Annual Report 2016

IWASAKI ELECTRIC CO., LTD.

Profile

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

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Message from the President

For the consolidated fiscal year ended March 31, 2016, the Iwasaki Electric Group posted net sales, operating income and ordinary income in line with the revised financial forecasts disclosed on February 1, 2016, which were lower than the previous fiscal year in light of the recent trends in business performance.

In the Lighting Business, sales of the LED lighting business remained strong, achieving a 117% increase in sales on a year-on-year basis although the growth was not as high as initially anticipated. On the other hand, in the conventional lighting business with HID (high intensity discharge) lamps as the mainstay products, both net sales and operating income plunged from the year earlier due to the impact of a decrease in orders for large-scale projects. In the Applied Optics and Environment Business, which was renamed from the Applied Optics Business effective in the 102nd term, while orders related to electron beam equipment as well as orders for ultraviolet (UV) irradiation and drop systems in the FPD (flat panel displays)-related segment remained solid, orders for information display panels in the information equipment segment were more sluggish than anticipated, which resulted in decreased overall sales from the previous year.

As for the future outlook, while price competition for LED products is likely to intensify in the Lighting Business, we believe that we will remain profitable by promoting the use of LED lighting equipment in response to stock demand. In the Applied Optics and Environment Business, we will promote the expansion of business through the promotion of highly value-added products in the environmental testing-related segment as well as proposing solutions in the sterilization segment.

The Iwasaki Electric Group formulated its medium-term management plan “Milestone to MIRAI” for the three years spanning the period between April 2016 and March 2019. We will promote business expansion and aim to enhance our corporate value by setting forth the following three points as the Group’s key policies for the future: “expanding the LED lighting business through the pursuit of added value,” “developing new businesses in the Applied Optics and Environment Business,” and “promoting business through strategic product launches targeting key overseas markets.”

In terms of key strategies by business segment, we will take measures to achieve growth in the Lighting Business by maintaining and expanding market share in the outdoor lighting, high ceiling and special lighting categories, cultivating and deepening the overseas lighting business and establishing new technologies. With the recognition that the LED lighting business has entered into the second stage, we will aim to further expand sales by focusing on not only the pursuit of “high efficiency and energy-saving” as in the past but also the “enhancement of the quality of light” as well as the development of high value-added products such as “applications for communication control devices.” Meanwhile, in order to ensure winning business related to the development of facilities and infrastructure for the Tokyo Olympics and Paralympics, we have established project teams to make compelling technical proposals. In the overseas lighting business, we will clarify business expansion areas and concentrate our sales activities in North America and Southeast Asia, with a focus on Thailand, while at the same time making efforts to develop products to meet regional standards and strengthen distribution networks.

In the Applied Optics and Environment Business, we will aim to expand business through the cultivation of the environmental testing-related segment, expansion of the sterilization, disinfection and water treatment-related segment, strengthening of the UV curing segment, and the maintenance and expansion of road information board and tunnel disaster prevention business. In addition, we will further cultivate the environmental testing-related segment by working on the development of new products that can control not only light but also temperature, humidity and water for weather resistant testing devices that are used for outdoor exposure testing purposes, thus increasing our market share in the Applied Optics and Environment Business.

Since its establishment, the Iwasaki Electric Group has a long history as a manufacturer that makes and sells its own products with lamps as the mainstay items. Based on such history, in order to strengthen and re-establish the value chain in manufacturing and to respond to increasing need for multi-functional products in line with the trend of the Internet of Things (IoT), we are working to beef up our “procurement” capability in a broad sense including our workforce. In the field of capital investment, we will promote the development of high quality and high value-added products by establishing a techno center (technology development building) inside our Saitama Plant in Gyoda City, Saitama Prefecture by bringing together R&D and technical divisions while aiming to further enhance technological synergy effects and development efficiency. By developing an organization that can incubate new ideas and take on challenges while nurturing human resources including sales representatives with consulting capability and personnel to drive our overseas business expansion as well as transforming the company structure looking ahead to the future, we will strive to further solidify our corporate structure to achieve sustainable growth.

We are grateful for the continued support of all our shareholders.

June 2016

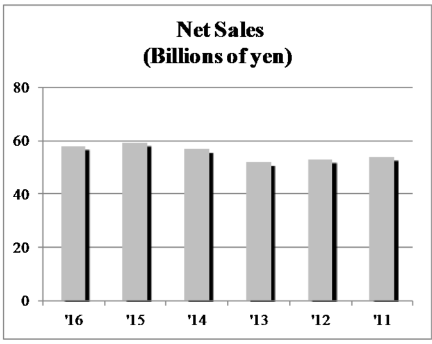
Yoshitake Ito
President and Representative Director

