Annual Report 2015

IWASAKI ELECTRIC CO., LTD.

Profile

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

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Message from the President

Looking back on the 100th term

The Iwasaki Electric Group has promoted its business expansion with a focus on “strengthening and expanding the SSL (solid state lighting) business such as LEDs and organic EL,” “creating business by deepening applied optics technology” and “expanding overseas business” as the Group’s three key policies.

In the SSL Business, the Company focused on the development of energy- and electricity-saving products as well as high-capacity LED lighting equipment, by injecting managerial resources into the LED business. In the Applied Optics Business, the Company made efforts to expand the sterilization and disinfection business, the environmental improvement field and FPD (flat panel displays)-related business.

At the same time, in the Overseas Business, the Company endeavored to enhance overall business efficiency by starting the production of LED products at overseas production sites that had formerly focused on the conventional lighting business, with the aim of accelerating global expansion of production and sales.

The Company commemorated its 70th anniversary during the fiscal year ended March 31, 2015. With “Showing our gratitude in lights” as the theme, we conducted preview events of new products and technical seminars throughout Japan and aggressively implemented sales promotion measures.

As a result, net sales amounted to ¥59,476 million, operating income totaled ¥3,051 million, ordinary income reached ¥2,756 million, and net income amounted to ¥2,371 million, thus achieving increased revenues and income for two consecutive fiscal years.

Future Measures
The Company will continue to set forth the following three points as the Group’s key policies for the future: “strengthening and expanding the SSL (solid state lighting) business, including LEDs and organic EL,” “creating business by deepening applied optics technology” and “expanding overseas business.”

First, in the SSL Business, we will position the LED lighting business as a main pillar and plan and develop not only energy- and electricity-saving products but also products that can provide a pleasant and optimal lighting environment for various outdoor facilities.
Particularly in product development, we will promote manufacturing reforms from the standpoint of headstream management, and strive to strengthen competitiveness by launching new products on a timely basis through the speedy development of LED products in conjunction with improvements in their characteristics with the aim of expanding overall business.

In the Applied Optics Business, the Company intends to promote the following four priority strategies in order to realize medium- to long-term growth: “expanding the sterilization and disinfection business,” “launching business in the environmental improvement field,” “expanding the liquid crystal (photo-alignment, organic EL) business,” and “narrowing down and new development of products and markets.”

Particularly when cultivating new markets, we will endeavor to create new business fields by leveraging the Group’s various optical technologies, from electron beam and ultraviolet radiation to infrared radiation.

In the Overseas Business, we will continue to place focus on building development, production and supply systems for LED products that meet the standards of each country in order to respond to the rise of LED lighting as a mainstream product in the world lighting market. With respect to sales, we are planning to establish a sales base in Thailand by this fall in addition to the existing sales base in Singapore. Our aim is to focus on the development of regional sales bases and boost sales in order to capitalize on demand from emerging countries particularly in Southeast Asia.

In order to address these issues, we will take a global perspective as we continue to strengthen our intellectual property and procurement strategies, and carry out optimization of personnel in response to changes in the market, development of personnel for global expansion, and promotion of themes by actively utilizing project teams.
In addition, we will focus on distributing our management resources to research and development as well as to marketing with the aim of actively seeking future pillars of business.

Moreover, we are planning to emphasize sports-related lighting in this fiscal year. All of us in the Group will make concerted efforts with the aim of capturing opportunities for the Tokyo Olympics and Paralympics to be held in 2020 and solidifying our positioning as “IWASAKI for sports lighting.”

While steadily implementing these managerial measures, we will strive to improve our corporate value through our lighting and optical technologies and seek to establish a corporate structure that can continuously grow into the future.

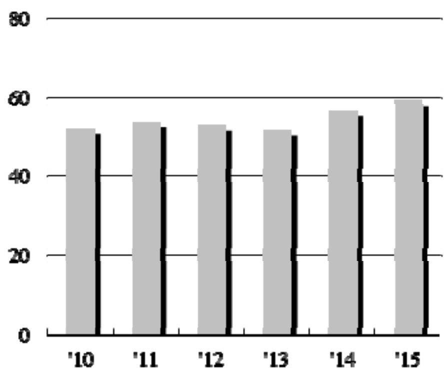
We are grateful for the invaluable understanding and support of all our shareholders.

Bunya Watanabe
President and Representative Director

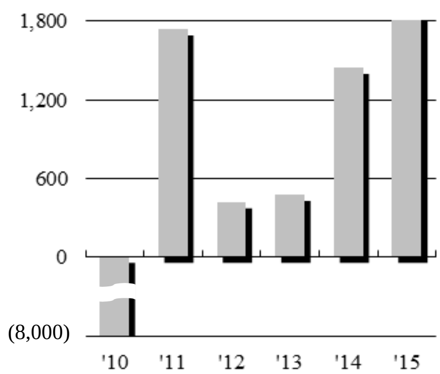
Consolidated Six-Year Summary

	Millions of yen					
	Year ended March 31					
	2015	2014	2013	2012	2011	2010
For the year:						
Net sales	**¥59,476**	¥57,030	¥52,062	¥53,269	¥54,158	¥52,432
Net (loss) income	**2,371**	1,439	471	414	1,731	(8,031)
At year-end:						
Total assets	**¥70,573**	¥67,473	¥60,959	¥61,486	¥62,620	¥61,183
Total shareholders' equity[2]	**25,968**	21,826	20,799	19,489	18,930	17,568
Working capital	**23,381**	23,270	23,512	18,487	21,112	20,066
Long-term bank loans, less current portion	**500**	1,890	4,415	3,075	6,095	8,030
Amounts per share:[3]						
Net (loss) income	**¥31.88**	¥19.35	¥6.34	¥5.58	¥23.34	(¥108.24)
Cash dividends	**4.00**	2.00	–	–	–	–

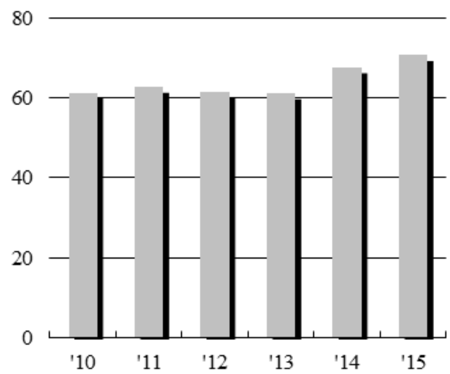
1. As permitted by accounting standards generally accepted in Japan, amounts of less than one million yen have been omitted.
2. Total shareholders' equity = Total net assets – Minority interests.
3. Per share figures are in exact yen amounts.



Net Sales
(Billions of yen)



Net Income (Loss)
(Millions of yen)



Total Assets
(Billions of yen)

Status of the Business

Outline of the Operating Results

1. Operating Results

During the fiscal year ended March 31, 2015, the global economy maintained its recovery trend on the back of steady increases in employment and consumer spending owing to the improved labor environment, strong housing investment, and capital expenditure in the United States. In the eurozone, despite a high unemployment rate, signs of economic recovery were witnessed, mainly in Germany and the United Kingdom. Meanwhile, Asia's economy continued to expand, although the pace of growth slowed further, with China's GDP growth for the January-March 2015 period remaining at 7% on a year-on-year basis.

In Japan, the economy showed a gradual recovery from the decline that followed the consumption tax hike during Q1. Corporate earnings also rebounded, mainly among large-scale enterprises, against the backdrop of rising stock prices thanks to the government's aggressive economic measures as well as an improved export environment reflecting a weaker yen.

Under these circumstances, the Iwasaki Electric Group has promoted its business expansion with a focus on "strengthening and expanding the SSL (solid state lighting) Business such as with LED and organic EL," "creating new business by elaborating applied optics technology," and "expanding overseas business" as the Group's three key policies.

In the SSL Business, the Company focused on the development of energy- and electricity-saving products as well as high-capacity LED lighting equipment by injecting managerial resources into the LED segment. In the Applied Optics Business, the Company made efforts to expand the sterilization and disinfection segment, environmental improvement fields, and the FPD (flat panel display)-related segment.

