Annual Report 2018

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

In the consolidated fiscal year ended March 31, 2018, while net sales and net income at the Iwasaki Electric Group increased slightly from the previous fiscal year, operating income and ordinary income declined year on year. This was due primarily to a decrease in profitability reflecting diminished sales from overseas subsidiaries and the negative effects of a provision for repair claims related to LED lighting equipment. In the Lighting sector, LED lighting equipment accounted for 60% of overall products. Net sales in this sector increased year on year as we reinforced our product lineup to make it suitable for various facilities and applications while proactively making proposals on lighting design. In the Applied Optics and Environment sector, while the UV curing business saw a decline in sales, net sales and operating income increased overall from the previous fiscal year due to increased orders related to information displays and environmental testing equipment.

I would like to take this opportunity to express my sincere apology for causing a great deal of inconvenience and concern to many of our customers and shareholders as claim-related expenses significantly impacted our financial results for the fiscal year under review. We have already taken Company-wide measures to address individual issues that we feel should be confronted immediately. However, we believe that the underlying issues were the lack of overall optimization due to the division of responsibilities and the principle of excessive self-sufficiency. We will make our utmost effort to further improve quality from the customers' perspective by clarifying persons in charge of each product and establishing a structure where the entire company—encompassing the manufacturing, procurement, design and sales departments—takes responsibility for quality assurance. Based on these measures, we are confident that we will be able to drastically reduce claim-related expenses going forward.

Next, I would like to explain about our future management policies and business expansion plans. The Iwasaki Electric Group will continue to promote our three core 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, we will aim to enhance product development and design proposals. In addition to reinforcing our in-house development capabilities, we will strengthen our ability to procure equipment and devices from outside providers, ensuring that we will be able to promote and provide our products and services in a timely manner. Also, we will work to expand in the field of LED lighting equipment combined with control devices, including peripheral fields, by proposing new technologies that integrate our proprietary technologies with IoT telecommunication technologies. In the Applied Optics and Environment sector, we will strive to create new businesses through the integration and combination of our proprietary and external technologies while expanding businesses related to compound environmental testing equipment. In the Overseas Business sector, we will review the business drastically in light of a decline in sales of lighting-related products for the fiscal year under review. Also, we will promote the provision of regional products and services with a focus on the reinforcement of local distribution networks and global product procurement capabilities.

The Iwasaki Electric Group is setting a goal of breaking away from the principle of self-sufficiency and striving to optimize its workforce. At the same time, we will allocate business resources intensively to R&D and marketing activities in order to improve our corporate value through our lighting and optical technologies. We will create new businesses by combining optics with other technologies, thereby seeking to establish a corporate structure that can continuously grow in the future.

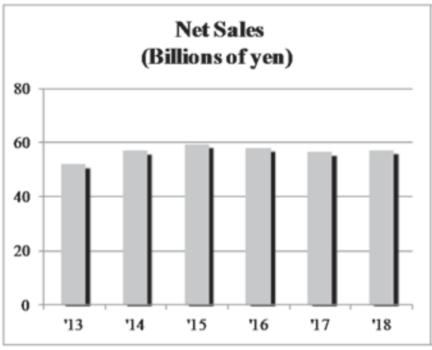
June 2018

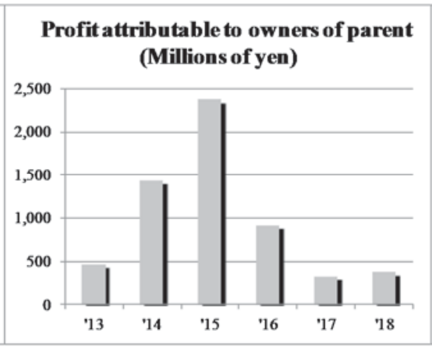
Yoshitake Ito
President and Chief Executive Officer

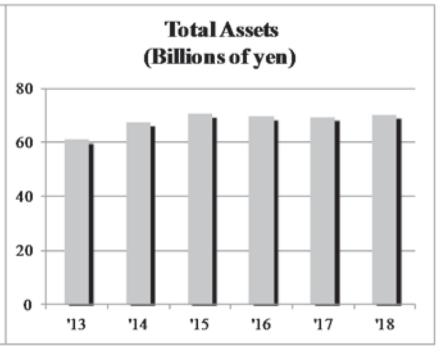
Consolidated Six-Year Summary

	Millions of yen					
	Year ended March 31					
	2013	2014	2015	2016	2017	2018
For the year:						
Net sales	¥52,062	¥57,030	¥59,476	¥58,206	¥56,611	**¥57,328**
Profit attributable to owners of parent	471	1,439	2,371	920	335	**381**
At year-end:						
Total assets	¥60,959	¥67,473	¥70,573	¥69,636	¥69,463	**¥70,300**
Total shareholders' equity[2]	20,799	21,826	25,968	24,722	25,791	**26,342**
Working capital	23,512	23,270	23,381	27,862	25,777	**23,120**
Long-term bank loans, less current portion	4,415	1,890	500	2,350	2,816	**2,500**
Amounts per share:[3]						
Profit attributable to owners of parent	¥6.34	¥19.35	¥31.88	¥12.38	¥44.34	**¥49.31**
Cash dividends	–	2.00	4.00	4.00	4.00	**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 economic conditions in the U.S., Europe and Asia regions are expected to remain robust and the recovery trend of the Japanese economy is likely to continue on the back of strong internal and external demand, there remain uncertainties surrounding the global economy such as the intensification of international trade friction as well as developments in U.S. policies that could negatively affect the export business and corporate earnings.

Under these circumstances, the Iwasaki Electric Group will continue to promote the three core qualitative 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” set out in its Medium-Term Management Plan. In addition, the Company will take measures to address impending quality assurance challenges and strengthen its procurement ability by revamping its organizational structure.

In the Lighting sector, we will focus on the enhancement of product development and design proposals for LED lighting equipment in order to create an optimal lighting environment for customers’ facilities depending on their applications and locations. In terms of product development, we will reorganize our organizational structure for product planning, product development and manufacturing departments while further strengthening our ability to procure equipment and devices from outside providers in order to more quickly respond to market needs for products and services. As for quality assurance, we will endeavor to enhance quality from the customers’ perspective by establishing a structure to reinforce quality assurance at each stage of design, development, manufacturing, sales and service.

By steadily executing the above measures, while striving to maintain and expand market share in the facility lighting and special lighting fields, we will promote research and development activities in order to propose and realize new technologies and solutions by integrating our accumulated proprietary technologies with IoT telecommunication technologies.

In the Applied Optics and Environment sector, the environmental testing business will strive to maintain and expand its business by developing testing instruments and establishing light irradiation systems, which utilize electron beams, UV and other various optical technologies of the Iwasaki Electric Group. Meanwhile, in the UV curing business and the sterilization, disinfection and water treatment-related business, we will work on the development of new applications and the creation of new business fields from a medium- to long-term viewpoint by proactively seeking to combine the Iwasaki Electric Group’s core technologies with peripheral technologies.