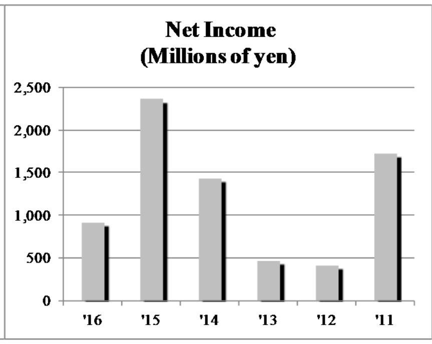
Y. Ito

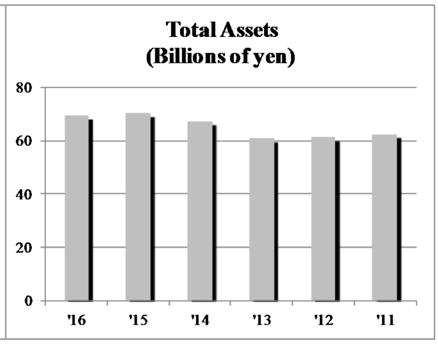
Consolidated Six-Year Summary

	Millions of yen					
	Year ended March 31					
	2016	2015	2014	2013	2012	2011
For the year:						
Net sales	**¥58,206**	¥59,476	¥57,030	¥52,062	¥53,269	¥54,158
Net income	**920**	2,371	1,439	471	414	1,731
At year-end:						
Total assets	**¥69,636**	¥70,573	¥67,473	¥60,959	¥61,486	¥62,620
Total shareholders' equity[2]	**24,722**	25,968	21,826	20,799	19,489	18,930
Working capital	**27,862**	23,381	23,270	23,512	18,487	21,112
Long-term bank loans, less current portion	**2,350**	500	1,890	4,415	3,075	6,095
Amounts per share:[3]						
Net income	**¥12.38**	¥31.88	¥19.35	¥6.34	¥5.58	¥23.34
Cash dividends	**4.00**	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.







Status of the Business

Outline of the Operating Results

1. Operating Results

During the fiscal year ended March 31, 2016, consumer spending in the United States remained strong on the back of a declining unemployment rate and an increase in wages, despite slack capital expenditure and exports. While the economy saw a gradual recovery in the Eurozone owning to the improved labor environment and strong housing investment, the overall global economy slowed down due to the effects of economic downturn in emerging countries, primarily China, during the latter half of the year. In Japan, although corporate earnings remained solid mainly among large enterprises, uncertainty over the economic outlook increased as the decline in the stock market and the further appreciation of the yen since the beginning of the year negatively impacted business sentiment and the consumer mindset.

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,” “creating new business by elaborating applied optics technology,” and “expanding overseas business” as the Group’s three key business strategies. In the Lighting 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.

As a result, net sales amounted to ¥58,206 million (a 2.1% decrease from ¥59,476 million in the previous fiscal year), operating income totaled ¥2,082 million (a 31.8% decrease from ¥3,051 million in the previous fiscal year), ordinary income came to ¥1,931 million (a 30.0% decrease from ¥2,756 million in the previous fiscal year) and profit attributable to owners of parent amounted to ¥920 million (a 61.2% decrease from ¥2,371 million in the previous fiscal year) due partly to the recording of a provision for repair claims for some lighting equipment.

Operating results by business segment are described below:

Lighting Sector

In the Lighting Business, both sales and operating income remained robust despite the fact that growth was not as high as initially anticipated for the LED lighting business segment which has become the mainstream of lighting demand. The Iwasaki Electric Group focused on the development of LED lighting equipment for outdoor lighting and high-ceiling facilities, launched high-output metal halide lamps equipped with light flux equivalent to 2000W as floodlights, and expanded the product lineup for high-ceiling equipment by offering not only wider variations of brightness and intensity distribution but also “special environmental products” that can be used in harsh conditions, aggressively providing appropriate lighting design and product proposals suitable for the environment of various facilities. Meanwhile, the conventional lighting business, with HID (high intensity discharge) lamps as mainstay products, saw decreases in both net sales and operating income from the previous fiscal year due to the continued decline in demand as a result of the shift towards LED lighting.

As a result, sales and operating income for this sector amounted to ¥42,180 million (a 0.3% decrease from ¥42,318 million in the previous fiscal year) and ¥3,570 million (a 17.4% decrease from ¥4,320 million in the previous fiscal year), respectively.

Applied Optics Sector

In the Applied Optics Business, orders for equipment in the environmental improvement field such as electron beam equipment remained strong in Japan. In overseas markets, a solid flow of orders for UV irradiation and drop systems mainly in Asia contributed to robust sales and operating income for the FPD-related segment. On the other hand, the information equipment segment saw a significant decline in sales and operating income against the backdrop of orders for information display boards remaining significantly lower than anticipated.

As a result, sales for this business unit totaled ¥16,180 million (a 6.4% decrease from ¥17,285 million in the previous fiscal year) and operating income came to ¥462 million (a 25.3% decrease from ¥619 million in the previous fiscal year).

2. Cash Flows

Cash and cash equivalents increased by ¥1,380 million from the previous fiscal year to ¥16,697 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 ¥3,467 million.
The main component consisted of ¥1,535 million in depreciation and a decrease of ¥1,927 million in trade notes and accounts receivable, which were offset by a decrease of ¥1,369 million in notes and accounts payable.

(2) Cash flows from investment activities
Net cash used in investment activities amounted to ¥1,662 million for the current fiscal year.
This mainly reflected ¥2,076 million used for the purchase of property, plant and equipment and ¥464 million in proceeds from the sale of property, plant and equipment.

(3) Cash flows from financing activities
Net cash used in financing activities amounted to ¥366 million for the current fiscal year.
This was primarily due to ¥297 million in cash dividends paid.

3. Challenges Facing the Company

The Company has formulated its medium-term management plan (fiscal year ending March 2017 through fiscal year ending March 2019), and has set forth the following three points as the Group's key policies for the future: "expanding the LED lighting business through the pursuit of added value," "developing new business in the Applied Optics and Environment Business," and "promoting business through strategic product launches targeting key overseas markets."