Meanwhile, in the Overseas Business, the Company endeavored to enhance overall business efficiency by launching the production of LED goods at overseas production sites that formerly focused on conventional lighting, with the aim of accelerating the global expansion of production and sales.

The Company also commemorated its 70th anniversary during the fiscal year ended March 31, 2015. Taking "Showing our gratitude in lights" as our theme, we organized preview events for new products and technical seminars around Japan and aggressively implemented sales promotion measures.

As a result, net sales amounted to ¥59,476 million (a 4.3% increase from ¥57,030 million in the previous fiscal year), operating income totaled ¥3,051 million (a 25.2% increase from ¥2,437 million in the previous fiscal year), ordinary income reached ¥2,756 million (a 30.7% increase from ¥2,109 million in the previous fiscal year) and net income amounted to ¥2,371 million (a 64.8% increase from ¥1,439 million in the previous fiscal year), achieving increased revenues and income for two consecutive fiscal years.

Operating results by business segment are described below:

Lighting Sector

Against the backdrop of rising demand for products with high energy-saving effects, the LED lighting business segment remained robust in both sales and operating income. The Group reinforced its product lineup for LED lighting equipment including lights for roads, tunnels and streets, lights for crime prevention, and floodlights, launching approximately 1,000 new products, mainly in the outdoor LED lighting equipment category in the current fiscal year. Of particular note, the Company developed and launched high-capacity LED floodlights that can be used by outdoor athletic stadiums and large-scale sporting facilities, and aggressively made proposals to promote the use of energy-saving illumination products for nighttime games. While demand has been sluggish in the conventional lighting business due to the switch to LEDs, sales remained solid as a result of an effort to respond to maintenance demand, resulting in increased support for operating results.

As a result, sales and operating income for this sector amounted to ¥42,318 million (a 5.5% increase from ¥40,123 million in the previous fiscal year) and ¥4,320 million (a 7.9% increase from ¥4,005 million in the previous fiscal year), respectively.

Applied Optics Sector

In the Applied Optics Business, sales for UV irradiation and drop systems in the FPD-related segment remained robust on the back of the resurgence in capital expenditure, mainly among semiconductor and FPD-related manufacturers in Asia. In Japan, both sales and operating income remained strong due to an increase in orders for equipment in the environmental improvement field as well as the sterilization and disinfection business segment. Meanwhile, sales for the information equipment segment were below those of the previous fiscal year, reflecting a significant drop in shipment volume due to a decline in orders for information display boards.

As a result, sales for this business unit totaled ¥17,285 million (a 1.9% increase from ¥16,967 million in the previous fiscal year) and operating income reached ¥619 million (a 310.7% increase from ¥150 million in the previous fiscal year).

2. Cash Flows

Cash and cash equivalents decreased by ¥204 million from the previous fiscal year to ¥15,317 million as of the end of the current fiscal year.

(1) Cash flows from operating activities
Operating activities in the current fiscal year resulted in a net inflow of ¥2,264 million.
The main component consisted of ¥2,726 million in income before income taxes and ¥1,472 million in depreciation, which were offset by an increase of ¥1,083 million in trade notes and accounts receivable and a ¥922-million increase in inventories.

(2) Cash flows from investment activities
Net cash used in investment activities amounted to ¥1,215 million for the current fiscal year.
This mainly reflected ¥1,468 million used for the purchase of plants, property and equipment.

(3) Cash flows from financing activities
Net cash used in financing activities amounted to ¥1,435 million for the current fiscal year.
This was primarily due to a ¥2,225 million decrease in long-term loans payable, which was offset by ¥986 million in proceeds from the issuance of bonds.

3. Challenges Facing the Company

The Company will continue to set forth the following three points as the Group’s key policies for the future: “strengthening and expanding the SSL (solid state lighting) Business, including LEDs and organic EL,” “creating new business by elaborating applied optics technology,” and “expanding overseas business.”

Firstly, in the SSL Business, we will position the LED lighting segment as a main pillar and plan and develop not only energy- and electricity-saving products but also products that can be used to provide pleasant and optimal lighting environments for various outdoor facilities. In particular, in product development, we will promote manufacturing reforms from the standpoint of headstream management and strive to strengthen competitiveness by launching new products on a timely basis through the speedy development of LED products in conjunction with improvements to their features and characteristics with the aim of expanding overall business.

In the Applied Optics Business, the Company intends to promote the following four priority strategies in order to realize medium- to long-term growth: “expanding the sterilization and disinfection segment,” “launching business in the environmental improvement field,” “expanding the FPD-related (photo-alignment, organic EL) segment,” and “refining and new development of products and markets.” In particular, in terms of cultivating new markets, we will endeavor to create new areas of business by leveraging the Group’s various optical technologies, from electron beam and ultraviolet radiation to infrared radiation.

In the Overseas Business, we will continue to place a focus on building development, production and supply systems for LED products that meet the standards of the respective countries in order to respond to the rise of LED lighting as a mainstream product in the lighting market around the world. With respect to sales, our aim is to focus on the development of regional sales bases and boost sales in order to capitalize on the demand from emerging markets, particularly in Southeast Asia.

In order to address these issues, we will take a global perspective as we continue to strengthen our intellectual property and procurement strategies while at the same time optimizing our workforce in response to changes in the market, developing personnel to drive our global expansion, and promoting specific themes by the active utilization of project teams. In addition, we will focus on distributing our management resources to research and development as well as marketing with the aim of actively seeking future pillars of business. While steadily implementing these managerial measures, we will strive 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.

4. Important Business Agreements

Not applicable.

Financial Review

Analyses of the Financial Position and Operating Results

1. Financial Position

(Current Assets)
Current assets as of March 31, 2015 totaled ¥47,779 million, an increase of ¥2,333 million from a year earlier. This was mainly due to increases of ¥1,218 million in trade notes and accounts receivable and ¥1,192 million in inventory.

(Noncurrent Assets)
Noncurrent assets as of March 31, 2015 stood at ¥22,794 million, an increase of ¥767 million compared to the previous fiscal year-end. This was principally attributable to an increase of ¥225 million in property, plant and equipment and ¥469 million in investment securities at market value.

(Current Liabilities)
Current liabilities as of March 31, 2015 were ¥24,398 million, an increase of ¥2,221 million compared to the previous fiscal year-end. This was mainly due to an increase of ¥2,350 million due to the transfer of the current portion of bonds from noncurrent liabilities and a decrease of ¥835 million in the current portion of long-term loans payable.

(Noncurrent Liabilities)
Noncurrent liabilities as of March 31, 2015 were ¥18,954 million, a decrease of ¥3,232 million compared to the previous fiscal year-end. This was mainly attributable to the transfer of bonds payable and long-term loans payable to current liabilities.

(Net Assets)
Net assets as of March 31, 2015 totaled ¥27,221 million, an increase of ¥4,111 million compared to the previous fiscal year-end. This was mainly due to shareholders' equity, in which retained earnings increased by ¥2,222 million, corresponding to net income of ¥2,371 million, and dividends from surplus for the year ended March 31, 2015. In accumulated other comprehensive income, the valuation difference on available-for-sale securities increased by ¥447 million due to investment securities at market value, the foreign currency translation adjustment increased by ¥615 million due to exchange rate fluctuations, and re-measurements of defined benefit plans increased by ¥719 million as a result of the recognition of the unrecognized portions of retirement benefit obligations for the year ended March 31, 2015.

2. Analysis of Operating Results

(Gross Profit)
Gross profit for the current fiscal year increased by ¥1,057 million from the previous fiscal year to ¥17,932 million. This was mainly attributable to the robust LED business in the lighting segment, as well as the continuous flow of sales from the conventional lighting business as a result of an effort to respond to maintenance demand, which resulted in increased support for operating results, despite a drop in overall demand due to the switch to LEDs.

In the Applied Optics Business, sales remained solid for the FPD-related segment and the sterilization and disinfection segment, while orders for the information equipment segment were sluggish. Meanwhile, overall profit margin for the business unit improved, thanks partially to the withdrawal from unprofitable businesses.

(Operating Income)
Operating income for the current fiscal year totaled ¥3,051 million, an increase of ¥614 million compared to the previous fiscal year, due to the same primary factors as those described above regarding gross profit.

