2018
Service costs	¥681	¥690
Expected return on plan assets	(120)	(106)
Amortization of actuarial loss	197	190
Amortization of prior service costs	2	3
Retirement benefit expenses	¥761	¥777

(5) Retirement benefits liability adjustments included in other comprehensive income (before adjusting tax effects)

The components of retirement benefits liability adjustments included in other comprehensive income (before adjusting tax effects) were as follows:

	Millions of yen	
	Year ended March 31, 2019	Year ended March 31, 2018
Prior service costs	¥2	¥3
Actuarial loss	266	311
Total	¥269	¥314

(6) Retirement benefits liability adjustments included in accumulated other comprehensive income (before adjusting tax effects)

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before adjusting tax effects) were as follows:

	Millions of yen	
	March 31, 2019	March 31, 2018
Unrecognized prior service costs	¥10	¥12
Unrecognized actuarial loss	1,435	1,701
Total	¥1,445	¥1,714

(7) Plan assets

(i) Major components of plan assets

The ratio of major components against the total plan assets was as follows:

	%	
	March 31, 2019	March 31, 2018
General accounts	45%	46%
Stocks	25	25
Bonds	29	28
Others	1	1
Total	100%	100%

(ii) Determining long-term expected return on plan assets

The long-term expected return on plan assets has been estimated based on the current and projected pension asset allocations and the current and projected return on various assets comprising plan assets.

(8) Assumptions used in accounting for the plans

Primary assumptions used in accounting for the plans

	%	
	Year ended March 31, 2019	Year ended March 31, 2018
Discount rate	0.0%	0.0%
Long-term expected return on plan assets	3.6%	3.5%
Anticipated salary increase rate	0.0%–3.7%	0.0%–3.7%

3. Defined benefit plan using the simplified method

(1) The changes in the liability for retirement benefits calculated using the simplified method

	Millions of yen	
	Year ended March 31, 2019	Year ended March 31, 2018
Liability for retirement benefits at April 1	¥1,300	¥1,269
Retirement benefit expenses	119	102
Retirement benefits paid	(23)	(25)
Plan contributions	(46)	(45)
Liability for retirement benefits at March 31	¥1,351	¥1,300

(2) The funded status of the plans and the amounts recognized in the consolidated balance sheet for the plans

	Millions of yen	
	March 31, 2019	March 31, 2018
Funded retirement benefit obligations	¥525	¥504
Plan assets	(398)	(372)
	126	131
Unfunded retirement benefit obligations	1,224	1,169
Net liability for retirement benefits in the consolidated balance sheet	1,351	1,300
Liability for retirement benefits	1,351	1,300
Net liability for retirement benefits in the consolidated balance sheet	¥1,351	¥1,300

(3) Retirement benefit expenses

	Millions of yen	
	Year ended March 31, 2019	Year ended March 31, 2018
Retirement benefit expenses calculated using the simplified method	¥119	¥102

4. Defined contribution plan

Required amounts of contribution to the defined contribution plan for consolidated subsidiaries were ¥23 million for the year ended March 31, 2019 and ¥35 million for the year ended March 31, 2018.

5. Multi-employer plan

Required contributions to the multi-employer corporate pension fund plan, which are recognized in the same way as the defined contribution pension plan, were ¥231 million for the year ended March 31, 2019 and ¥201 million for the year ended March 31, 2018.

(1) Total funded status of the multi-employer plan

	Millions of yen	
	March 31, 2018	March 31, 2017
Plan assets at fair value	¥130,908	¥127,443
Actuarial obligations for the pension financing accounting	146,380	149,315
Projected benefit obligations in excess of plan assets	¥(15,471)	¥(21,871)

(2) Ratio of the Group's contribution to total contributions of the multi-employer plan

For the year ended March 31, 2018	3.69%
For the year ended March 31, 2017	3.68%

(3) Supplementary explanation

The main component of projected benefit obligation in excess of plan assets listed under (1) above was prior service costs under pension accounting (¥18,834 million for the year ended March 31, 2018 and ¥20,384 million for the year ended March 31, 2017). Prior service costs are amortized by the straight-line method over a period of 20 years under this plan.