Under these key policies, in the Lighting Business, we will focus on "maintaining and expanding market share in the outdoor lighting, high ceiling and special lighting categories" and "achieving growth by establishing new technologies." In the LED lighting segment, in particular, we will not only pursue "high efficiency and energy-saving" as in the past but also focus on the "enhancement of the quality of light" as well as the development of high value-added products such as "applications for communication control devices." Furthermore, from a medium- to long-term perspective, we will seek to integrate technologies cultivated by the Company over many years with IoT communication technology in an effort to promote research and development aimed at proposals on new technologies and solutions. Meanwhile, although it is expected that the conventional lighting segment will continue to diminish in the future, we will strive to streamline the business by securing a continued volume of orders for HID light sources through measures to capture maintenance demand while promoting the consolidation of production equipment and activities for production innovation.

In the Applied Optics and Environment Business, we will aim to achieve medium- to long-term business expansion through the "cultivation of the environmental testing-related segment," "expansion of the sterilization, disinfection and water treatment-related segment," "strengthening of the UV curing segment," and the "maintenance and expansion of road information board and tunnel disaster prevention business." Although this business segment used to be referred to as the "Applied Optics Business," it has been renamed the "Applied Optics and Environment Business" as we have a vision to promote not only the "applied optics" segment featuring conventional light sources but also the "environmental load-reducing business" by combining them with EB (electron beam) and laser beam as well as non-optical elements in the future. In the field of environmental testing, we will strive to broaden our appeal through the development of new weather resistant testing devices and light irradiation systems. In the sterilization, disinfection and water treatment-related segment, we will promote the implementation of solutions to save energy and reduce environmental load through the use of composite technology of "optics + new technologies." In addition, we will work on the creation of new business fields in the UV curing segment, while promoting sales expansion of road information boards by fully leveraging our distribution network.

In the Overseas Business, we will clarify business expansion areas especially for the lighting segment and concentrate our sales activities by local business entities in order to implement measures to cultivate markets as the Group. Specifically, we will further explore business opportunities by strengthening our distribution network in North America, promoting market development in Thailand and surrounding countries, developing products that meet regional standards and launching strategic products in the market.

In order to address these issues, we will optimize our workforce in response to changes in the market and promote specific themes by flexibly organizing project teams. In addition, we will take a global perspective as we continue to strengthen our intellectual property and procurement strategies while focusing our management resources on research and development as well as marketing with the aim of actively seeking future pillars of business. Based on these 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, 2016 totaled ¥46,756 million, a decrease of ¥1,023 million from a year earlier. This was mainly due to decreases of ¥1,953 million in trade notes and accounts receivable and electronically recorded monetary claims and ¥318 million in deferred tax assets and an increase of ¥1,330 million in cash and deposits.

(Non-current Assets)
Non-current assets as of March 31, 2016 stood at ¥22,880 million, an increase of ¥85 million compared to the previous fiscal year-end. This was principally attributable to an increase of ¥623 million in property, plant and equipment due mainly to the establishment of a logistics warehouse in Ibaraki and a decrease of ¥595 million in investment securities at market value.

(Current Liabilities)
Current liabilities as of March 31, 2016 were ¥18,894 million, a decrease of ¥5,503 million compared to the previous fiscal year-end. This was mainly due to a decrease of ¥4,206 million as a result of the redemption of the current portion of bonds and the repayment of the current portion of long-term loans payable and a total of ¥1,382 million in notes and accounts payable and electronically recorded obligations.

(Non-current Liabilities)
Non-current liabilities as of March 31, 2016 were ¥24,783 million, an increase of ¥5,829 million compared to the previous fiscal year-end. This was mainly attributable to increases of ¥4,450 million as a result of the repayment of loans in current liabilities and new funds raised for the redemption of bonds and ¥1,657 million of liability for retirement benefits due to the review of the discount rate reflecting a decline in market interest rates.

(Net Assets)
Net assets as of March 31, 2016 totaled ¥25,958 million, a decrease of ¥1,263 million compared to the previous fiscal year-end. This was mainly due to shareholders' equity, in which retained earnings increased by ¥624 million, corresponding to ¥920 million in profit attributable to owners of parent and ¥297 in cash dividends paid for the year ended March 31, 2016, which was more than offset by a decrease of ¥1,872 million in accumulated other comprehensive income primarily owning to decreases of ¥238 million in valuation difference on available-for-sale securities due to mark-to market accounting, ¥207 million in the foreign currency translation adjustment due to exchange rate fluctuations, and ¥1,496 million in re-measurements of defined benefit plans due to an increase in unrecognized portions of retirement benefit obligations.

2. Analysis of Operating Results

(Gross Profit)
Gross profit for the current fiscal year decreased by ¥305 million from the previous fiscal year to ¥17,626 million. This was mainly attributable to the fact that the growth of the LED business in the lighting segment was not as high as initially anticipated although the business remained solid in general. The conventional lighting business with HID lamps as mainstay products saw a plunge in sales and profits due to a drop in overall demand due to the switch to LEDs.

In the Applied Optics Business, while sales remained solid for the environment improvement segment and the FPD-related segment, orders for the information equipment segment were sluggish, which resulted in decreases in sales and profits.

(Operating Income)
Operating income for the current fiscal year totaled ¥2,082 million, a decrease of ¥969 million compared to the previous fiscal year, due to the same primary factors described above regarding gross profit and an increase in personnel expenses in selling, general and administrative expenses.

(Ordinary Income)
The current fiscal year resulted in ordinary income of ¥1,931 million, a decrease of ¥825 million from the previous fiscal year. This was primarily attributable to the same primary factors described above regarding gross profit and operating income. In addition, non-operating income decreased because no particular insurance proceeds, etc. were recorded for the current fiscal year, unlike the previous year. However, non-operating profit and loss improved from the previous fiscal year because no amortization of net retirement benefit obligation at transition was recorded for the current fiscal year as the amortization had been completed at the end of the previous fiscal year.