(Ordinary Income)
The current fiscal year resulted in ordinary income of ¥2,756 million, an increase of ¥647 million from the previous fiscal year, again due to the same primary factors as those described above regarding gross profit.

(Net Income)
The current fiscal year resulted in net income of ¥2,371 million, an increase of ¥932 million compared to the previous fiscal year. The increase was larger than that for ordinary income because no particular extraordinary income or loss was recorded for the current fiscal year, unlike the previous fiscal year’s recording of ¥159 million in impairment loss on production equipment related to the projector light source segment of the Applied Optics Business, from which the Company decided to withdraw. In addition, the amount of deferred tax assets as of March 31, 2015 increased from the previous fiscal year-end, while tax costs decreased for the same period.

3. Cash Flow Analysis

Please refer to “Outline of Operating Results: 2. Cash Flows” for the status of cash flow.

Consolidated Balance Sheets

March 31, 2015 and 2014

ASSETS

	Millions of yen	
	March 31, 2015	March 31, 2014
Current assets		
Cash and deposits (Notes 21 and 25)	¥ 15,418	¥ 15,923
Notes and accounts receivable - trade (Note 25)	17,434	16,215
Securities (Notes 5 and 25)	139	208
Merchandise and finished goods	7,111	6,287
Work in process	1,796	1,839
Raw materials and supplies	3,999	3,587
Deferred tax assets (Note 8)	1,186	872
Other	736	557
Allowance for doubtful accounts	(42)	(46)
Total current assets	47,779	45,446
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (Note 12)	13,761	13,715
Machinery, equipment and vehicles (Note 12)	15,721	16,871
Tools, furniture and fixtures	7,735	7,622
Land (Notes 12 and 13)	10,077	10,122
Leased assets (Note 22)	204	179
Construction in progress	337	97
	47,838	48,606
Accumulated depreciation	(31,672)	(32,668)
Property, plant and equipment, net	16,165	15,939
Intangible assets		
Software	348	279
Other	197	215
Intangible assets, net	545	494
Investments and other assets		
Investment securities (Notes 5, 11 and 25)	4,919	4,450
Long-term loans receivable	10	8
Deferred tax assets (Note 8)	335	407
Other	872	903
Allowance for doubtful accounts	(55)	(177)
Total investments and other assets	6,083	5,592
Total noncurrent assets	22,794	22,027
Total assets	¥ 70,573	¥ 67,473

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

March 31, 2015 and 2014

LIABILITIES AND NET ASSETS

	Millions of yen	
	March 31, 2015	March 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade (Note 25)	¥ 12,374	¥ 12,507
Electronically recorded obligations - operating (Note 25)	1,873	1,813
Short-term loans payable (Notes 6 ,12 and 25)	3,107	3,855
Current portion of bonds（Notes 6 and 25）	2,350	―
Income taxes payable	191	409
Accrued consumption taxes	547	193
Provision for employees' bonuses	751	749
Provision for repair claims	20	48
Other	3,181	2,599
Total current liabilities	24,398	22,176
Noncurrent liabilities		
Bonds payable (Notes 6 and 25)	1,000	2,350
Long-term loans payable (Notes 6 and 25)	500	1,890
Deferred tax liabilities (Note 8)	832	686
Deferred tax liabilities for land revaluation (Note 13)	1,362	1,501
Liability for retirement benefits (Notes 2 and 23)	12,421	12,623
Provision for directors' retirement benefits	–	223
Asset retirement obligations (Note 7)	58	151
Other	2,778	2,758
Total noncurrent liabilities	18,954	22,186
Total liabilities	43,352	44,362
Commitments and contingent liabilities (Note 24)		
Net assets (Note 20)		
Shareholders' equity (Note 10)		
Common stock:		
Authorized: 239,000,000 shares in 2015 and 2014		
Issued: 78,219,507 shares		
in 2015 and 2014	8,640	8,640
Capital surplus	2,013	2,013
Retained earnings	12,606	10,384
Treasury stock	(911)	(909)
Total shareholders' equity	22,348	20,128
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,615	1,167
Revaluation reserve for land	2,646	2,507
Foreign currency translation adjustment	371	(243)
Retirement benefits liability adjustments	(1,013)	(1,732)
Total accumulated other comprehensive income	3,619	1,698
Minority interests	1,253	1,284
Total net assets	27,221	23,110
Total liabilities and net assets	¥ 70,573	¥ 67,473

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Years ended March 31, 2015 and 2014

	Millions of yen	
	Year ended March 31, 2015	Year ended March 31, 2014
Net sales	¥ 59,476	¥ 57,030
Cost of sales (Note 14)	41,544	40,156
Gross profit	17,932	16,874
Selling, general and administrative expenses (Note 15)	14,880	14,437
Operating income	3,051	2,437
Other income (Note 16)		
Interest and dividend income	101	96
Foreign exchange gains	–	22
Gain on sale of noncurrent assets	10	16
Gain on sale of investment securities	0	0
Gain on bargain purchase	24	5
Other	184	147
Total other income	322	288
Other expenses (Note 17)		
Interest expenses	160	179
Amortization of net retirement benefit obligation at transition	312	312
Equity in losses of affiliates	74	28
Foreign exchange losses	5	–
Loss on sale and retirement of noncurrent assets	66	45
Impairment loss (Note 18)	–	159
Other	29	72
Total other expenses	648	797
Income before income taxes and minority interests	2,726	1,928
Income taxes (Note 8)		
Income taxes - current	508	557
Income taxes - deferred	(204)	(87)
Total income taxes	303	470
Income before minority interests	2,423	1,457
Minority interests in income	51	18
Net income	¥ 2,371	¥ 1,439

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Years ended March 31, 2015 and 2014

	Millions of yen	
	Year ended March 31, 2015	Year ended March 31, 2014
Income before minority interests	2,423	1,457
Other comprehensive income (Note 19)		
Valuation difference on available-for-sale securities	449	451
Revaluation reserve for land	139	–
Foreign currency translation adjustment	573	843
Retirement benefits liability adjustments	719	—
Share of other comprehensive income of affiliates accounted for by the equity method	41	27
Total other comprehensive income	1,922	1,322
Comprehensive income	4,345	2,779
Comprehensive income attributable to:		
Shareholders of Iwasaki Electric Co., Ltd.	4,292	2,760
Minority interests	53	18

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2015 and 2014

	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, 2014	78,219,507	¥8,640	¥2,013	¥10,384	(¥909)	¥20,128
Dividends of surplus	–	–	–	(148)	–	(148)
Net income	–	–	–	2,371	–	2,371
Purchase of treasury stock	–	–	–	–	(1)	(1)
Reversal of revaluation reserve for land	–	–	–	–	–	–
Deficit disposition	–	–	–	–	–	–
Net changes of items other than shareholders' equity	–	–	–	–	–	–
Balance at March 31, 2015	78,219,507	¥8,640	¥2,013	¥12,606	(¥911)	¥22,348

	Millions of yen						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Retirement benefits liability adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at April 1, 2014	¥1,167	¥2,507	(¥243)	(¥1,732)	¥1,698	¥1,284	¥23,110
Dividends of surplus	–	–	–	–	–	–	(148)
Net income	–	–	–	–	–	–	2,371
Purchase of treasury stock	–	–	–	–	–	–	(1)
Reversal of revaluation reserve for land	–	–	–	–	–	–	—
Deficit disposition	–	–	–	–	–	–	–
Net changes of items other than shareholders' equity	447	139	615	719	1,921	(31)	1,890
Balance at March 31, 2015	¥1,615	¥2,646	¥371	(¥1,013)	¥3,619	¥1,253	¥27,221

	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, 2013	78,219,507	¥8,640	¥6,189	¥4,739	(¥908)	¥18,660
Dividends of surplus	–	–	–	–	–	–
Net income	–	–	–	1,439	–	1,439
Purchase of treasury stock	–	–	–	–	(0)	(0)
Reversal of revaluation reserve for land	–	–	–	29	–	29
Deficit disposition	–	–	(4,176)	4,176	–	–
Net changes of items other than shareholders' equity	–	–	–	–	–	–
Balance at March 31, 2014	78,219,507	¥8,640	¥2,013	¥10,384	(¥909)	¥20,128