23. Commitment and Contingent Liabilities

The Company has entered into commitment line contracts with 5 banks in order to ensure the timeliness of financing. Relevant figures at March 31, 2019 and 2018 were as follows:

	Millions of yen	
	March 31, 2019	March 31, 2018
Commitment lines extended	¥1,500	¥1,500
Loans payable	–	–
Unused balance	¥1,500	¥1,500

This commitment line contract includes the following restrictive financial covenants for the year ended March 31, 2019:

To maintain net assets of at least ¥19.7 billion on the consolidated balance sheet at the end of each fiscal year and second quarter.

24. Financial Instruments

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 and electronically recorded monetary claims-operating 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.

Notes and accounts payable and electronically recorded obligations-operating are due in one year or less.

Short-term loans payable are borrowed mainly as operating funds, bonds payable 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 at March 31, 2019 and 2018 and differences are as follows. Financial instruments whose fair value is not readily determinable are not included in the following table (See Note 2).

At March 31, 2019

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	¥14,774	¥14,774	¥-
(2) Notes and accounts receivable - trade	12,820	12,820	-
(3) Electronically recorded monetary claims - operating	2,107	2,107	-
(4) Investment securities	3,392	3,392	-
Total assets	¥33,094	¥33,094	¥-
(5) Notes and accounts payable - trade	¥7,932	¥7,932	¥-
(6) Electronically recorded obligations - operating	3,687	3,687	-
(7) Short-term loans payable	980	980	-
(8) Bonds payable	-	-	-
(9) Long-term loans payable	6,600	6,656	56
Total liabilities	¥19,200	¥19,256	¥56
Derivatives	¥-	¥-	¥-

At March 31, 2018

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	¥14,285	¥14,285	¥-
(2) Notes and accounts receivable - trade	14,311	14,311	-
(3) Electronically recorded monetary claims - operating	2,132	2,132	-
(4) Investment securities	3,794	3,794	-
Total assets	¥34,524	¥34,524	¥-
(5) Notes and accounts payable - trade	¥10,262	¥10,262	¥-
(6) Electronically recorded obligations - operating	2,882	2,882	-
(7) Short-term loans payable	970	970	-
(8) Bonds payable	2,600	2,606	6
(9) Long-term loans payable	4,216	4,244	27
Total liabilities	¥20,931	¥20,965	¥33
Derivatives	¥-	¥-	¥-

(Notes)

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

Assets

“(1) Cash and deposits,” “(2) Notes and accounts receivable - trade,” and “(3) Electronically recorded monetary claims - operating”

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.

“(4) Investment securities”

Investment securities are reported at the current market prices quoted by stock exchanges. Notes relating to securities held for different purposes are described in notes under “4. Securities and Investment Securities.”

Liabilities

“(5) Notes and accounts payable - trade,” “(6) Electronically recorded obligations - operating,” and “(7) 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.

“(8) Bonds payable”

The fair value of fixed-rate corporate bonds is determined by the current value that is derived by discounting the total amount of principal and interest of a bond by the interest rate applicable for a similar new issue.

“(9) 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 “25. Derivatives.”

2) Financial instruments whose fair values are not readily determinable at March 31, 2019 and 2018 are as follows:

Category	Millions of yen	
	March 31, 2019	March 31, 2018
Unlisted equity securities	¥756	¥680
Investments in limited liability partnership	¥60	¥79

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 “(4) Investment securities” as the fair value is not readily determinable.

3) Monetary claims with redemption dates subsequent to March 31, 2019 and 2018 are summarized as follows:

At March 31, 2019

	Due in 1 year or less (Millions of yen)	Due after 1 year and in 5 years or less (Millions of yen)
(1) Cash and deposits	¥14,774	¥-
(2) Notes and accounts receivable - trade	12,820	-
(3) Electronically recorded monetary claims - operating	2,107	-
Total	¥29,701	¥-

At March 31, 2018

	Due in 1 year or less (Millions of yen)	Due after 1 year and in 5 years or less (Millions of yen)
(1) Cash and deposits	¥14,285	¥-
(2) Notes and accounts receivable - trade	14,311	-
(3) Electronically recorded monetary claims - operating	2,132	-
Total	¥30,729	¥-