(Profit Attributable to Owners of Parent)
The current fiscal year resulted in net income of ¥920 million, a decrease of ¥1,450 million compared to the previous fiscal year. This was primarily attributable to the same primary factors as those described above regarding each profit. In addition, while ¥407 million in gain on sales of non-current assets was recorded as extraordinary income mainly due to the sales of non-current assets by affiliated companies in Japan, ¥350 million in provision for repair claims was recorded as an extraordinary loss related to claims for some lighting equipment. Furthermore, as for tax expenses, income taxes increased due to an increase in income taxes-deferred reflecting a decline in the amount recorded as deferred tax assets.

3. Cash Flow Analysis

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

Consolidated Balance Sheets

At March 31, 2016 and 2015

ASSETS

	Millions of yen	
	March 31, 2016	March 31, 2015
Current assets		
Cash and deposits (Notes 20 and 24)	¥ 16,749	¥ 15,418
Notes and accounts receivable - trade (Note 24)	14,501	16,774
Electronically recorded monetary claims - operating (Note 24)	979	660
Securities (Notes 5 and 24)	–	139
Merchandise and finished goods	7,483	7,111
Work in process	1,767	1,796
Raw materials and supplies	3,843	3,999
Deferred tax assets (Note 8)	867	1,186
Other	598	736
Allowance for doubtful accounts	(34)	(42)
Total current assets	46,756	47,779
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (Note 12)	14,567	13,761
Machinery, equipment and vehicles (Note 12)	15,429	15,721
Tools, furniture and fixtures	7,759	7,735
Land (Notes 12 and 13)	10,044	10,077
Leased assets (Note 21)	172	204
Construction in progress	368	337
	48,341	47,838
Accumulated depreciation	(31,553)	(31,672)
Property, plant and equipment, net	16,788	16,165
Intangible assets		
Software	443	348
Other	178	197
Intangible assets, net	621	545
Investments and other assets		
Investment securities (Notes 5, 11 and 24)	4,324	4,919
Long-term loans receivable	9	10
Deferred tax assets (Note 8)	311	335
Other	855	872
Allowance for doubtful accounts	(30)	(55)
Total investments and other assets	5,470	6,083
Total non-current assets	22,880	22,794
Total assets	¥ 69,636	¥ 70,573

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

At March 31, 2016 and 2015

LIABILITIES AND NET ASSETS

	Millions of yen	
	March 31, 2016	March 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade (Note 24)	¥ 10,463	¥ 12,374
Electronically recorded obligations - operating (Note 24)	2,402	1,873
Short-term loans payable (Notes 6 and 24)	1,120	1,217
Current portion of bonds (Notes 6 and 24)	–	2,350
Current portion of long-term loans payable(Notes 6 and 24)	33	1,890
Income taxes payable	390	191
Accrued consumption taxes	193	547
Provision for employees' bonuses	746	751
Provision for repair claims	299	20
Other	3,246	3,181
Total current liabilities	18,894	24,398
Noncurrent liabilities		
Bonds payable (Notes 6, 12 and 24)	3,600	1,000
Long-term loans payable (Notes 6 and 24)	2,350	500
Deferred tax liabilities (Note 8)	645	832
Deferred tax liabilities for land revaluation (Note 13)	1,290	1,362
Liability for retirement benefits (Note 22)	14,078	12,421
Asset retirement obligations (Note 7)	66	58
Other	2,752	2,778
Total noncurrent liabilities	24,783	18,954
Total liabilities	43,677	43,352
Commitments and contingent liabilities (Note 23)		
Net assets (Note 19)		
Shareholders' equity (Note 10)		
Common stock:		
Authorized: 239,000,000 shares in 2016 and 2015		
Issued: 78,219,507 shares in 2016 and 2015	8,640	8,640
Capital surplus	2,016	2,013
Retained earnings	13,231	12,606
Treasury stock	(913)	(911)
Total shareholders' equity	22,974	22,348
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,377	1,615
Revaluation reserve for land	2,716	2,646
Foreign currency translation adjustment	163	371
Retirement benefits liability adjustments	(2,509)	(1,013)
Total accumulated other comprehensive income	1,747	3,619
Non-controlling interests	1,236	1,253
Total net assets	25,958	27,221
Total liabilities and net assets	¥ 69,636	¥ 70,573

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Years ended March 31, 2016 and 2015

	Millions of yen	
	Year ended March 31, 2016	Year ended March 31, 2015
Net sales	¥ 58,206	¥ 59,476
Cost of sales (Note 14)	40,580	41,544
Gross profit	17,626	17,932
Selling, general and administrative expenses (Note 15)	15,544	14,880
Operating income	2,082	3,051
Other income (Note 16)		
Interest and dividend income	109	101
Gain on sales of noncurrent assets	407	10
Gain on sales of investment securities	42	0
Gain on bargain purchase	–	24
Other	86	183
Total other income	645	322
Other expenses (Note 17)		
Interest expenses	123	160
Amortization of net retirement benefit obligation at transition	–	312
Equity in losses of affiliates	116	74
Foreign exchange losses	25	5
Loss on sale and retirement of non-current assets	71	66
Repair claims expenses	50	–
Provision for repair claims	299	–
Loss on liquidation of subsidiaries and associates	59	–
Other	83	29
Total other expenses	830	648
Profit before income taxes	1,897	2,726
Income taxes (Note 8)		
Income taxes - current	585	508
Income taxes - deferred	308	(204)
Total income taxes	893	303
Profit	1,003	2,423
Profit attributable to Non-controlling interests	82	51
Profit attributable to owners of parent	¥ 920	¥ 2,371