	Millions of yen						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Retirement benefits liability adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at April 1, 2013	¥716	¥2,536	(¥1,115)	–	¥2,137	¥1,282	¥22,081
Dividends of surplus	–	–	–	–	–	–	–
Net income	–	–	–	–	–	–	1,439
Purchase of treasury stock	–	–	–	–	–	–	(0)
Reversal of revaluation reserve for land	–	–	–	–	–	–	29
Deficit disposition	–	–	–	–	–	–	–
Net changes of items other than shareholders' equity	450	(29)	871	(1,732)	(439)	2	(437)
Balance at March 31, 2014	¥1,167	¥2,507	(¥243)	(¥1,732)	¥1,698	¥1,284	¥23,110

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows

Years ended March 31, 2015 and 2014

	Millions of yen	
	Year ended March 31, 2015	Year ended March 31, 2014
Cash flows from operating activities:		
Income before income taxes and minority interests	¥ 2,726	¥ 1,928
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,472	1,483
Impairment loss	–	159
Increase (decrease) in provision for directors’ retirement benefits	(223)	–
Increase (decrease) in provision for employee’s bonuses	0	182
Increase (decrease) in allowance for doubtful accounts	(129)	(14)
Increase (decrease) in liability for retirement benefits	(76)	254
Interest and dividend income	(101)	(96)
Interest expenses	160	179
Foreign exchange losses (gains)	(26)	(11)
Loss (gain) on sales and retirement of property, plant and equipment	55	29
Equity in (earnings) losses of affiliates	74	28
Loss (gain) on sales of investment securities	(0)	(2)
Change in assets and liabilities:		
Decrease (increase) in notes and accounts receivable - trade	(1,083)	(1,644)
Decrease (increase) in inventories	(922)	(642)
Increase (decrease) in notes and accounts payable - trade	(137)	3,360
Other	1,261	272
Subtotal	3,046	5,466
Interest and dividends income received	106	107
Interest expenses paid	(171)	(185)
Income taxes paid	(718)	(369)
Net cash provided by operating activities	2,264	5,018
Cash flows from investing activities:		
Payments into time deposits	(50)	(750)
Proceeds from withdrawal of time deposits	350	750
Purchase of securities	(187)	(145)
Proceeds from redemption of securities	354	552
Purchases of property, plant and equipment	(1,468)	(1,023)
Proceeds from sales of property, plant and equipment	35	63
Purchase of intangible assets	(183)	(119)
Purchase of investment securities	(9)	(222)
Proceeds from sales of investment securities	1	10
Payments of loans receivable	(13)	(5)
Collection of loans receivable	6	10
Other	(51)	(3)
Net cash used in investing activities	(1,215)	(881)
Cash flows from financing activities:		
Increase in short-term loans payable	3,150	4,695
Decrease in short-term loans payable	(3,063)	(5,299)
Proceeds from long-term loans payable	500	200
Repayment of long-term loans payable	(2,725)	(320)
Proceeds from issuance of bonds	986	–
Purchase of treasury stock	(1)	(0)
Purchase of treasury stock of subsidiaries in consolidation	(53)	(10)
Cash dividends paid	(148)	–
Cash dividends paid to minority shareholders	(6)	(1)
Other	(74)	(103)
Net cash used in financing activities	(1,435)	(840)
Effect of exchange rate change on cash and cash equivalents	183	359
Net increase (decrease) in cash and cash equivalents	(204)	3,656
Cash and cash equivalents at the beginning of year	15,521	11,865
Cash and cash equivalents at the end of year (Note 21)	¥ 15,317	¥ 15,521

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

March 31, 2015 and 2014

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, 2014 to the 2015 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, 2015, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 25 and 10, 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.

MIK Smart Lighting Network CO., LTD., which was newly established during the year ended March 31, 2015, and another company whose stocks were newly acquired by the Company during the year ended March 31, 2015, have been included in the scope of affiliates accounted for by the equity method.

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

(e) 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 deferred income taxes, in net assets. Available-for-sale securities without a fair market value are stated at cost determined by the moving average method. The cost of available-for-sale securities sold is calculated based by the moving average method.

During the years ended March 31, 2015 and 2014, the Company and consolidated subsidiaries had neither trading securities nor held-to-maturity securities.

(f) Derivatives and hedging activities

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

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

(g) Cash and cash equivalents in the consolidated statements of cash flows

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

(h) Inventories

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

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

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

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

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

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

(k) Leases

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

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

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

(l) Allowance for doubtful 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 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, prior service costs and transitional obligations
   A transitional obligation of ¥4,684 million is being amortized using the straight-line method over 15 years. 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 (14 years).
   Actuarial gain or loss is amortized from the following fiscal year after recognition using the straight-line method over 14 years, which is within the estimated average remaining service years of employees.
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 Changes

(Application of accounting standard for retirement benefits, etc.)

Effective from the fiscal year ended March 31, 2015, the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 issued on May 17, 2012; hereinafter, the "Retirement Benefits Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 issued on March 26, 2015; hereinafter, "Retirement Benefits Guidance") have been applied in accordance with the provisions in paragraph 35 of the Retirement Benefits Accounting Standard and paragraph 67 of the Retirement Benefits Guidance. The Company reviewed the calculation methods for employee retirement benefit obligations and service costs, and changed the method of determining the discount rate from the use of a discount rate based on the average remaining years of service of eligible employees to the use of a single weighted average discount rate that reflects the estimated payment period and amount of retirement benefits.

In accordance with the transitional accounting treatment related to the application of the Accounting Standard for Retirement Benefits, etc., as provided in paragraph 37 of the Accounting Standard for Retirement Benefits, the effects of this change have not been retrospectively reflected on the Company's consolidated financial statements for prior fiscal years.

This change had no impact on retained earnings as of the beginning of the fiscal year ended March 31, 2015 or on operating income, ordinary income and income before income taxes for the fiscal year ended March 31, 2015.

3. Standards Issued But Not Yet Effective

・Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013)
・Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013)
・Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013)
・Revised Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, September 13, 2013)
・Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013)
・Revised Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, September 13, 2013)

(1) Overview

These accounting standards, etc., reflect revisions that were made to the accounting treatment of changes in ownership interest in a subsidiary when the parent company retains control of the subsidiary in the additional acquisition, etc., of shares, treatment of acquisition-related expenses, the change in presentation of net income, the changes from "minority interests" to "non-controlling interests", and treatment related to the completion of provisional accounting treatment, etc.

(2) Scheduled date of adoption

The Company will apply these accounting standards, etc., from the beginning of the fiscal year ending March 31, 2016.

The treatment related to the completion of provisional accounting treatment will be applied for business combinations taking place from the beginning of the fiscal year ending March 31, 2016.

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

The Company is currently evaluating the impact of adopting the revisions to the Accounting Standard for Business Combinations, etc., on its consolidated results of operations and financial position.

4. Changes in Disclosure Method

(Retirement Benefits)

In accordance with the revision of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 issued on March 26, 2015), the Company changed the presentation method of the related notes concerning retirement benefits based on the multi-employer plan and reclassified the consolidated financial statements for the year ended March 31, 2014.

Details of the reclassification of the consolidated financial statements and the corresponding amounts in the consolidated financial statements for the year ended March 31, 2014 are indicated in the relevant section of these notes to consolidated financial statements.

5. Securities and Investment Securities

Information regarding securities and investment securities classified as available-for-sale securities with fair market value at March 31, 2015 and 2014 is summarized as follows:

	Millions of yen					
	March 31, 2015			March 31, 2014		
	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	¥1,374	¥3,742	¥2,368	¥1,366	¥3,163	¥1,797
Debt securities						
Government bonds	–	–	–	–	–	–
Corporate bonds	–	–	–	133	134	0
Other	–	–	–	–	–	–
Other	–	–	–	–	–	–
Subtotal	1,374	3,742	2,368	1,500	3,297	1,797
Securities whose acquisition cost exceeds their carrying amount (fair market value):						
Equity securities	66	61	(5)	66	56	(9)
Debt securities						
Government bonds	–	–	–	–	–	–
Corporate bonds	140	139	(0)	144	144	(0)
Other	–	–	–	–	–	–
Other	–	–	–	–	–	–
Subtotal	206	201	(5)	211	201	(10)
Total	¥1,581	¥3,943	¥2,362	¥1,711	¥3,498	¥1,787

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, 2015 and March 31, 2014, 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.