In the Overseas Business sector, the LED lighting business will strive to offer products and services that meet market needs by further strengthening its local sales network mainly in Southeast Asia. We will also pursue synergy effects in conjunction with our business development in Japan while further enhancing global procurement. Moreover, we will focus on global market expansion and product proposal across the Group in collaboration with local subsidiaries not only for the LED lighting business but also for the Applied Optics and Environment sector.

The Iwasaki Electric Group will continue to optimize our workforce responding to changes in the market and allocate business resources intensively to research and development activities and marketing activities to improve our corporate value through our lighting and optical technologies and seek to establish a corporate structure that can continuously grow in the future.

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.

(1) Financial Position and Operating Results

During the fiscal year ended March 31, 2018, the U.S. economy remained robust on the back of improvement in the employment and income environment. In the Euro area, the economy continued its modest recovery, supported by resilient consumer spending. In Asia, signs of a rebound were witnessed in the employment and income environment as exports increased in China reflecting the recovery of the global economy. The Japanese economy also remained on a mild recovery path as personal spending as well as capital investment in the corporate sector continued to pick up.

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, we strived to expand market share with a focus on new product development and technology proposals for LED lighting equipment for outdoor and facility use. In the Applied Optics and Environment sector, we focused on new product development and application to new business fields in order to further cultivate the environmental testing-related field and strengthen the UV curing field. However, the Lighting sector was negatively affected by provision for repair claims related to LED lighting equipment which was recorded for the fiscal year under review.

As a result, net sales amounted to ¥57,328 million (a 1.3% increase from ¥56,611 million in the previous fiscal year). Operating income decreased to ¥131 million (an 86.5% decrease from ¥972 million in the previous fiscal year). Ordinary income totaled ¥228 million (a 77.2% decrease from ¥1,002 million in the previous fiscal year). Profit attributable to owners of parent increased to ¥381 million (a 13.6% increase from ¥335 million in the previous fiscal year) due primarily to gain on sales of investment securities posted during the fiscal year under review.

Operating results by business segment are described below.

Lighting Sector

In the Lighting sector, while boosting the product line-up suitable for various facilities and applications with a focus on the outdoor lighting and high ceiling lights markets, we aggressively made proposals on lighting design in conjunction with our products. In Japan, sales increased from the previous year as our high-output LED floodlights were adopted for lighting equipment used in large-scale sports facilities and for nightlight equipment used in municipal sports facilities and sales of LED high ceiling lights and special lights for plant facilities remained strong. In overseas markets, while we launched outdoor LED lighting equipments such as road lamps in Southeast Asia, sales did not expand as much as initially planned. Meanwhile, profit declined from the previous year due to the impact of provision for repair claims amounting to approximately 880 million yen which was recognized for the consolidated fiscal year ended March 2018 in conjunction with defects relating to LED lighting equipment.

As a result, this sector reported sales of ¥41,378 million (a 0.7% increase from ¥41,074 million in the previous fiscal year), and operating income of ¥1,396 million (a 46.5% decrease from ¥2,612 million in the previous fiscal year).

Applied Optics and Environment Sector

The Applied Optics and Environment sector focused on new product development for new xenon testers and compound environmental testing equipment while promoting them to the markets along with existing products, which resulted in increased orders relating to environmental testing equipment mainly for the automotive industry. Consequently, this sector posted robust net sales and operating income.

The UV curing business posted decreased sales as orders for irradiation systems for FPDs (flat panel displays) mainly in overseas markets were lower than in the same period in the previous fiscal year, despite an increase in orders relating to printing equipment as a result of product proposals with a focus on new products such as UV-LED radiators.

In the information equipment business, although sales increased thanks to orders for road information devices and tunnel warning equipment, operating income decreased due to some large-scale orders with a low profit margin.

As a result, this sector reported sales of ¥15,987 million (a 2.6% increase from ¥15,580 million in the previous fiscal year), and operating income of ¥692 million (a 146.3% increase from ¥280 million in the previous fiscal year).

Total assets as of March 31, 2018 totaled ¥70,300 million, an increase of ¥837 million compared to the previous fiscal year-end.

Current Assets

Current assets as of March 31, 2018 totaled ¥45,866 million, an increase of ¥622 million compared to the previous fiscal year-end.

The major factors were an increase of ¥937 million in inventories, an increase of ¥230 million in trade notes and accounts receivable and electronically recorded monetary claims - operating, an increase of ¥104 million in deferred tax assets, and a decrease of ¥647 million in cash and deposits.

Noncurrent Assets

Noncurrent assets as of March 31, 2018 totaled ¥24,434 million, an increase of ¥214 million compared to the previous fiscal year-end.

The major factors were an increase of ¥327 million in intangible assets mainly due to the updating of systems, and a decrease of ¥204 million in investment securities held and other assets due mainly to the sales of some shares.

While property, plant and equipment increased ¥1,439 million due to the completion of the construction of a new technology development building (Iwasaki Electric Techno Center) during the consolidated fiscal year ended March 2018, the investment relating to this construction had commenced in the previous fiscal year and was posted as construction in progress. As a result, construction in progress for the fiscal year under review decreased ¥1,132 million due primarily to the transfer of the relevant amount from construction in progress to property, plant and equipment.

Current Liabilities

Current liabilities as of March 31, 2018 totaled ¥22,746 million, an increase of ¥3,279 million compared to the previous fiscal year-end.

The major factors were an increase of ¥2,783 million in the current portion of corporate bonds and long-term loans payable and an increase of ¥658 million in trade notes and accounts payable and electronically recorded obligations - operating.

Noncurrent Liabilities

Noncurrent liabilities as of March 31, 2018 totaled ¥21,200 million, a decrease of ¥3,003 million, compared to the previous fiscal year-end.

The major factor was a net decrease of ¥2,916 million in corporate bonds and long-term loans payable as the proceeds of ¥1,500 million from new long-term loans were more than offset by the transfer of ¥4,416 million as a result of the transfer of corporate bonds and long-term loans payable to the current liabilities category.

Net Assets

Net assets as of March 31, 2018 totaled ¥26,353 million, an increase of ¥561 million compared to the previous fiscal year-end.

The major factors under shareholders' equity were: an increase of ¥221 million in retained earnings as a result of recording of profit attributable to owners of parent of ¥381 million, reversal of revaluation reserve for land of ¥152 million, and payment of dividends of ¥312 million.

The major factors under the accumulated other comprehensive income category were: an increase of ¥314 million in remeasurements of defined benefit plans, an increase of ¥116 million in valuation difference on available-for-sale securities, and a decrease of ¥152 million in revaluation reserve for land due to the transfer of the amount to retained earnings following reversal of revaluation reserve for land. Consequently, accumulated other comprehensive income resulted in a net increase of ¥331 million.

(2) Cash Flows

Cash and cash equivalents as of March 31, 2018 decreased by ¥498 million from the previous fiscal year to ¥14,284 million.

Cash flows from operating activities

Operating activities in the current fiscal year resulted in a net cash inflow of ¥977 million for the year ended March 31, 2018 (net cash inflow of ¥957 million in the previous fiscal year).