4) Bonds payable, long-term loans payable and other interest-bearing liabilities with repayment dates subsequent to March 31, 2019 and 2018 are summarized as follows:

At March 31, 2019

	Due in 1 year or less (Millions of yen)	Due after 1 year and in 2 years or less (Millions of yen)	Due after 2 years and in 3 years or less (Millions of yen)	Due after 3 years and in 4 years or less (Millions of yen)	Due after 4 years and in 5 years or less (Millions of yen)	Due after 5 years (Millions of yen)
Short-term loans payable	¥980	¥-	¥-	¥-	¥-	¥-
Long-term loans payable	1,300	900	4,200	200	-	-
Total	¥2,280	¥900	¥4,200	¥200	¥-	¥-

At March 31, 2018

	Due in 1 year or less (Millions of yen)	Due after 1 year and in 2 years or less (Millions of yen)	Due after 2 years and in 3 years or less (Millions of yen)	Due after 3 years and in 4 years or less (Millions of yen)	Due after 4 years and in 5 years or less (Millions of yen)	Due after 5 years (Millions of yen)
Short-term loans payable	¥970	¥-	¥-	¥-	¥-	¥-
Bonds payable	2,600	-	-	-	-	-
Long-term loans payable	1,716	1,300	700	300	200	-
Total	¥5,286	¥1,300	¥700	¥300	¥200	¥-

25. Derivatives

At March 31, 2019 and 2018, 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 at March 31, 2019 and 2018 for which hedge accounting has been applied are summarized as follows:

At March 31, 2019

	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 by short-cut method:			
Receive/floating and pay/fixed	¥250	¥250	*1

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

At March 31, 2018

	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 by short-cut method:			
Receive/floating and pay/fixed	¥550	¥-	*1

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

26. Segment Information

Segment Information (For the years ended March 31, 2019 and 2018)

1. General Information about Reportable Segments

The reportable segments of the Company are business sectors of the 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 Group has two reportable business segments, the “Lighting Sector” engaging in the manufacture and sales of a wide range of light sources such as lamps and luminaires, and the “Applied Optics and Environment Sector” engaging in the manufacture and sales of applied optics products and environmental 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, and Other Items in Each Reportable Segment

	Millions of yen	
	Year ended March 31, 2019	Year ended March 31, 2018
Sales:		
Lighting Sector	¥ 39,835	¥ 41,352
Applied Optics and Environment Sector	14,170	15,976
	54,006	57,328
Corporate and eliminations:		
Lighting Sector	24	26
Applied Optics and Environment Sector	31	11
	55	37
Adjustments	(55)	(37)
	¥ 54,006	¥ 57,328
Segment Income (loss):		
Lighting Sector	¥ 2,527	¥ 1,396
Applied Optics and Environment Sector	807	692
	3,334	2,088
Adjustments	(1,876)	(1,957)
	¥ 1,458	¥ 131
Segment Assets:		
Lighting Sector	¥ 37,430	¥ 39,276
Applied Optics and Environment Sector	18,126	18,074
	55,556	57,350
Adjustments	11,731	12,275
	¥ 67,288	¥ 69,625
Depreciation and Amortization:		
Lighting Sector	¥ 1,243	¥ 1,290
Applied Optics and Environment Sector	472	458
	1,715	1,748
Adjustments	–	–
	¥ 1,715	¥ 1,748
Increase in Property, Plant and Equipment and Intangible Assets:		
Lighting Sector	¥ 686	¥ 2,074
Applied Optics and Environment Sector	220	519
	906	2,594
Adjustments	–	–
	¥ 906	¥ 2,594

Notes: 1. The adjustments for segment income (loss) of ¥ (1,876) million and ¥ (1,957) million at March 31, 2019 and 2018, respectively, include corporate costs, etc., which have not been allocated to the reportable segments.

2. The adjustments for segment assets of ¥11,731 million and ¥12,275 million at March 31, 2019 and 2018 respectively, include financial assets, etc., of the Company, which have not been allocated to the reportable segments.