For the year ended March 31, 2015, the sales of investment securities classified as available-for-sale securities with fair market value are summarized as follows:

	Millions of yen		
	March 31, 2015		
	Proceeds from sales	Gross realized gain	Gross realized loss
Equity securities	¥1	¥0	–
Debt securities			
Government bonds	–	–	–
Corporation bonds	–	–	–
Other	–	–	–
Other	–	–	–
Total	¥1	¥0	–

For the year ended March 31, 2014, there are no recognized sales of investment securities as classified above.

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

Short-term loans from banks at an average interest rate of 0.88% amounted to ¥1,217 million and ¥1,130 million at March 31, 2015 and 2014, respectively.

Long-term loans, lease obligations and deposits received classified as other long-term liabilities with interest at March 31, 2015 and 2014 consisted of the following:

	Millions of yen	
	March 31, 2015	March 31, 2014
Loans, principally from banks, maturing in installments through 2017 with an average interest rate of 1.95%	¥2,390	¥4,615
Less current portion of loans	(1,890)	(2,725)
Net	500	1,890
Lease obligations	132	164
Less current portion of lease obligations	(61)	(68)
Net	70	95
Deposits received with an average interest rate of 2.33%	2,524	2,494
Total	3,094	¥4,480

The annual maturities of long-term loans and lease obligations subsequent to March 31, 2015 are summarized as follows:

	Long-term loans	Lease obligations
	Millions of yen	Millions of yen
Year ending March 31,		
2017	–	¥38
2018	¥500	16
2019	–	9
2020 and thereafter	–	3

Bonds payable at March 31, 2015 and 2014 consisted of the following:

Name of company	Issue	Date of issue	Millions of yen		Interest rate (%)	Collateral	Maturity date
			March 31, 2015	March 31, 2014			
Iwasaki Electric Co., Ltd.	17th Unsecured straight bond	October 5, 2012	¥1,200 (1,200)	¥1,200	1.15	N.A.	October 5, 2015
Iwasaki Electric Co., Ltd.	18th Unsecured straight bond	October 9, 2012	900 (900)	900	0.45	N.A.	October 9, 2015
Iwasaki Electric Co., Ltd.	19th Unsecured straight bond	October 31, 2012	250 (250)	250	0.89	N.A.	October 30, 2015
Iwasaki Electric Co., Ltd.	20th Unsecured straight bond	November 28, 2014	400	—	0.78	N.A.	November 30, 2017
Iwasaki Electric Co., Ltd.	21st Unsecured straight bond	November 28, 2014	400	—	0.38	N.A.	November 30, 2017
Iwasaki Electric Co., Ltd.	22nd Unsecured straight bond	November 28, 2014	200	—	0.45	N.A.	November 28, 2017
Total	–	–	¥3,350 (2,350)	¥2,350	–	–	–

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, 2015 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)
¥2,350	¥–	¥1,000	¥–	¥–

7. 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, 2014 and March 31, 2015 accounted for less than 1% of total liabilities and net assets at the beginning and end of the fiscal year.

8. Income Taxes

The tax effects of temporary differences that give rise to a significant portion of the deferred tax assets and deferred tax liabilities at March 31, 2015 and 2014 were as follows:

	Millions of yen	
	March 31, 2015	March 31, 2014
Deferred tax assets:		
Loss carried forward for tax purposes	¥1,143	¥1,680
Liability for retirement benefits	3,687	4,494
Other	936	1,170
Gross deferred tax assets	5,768	7,345
Valuation allowance	(4,218)	(6,046)
Total deferred tax assets	1,550	1,299
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	(744)	(622)
Other	(116)	(82)
Gross deferred tax liabilities	(861)	(705)
Net deferred tax assets	¥688	¥593

Note: Net deferred tax assets for the years ended March 31, 2015 and 2014 were included in the following items on the consolidated balance sheets.

	Millions of yen	
	March 31, 2015	March 31, 2014
Current assets – Deferred tax assets	¥1,186	¥872
Investments and other assets – Deferred tax assets	335	407
Noncurrent liabilities – Deferred tax liabilities	(832)	(686)

The reconciliation of the Japanese statutory tax rate and the effective tax rate applicable to the Company for the years ended March 31, 2015 and 2014 was as follows:

	Year ended March 31, 2015	Year ended March 31, 2014
Japanese statutory tax rate	35.6%	38.0%
(Adjustments)		
Permanent non-deductible differences, including entertainment, etc.	2.1	2.4
Permanent non-taxable differences, including dividend income	(0.1)	(0.8)
Inhabitants taxes per capita, etc.	2.3	3.3
Decrease in valuation allowance	(27.4)	(18.7)
Gain on bargain purchase	(0.3)	(0.1)
Special deduction amount for income taxes	(1.8)	(2.3)
Effect of change in the tax rate	3.8	2.6
Other	(3.1)	0.0
Effective tax rate	11.1	24.4

Changes in amounts of deferred tax assets and deferred tax liabilities in line with the changes in corporate income tax rate

Following the promulgation of the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 2 of 2015) on March 31, 2015, the income tax rate will be lowered effective from the fiscal year beginning on April 1, 2015. Consequently, the statutory effective tax rate used to calculate deferred tax assets and liabilities has been changed from the previous fiscal year's rate of 35.6% to 33.1% for temporary differences expected to be realized or settled in the fiscal year beginning April 1, 2015, and to 32.3% for temporary differences expected to be realized or settled from the fiscal year beginning April 1, 2016.

The changes in the statutory effective tax rate resulted in a ¥104 million decrease in deferred tax assets, a ¥77 million decrease in deferred tax liabilities and a ¥103 million increase in income taxes-deferred at and for the year ended March 31, 2015.

In addition, deferred tax liabilities for land revaluation decreased by ¥139 million and revaluation reserve for land increased by the same amount at ended March 31, 2015.

9. Rental Properties

For the year ended March 31, 2015 and 2014

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

10. Shareholders' Equity

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

11. Investments in Affiliates

Investments in affiliates at March 31, 2015 and 2014 amounted to ¥794 million and ¥829 million, respectively, and are accounted for principally by the equity method.

12. Pledged Assets and Secured Liabilities

A summary of assets pledged as collateral and secured liabilities at March 31, 2015 and 2014 is presented below:

	Millions of yen	
	March 31, 2015	March 31, 2014
Pledged assets		
Buildings and structures	¥637	¥600
Machinery, equipment and vehicles	443	490
Land	2,579	2,579
Total	¥3,660	¥3,670
Secured liabilities		
Short-term loans payable	¥–	¥1,000
Total	¥–	¥1,000

13. 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 Law Concerning Public Notification of Land Prices, as stipulated in Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No. 119, promulgated March 31, 1998), after making reasonable adjustments.

The differences between the revalued carrying amount and the fair value at March 31, 2015 and 2014 of land revalued pursuant to Article 10 of the law were ¥2,332 million and ¥2,317 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.

14. Cost of Sales

Loss (gain) on valuation of inventories of ¥142 million and ¥(92) million, net of the amount of the rreversal, was included in cost of sales for the years ended March 31, 2015 and 2014, respectively after writing down the carrying values to reflect declines in profitability.

15. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2015 and 2014 were as follows. The figures in the following table have been offset against reversals.

	Millions of yen	
	Year ended March 31, 2015	Year ended March 31, 2014
Salaries	¥5,430	¥5,316
Packing and transportation costs	1,735	1,675
Provision for employees’ retirement benefits	616	697
Provision for employees’ bonuses	404	392
Provision of allowance for doubtful accounts	(33)	(4)

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2015 and 2014 amounted to ¥395 million and ¥389 million, respectively.