The main factors were ¥1,748 million in depreciation expense and an increase of ¥980 million in inventories.

Cash flows from investment activities

Net cash used in investment activities amounted to ¥847 million for the year ended March 31, 2018 (net cash outflow of ¥2,445 million in the previous fiscal year).

The major factors were proceeds of ¥1,139 million from sales of investment securities (an increase of ¥1,048 million compared to the previous fiscal year) and payment of ¥1,891 million for the purchase of property, plant and equipment (a decrease of ¥664 million compared to the previous fiscal year) due mainly to the investment in construction of a building for technology development (Iwasaki Electric Techno Center) which was completed during the fiscal year ended March 2018.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥598 million for the year ended March 31, 2018 (net cash outflow of ¥324 million in the previous fiscal year).

The major factor for this result was payment of dividends of ¥312 million.

Net cash used for loans amounted to ¥183 million due to net increase (decrease) in long-term and short-term loans payable and corporate bonds as a result of the refinancing of long-terms loans 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 2018.

(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.

There were no changes in accounting policies and financial estimations during the fiscal year under review.

(2) Recognition, Analysis and Discussion of Operating Results, etc. for the Fiscal Year Ended March 2018

With regard to the Operating Results, etc. of the Iwasaki Electric Group for the fiscal year ended March 2018, the defects relating to LED lighting equipment significantly affected profit and loss as stated in 2. (1) above.

As for repair expenses to fix the defects, provision for repair claims of approximately ¥880 million was recorded as the provision for anticipated repair work in the future.

While such accounting treatments for repair expenses have impacted gross profit or other earnings figures as they were recorded as cost of sales, the expenses had been posted as extraordinary loss until the previous fiscal year. Amid the shift of mainstay products for the Lighting sector from conventional HID lamps to LED lights, the Lighting sector came to consider repair expenses as a cost of sales to a certain extent and include them within sales expenses corresponding to net sales in line with drastic changes in the business environment such as the shortening product life cycle.

As for profit and loss by segment, profit in the Lighting sector declined 46.5% from the previous fiscal year as repair expenses were included in cost of sales for the Lighting sector. Meanwhile, profit in the Applied Optics and Environment sector for the fiscal year ended March 2018 increased 146.3% from the previous fiscal year. However, since profit for the previous fiscal year had decreased due to the effects of a loss on inventory valuation, profit for the current fiscal year increased slightly compared with the previous fiscal year excluding such effects.

In light of the defects relating to LED lighting equipment, we have established a structure to reinforce quality assurance at each stage of design, development, manufacturing, sales and service across the Group to address quality control issues.

In the Overseas Business sector, overseas sales on the whole for the fiscal year ended March 2018 declined from the previous fiscal year reflecting sluggish sales in North America in particular. As part of its efforts to expand business through strategic product launches targeting key overseas markets, the Iwasaki Electric Group launched outdoor LED lighting products in Southeast Asia. We will continue to offer products and services that meet market needs by further strengthening local sales network mainly in Southeast Asia in the future.

On the financial front, the construction of the Iwasaki Electric Techno Center (also known as HIKARIUM), a new technology development hub within the Saitama Plant, was completed in October 2017.

As a base of technology development that brings together the Iwasaki Electric Group's technology departments including research and development and design teams, "HIKARIUM" will take the lead in increasing synergy effects and strengthening collaboration with product planning and business strategy departments by accelerating the sharing of cross-functional technical insights and information, collaboration with leading vendors (partners) both inside and outside Japan, and product development on a global scale.

As this construction was funded by cash on hand, the balance of corporate bonds and loans payable as of March 31, 2018 totaled ¥7,786 million, a decrease of ¥183 million compared to the previous fiscal year-end.

In light of its capital investment plans for the next fiscal year, the Group plans to focus on investment aimed mainly at rationalization of production.

4. Important Business Agreements

Not Applicable.

Consolidated Balance Sheet

At March 31, 2018 and 2017

ASSETS

	Millions of yen	
	March 31, 2018	March 31, 2017
Current assets		
Cash and deposits (Notes 19 and 23)	¥ 14,285	¥ 14,933
Notes and accounts receivable - trade (Note 12 and 23)	14,311	14,517
Electronically recorded monetary claims - operating (Note 12 and 23)	2,132	1,696
Merchandise and finished goods	6,930	6,310
Work in process	1,550	1,745
Raw materials and supplies	4,898	4,385
Deferred tax assets (Note 6)	986	882
Other	800	818
Allowance for doubtful accounts	(29)	(44)
Total current assets	45,866	45,243
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (Note 10)	15,991	14,694
Machinery, equipment and vehicles (Note 10)	15,112	15,390
Tools, furniture and fixtures	8,045	7,983
Land (Notes 10 and 11)	9,622	9,953
Leased assets (Note 20)	136	156
Construction in progress	164	1,296
	49,071	49,474
Accumulated depreciation	(31,216)	(31,713)
Property, plant and equipment, net	17,854	17,760
Intangible assets		
Software	927	707
Other	335	228
Intangible assets, net	1,263	935
Investments and other assets		
Investment securities (Notes 3, 9 and 23)	4,554	4,759
Deferred tax assets (Note 6)	365	358
Other	415	421
Allowance for doubtful accounts	(19)	(17)
Total investments and other assets	5,316	5,523
Total noncurrent assets	24,434	24,219
Total assets	¥ 70,300	¥ 69,463

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet

At March 31, 2018 and 2017

LIABILITIES AND NET ASSETS

	Millions of yen	
	March 31, 2018	March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade (Note 23)	¥ 10,262	¥ 9,767
Electronically recorded obligations - operating (Note 23)	2,882	2,719
Short-term loans payable (Notes 4 and 23)	970	1,020
Current portion of bonds (Notes 4, 10 and 23)	2,600	1,000
Current portion of long-term loans payable (Notes 4, 10 and 23)	1,716	533
Income taxes payable	370	299
Accrued consumption taxes	64	150
Provision for employees' bonuses	618	621
Provision for repair claims	628	313
Other	2,632	3,040
Total current liabilities	22,746	19,466
Noncurrent liabilities		
Bonds payable (Notes 4, 10 and 23)	–	2,600
Long-term loans payable (Notes 4, 10 and 23)	2,500	2,816
Deferred tax liabilities (Note 6)	881	875
Deferred tax liabilities for land revaluation (Note 11)	1,208	1,275
Liability for retirement benefits (Note 21)	13,661	13,774
Asset retirement obligations (Note 5)	77	77
Other	2,871	2,784
Total noncurrent liabilities	21,200	24,204
Total liabilities	43,946	43,671
Commitments and contingent liabilities (Note 22)		
Net assets (Note 18)		
Shareholders' equity (Note 8)		
Common stock: Authorized: 239,000,000 shares as of March 31, 2017 23,900,000 shares as of March 31, 2018 Issued: 78,219,507 shares as of March 31, 2017 7,821,950 shares as of March 31, 2018	8,640	8,640
Capital surplus	2,069	2,069
Retained earnings	13,169	12,947
Treasury stock	(139)	(137)
Total shareholders' equity	23,739	23,520
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,875	1,758
Revaluation reserve for land	2,531	2,684
Foreign currency translation adjustment	(88)	(141)
Retirement benefits liability adjustments	(1,714)	(2,029)
Total accumulated other comprehensive income	2,603	2,271
Non-controlling interests	11	–
Total net assets	26,353	25,791
Total liabilities and net assets	¥ 70,300	¥ 69,463

See accompanying notes to consolidated financial statements.