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Years ended March 31, 2016 and 2015

	Millions of yen	
	Year ended March 31, 2016	Year ended March 31, 2015
Profit	¥ 1,003	¥ 2,423
Other comprehensive income (Note 18)		
Valuation difference on available-for-sale securities	(238)	449
Revaluation reserve for land	71	139
Foreign currency translation adjustment	(123)	573
Retirement benefits liability adjustments	(1,496)	719
Share of other comprehensive income of associates accounted for by equity method	(83)	41
Total other comprehensive income	(1,870)	1,922
Comprehensive income	(867)	4,345
Comprehensive income attributable to:		
Owners of parent	(949)	4,292
Non-controlling interests	¥ 82	¥ 53

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2016 and 2015

	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, 2015	78,219,507	¥8,640	¥2,013	¥12,606	(¥911)	¥22,348
Dividends of surplus	–	–	–	(297)	–	(297)
Profit attributable to owners of parent	–	–	–	920	–	920
Purchase of treasury shares	–	–	–	–	(2)	(2)
Reversal of revaluation reserve for land	–	–	–	1	–	1
Change in treasury shares of parent arising from transactions with non-controlling interests	–	–	3	–	–	3
Net changes of items other than shareholders' equity	–	–	–	–	–	–
Balance at March 31, 2016	78,219,507	¥8,640	¥2,016	¥13,231	(¥913)	¥22,974

	Millions of yen						
	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Retirement benefits liability adjustments	Total valuation and translation adjustments		
Balance at April 1, 2015	¥1,165	¥2,646	¥371	(¥1,013)	¥3,619	¥1,253	¥27,221
Dividends of surplus	–	–	–	–	–	–	(297)
Profit attributable to owners of parent	–	–	–	–	–	–	920
Purchase of treasury shares	–	–	–	–	–	–	(2)
Reversal of revaluation reserve for land	–	–	–	–	–	–	1
Change in treasury shares of parent arising from transactions with non-controlling interests	–	–	–	–	–	–	3
Net changes of items other than shareholders' equity	(238)	69	(207)	(1,496)	(1,872)	(16)	(1,889)
Balance at March 31, 2016	¥1,377	¥2,716	¥163	(¥2,509)	¥1,747	¥1,236	¥25,958

	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)
Profit attributable to owners of parent	–	–	–	2,371	–	2,371
Purchase of treasury shares	–	–	–	–	(1)	(1)
Reversal of revaluation reserve for land	–	–	–	–	–	–
Change in treasury shares of parent arising from transactions with non-controlling interests	–	–	–	–	–	–
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					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Retirement benefits liability adjustments	Total valuation and translation adjustments		
Balance at April 1, 2014	¥1,167	¥2,507	(¥243)	(¥1,732)	¥1,698	¥1,284	¥23,110
Dividends of surplus	–	–	–	–	–	–	(148)
Profit attributable to owners of parent	–	–	–	–	–	–	2,371
Purchase of treasury shares	–	–	–	–	–	–	(1)
Reversal of revaluation reserve for land	–	–	–	–	–	–	-
Change in treasury shares of parent arising from transactions with non-controlling interests	–	–	–	–	–	–	–
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

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2016 and 2015

	Millions of yen	
	Year ended March 31, 2016	Year ended March 31, 2015
Cash flows from operating activities:		
Profit before income taxes	¥ 1,897	¥ 2,726
Adjustments to reconcile profit to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,535	1,472
Increase (decrease) in provision for directors' retirement benefits	–	(223)
Increase (decrease) in provision for employee's bonuses	(4)	0
Increase (decrease) in allowance for doubtful accounts	(31)	(129)
Increase (decrease) in liability for retirement benefits	(16)	(76)
Interest and dividend income	(109)	(101)
Interest expenses	123	160
Foreign exchange losses (gains)	24	(26)
Loss (gain) on sales and retirement of property, plant and equipment	(335)	55
Equity in (earnings) losses of affiliates	116	74
Loss (gain) on sales of investment securities	(42)	(0)
Change in assets and liabilities:		
Decrease (increase) in notes and accounts receivable - trade	1,927	(1,083)
Decrease (increase) in inventories	(220)	(922)
Increase (decrease) in notes and accounts payable - trade	(1,369)	(137)
Other	385	1,261
Subtotal	3,881	3,046
Interest and dividends income received	117	106
Interest expenses paid	(123)	(171)
Income taxes paid	(407)	(718)
Net cash provided by operating activities	3,467	2,264
Cash flows from investing activities:		
Payments into time deposits	(50)	(50)
Proceeds from withdrawal of time deposits	100	350
Purchase of securities	(90)	(187)
Proceeds from redemption of securities	228	354
Purchases of property, plant and equipment	(2,076)	(1,468)
Proceeds from sales of property, plant and equipment	464	35
Purchase of intangible assets	(237)	(183)
Purchase of investment securities	(38)	(9)
Proceeds from sales of investment securities	69	1
Payments of loans receivable	(13)	(13)
Collection of loans receivable	14	6
Other	(32)	(51)
Net cash used in investing activities	(1,662)	(1,215)
Cash flows from financing activities:		
Increase in short-term loans payable	2,841	3,150
Decrease in short-term loans payable	(2,937)	(3,063)
Proceeds from long-term loans payable	1,900	500
Repayment of long-term loans payable	(1,906)	(2,725)
Proceeds from issuance of bonds	2,565	986
Redemption of bonds	(2,350)	–
Purchase of treasury shares	(2)	(1)
Purchase of treasury shares of subsidiaries in consolidation	(73)	(53)
Cash dividends paid	(297)	(148)
Dividends paid to Non-controlling interests	(23)	(6)
Other	(82)	(74)
Net cash used in financing activities	(366)	(1,435)
Effect of exchange rate change on cash and cash equivalents	(58)	183
Net increase (decrease) in cash and cash equivalents	1,380	(204)
Cash and cash equivalents at the beginning of the year	15,317	15,521
Cash and cash equivalents at the end of year (Note 20)	¥ 16,697	¥ 15,317

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

At March 31, 2016 and 2015

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, 2015 to the 2016 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, 2016, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 26 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.