16. Other Income

Gain on sales of noncurrent assets for the years ended March 31, 2015 and 2014 were summarized as follows:

	Millions of yen	
	Year ended March 31, 2015	Year ended March 31, 2014
Buildings and structures	¥0	¥–
Machinery, equipment and vehicles	10	16
Tools, furniture and fixtures	0	0
Total	¥10	¥16

17. Other Expenses

Loss on sales and retirement of noncurrent assets for the years ended March 31, 2015 and 2014 were summarized as follows:

	Millions of yen	
	Year ended March 31, 2015	Year ended March 31, 2014
Buildings and structures	¥10	¥21
Machinery, equipment and vehicles	19	6
Tools, furniture and fixtures	4	2
Land	24	14
Other	7	0
Total	¥66	¥45

18. Impairment Loss

For the year ended March 31, 2015
Not Applicable.

For the year ended March 31, 2014
Impairment losses were recorded for the following asset groups.

Location	Purpose	Type	Amount of impairment loss (Millions of yen)
Minami-Uonuma City, Niigata Prefecture	Projector light source production equipment	Machinery, equipment, etc.	¥138
Gyoda City, Saitama Prefecture	Projector light source production equipment	Machinery, equipment, etc.	¥21

The Group classifies its assets for business use based on business segment. In cases where decisions of withdrawal, etc. are made for relevant individual businesses, the grouping of assets to be disposed of or idle assets is made for specific properties.

Since it has become difficult to expect sustainable growth in demand for liquid crystal projector lamps, which are mainstay products of the projector light source business in the Applied Optics Sector, the Company judged it would be hard to improve operating results of said business soon and consequently the Company decided to withdraw from the projector light source business as of the end of June 2014. With regard to the assets to be disposed or idle assets as a result of this decision, the Company reduced book value at these assets to the recoverable value, and recorded an impairment loss of ¥159 million as extraordinary loss.

The recoverable amount of these assets was assessed based on their memorandum values in light of the low likelihood that they could be diverted to other uses or sold.

19. Statement of Comprehensive Income

Reclassification adjustments relating to other comprehensive income for the year ended March 31, 2015 and 2014 were as follows:

	Millions of yen	
	Year ended March 31, 2015	Year ended March 31, 2014
Valuation difference on available-for-sale securities:		
Amount arising during the year	¥572	¥668
Reclassification adjustments for gain (loss) included in net income	(0)	–
Total	571	668
Foreign currency translation adjustment:		
Amount arising during the year	573	843
Reclassification adjustments for gain (loss) included in net income	–	–
Total	573	843
Retirement benefits liability adjustments		
Amount arising during the year	126	–
Reclassification adjustments for gain (loss) included in net income	593	–
Total	719	–
Share of other comprehensive income of affiliates accounted for using the equity method:		
Amount arising during the year	41	27
Total amount before income taxes	1,905	1,540
Income taxes	17	(217)
Total other comprehensive income	¥1,922	¥1,322

Income taxes relating to other comprehensive income for the year ended were as follows:

	Millions of yen	
	March 31, 2015	March 31, 2014
Valuation difference on available-for-sale securities		
Before income taxes	¥571	¥668
Income taxes	(122)	(217)
After income taxes	449	451
Revaluation reserve for land		
Before income taxes	–	–
Income taxes	139	–
After income taxes	139	–
Foreign currency translation adjustment		
Before income taxes	573	843
Income taxes	–	–
After income taxes	573	843
Retirement benefits liability adjustments		
Before income taxes	719	–
Income taxes	–	–
After income taxes	719	–
Share of other comprehensive income of affiliates accounted for using the equity method		
Before income taxes	41	27
Income taxes	–	–
After income taxes	41	27
Total other comprehensive income		
Before income taxes	1,905	1,540
Income taxes	17	(217)
After income taxes	¥1,922	¥1,322

20. 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, 2015

	Number of shares (Thousand)			
	April 1, 2014	Increase	Decrease	March 31, 2015
Type of issued shares				
Common stock	78,219	–	–	78,219
Total	78,219	–	–	78,219
Type of treasury stock				
Common stock	3,839	8	–	3,847
Total	3,839	8	–	3,847

Note: The increase of 8,000 shares of common stock in treasury was due to the repurchase of fractional shares.

For the year ended March 31, 2014

	Number of shares (Thousand)			
	April 1, 2013	Increase	Decrease	March 31, 2014
Type of issued shares				
Common stock	78,219	–	–	78,219
Total	78,219	–	–	78,219
Type of treasury stock				
Common stock	3,835	3	–	3,839
Total	3,835	3	–	3,839

Note: The increase of 3,000 shares of common stock in treasury was due to the repurchase of fractional shares.

(b) Matters related to dividends
1. Amount of dividends
For the year ended March 31, 2015

(Resolution)	Type	Total dividends paid (Millions of yen)	Amount of dividends per share (Yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders on June 27, 2014	Common stock	¥148	¥2	March 31, 2014	June 30, 2014

For the year ended March 31, 2014
Not applicable.

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, 2015

(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 26, 2015	Common stock	¥297	Retained earnings	¥4	March 31, 2015	June 29, 2015

For the year ended March 31, 2014

(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, 2014	Common stock	¥148	Retained earnings	¥2	March 31, 2014	June 30, 2014

21. Supplemental Cash Flow Information

A reconciliation of cash and cash equivalents at March 31, 2015 and 2014 to cash and deposits in the accompanying consolidated balance sheets was as follows:

	Millions of yen	
	March 31, 2015	March 31, 2014
Cash and deposits	¥15,418	¥15,923
Time deposits with maturity in excess of three months	(101)	(401)
Cash and cash equivalents	¥15,317	¥15,521

22. Leases

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

Leased assets include production equipment (machinery and equipment) and dies and molds (tools, furniture and fixtures) as property, plant and equipment, and software as intangible assets.

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

(1) A summary of pro forma amounts (inclusive of the imputed interest expense portion) of acquisition cost, accumulated depreciation, accumulated impairment loss and net book value at March 31, 2015 and 2014, of mainly leased tools, furniture and fixtures on an “as if capitalized” basis is as follows:

	Millions of yen	
	March 31, 2015	March 31, 2014
Acquisition cost	¥3	¥61
Accumulated depreciation	3	61
Net book value	¥–	¥0

(2) A summary of future minimum lease payments (inclusive of imputed interest expense portion), required under non-cancelable operating leases at March 31, 2015 and 2014 was as follows:

	Millions of yen	
	March 31, 2015	March 31, 2014
Due in one year or less	¥–	¥0
Due after one year	–	–
Total	¥–	¥0

(3) Lease payments, reversal of accumulated impairment loss on leased assets, pro forma depreciation and impairment loss for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen	
	Year ended March 31, 2015	Year ended March 31, 2014
Lease payments	¥0	¥1
Depreciation expense	0	1

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

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

23. 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, 2015	Year ended March 31, 2014
Retirement benefit obligations at April 1	¥13,897	¥14,067
Cumulative effect of change in accounting policy	–	–
Restated retirement benefit obligations at April 1	13,897	14,067
Service costs	614	624
Interest costs	138	140
Actuarial loss	0	0
Retirement benefits paid	(615)	(935)
Others	2	–
Retirement benefit obligations at March 31	¥14,038	¥13,897

(2) The changes in plan assets

	Millions of yen	
	Year ended March 31, 2015	Year ended March 31, 2014
Plan assets at April 1	¥2,496	¥2,158
Expected return on plan assets	85	62
Actuarial gain	126	81
Contributions by the Company	397	557
Retirement benefits paid	(270)	(364)
Plan assets at March 31	¥2,834	¥2,496

(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, 2015	March 31, 2014
Funded retirement benefit obligations	¥5,617	¥5,602
Plan assets	(2,834)	(2,496)
	2,782	3,106
Unfunded retirement benefit obligations	8,421	8,294
Net liability for retirement benefits in the consolidated balance sheet	11,204	11,401
Liability for retirement benefits	11,204	11,401
Net liability for retirement benefits in the consolidated balance sheet	¥11,204	¥11,401

(4) The components of retirement benefit expenses

	Millions of yen	
	Year ended March 31, 2015	Year ended March 31, 2014
Service costs	¥614	¥624
Interest costs	138	140
Expected return on plan assets	(85)	(62)
Amortization of transitional obligations	308	308
Amortization of actuarial loss	278	284
Amortization of prior service costs	2	2
Others	2	–
Retirement benefit expenses	¥1,261	¥1,297