Consolidated Statement of Income

Years ended March 31, 2018 and 2017

	Millions of yen	
	Year ended March 31, 2018	Year ended March 31, 2017
Net sales	¥ 57,328	¥ 56,611
Cost of sales (Note 13)	41,874	40,204
Gross profit	15,454	16,406
Selling, general and administrative expenses (Note 14)	15,322	15,434
Operating income	131	972
Other income (Note 15)		
Interest and dividend income	111	107
Foreign exchange gains	–	27
Equity in earnings of affiliates	42	–
Gain on sales of noncurrent assets	19	69
Gain on sales of investment securities	700	35
Other	128	130
Total other income	1,001	372
Other expenses (Note 16)		
Interest expenses	124	117
Equity in losses of affiliates	–	99
Foreign exchange losses	51	–
Loss on sale and retirement of noncurrent assets	269	24
Provision for repair claims	–	283
Loss on reversal of foreign currency translation adjustment due to liquidation of subsidiaries and affiliates	49	–
Other	8	23
Total other expenses	503	548
Profit before income taxes	629	796
Income taxes (Note 6)		
Income taxes - current	485	448
Income taxes - deferred	(242)	(10)
Total income taxes	243	438
Profit	385	357
Profit attributable to non-controlling interests	4	21
Profit attributable to owners of parent	¥ 381	¥ 335

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Years ended March 31, 2018 and 2017

	Millions of yen	
	Year ended March 31, 2018	Year ended March 31, 2017
Profit	¥ 385	¥ 357
Other comprehensive income (Note 17)		
Valuation difference on available-for-sale securities	116	382
Foreign currency translation adjustments	35	(269)
Retirement benefits liability adjustments	314	480
Share of other comprehensive income of associates accounted for by equity method	17	(23)
Total other comprehensive income	484	569
Comprehensive income	870	927
Comprehensive income attributable to:		
Owners of parent	866	892
Non-controlling interests	¥ 4	¥ 34

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Years ended March 31, 2018 and 2017

	Number of shares of common stock issued	Millions of yen				
		Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
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	(70,397,557)	–	–	–	–	–
Balance at March 31, 2018	7,821,950	¥8,640	¥2,069	¥13,169	(¥139)	¥23,739

	Millions of yen						
	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Retirement benefits liability adjustments	Total valuation and translation adjustments		
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
Balance at March 31, 2018	¥1,875	¥2,531	(¥88)	(¥1,714)	¥2,603	¥11	¥26,353

	Number of shares of common stock issued	Millions of yen				
		Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2016	78,219,507	¥8,640	¥2,016	¥13,231	(¥913)	¥22,974
Dividends of surplus	–	–	–	(297)	–	(297)
Profit attributable to owners of parent	–	–	–	335	–	335
Purchase of treasury shares	–	–	–	–	(124)	(124)
Disposal of treasury shares	–	–	(354)	–	900	546
Reversal of revaluation reserve for land	–	–	–	32	–	32
Transfer to capital surplus from retained earnings	–	–	354	(354)	–	–
Change in treasury shares of parent arising from transactions with non-controlling interests	–	–	53	–	–	53
Net changes of items other than shareholders' equity	–	–	–	–	–	–
Balance at March 31, 2017	78,219,507	¥8,640	¥2,069	¥12,947	(¥137)	¥23,520

	Millions of yen						
	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Retirement benefits liability adjustments	Total valuation and translation adjustments		
Balance at April 1, 2016	¥1,377	¥2,716	¥163	(¥2,509)	¥1,747	¥1,236	¥25,958
Dividends of surplus	–	–	–	–	–	–	(297)
Profit attributable to owners of parent	–	–	–	–	–	–	335
Purchase of treasury shares	–	–	–	–	–	–	(124)
Disposal of treasury shares	–	–	–	–	–	–	546
Reversal of revaluation reserve for land	–	–	–	–	–	–	32
Transfer to capital surplus from retained earnings	–	–	–	–	–	–	–
Change in treasury shares of parent arising from transactions with non-controlling interests	–	–	–	–	–	–	53
Net changes of items other than shareholders' equity	381	(32)	(305)	480	524	(1,236)	(712)
Balance at March 31, 2017	¥1,758	¥2,684	(¥141)	(¥2,029)	¥2,271	¥–	¥25,791

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years ended March 31, 2018 and 2017

	Millions of yen	
	Year ended March 31, 2018	Year ended March 31, 2017
Cash flows from operating activities:		
Profit before income taxes	¥ 629	¥ 796
Adjustments to reconcile profit to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,748	1,511
Increase (decrease) in provision for employee's bonuses	(3)	(124)
Increase (decrease) in allowance for doubtful accounts	(12)	(2)
Increase (decrease) in liability for retirement benefits	(113)	(112)
Interest and dividend income	(111)	(108)
Interest expenses	124	117
Foreign exchange losses (gains)	32	0
Loss (gain) on sales and retirement of property, plant and equipment	250	(45)
Equity in (earnings) losses of affiliates	(42)	99
Loss (gain) on sales of investment securities	(700)	(35)
Changes in assets and liabilities:		
Decrease (increase) in notes and accounts receivable - trade	(244)	(775)
Decrease (increase) in inventories	(980)	565
Increase (decrease) in notes and accounts payable - trade	657	(364)
Other	142	23
Subtotal	1,377	1,544
Interest and dividends income received	118	115
Interest expenses paid	(122)	(115)
Income taxes paid	(395)	(587)
Net cash provided by operating activities	977	957
Cash flows from investing activities:		
Purchases of property, plant and equipment	(1,891)	(2,555)
Proceeds from sales of property, plant and equipment	221	162
Purchases of intangible assets	(459)	(435)
Purchases of investment securities	(19)	(98)
Proceeds from sales of investment securities	1,139	91
Other	160	390
Net cash used in investing activities	(847)	(2,445)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	(50)	(100)
Proceeds from long-term loans payable	1,500	1,000
Repayment of long-term loans payable	(633)	(33)
Redemption of bonds	(1,000)	–
Proceeds from sales of treasury shares	–	546
Purchases of treasury shares	(2)	(124)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(1,195)
Cash dividends paid	(312)	(297)
Dividends paid to non-controlling interests	–	(22)
Other	(99)	(97)
Net cash used in financing activities	(598)	(324)
Effect of exchange rate changes on cash and cash equivalents	(30)	(102)
Net increase (decrease) in cash and cash equivalents	(498)	(1,914)
Cash and cash equivalents at the beginning of the year	14,783	16,697
Cash and cash equivalents at the end of the year (Note 19)	¥ 14,284	¥ 14,783

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

At March 31, 2018 and 2017

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, 2017 to the 2018 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, 2018, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 24 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.