EYE LIGHTING (THAILAND) CO., LTD., which was newly established during the year ended March 31, 2016, has been included in the scope of consolidation.

(c) Accounting period

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

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

(d) Translation of foreign currency transactions and financial statements

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

(e) Securities and investment securities

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

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

During the years ended March 31, 2016 and 2015, 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 Low 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 Low 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.

(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 and prior service costs
Prior service costs are amortized as incurred by the straight-line method over a period not exceeding the expected average remaining service years of employees (14 years).
Actuarial gain or loss is amortized from the following fiscal year after recognition using the straight-line method over a period not exceeding the expected average remaining service years of employees (14 years).

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

(p) Accounting for significant revenues and expenses

Accounting for revenues and costs of completed construction work

a) Construction contracts in which the outcome of the part completed by the year end can be estimated reliably.
Percentage-of-completion method (The percentage of completion is estimated based on the cost incurred as a percentage of the estimated total contract cost.)

b) Other construction contracts
Completed contract method

(q) Consumption taxes

Consumption taxes are calculated by the tax exclusion method.

2. Accounting Changes

(Application of accounting standards for business combinations, etc.)

The "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 21, revised on September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on September 13, 2013), and the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, revised on September 13, 2013) have been applied effective from the fiscal year ended March 31, 2016. Under these accounting standards, the Company records differences arising from changes in its ownership interests in subsidiaries over which it retains to control with in capital surplus. In addition, the Company records acquisition-related costs as expenses in the fiscal year in which the costs are incurred. Regarding business combinations taking place from the beginning of the fiscal year ended March 31, 2016, the Company changed the method to reflect changes in the allocation of acquisition costs arising from the finalization of provisional accounting treatment on the consolidated financial statements for the fiscal year in which the acquisition occurs. Furthermore, the Company changed the methods of presentation of net income, and the presentation of minority interests was changed to non-controlling interests. To reflect these changes in presentation, the consolidated financial statements for the previous fiscal year were restated.

The Company adopted the Accounting Standard for Business Combinations, etc., from the beginning of the fiscal year ended March 31, 2016, following the transitional treatment as stipulated in Article 58-2(4) of "Accounting Standard for Business Combinations," Article 44-5(4) of "Accounting Standard for Consolidated Financial Statements," and Article 57-4(4) of "Accounting Standard for Business Divestitures."

As a result, profit before income taxes for the fiscal year ended March 31, 2016 decreased by ¥3 million, and capital surplus at the end of the fiscal year increased by the same amount.

The impact on per share data is described in the relevant section.

3. Standards Issued but Not Yet Effective

"Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016)

(1) Overview

"Implementation Guidance on Recoverability of Deferred Tax Assets" provides guidance on the recoverability of deferred tax assets in applying accounting standards for tax effect accounting issued by the ASBJ. The guidance was set forth in light of the transfer of practical accounting guidelines and practical audit guidelines for tax effect accounting (portions pertaining to accounting treatment) issued by the Japanese Institute of Certified Public Accountants (JICPA) to the ASBJ. Among such practical guidelines, with a focus on the guidelines on the recoverability of deferred tax assets stipulated in Report No. 66 of the Audit Committee of the JICPA, "Audit Treatment of Judgments with Regard to Recoverability of Deferred Tax Assets," the ASBJ fundamentally followed the treatment framework, under which companies are classified into five categories and the amount of deferred tax assets are estimated in accordance with each category, and it reviewed classification requirements and some treatments of amounts recorded as deferred tax assets as necessary.

(Classification requirements and review of treatments of amounts recorded as deferred tax assets)

- Treatment for a company that does not meet any of the classification requirements for (Category 1) through (Category 5)
- Classification requirements for (Category 2) and (Category 3)
- Treatment for a company classified as (Category 2) regarding deductible temporary differences where the scheduling of the timing of the reversal is not possible
- Treatment for a company classified as (Category 3) regarding a period for which taxable income before future temporary differences can be reasonably estimated
- Treatment for a company meeting the classification requirements for (Category 4) that is classified as (Category 2) or (Category 3)

(2) Scheduled date of adoption
The Company will apply this implementation guidance effective from the beginning of the fiscal year commencing on April 1, 2016.

(3) Impact of adopting implementation guidance
The Company is currently evaluating the impact of adopting the Implementation Guidance on Recoverability of Deferred Tax Assets on its consolidated results of operations and financial position.

4. Changes in Presentation

(Consolidated Balance Sheets)

Electronically recorded monetary claims, which had been previously included in notes and accounts receivable under current assets, have been separately presented at March 31, 2016 due to their increased monetary significance. In order to reflect such changes in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, ¥17,434 million recorded as “notes and accounts receivable” under current assets at March 31, 2015 have been reclassified into ¥16,774 million as “notes and accounts receivable” and ¥660 million as “electronically recorded monetary claims.”