(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, 2015	Year ended March 31, 2014
Prior service costs	¥2	¥–
Actuarial loss	404	–
Transitional obligation	308	–
Total	¥715	¥–

(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, 2015	March 31, 2014
Unrecognized prior service costs	¥21	¥23
Unrecognized actuarial loss	992	1,396
Unrecognized transitional obligation	–	308
Total	¥1,013	¥1,729

(7) Plan assets

(i) Major components of plan assets

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

	%	
	March 31, 2015	March 31, 2014
General accounts	60%	61%
Stocks	24	21
Bonds	14	16
Others	2	2
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, 2015	Year ended March 31, 2014
Discount rate	1.0%	1.0%
Long-term expected return on plan assets	3.4%	2.9%
Rates of increase in future compensation level	0.0%–3.5%	0.0%–3.5%

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, 2015	Year ended March 31, 2014
Liability for retirement benefits at April 1	¥1,222	¥1,133
Retirement benefit expenses	60	149
Retirement benefits paid	(26)	(22)
Plan contributions	(39)	(40)
Retirement benefits liability adjustments	–	3
Liability for retirement benefits at March 31	¥1,217	¥1,222

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

	Millions of yen	
	March 31, 2015	March 31, 2014
Funded retirement benefit obligations	¥464	¥449
Plan assets	(289)	(222)
	174	226
Unfunded retirement benefit obligations	1,042	996
Net liability for retirement benefits in the consolidated balance sheet	1,217	1,222
Liability for retirement benefits	1,217	1,222
Net liability for retirement benefits in the consolidated balance sheet	¥1,217	¥1,222

(3) Retirement benefit expenses

	Millions of yen	
	Year ended March 31, 2015	Year ended March 31, 2014
Retirement benefit expenses calculated using the simplified method	¥60	¥145
Amortization of transitional obligations	3	3
Total	¥64	¥149

(4) 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, 2015	Year ended March 31, 2014
Transitional obligation	¥3	¥–

(5) Retirement benefits liability adjustments included in accumulated other comprehensive income (before adjustment 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, 2015	March 31, 2014
Unrecognized transitional obligation	¥–	¥3

4. Defined contribution plan

Required amounts of contribution to the defined contribution plan for consolidated subsidiaries were ¥45 million for the year ended March 31, 2015 and ¥60 million for the year ended March 31, 2014.

5. Multi-employer plan

Required contributions to the multi-employer welfare pension fund plan, which are recognized in the same way as the defined contribution pension plan, were ¥404 million for the year ended March 31, 2015 and ¥519 million for the year ended March 31, 2014.

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

	Millions of yen	
	March 31, 2015	March 31, 2014
Plan assets at fair value	¥303,721	¥281,339
Total amount of actuarial obligations and minimum actuarial reserves under pension funding computation *1	299,821	290,987
Projected benefit obligations in excess of plan assets	¥3,900	¥(9,648)

*1. This item was formerly presented as "Projected benefit obligations under pension funding computation" for the year ended March 31, 2014.

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

For the year ended March 31, 2014 3.41%

For the year ended March 31, 2013 3.36%

(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 (¥20,430 million for the year ended March 31, 2015 and ¥21,968 million for the year ended March 31, 2014). Prior service costs are amortized by the straight-line method over a period of 20 years under this plan.

24. 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, 2015 and 2014 were as follows:

	Millions of yen	
	March 31, 2015	March 31, 2014
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, 2015:

To maintain net assets of at least ¥17.3 billion on the consolidated balance sheet at the end of each fiscal year and second quarter.

25. 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 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. The bonds are held for the purpose of gaining interest income, and only companies with high rating have been selected, posing minimal credit risks.

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, 2015 and 2014 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, 2015

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	¥15,418	¥15,418	¥–
(2) Notes and accounts receivable - trade	17,434	17,434	–
(3) Securities	139	139	–
(4) Investment securities	3,804	3,804	–
Total assets	¥36,797	¥36,797	¥–
(5) Notes and accounts payable - trade	¥12,374	¥12,374	¥–
(6) Electronically recorded obligations - operating	1,873	1,873	–
(7) Short-term loans payable	1,217	1,217	–
(8) Bonds payable	3,350	3,359	9
(9) Long-term loans payable	2,390	2,409	19
Total liabilities	¥21,205	¥21,233	¥28
Derivatives	¥–	¥–	¥–

At March 31, 2014

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	¥15,923	¥15,923	¥–
(2) Notes and accounts receivable - trade	16,215	16,215	–
(3) Securities	208	208	–
(4) Investment securities	3,290	3,290	–
Total assets	¥35,638	¥35,638	¥–
(5) Notes and accounts payable - trade	¥12,507	¥12,507	¥–
(6) Electronically recorded obligations - operating	1,813	1,813	–
(7) Short-term loans payable	1,130	1,130	–
(8) Bonds payable	2,350	2,345	(4)
(9) Long-term loans payable	4,615	4,642	27
Total liabilities	¥22,415	¥22,439	¥23
Derivatives	¥–	¥–	¥–

(Notes)

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

Assets

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

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

“(3) Securities” and “(4) Investment securities”

For stocks, the exchange price is used as fair value. For debt securities, price provided by the financial institutions is used as fair value. Notes relating to securities held for different purposes are described in notes under “5. 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 “26. Derivatives.”

2) Financial instruments whose fair values are not readily determinable at March 31, 2015 and 2014 are as follows:

Category	Millions of yen	
	March 31, 2015	March 31, 2014
Unlisted equity securities	¥1,017	¥1,053
Investments in limited liability partnership	¥98	¥107

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 and securities with maturity dates subsequent to March 31, 2015 and 2014 are summarized as follows:

At March 31, 2015

	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	¥15,415	¥–
(2) Notes and accounts receivable - trade	17,434	–
(3) Securities and (4) Investment securities		
Available-for-sale securities with maturity dates		
Debt securities (corporate bonds)	138	–
Total	¥32,988	¥–

At March 31, 2014

	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	¥15,918	¥–
(2) Notes and accounts receivable - trade	16,215	–
(3) Securities and (4) Investment securities		
Available-for-sale securities with maturity dates		
Debt securities (corporate bonds)	204	67
Total	¥32,339	¥67

4) Bonds payable, long-term loans payable and other interest-bearing liabilities with repayment dates subsequent to March 31, 2015 and 2014 are summarized as follows:

At March 31, 2015

	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	¥1,217	¥–	¥–	¥–	¥–	¥–
Bonds payable	2,350	–	1,000	–	–	–
Long-term loans payable	1,890	–	500	–	–	–
Total	¥5,457	¥–	¥1,500	¥–	¥–	¥–

At March 31, 2014

	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	¥1,130	¥–	¥–	¥–	¥–	¥–
Bonds payable	–	2,350	–	–	–	–
Long-term loans payable	2,725	1,890	–	–	–	–
Total	¥3,855	¥4,240	¥–	¥–	¥–	¥–

26. Derivatives

At March 31, 2015 and 2014, 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, 2015 and 2014, for which hedge accounting has been applied are summarized as follows:

At March 31, 2015

	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	¥1,250	¥500	*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, 2014

	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	¥3,425	¥750	*1

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

27. Segment Information

Segment Information (For the years ended March 31, 2015 and 2014)

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,” which includes the manufacture and sales of a wide range of light sources such as lamps and luminaires, and the “Applied Optics Sector,” which includes the manufacture and sales of applied optics products.