Aishin Co., Ltd. and EYE LIGHTING EUROPE LTD. were excluded from consolidation for the fiscal year ended March 2018 as the companies were liquidated 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, 2018 and 2017, 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) 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.

(p) 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

(q) Consumption taxes

Consumption taxes are calculated by the tax exclusion method.

2. Accounting Standards Issued But Not Yet Effective

- "Implementation Guidance on Tax Effect Accounting" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 28, revised February 16, 2018)
- "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, last revised February 16, 2018)

(1) Overview

Implementation Guidance on Tax Effect Accounting, etc. was amended in light of the transfer of the practical guidelines for tax effect accounting issued by the Japanese Institute of Certified Public Accountants (JICPA) to the Accounting Standards Board of Japan (ASBJ). While the basic contents of the practical guidelines were followed by the Implementation Guidance, the following treatments were reviewed as deemed necessary.

(Major accounting treatments subject to the review)

- Treatment of future temporary differences arising on shares of subsidiaries, etc. in non-consolidated financial statements
- Treatment of recoverability of deferred tax assets for companies classified as (Category 1)

(2) Scheduled date of adoption

The Company will apply the implementation guidance effective from the beginning of the fiscal year ending March 31, 2019.

(3) Impact of adopting the implementation guidance

The Company is currently evaluating the impact of adopting the implementation guidance on its consolidated financial statements.

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

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly developed a comprehensive accounting standard for revenue recognition and issued "Revenue from Contracts with Customers" (IFRS 15 by the IASB and Topic 606 by the FASB) in May 2014. In light of the adoption of IFRS 15 from fiscal years commencing on or after January 1, 2018 and Topic 606 from fiscal years commencing after December 15, 2017, the ASBJ developed a comprehensive accounting standard for revenue recognition and issued it along with the implementation guidance.

The basic policy for the development of the Accounting Standard for Revenue Recognition by the ASBJ is to set out the accounting standard by incorporating the basic principles of IFRS 15 as a starting point from the perspective of comparability among financial statements as one of the benefits of ensuring consistency with IFRS 15. In addition, in cases where there are items for which consideration must be paid to general practices, etc. that have been conducted in Japan, alternative treatments shall be introduced to the extent that comparability is not impaired.

(2) Scheduled date of adoption

The Company will apply the accounting standards, etc. effective from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of adopting the accounting standards, etc.

The Company is currently evaluating the impact of adopting the accounting standards, etc. on its consolidated financial statements.

3. Securities and Investment Securities

Information regarding securities and investment securities classified as available-for-sale securities with fair market value at March 31, 2018 and 2017 is summarized as follows:

	Millions of yen					
	March 31, 2018			March 31, 2017		
	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	¥1,108	¥3,794	¥2,686	¥1,472	¥3,989	¥2,516
Debt securities						
Government bonds	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Other	–	–	–	–	–	–
Other	–	–	–	–	–	–
Subtotal	1,108	3,794	2,686	1,472	3,989	2,516
Securities whose acquisition cost exceeds their carrying amount (fair market value):						
Equity securities	–	–	–	66	63	(3)
Debt securities						
Government bonds	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Other	–	–	–	–	–	–
Other	–	–	–	–	–	–
Subtotal	–	–	–	66	63	(3)
Total	¥1,108	¥3,794	¥2,686	¥1,539	¥4,052	¥2,513

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 years ended March 31, 2018 and March 31, 2017, 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, 2018 and the year ended March 31, 2017 is summarized as follows:

	Millions of yen					
	March 31, 2018			March 31, 2017		
	Proceeds from sales	Gross realized gain	Gross realized loss	Proceeds from sales	Gross realized gain	Gross realized loss
Equity securities	¥1,141	¥700	–	¥88	¥35	–
Debt securities						
Government bonds	–	–	–	–	–	–
Corporation bonds	–	–	–	–	–	–
Other	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total	¥1,141	¥700	–	¥88	¥35	–

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

Short-term loans from banks at an average interest rate of 0.51% amounted to ¥970 million and ¥1,020 million at March 31, 2018 and 2017, respectively.

Long-term loans, lease obligations and deposits received classified as other long-term liabilities with interest at March 31, 2018 and 2017 consisted of the following:

	Millions of yen	
	March 31, 2018	March 31, 2017
Loans, principally from banks, maturing in installments through 2022 with an average interest rate of 1.11%	¥4,216	¥3,350
Less current portion of loans	(1,716)	(533)
Net	2,500	2,816
Lease obligations	357	201
Less current portion of lease obligations	(99)	(72)
Net	258	128
Deposits received with an average interest rate of 2.12%	2,517	2,542
Total	¥5,275	¥5,488

The annual maturities of long-term loans and lease obligations subsequent to March 31, 2018 are summarized as follows:

	Long-term loans	Lease obligations
	Millions of yen	Millions of yen
Year ending March 31,		
2020	¥1,300	¥87
2021	700	75
2022	300	67
2023 and thereafter	200	27

Bonds payable at March 31, 2018 and 2017 consisted of the following:

Name of company	Issue	Date of issue	Millions of yen		Interest rate (%)	Collateral	Maturity date
			March 31, 2018	March 31, 2017			
Iwasaki Electric Co., Ltd.	20th Unsecured straight bond	November 28, 2014	¥–	¥400 (400)	0.78	N.A.	November 30, 2017
Iwasaki Electric Co., Ltd.	21st Unsecured straight bond	November 28, 2014	–	400 (400)	0.38	N.A.	November 30, 2017
Iwasaki Electric Co., Ltd.	22nd Unsecured straight bond	November 28, 2014	–	200 (200)	0.45	N.A.	November 28, 2017
Iwasaki Electric Co., Ltd.	23rd Unsecured straight bond	September 30, 2015	250 (250)	250	0.41	N.A.	September 28, 2018
Iwasaki Electric Co., Ltd.	24th Unsecured straight bond	October 5, 2015	1,200 (1,200)	1,200	0.73	N.A.	October 5, 2018
Iwasaki Electric Co., Ltd.	25th Unsecured straight bond	October 9, 2015	900 (900)	900	0.31	N.A.	October 9, 2018
Iwasaki Electric Co., Ltd.	26th Unsecured straight bond	October 30, 2015	250 (250)	250	0.76	N.A.	October 31, 2018
Total	–	–	¥2,600 (2,600)	¥3,600 (1,000)	–	–	–

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

2. Scheduled redemption amounts over 5 years subsequent to March 31, 2018 are summarized as follows:

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)
¥2,600	¥–	¥–	¥–	¥–

5. 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, 2017 and March 31, 2018 accounted for less than 1% of total liabilities and net assets at the beginning and the end of the fiscal year.