5. Securities and Investment Securities

Information regarding securities and investment securities classified as available-for-sale securities with fair market value at March 31, 2016 and 2015 is summarized as follows:

	Millions of yen					
	March 31, 2016			March 31, 2015		
	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	¥1,420	¥3,415	¥1,994	¥1,374	¥3,742	¥2,368
Debt securities						
Government bonds	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Other	–	–	–	–	–	–
Other	–	–	–	–	–	–
Subtotal	1,420	3,415	1,994	1,374	3,742	2,368
Securities whose acquisition cost exceeds their carrying amount (fair market value):						
Equity securities	192	167	(24)	66	61	(5)
Debt securities						
Government bonds	–	–	–	–	–	–
Corporate bonds	–	–	–	140	139	(0)
Other	–	–	–	–	–	–
Other	–	–	–	–	–	–
Subtotal	192	167	(24)	206	201	(5)
Total	¥1,613	¥3,583	¥1,969	¥1,581	¥3,943	¥2,362

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, 2016 and March 31, 2015, no impairment losses were recognized.

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

Information regarding the sales of investment securities classified as available-for-sale securities with fair market value for the year ended March 31, 2016 and the year ended March 31, 2015 is summarized as follows:

	Millions of yen					
	March 31, 2016			March 31, 2015		
	Proceeds from sales	Gross realized gain	Gross realized loss	Proceeds from sales	Gross realized gain	Gross realized loss
Equity securities	¥69	¥42	¥0	¥1	¥0	–
Debt securities						
Government bonds	–	–	–	–	–	–
Corporation bonds	–	–	–	–	–	–
Other	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total	¥69	¥42	¥0	¥1	¥0	–

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 0.77% amounted to ¥1,120 million and ¥1,217 million at March 31, 2016 and 2015, respectively.

Long-term loans, lease obligations and deposits received classified as other long-term liabilities with interest at March 31, 2016 and 2015 consisted of the following:

	Millions of yen	
	March 31, 2016	March 31, 2015
Loans, principally from banks, maturing in installments through 2018 with an average interest rate of 1.33%	¥2,383	¥2,390
Less current portion of loans	(33)	(1,890)
Net	2,350	500
Lease obligations	188	132
Less current portion of lease obligations	(91)	(61)
Net	97	70
Deposits received with an average interest rate of 2.35%	2,547	2,524
Total	¥4,994	¥3,094

The annual maturities of long-term loans and lease obligations subsequent to March 31, 2016 are summarized as follows:

	Long-term loans	Lease obligations
	Millions of yen	Millions of yen
Year ending March 31,		
2018	¥533	¥56
2019	1,416	19
2020	–	13
2021 and thereafter	400	8

Bonds payable at March 31, 2016 and 2015 consisted of the following:

Name of company	Issue	Date of issue	Millions of yen		Interest rate (%)	Collateral	Maturity date
			March 31, 2016	March 31, 2015			
Iwasaki Electric Co., Ltd.	17th Unsecured straight bond	October 5, 2012	¥-	¥1,200 (1,200)	1.15	N.A.	October 5, 2015
Iwasaki Electric Co., Ltd.	18th Unsecured straight bond	October 9, 2012	-	900 (900)	0.45	N.A.	October 9, 2015
Iwasaki Electric Co., Ltd.	19th Unsecured straight bond	October 31, 2012	-	250 (250)	0.89	N.A.	October 30, 2015
Iwasaki Electric Co., Ltd.	20th Unsecured straight bond	November 28, 2014	400	400	0.78	N.A.	November 30, 2017
Iwasaki Electric Co., Ltd.	21st Unsecured straight bond	November 28, 2014	400	400	0.38	N.A.	November 30, 2017
Iwasaki Electric Co., Ltd.	22nd Unsecured straight bond	November 28, 2014	200	200	0.45	N.A.	November 28, 2017
Iwasaki Electric Co., Ltd.	23rd Unsecured straight bond	September 30, 2015	250	-	0.41	N.A.	September 28, 2018
Iwasaki Electric Co., Ltd.	24th Unsecured straight bond	October 5, 2015	1,200	-	0.73	N.A.	October 5, 2018
Iwasaki Electric Co., Ltd.	25th Unsecured straight bond	October 9, 2015	900	-	0.31	N.A.	October 9, 2018
Iwasaki Electric Co., Ltd.	26th Unsecured straight bond	October 30, 2015	250	-	0.76	N.A.	October 31, 2018
Total	–	–	¥3,600	¥3,350 (2,350)	–	–	–

Note: 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, 2016 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)
¥–	¥1,000	¥2,600	¥–	¥–

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, 2015 and March 31, 2016 accounted for less than 1% of total liabilities and net assets at the beginning and the 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, 2016 and 2015 were as follows:

	Millions of yen	
	March 31, 2016	March 31, 2015
Deferred tax assets:		
Loss carried forward for tax purposes	¥791	¥1,143
Liability for retirement benefits	3,535	3,687
Other	999	936
Gross deferred tax assets	5,326	5,768
Valuation allowance	(4,052)	(4,218)
Total deferred tax assets	1,273	1,550
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	(591)	(744)
Other	(148)	(116)
Gross deferred tax liabilities	(740)	(861)
Net deferred tax assets	¥533	¥688

Note: Net deferred tax assets for the years ended March 31, 2016 and 2015 were included in the following items on the consolidated balance sheets.