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

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

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

	Millions of yen	
	For the year ended March 31, 2015	For the year ended March 31, 2014
Sales:		
Lighting Sector	¥ 42,278	¥ 40,066
Applied Optics Sector	17,197	16,964
	59,476	57,030
Corporate and eliminations:		
Lighting Sector	39	56
Applied Optics Sector	87	3
	127	59
Adjustments	(127)	(59)
	¥ 59,476	¥ 57,030
Segment Income:		
Lighting Sector	¥ 4,320	¥ 4,005
Applied Optics Sector	619	150
	4,940	4,156
Adjustments	(1,888)	(1,719)
	¥ 3,051	¥ 2,437
Segment Assets:		
Lighting Sector	¥ 37,219	¥ 35,049
Applied Optics Sector	21,075	20,541
	58,295	55,590
Adjustments	12,278	11,882
	¥ 70,573	¥ 67,473
Depreciation and Amortization:		
Lighting Sector	¥ 1,115	¥ 1,100
Applied Optics Sector	355	383
	1,471	1,483
Adjustments	–	–
	¥ 1,471	¥ 1,483
Increase in Property, Plant and Equipment and Intangible Assets:		
Lighting Sector	¥ 1,265	¥ 971
Applied Optics Sector	428	250
	1,693	1,221
Adjustments	–	–
	¥ 1,693	¥ 1,221

Notes: 1. The adjustments for segment income of ¥ (1,888) million and ¥ (1,719) million at March 31, 2015 and 2014, respectively, include corporate costs, etc., which have not been allocated to the reportable segments.

2. The adjustments for segment assets of ¥12,278 million and ¥11,882 million at March 31, 2015 and 2014, 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, 2015 and 2014

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	
	March 31, 2015	March 31, 2014
Japan	¥47,893	¥47,453
North America	7,193	5,195
Asia	3,735	3,763
Europe	389	280
Other	264	338
Total	¥59,476	¥57,030

(2) Property, Plant and Equipment

No description is provided because property, plant and equipment in Japan at March 31, 2015 and 2014 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, 2015 and 2014 in the consolidated statements of income.

Information on Impairment Loss on Fixed Assets by Reportable Segment

For the year ended March 31, 2015

Not applicable.

For the year ended March 31, 2014

	Millions of yen			
	Lighting Sector	Applied Optics Sector	Corporate and eliminations	Total
Impairment	¥–	¥159	¥–	¥159

Information on Amortization of Goodwill and Balance by Reportable Segment

For the years ended March 31, 2015 and 2014

Not applicable.

Information on Gain on Bargain Purchase by Reportable Segment

For the year ended March 31, 2015

A gain on bargain purchase of ¥24 million (¥3 million for the Lighting Sector, ¥20 million for the Applied Optics Sector) was posted for the current fiscal year. This is due to the purchase of treasury stock by a consolidated subsidiary from minority shareholders.

For the year ended March 31, 2014

A gain on bargain purchase of ¥5 million (¥0 million for the Lighting Sector, ¥4 million for the Applied Optics Sector) was posted for the current fiscal year. This is due to the purchase of treasury stock by a consolidated subsidiary from minority shareholders.

28. Amounts per Share

Per share information at and for the years ended March 31, 2015 and 2014 was as follows:

	Yen	
	Year ended March 31, 2015	Year ended March 31, 2014
Net income	¥31.88	¥19.35
Net assets	349.17	293.44

The basis of the computation of net income per share for the years ended March 31, 2015 and 2014 is as follows:

	Millions of yen	
	Year ended March 31, 2015	Year ended March 31, 2014
Net income per share		
Net income	¥2,371	¥1,439
Amount not attributable to normal shareholders	–	–
Net income allocable to common shares	¥2,371	¥1,439
Average number of common shares for the period (shares)	74,376,109	74,381,990

29. Business Combinations

For the year ended March 31, 2015
Not Applicable.

30. Related Party Transactions

For the year ended March 31, 2015
Not applicable.

For the year ended March 31, 2014
Not Applicable.

31. Stock Options

For the year ended March 31, 2015
Not applicable.

For the year ended March 31, 2014
Not Applicable.

32. 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, 2015, 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, 2015, 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 26, 2015
Tokyo, Japan

Board of Directors and Corporate Data

President and Representative Director
Bunya Watanabe

Director
Hideya Fujii

Director
Yoshimasa Kida

Director
Kazuo Saotome

Director
Masanori Katou

Director and Senior Executive Officer
Yoshitake Itou

Outside Director
Toshiharu Takasu

Outside Director
Syungo Hiromura

Audit & Supervisory Board Member
Kazuei Aima

Audit & Supervisory Board Member
Teruo Yoshii

Outside Audit & Supervisory Board Member
Masayuki Yamazaki

Outside Audit & Supervisory Board Member
Kouichi Ikeda

Senior Executive Officer
Makoto Inamori

Senior Executive Officer
Masayuki Arimatsu

Executive Officer
Haruhiko Hoshino

Executive Officer
Sumio Uehara

Executive Officer
Tomohiko Yamada

Executive Officer
Hirofumi Inoue

(As of July 1, 2015)

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: 239,000,000 shares
Issued: 78,219,507 Shares
Number of Shareholders: 6,907

Major Shareholders	% of Total
Mizuho Bank, Ltd.	3.62
Japan Trustee Services Bank, Ltd. (Trust Account)	3.58
The Sumitomo Mitsui Banking Corp.	3.43
The Master Trust Bank of Japan, Ltd.	3.05
Sompo Japan Nipponkoa Insurance Inc.	2.53
Nippon Tochi-Tatemono Co.,Ltd	2.36
The Meiji Yasuda Life Insurance Company	2.30
Iwasaki Electric Cooperative Association Stock Ownership Plan	1.99
EYE LAMP employee stock ownership plan	1.76
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank Japan Ltd.)	1.65

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.
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Development Bank of Japan Inc.

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

International Business 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

Domestic Sales
& Marketing Division
Bakurocho-daiichi Bldg. 1-4-16,
Nihonbashi-bakurocho, Chuo-ku,
Tokyo 103-0002, Japan
Phone: +81-3-5847-8623
Local Offices: 40 locations

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

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

Research and Development
Research & Development
Department

Development and Production
Saitama Plant
Honjo Factory
Kawasato Factory

Domestic Affiliates

●Manufacture

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

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

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

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

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

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

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

●Sales and Administration

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

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

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

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

IWASAKI ELECTRIC
ENGINEERING SERVICE CO., LTD.
Established in 1994
Maintenance and inspection of electrical
machinery and maintenance of applied optics
diagnostic equipment

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

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

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

●Development

MIK Smart Lighting Network CO., LTD.
Established in 2014
A joint venture with Minebea Co., Ltd.
and Koizumi Lighting Technology Corp.
Contract development of lighting products
and formulation of strategy for their sales
and manufacture
*MIK Smart Lighting Network Corporation
is a consolidated subsidiary of Minebea
Co., Ltd.

(As of July 1, 2015)

Global Network

◆Sales Office
International Business Division
Overseas Sales Department

●Manufacture

ENERGY SCIENCES, INC. (ESI)
Acquired in 1988
42 Industrial Way, Wilmington,
MA 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,
OHIO44060, U.S.A.
Phone: +1-440-350-7000
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 and Administration

ENERGY SCIENCES, INC.
(EUROPE BRANCH)
Established in 2000
Nijver heidsweg Noord 131
NL-3812 PL Amersfoort The NetherLands
Phone: +31-33-422-7288
Facsimile: +31-33-422-7280
Import and distributor of electron-beam
Processors

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

EYE LIGHTING (HONG KONG) LTD.
A joint venture with Hosoda
Trading Company, established in 1992
Room 609, Silvercord Tower 2, 30 Canton Road,
Tsimshatsui, Kowloon ,Hong Kong
Phone: +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 QLD 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 QLD 4076,
Australia
Phone: +61-7-3335-3588
Facsimile: +61-7-3335-3533
Sales of lamps, luminaires and electric
equipment

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

EYE LIGHTING EUROPE LTD.
Established in 2007
Unit 2, Chartridge Development, Eskdale
Road, Uxbridge, Middlesex UB8 2RT, U.K.
Phone: +44-1895-814418
Facsimile: +44-1895-814666
Sales of lamps, luminaires and electric
equipment

SHANGHAI IWASAKI
ELECTRIC CO.,LTD.
Established in 2007
Room809 Bldg."A"Far East International
Plaza No.319 Xianxia Road,Shanghai,
200051, P.R. China
Phone: +86-21-6235-1352
Facsimile: +86-21-6235-1353
Materials procurement in China,
inspection and exports
Sales in China of lamps, luminaries
and electric equipment

(As of July 1, 2015)

【MEMO】

【MEMO】

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