6. 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, 2018 and 2017 were as follows:

	Millions of yen	
	March 31, 2018	March 31, 2017
Deferred tax assets:		
Loss carried forward for tax purposes	¥734	¥718
Liability for retirement benefits	3,655	3,621
Other	1,145	1,121
Gross deferred tax assets	5,535	5,461
Valuation allowance	(4,143)	(4,184)
Total deferred tax assets	1,392	1,277
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	(817)	(752)
Other	(103)	(160)
Gross deferred tax liabilities	(921)	(912)
Net deferred tax assets	¥470	¥365

Note: Net deferred tax assets for the years ended March 31, 2018 and 2017 were included in the following items on the consolidated balance sheets.

	Millions of yen	
	March 31, 2018	March 31, 2017
Current assets - Deferred tax assets	¥986	¥882
Investments and other assets - Deferred tax assets	365	358
Noncurrent liabilities - Deferred tax liabilities	(881)	(875)

(2) The reconciliation of the Japanese statutory tax rate and the effective tax rate applicable to the Company for the years ended March 31, 2018 and 2017 was as follows:

	Year ended March 31, 2018	Year ended March 31, 2017
Japanese statutory tax rate	30.9%	30.9%
(Adjustments)		
Permanent non-deductible differences, including entertainment, etc.	4.7	12.2
Permanent non-taxable differences, including dividend income	(5.7)	(10.7)
Inhabitants taxes per capita, etc.	10.2	8.0
Changes in valuation allowance	(6.5)	16.6
Special deduction amount for income taxes	(5.2)	(2.6)
Differences in tax rate from overseas subsidiaries	(3.4)	1.8
Revision of deferred tax assets at fiscal year-end due to the change in tax rate	16.1	–
Other	(2.4)	(1.1)
Effective tax rate	38.7	55.1

(3) Changes in amounts of deferred tax assets and deferred tax liabilities as a result of the change in corporate income tax rate, etc.
Following the enactment of the U.S. tax reform legislation on December 22, 2017, the federal corporate income tax rate, etc. will be lowered effective January 1, 2018. As a result of this tax reform, the federal corporate income tax rate to be applied to the Group's subsidiaries in the U.S. has been changed from 35% to 21%.

The changes in the tax rate resulted in a ¥101 million decrease in deferred tax assets (amount after deducting deferred tax liabilities) and a ¥101 million increase in income taxes - deferred as of and for the year ended March 31, 2018.

7. Rental Properties
For the years ended March 31, 2018 and 2017
No description is provided because the total amount of rental properties is immaterial.

8. 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.

9. Investments in Affiliates
Investments in affiliates at March 31, 2018 and 2017 amounted to ¥490 million and ¥438 million, respectively, and are accounted for principally by the equity method.

10. Pledged Assets and Secured Liabilities
A summary of assets pledged as collateral and secured liabilities at March 31, 2018 and 2017 is presented below:

	Millions of yen	
	March 31, 2018	March 31, 2017
Pledged assets		
Buildings and structures	¥2,206	¥642
Machinery, equipment and vehicles	302	325
Land	2,579	2,579
Total	¥5,088	¥3,547
Secured liabilities		
Current portion of bonds	¥2,100	¥800
Bonds payable	–	2,100
Current portion of long-term loans payable	180	–
Long-term loans payable	1,359	700
Total	¥3,639	¥3,600

11. 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, 2018 and 2017 of land revalued pursuant to Article 10 of the law were ¥2,277 million and ¥2,467 million, respectively.

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

12. 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, 2018	March 31, 2017
Notes receivable - trade	¥319	–
Electronically recorded monetary claims - operating	160	–

13. Cost of Sales

Loss on valuation of inventories of ¥249 million and ¥380 million, net of the amount of the reversal, was included in cost of sales for the years ended March 31, 2018 and 2017, respectively after writing down the carrying values to reflect declines in profitability.

14. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2018 and 2017 were as follows. The figures in the following table have been offset against reversals.

	Millions of yen	
	Year ended March 31, 2018	Year ended March 31, 2017
Salaries	¥5,634	¥5,655
Packing and transportation costs	1,760	1,743
Provision for employees’ retirement benefits	664	764
Provision for employees’ bonuses	335	342
Provision (reversal) of allowance for doubtful accounts	(0)	(1)

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2018 and 2017 amounted to ¥457 million and ¥419 million, respectively.

15. Other Income

Gain on sales of noncurrent assets for the years ended March 31, 2018 and 2017 were summarized as follows:

	Millions of yen	
	Year ended March 31, 2018	Year ended March 31, 2017
Machinery, equipment and vehicles	¥19	¥26
Tools, furniture and fixtures	–	0
Land	–	20
Other	–	22
Total	¥19	¥69

16. Other Expenses

Loss on sales and retirement of noncurrent assets for the years ended March 31, 2018 and 2017 were summarized as follows:

	Millions of yen	
	Year ended March 31, 2018	Year ended March 31, 2017
Buildings and structures	¥127	¥14
Machinery, equipment and vehicles	2	6
Tools, furniture and fixtures	2	2
Land	135	–
Other	2	1
Total	¥269	¥24

17. Statement of Comprehensive Income

Reclassification adjustments relating to other comprehensive income for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen	
	Year ended March 31, 2018	Year ended March 31, 2017
Valuation difference on available-for-sale securities:		
Amount arising during the year	¥881	¥579
Reclassification adjustments for gain (loss) included in profit	(700)	(35)
Total	181	543
Foreign currency translation adjustment:		
Amount arising during the year	35	(269)
Reclassification adjustments for gain (loss) included in profit	–	–
Total	35	(269)
Retirement benefits liability adjustments:		
Amount arising during the year	121	191
Reclassification adjustments for gain (loss) included in profit	193	288
Total	314	480
Share of other comprehensive income of affiliates accounted for using the equity method:		
Amount arising during the year	17	(23)
Total amount before income taxes	550	730
Income taxes	(65)	(160)
Total other comprehensive income	¥484	¥569

Tax effects relating to other comprehensive income for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen	
	March 31, 2018	March 31, 2017
Valuation difference on available-for-sale securities		
Before tax effect	¥181	¥543
Tax effect	(65)	(160)
After tax effect	116	382
Foreign currency translation adjustment		
Before tax effect	35	(269)
Tax effect	–	–
After tax effect	35	(269)
Retirement benefits liability adjustments		
Before tax effect	314	480
Tax effect	–	–
After tax effect	314	480
Share of other comprehensive income of affiliates accounted for using the equity method		
Before tax effect	17	(23)
Tax effect	–	–
After tax effect	17	(23)
Total other comprehensive income		
Before tax effect	550	730
Tax effect	(65)	(160)
After tax effect	¥484	¥569

18. 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, 2018

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

Notes: 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).

For the year ended March 31, 2017

	Number of shares (Thousand)			
	April 1, 2016	Increase	Decrease	March 31, 2017
Type of issued shares				
Common stock	78,219	–	–	78,219
Total	78,219	–	–	78,219
Type of treasury stock				
Common stock (Notes)	3,856	805	3,800	861
Total	3,856	805	3,800	861

Notes: 1. The increase of 805,000 common shares in treasury stock was due to an increase of 800,000 shares by the acquisition by the Board Benefit Trust (BBT) and an increase of 5,000 shares by the repurchase of fractional shares.