Related Information

For the years ended March 31, 2019 and 2018

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 by Country or Region

(1) Net Sales

	Millions of yen	
	Year ended March 31, 2019	Year ended March 31, 2018
Japan	¥47,064	¥48,421
North America	4,134	5,695
Asia	2,517	2,778
Other	289	432
Total	¥54,006	¥57,328

(2) Property, Plant and Equipment

No description is provided because property, plant and equipment in Japan at March 31, 2019 and 2018 account 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 customer accounts for 10% or more of net sales for the years ended March 31, 2019 and 2018 in the consolidated statements of income.

27. Amounts per Share

Per share information at and for the years ended March 31, 2019 and 2018 was as follows:

	Yen	
	Year ended March 31, 2019	Year ended March 31, 2018
Profit attributable to owners of parent	¥144.75	¥49.31
Net assets	3,480.86	3,405.90

- Notes:
1. Since there were no potential shares that would have dilutive effect if issued, data on diluted net income per share is not presented.
 2. The Company conducted the share consolidation of its common stock at the ratio of ten shares to one share on October 1, 2017. Consequently, net assets per share and net income per share were calculated on the assumption that the said share consolidation was implemented at the beginning of the previous fiscal year.
 3. For the purpose of calculating net assets per share, the Company's shares held by the Board Benefit Trust (BBT) are included in treasury shares excluded from the total number of outstanding shares as of the fiscal year-end (80,000 shares for the previous fiscal year and 80,000 shares for the current fiscal year). For the purpose of calculating net income per share, these shares held by BBT were included in treasury shares excluded from the calculation of the average number of outstanding shares during the fiscal year (80,000 shares for the previous fiscal year and 80,000 shares for the current fiscal year).

The basis of the computation of profit attributable to owners of parent per share for the years ended March 31, 2019 and 2018 is as follows:

	Millions of yen	
	Year ended March 31, 2019	Year ended March 31, 2018
Profit attributable to owners of parent	¥1,119	¥381
Amount not attributable to normal shareholders	–	–
Profit attributable to owners of parent allocable to common shares	¥1,119	¥381
Average number of common shares for the period (shares)	7,734,307	7,735,131

28. Business Combinations

Not Applicable.

29. Related Party Transactions

For the year ended March 31, 2019
Not Applicable.

For the year ended March 31, 2018
Not Applicable.

30. Stock Options

For the year ended March 31, 2019
Not Applicable.

For the year ended March 31, 2018
Not Applicable.

31. Significant Subsequent Events

Not Applicable.

Independent Auditor's Report

The Board of Directors
IWASAKI ELECTRIC Co., Ltd.

We have audited the accompanying consolidated financial statements of IWASAKI ELECTRIC Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of IWASAKI ELECTRIC Co., Ltd. and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young Shin Nihon LLC

June 27, 2019
Tokyo, Japan

Board of Directors and Corporate Data

President and Chief Executive Officer
Yoshitake Ito

Director and Senior Executive Officer
Masanori Kato

Director and Senior Executive Officer
Masayuki Arimatsu

Director and Senior Executive Officer
Makoto Inamori

Director and Senior Executive Officer
Sumio Uehara

Outside Director
Kenji Oya

Outside Director
Tsuneo Tanai

Audit & Supervisory Board Member
Hideya Fujii

Audit & Supervisory Board Member
Hiroaki Kato

Outside Audit & Supervisory Board Member
Shouzou Watanabe

Outside Audit & Supervisory Board Member
Naoto Suzuki

Managing Executive Officer
Yoshimasa Kida

Senior Executive Officer
Tomohiko Yamada

Executive Officer
Haruhiko Hoshino

Executive Officer
Takeyuki Kakinuma

Executive Officer
Tsuyoshi Itokawa

Executive Officer
Seiji Aoyama

Executive Officer
Akira Urushihara

IWASAKI ELECTRIC Co., Ltd.