2. The decrease of 3,800,000 common shares in treasury stock was a decrease of 3,000,000 shares due to private allocation of treasury shares to Minebea Co., Ltd. (renamed Minebea Mitsumi Inc. on January 27, 2017), a decrease of 800,000 shares by selling treasury shares to the Board Benefit Trust (BBT) by private allocation, and a decrease of less than 1,000 shares by sales of treasury shares to increase the fractional shares held by shareholders to one trading unit.

3. The number of treasury shares as of March 31, 2017 includes 800,000 shares held by the Board Benefit Trust (BBT).

(b) Matters related to dividends

1. Amount of dividends

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.

For the year ended March 31, 2017

(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, 2016	Common stock	¥297	¥4	March 31, 2016	June 29, 2016

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, 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).

For the year ended March 31, 2017

(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 28, 2017	Common stock	¥312	Retained earnings	¥4	March 31, 2017	June 29, 2017

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

19. Supplemental Cash Flow Information

A reconciliation of cash and cash equivalents at March 31, 2018 and 2017 to cash and deposits in the accompanying consolidated balance sheets was as follows:

	Millions of yen	
	March 31, 2018	March 31, 2017
Cash and deposits	¥14,285	¥14,933
Time deposits with maturity in excess of three months	(1)	(149)
Cash and cash equivalents	¥14,284	¥14,783

20. 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.

21. 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, 2018	Year ended March 31, 2017
Retirement benefit obligations at April 1	¥15,590	¥15,726
Service costs	690	698
Actuarial loss	(84)	(122)
Retirement benefits paid	(476)	(712)
Retirement benefit obligations at March 31	¥15,720	¥15,590

(2) The changes in plan assets

	Millions of yen	
	Year ended March 31, 2018	Year ended March 31, 2017
Plan assets at April 1	¥3,084	¥2,894
Expected return on plan assets	106	67
Actuarial gain	36	68
Contributions by the Company	367	368
Retirement benefits paid	(235)	(314)
Plan assets at March 31	¥3,359	¥3,084

(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, 2018	March 31, 2017
Funded retirement benefit obligations	¥6,102	¥6,098
Plan assets	(3,359)	(3,084)
	2,743	3,013
Unfunded retirement benefit obligations	9,617	9,491
Net liability for retirement benefits in the consolidated balance sheet	12,360	12,505
Liability for retirement benefits	12,360	12,505
Net liability for retirement benefits in the consolidated balance sheet	¥12,360	¥12,505

(4) The components of retirement benefit expenses

	Millions of yen	
	Year ended March 31, 2018	Year ended March 31, 2017
Service costs	¥690	¥698
Expected return on plan assets	(106)	(67)
Amortization of actuarial loss	190	286
Amortization of prior service costs	3	2
Retirement benefit expenses	¥777	¥920

(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, 2018	Year ended March 31, 2017
Prior service costs	¥3	¥2
Actuarial loss	311	477
Total	¥314	¥480

(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, 2018	March 31, 2017
Unrecognized prior service costs	¥12	¥16
Unrecognized actuarial loss	1,701	2,013
Total	¥1,714	¥2,029

(7) Plan assets

(i) Major components of plan assets

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

	%	
	March 31, 2018	March 31, 2017
General accounts	46%	45%
Stocks	25	26
Bonds	28	23
Others	1	6
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, 2018	Year ended March 31, 2017
Discount rate	0.0%	0.0%
Long-term expected return on plan assets	3.5%	2.3%
Anticipated salary increase rate	0.0%–3.7%	0.0%–3.4%

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, 2018	Year ended March 31, 2017
Liability for retirement benefits at April 1	¥1,269	¥1,246
Retirement benefit expenses	102	136
Retirement benefits paid	(25)	(48)
Plan contributions	(45)	(65)
Liability for retirement benefits at March 31	¥1,300	¥1,269

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

	Millions of yen	
	March 31, 2018	March 31, 2017
Funded retirement benefit obligations	¥504	¥490
Plan assets	(372)	(335)
	131	154
Unfunded retirement benefit obligations	1,169	1,114
Net liability for retirement benefits in the consolidated balance sheet	1,300	1,269
Liability for retirement benefits	1,300	1,269
Net liability for retirement benefits in the consolidated balance sheet	¥1,300	¥1,269

(3) Retirement benefit expenses

	Millions of yen	
	Year ended March 31, 2018	Year ended March 31, 2017
Retirement benefit expenses calculated using the simplified method	¥102	¥136

4. Defined contribution plan

Required amounts of contribution to the defined contribution plan for consolidated subsidiaries were ¥35 million for the year ended March 31, 2018 and ¥36 million for the year ended March 31, 2017.

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 ¥201 million for the year ended March 31, 2018 and ¥200 million for the year ended March 31, 2017.

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

	Millions of yen	
	March 31, 2017	March 31, 2016
Plan assets at fair value	¥127,443	¥122,897
Actuarial obligations for the pension financing accounting	149,315	152,503
Projected benefit obligations in excess of plan assets	¥(21,871)	¥(29,605)

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

For the year ended March 31, 2017 3.68%

For the year ended March 31, 2016 3.44%

(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 (¥20,384 million for the year ended March 31, 2018 and ¥21,959 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.

22. 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, 2018 and 2017 were as follows:

	Millions of yen	
	March 31, 2018	March 31, 2017
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, 2018:
To maintain net assets of at least ¥19.3 billion on the consolidated balance sheet at the end of each fiscal year and second quarter.

23. 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, 2018 and 2017 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, 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	¥–	¥–	¥–

At March 31, 2017

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	¥14,933	¥14,933	¥–
(2) Notes and accounts receivable - trade	14,517	14,517	–
(3) Electronically recorded monetary claims - operating	1,696	1,696	–
(4) Investment securities	4,052	4,052	–
Total assets	¥35,199	¥35,199	¥–
(5) Notes and accounts payable - trade	¥9,767	¥9,767	¥–
(6) Electronically recorded obligations - operating	2,719	2,719	–
(7) Short-term loans payable	1,020	1,020	–
(8) Bonds payable	3,600	3,612	12
(9) Long-term loans payable	3,350	3,384	34
Total liabilities	¥20,456	¥20,503	¥47
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 "3. 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 "24. Derivatives."

2) Financial instruments whose fair values are not readily determinable at March 31, 2018 and 2017 are as follows:

Category	Millions of yen	
	March 31, 2018	March 31, 2017
Unlisted equity securities	¥680	¥620
Investments in limited liability partnership	¥79	¥86

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, 2018 and 2017 are summarized as follows:

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	¥–

At March 31, 2017

	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	¥14,933	¥–
(2) Notes and accounts receivable - trade	14,517	–
(3) Electronically recorded monetary claims - operating	1,696	–
Total	¥31,146	¥–

4) Bonds payable, long-term loans payable and other interest-bearing liabilities with repayment dates subsequent to March 31, 2018 and 2017 are summarized as follows:

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	¥–

At March 31, 2017

	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	¥1,020	¥–	¥–	¥–	¥–	¥–
Bonds payable	1,000	2,600	–	–	–	–
Long-term loans payable	533	1,416	1,000	400	–	–
Total	¥2,553	¥4,016	¥1,000	¥400	¥–	¥–

24. Derivatives

At March 31, 2018 and 2017, 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, 2018 and 2017 for which hedge accounting has been applied are summarized as follows:

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.