Date of Establishment: August 18, 1944

Bakurocho-daiichi Bldg. 1-4-16,
Nihonbashi-bakurocho, Chuo-ku,
Tokyo 103-0002, Japan
Phone: +81-3-5847-8611
(Until September 2019)

Nomurafudosan-higashinohonbashi Bldg. 1-1-7,
Higashinohonbashi, Chuo-ku,
Tokyo 103-0004, Japan
Phone: +81-3-5846-9010
(After October 2019)

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

Capital: ¥8,640 million

Common Stock
Authorized: 23,900,000 shares
Issued and Outstanding: 7,821,950 shares
Number of Shareholders: 6,741

Major Shareholders	% of Total
Minebear Mitsumi Inc.	3.84
The Master Trust Bank of Japan, Ltd.	3.63
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank)	2.70
Japan Trustee Services Bank, Ltd. (Trust Account)	2.66
Iwasaki Electric Cooperative Association Stock Ownership Plan	2.47
Mizuho Bank, Ltd.	2.35
The Meiji Yasuda Life Insurance Company	2.30
The Sumitomo Mitsui Banking Corp.	2.16
EYE LAMP employee stock ownership plan	2.09
Nippon Tochi-Tatemono Co.,Ltd	1.98

Stock Exchange Listings
Tokyo Stock Exchange 1st Section

Correspondent Bank
Mizuho Bank, Ltd.
Sumitomo Mitsui Banking Corp.
The Bank of Yokohama, Ltd.
Resona Bank, Ltd.
MUFG Bank, Ltd.

Independent Certified Public Accountants
Ernst & Young ShinNihon LLC

(As of July 1, 2019)

Directory

Domestic Plants and Offices

Head Office
Bakurocho-daiichi Bldg. 1-4-16,
Nihonbashi-bakurocho, Chuo-ku,
Tokyo 103-0002, Japan
(Until September 2019)

Nomurafudosan-higashinohonbashi
Bldg. 1-1-7, Higashinohonbashi,
Chuo-ku, Tokyo 103-0004, Japan
(After October 2019)
Phone: +81-3-5846-9010

Lighting Business Unit
Phone: +81-3-5846-9021

Applied Optics and
Environment Sales Division
Phone: +81-3-5846-9027

Global Sales &
Marketing Department
Phone: +81-3-5846-9025
Facsimile: +81-3-5846-9036

Private Sector Sales Division
Bakurocho-daiichi Bldg. 1-4-16,
Nihonbashi-bakurocho, Chuo-ku,
Tokyo 103-0002, Japan
(Until September 2019)

Yunizo-hisamatsucho-
kiyosubashidori Bldg. 9-9,
Nihonbashi-hisamatsucho, Chuo-ku,
Tokyo 103-0005, Japan
(After August 2019)
Phone: +81-3-5847-8632

Saitama Plant
1-1, Ichiriyama-cho, Gyoda City,
Saitama 361-8505, Japan
Phone: +81-48-554-1111

Kawasato Factory
Honjo Factory

Domestic Affiliates

●**Manufacture**
EYE LIGHTING SYSTEMS
CORPORATION
Established in 1973
Manufacture of lighting luminaires,
power sources, ballasts and circuits

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

CHICHIBU IWASAKI CO., LTD.
Established in 1985
Manufacture of Halogen lamps and
pellicle products

KAN-ETSU IWASAKI CO., LTD.
Established in 1985
Manufacture of arc tubes for high-
pressure sodium lamps, UV lamps, and
UV irradiation units

EYE ELECTRON BEAM CO., LTD.
Established in 1986
Manufacture 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**
EYE GRAPHICS CO., LTD.
Established in 1977
Sales of UV applied equipment and printing
platemakers

EYE GRAPHIC SERVICE CO., LTD.
Established in 1980
Installation / relocation / maintenance for
UV applied equipment and printing platemarkers

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

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

EYE LIGHTING DEVICE CO., LTD.
Established in 1988
Sales of a variety of light sources and
lighting luminaires

IWASAKI ELECTRIC
ENGINEERING SERVICE CO., LTD.
Established in 1994
Inspection of lighting luminaires and electrical
machinery and maintenance of applied optics
and environment diagnostic equipment

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

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

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

(As of July 1, 2019)

Global Network



◆ Sales Office

Global Sales & Marketing Department

● Manufacture

ENERGY SCIENCES, INC. (ESI)
Acquired in 1988
42 Industrial Way, Wilmington,
Massachusetts. 01887, U.S.A.
Phone: +1-978-694-9000
Facsimile: +1-978-694-9046
Manufacture and sales of EB & UV
irradiation equipment and electric equipment