At March 31, 2017

	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	¥1,050	¥550	*1

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

25. Segment Information

Segment Information (For the years ended March 31, 2018 and 2017)

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, 2018	Year ended March 31, 2017
Sales:		
Lighting Sector	¥ 41,352	¥ 41,037
Applied Optics and Environment Sector	15,976	15,574
	57,328	56,611
Corporate and eliminations:		
Lighting Sector	26	36
Applied Optics and Environment Sector	11	6
	37	43
Adjustments	(37)	(43)
	¥ 57,328	¥ 56,611
Segment Income (loss):		
Lighting Sector	¥ 1,396	¥ 2,612
Applied Optics and Environment Sector	692	280
	2,088	2,893
Adjustments	(1,957)	(1,920)
	¥ 131	¥ 972
Segment Assets:		
Lighting Sector	¥ 39,951	¥ 39,301
Applied Optics and Environment Sector	18,074	17,811
	58,025	57,113
Adjustments	12,275	12,350
	¥ 70,300	¥ 69,463
Depreciation and Amortization:		
Lighting Sector	¥ 1,290	¥ 1,143
Applied Optics and Environment Sector	458	367
	1,748	1,511
Adjustments	–	–
	¥ 1,748	¥ 1,511
Increase in Property, Plant and Equipment and Intangible Assets:		
Lighting Sector	¥ 2,074	¥ 2,250
Applied Optics and Environment Sector	519	842
	2,594	3,093
Adjustments	–	–
	¥ 2,594	¥ 3,093

Notes: 1. The adjustments for segment income (loss) of ¥ (1,957) million and ¥ (1,920) million at March 31, 2018 and 2017, respectively, include corporate costs, etc., which have not been allocated to the reportable segments.

2. The adjustments for segment assets of ¥12,275 million and ¥12,350 million at March 31, 2018 and 2017 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, 2018 and 2017

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, 2018	Year ended March 31, 2017
Japan	¥48,421	¥46,363
North America	5,695	6,673
Asia	2,778	3,108
Other	432	466
Total	¥57,328	¥56,611

(2) Property, Plant and Equipment

No description is provided because property, plant and equipment in Japan at March 31, 2018 and 2017 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, 2018 and 2017 in the consolidated statements of income.

26. Amounts per Share

Per share information at and for the years ended March 31, 2018 and 2017 was as follows:

	Yen	
	Year ended March 31, 2018	Year ended March 31, 2017
Profit attributable to owners of parent	¥49.31	¥44.34
Net assets	3,405.90	3,334.09

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 (49,000 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, 2018 and 2017 is as follows:

	Millions of yen	
	Year ended March 31, 2018	Year ended March 31, 2017
Profit attributable to owners of parent	¥381	¥335
Amount not attributable to normal shareholders	–	–
Profit attributable to owners of parent allocable to common shares	¥381	¥335
Average number of common shares for the period (shares)	7,735,131	7,574,611

27. Business Combinations

Not Applicable.

28. Related Party Transactions

For the year ended March 31, 2018
Not Applicable.

For the year ended March 31, 2017
Not Applicable.

29. Stock Options

For the year ended March 31, 2018
Not Applicable.

For the year ended March 31, 2017
Not Applicable.

30. 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, 2018, 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, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

June 27, 2018
Tokyo, Japan

Board of Directors and Corporate Data

President and Chief Executive Officer
Yoshitake Ito

Director and Managing Executive Officer
Kazuo Saotome

Director and Senior Executive Officer
Masanori Kato

Director and Senior Executive Officer
Masayuki Arimatsu

Director and Senior Executive Officer
Makoto Inamori

Outside Director
Shungo Hiromura

Outside Director
Kenji Ohya

Audit & Supervisory Board Member
Hideya Fujii

Audit & Supervisory Board Member
Teruo Yoshii

Outside Audit & Supervisory Board Member
Koichi Ikeda

Outside Audit & Supervisory Board Member
Shouzou Watanabe

Managing Executive Officer
Yoshimasa Kida

Senior Executive Officer
Sumio Uehara

Executive Officer
Haruhiko Hoshino

Executive Officer
Tomohiko Yamada

Executive Officer
Takeyuki Kakinuma

Executive Officer
Tsuyoshi Itokawa

Executive Officer
Seiji Aoyama

(As of July 1, 2018)

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

http://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: 7,246

Major Shareholders	% of Total
Minebear Mitsumi Inc.	3.87
The Master Trust Bank of Japan, Ltd.	2.83
Mizuho Bank, Ltd.	2.37
The Meiji Yasuda Life Insurance Company	2.32
Iwasaki Electric Cooperative Association Stock Ownership Plan	2.28
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank)	2.22
The Sumitomo Mitsui Banking Corp.	2.18
EYE LAMP employee stock ownership plan	2.02
Japan Trustee Services Bank, Ltd. (Trust Account)	2.00
Nippon Tochi-Tatemono Co.,Ltd	1.99

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

Directory

Domestic Plants and Offices

Head Office
Bakurocho-daiichi Bldg. 1-4-16,
Nihonbashi-bakurocho, Chuo-ku,
Tokyo 103-0002, Japan
Phone: +81-3-5847-8611

Sales Business Division
Bakurocho-daiichi Bldg. 1-4-16,
Nihonbashi-bakurocho, Chuo-ku,
Tokyo 103-0002, Japan
Phone: +81-3-5847-8624
Local Offices: 39 locations

Private Sector Sales Division
Bakurocho-daiichi Bldg. 1-4-16,
Nihonbashi-bakurocho, Chuo-ku,
Tokyo 103-0002, Japan
Phone: +81-3-5847-8632

Lighting Solution Sales office
Bakurocho-daiichi Bldg. 1-4-16,
Nihonbashi-bakurocho, Chuo-ku,
Tokyo 103-0002, Japan
Phone: +81-3-6861-0040

Global Sales & Marketing Division
Bakurocho-daiichi Bldg. 1-4-16,
Nihonbashi-bakurocho, Chuo-ku,
Tokyo 103-0002, Japan
Phone: +81-3-5847-8630
Facsimile: +81-3-5847-8647

Applied Optics and
Environment Sales Division
Bakurocho-daiichi Bldg. 1-4-16,
Nihonbashi-bakurocho, Chuo-ku,
Tokyo 103-0002, Japan
Phone: +81-3-5847-8637

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

Honjo Factory
Kawasato 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 platemakers

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, 2018)

◆Sales Office
Global Sales & Marketing Division

●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 1989
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 QLD 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 QLD 4076,
Australia
Phone: +61-7-3335-3502
Facsimile: +61-7-3355-3533
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 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
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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

(As of July 1, 2018)

IWASAKI ELECTRIC CO., LTD.

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

Printed in Japan