EYE LIGHTING INTERNATIONAL OF
NORTH AMERICA, INC. (ELINA)
Established in 1991
9150 Hendricks Road, Mentor,
OHIO. 44060, U.S.A.
Phone: +1-888-665-2677
Facsimile: +1-440-350-7001
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: +86-411-8751-4186
Facsimile: +86-411-8751-4189
Manufacture of HID lamps, stems and UV lamps

SPECTRA LIGHTING PTY LTD.
Acquired in 1999
15 Industrial Avenue Wacol Queensland, 4076,
AUSTRALIA
Phone: +61-7-3335-3500
Facsimile: +61-7-3335-3550
Manufacture and sales of luminaries

SPECTRA MANUFACTURING PTY LTD.
Acquired in 1999
15 Industrial Avenue Wacol Queensland, 4076,
AUSTRALIA
Phone: +61-7-3335-3502
Facsimile: +61-7-3335-3533
Manufacture and sales of streetscape luminaries

● Sales

EYE LIGHTING ASIA PACIFIC PTE LTD.
Established in 1988
21 Kaki Bukit Place, Eunos Techpark
Singapore 416199, SINGAPORE
Phone: +65-6742-3611
Facsimile: +65-6743-5202
Sales of lamps, luminaires and electric equipment

ELM LIGHTING SDN. BHD.
Established in 2016
No.16 & 18, Jalan Utarid U5/29, Mah Sing
Integrated IndustrialPark, Seksyen U5, 40150
Shah Alam, Selangor Darul Ehsan, Peninsular
MALAYSIA
Phone: +60-3-7832-7600
Facsimile: +60-3-7859-7847
Sales of lamps, luminaires and electric equipment

SHANGHAI IWASAKI ELECTRIC CO.,LTD.
Established in 2007
26/F suite2612 New Town Center Building,
83 Loushanguan Road, Shanghai 200336,
P.R. CHINA
Phone: + 86-21-3105-6379
Facsimile: + 86-21-3105-6371
Materials procurement in China, inspection and
exports Sales in China of lamps, luminaries and
electric equipment

EYE LIGHTING (THAILAND) CO.,LTD.
Established in 2015
21F,Room No.2105-6, United Business Center
II Building, Sukhumvit Road Soi 33, North
Klongton, Wattana, Bangkok 10110, THAILAND
Phone: +66-0-2-662-1867
Facsimile: +66-0-2-662-1868
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: +852-2368-8782
Facsimile: +852-2481-2661
Sales of lamps, luminaires and electric equipment

LCA HOLDINGS PTY LTD.
A joint venture with Marubeni Corporation,
established in 2000
15 Industrial Avenue, Wacol Queensland 4076,
AUSTRALIA
Phone: +61-7-3335-3555
Facsimile: +61-7-3335-3522
Holding company

EYE LIGHTING AUSTRALIA PTY LTD.
Established in 1974
15 Industrial Avenue, Wacol Queensland 4076,
AUSTRALIA
Phone: +61-7-3335-3588
Facsimile: +61-7-3335-3533
Sales of lamps, luminaires and electric equipment

EYE LIGHTING NEW ZEALAND LTD.
Established in 1989
18 Levene Place, Mt.Wellington. Auckland,
NEW ZEALAND
Phone: +64-9-276-8099
Facsimile: +64-9-276-3474
Sales of lamps, luminaires and electric equipment

PERFORMANCE IN LIGHTING
AUSTRALASIA PTY LTD.
Established in 2012
157 Wellington Road, East Brisbane Queensland,
4169, AUSTRALIA
Phone: +61-7(3335)3580
Facsimile: +61-7(3335)3587
Sales of lamps and luminaires

SAMMODE LIGHTING AUSTRALASIA
PTY LTD.
Established in 2015
15 Industrial Avenue, Wacol, Queensland, 4076,
AUSTRALIA
Phone: +61-7(3335)3555
Facsimile: +61-7(3335)3511
Sales of luminaires

(As of July 1, 2019)

IWASAKI ELECTRIC CO., LTD.

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