	Millions of yen	
	March 31, 2016	March 31, 2015
Current assets – Deferred tax assets	¥867	¥1,186
Investments and other assets – Deferred tax assets	311	335
Non-current liabilities – Deferred tax liabilities	(645)	(832)

The reconciliation of the Japanese statutory tax rate and the effective tax rate applicable to the Company for the years ended March 31, 2016 and 2015 was as follows:

	Year ended March 31, 2016	Year ended March 31, 2015
Japanese statutory tax rate	33.1%	35.6%
(Adjustments)		
Permanent non-deductible differences, including entertainment, etc.	3.7	2.1
Permanent non-taxable differences, including dividend income	(0.8)	(0.1)
Inhabitants taxes per capita, etc.	3.4	2.3
Decrease in valuation allowance	2.8	(27.4)
Gain on bargain purchase	–	(0.3)
Special deduction amount for income taxes	(2.5)	(1.8)
Effect of change in the tax rate	3.6	3.8
Other	3.8	(3.1)
Effective tax rate	47.1	11.1

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

Following the enactment of the "Act to partially revise the Income Tax Act and Others" (Act No. 15 of 2016) and the "Act to partially revise the Local Tax Act and Others" (Act No. 13 of 2016) on March 29, 2016, the income tax rate will be lowered effective from the fiscal year beginning on April 1, 2016. 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 32.3% to 30.9% for temporary differences expected to be realized or settled in the fiscal years beginning April 1, 2016 and April 1, 2017, and to 30.6% for temporary differences expected to be realized or settled from the fiscal year beginning April 1, 2018.

The changes in the statutory effective tax rate resulted in a ¥49 million decrease in deferred tax assets, a ¥36 million decrease in deferred tax liabilities and a ¥46 million increase in income taxes-deferred at and for the year ended March 31, 2016.

In addition, deferred tax liabilities for land revaluation decreased by ¥71 million and revaluation reserve for land increased by the same amount at ended March 31, 2016.

9. Rental Properties

For the year ended March 31, 2016 and 2015
No description is provided because the total amount of rental properties is immaterial.

10. Shareholders' Equity

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

11. Investments in Affiliates

Investments in affiliates at March 31, 2016 and 2015 amounted to ¥584 million and ¥794 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, 2016 and 2015 is presented below:

	Millions of yen	
	March 31, 2016	March 31, 2015
Pledged assets		
Buildings and structures	¥682	¥637
Machinery, equipment and vehicles	369	443
Land	2,579	2,579
Total	¥3,631	¥3,660
Secured liabilities		
Bonds payable	¥1,000	¥1,000
Total	¥1,000	¥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 Public Notice of Land Prices Act, as stipulated in Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No. 119, promulgated March 31, 1998), after making reasonable adjustments.

The differences between the revalued carrying amount and the fair value at March 31, 2016 and 2015 of land revalued pursuant to Article 10 of the law were ¥2,509 million and ¥2,332 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 ¥(88) million and ¥142 million, net of the amount of the reversal, was included in cost of sales for the years ended March 31, 2016 and 2015, 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, 2016 and 2015 were as follows. The figures in the following table have been offset against reversals.

	Millions of yen	
	Year ended March 31, 2016	Year ended March 31, 2015
Salaries	¥5,619	¥5,430
Packing and transportation costs	1,775	1,735
Provision for employees' retirement benefits	613	616
Provision for employees' bonuses	415	404
Provision (reversal) of allowance for doubtful accounts	28	(33)

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2016 and 2015 amounted to ¥431 million and ¥395 million, respectively.

16. Other Income

Gain on sales of non-current assets for the years ended March 31, 2016 and 2015 were summarized as follows:

	Millions of yen	
	Year ended March 31, 2016	Year ended March 31, 2015
Buildings and structures	¥–	¥0
Machinery, equipment and vehicles	20	10
Tools, furniture and fixtures	0	0
Land	385	–
Total	¥407	¥10

17. Other Expenses

Loss on sales and retirement of non-current assets for the years ended March 31, 2016 and 2015 were summarized as follows:

	Millions of yen	
	Year ended March 31, 2016	Year ended March 31, 2015
Buildings and structures	¥46	¥10
Machinery, equipment and vehicles	12	19
Tools, furniture and fixtures	2	4
Land	2	24
Other	7	7
Total	¥71	¥66

18. Statement of Comprehensive Income

Reclassification adjustments relating to other comprehensive income for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen	
	Year ended March 31, 2016	Year ended March 31, 2015
Valuation difference on available-for-sale securities:		
Amount arising during the year	¥(362)	¥572
Reclassification adjustments for gain (loss) included in profit	(29)	(0)
Total	(392)	571
Foreign currency translation adjustment:		
Amount arising during the year	(123)	573
Reclassification adjustments for gain (loss) included in profit	–	–
Total	(123)	573
Retirement benefits liability adjustments		
Amount arising during the year	(1,674)	126
Reclassification adjustments for gain (loss) included in profit	177	593
Total	(1,496)	719
Share of other comprehensive income of affiliates accounted for using the equity method:		
Amount arising during the year	(83)	41
Total amount before income taxes	(2,096)	1,905
Income taxes	225	17
Total other comprehensive income	¥(1,870)	¥1,922

Tax effects relating to other comprehensive income for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen	
	March 31, 2016	March 31, 2015
Valuation difference on available-for-sale securities		
Before tax effect	¥(392)	¥571
Tax effect	153	(122)
After tax effect	(238)	449
Revaluation reserve for land		
Before tax effect	–	–
Tax effect	71	139
After tax effect	71	139
Foreign currency translation adjustment		
Before tax effect	(123)	573
Tax effect	–	–
After tax effect	(123)	573
Retirement benefits liability adjustments		
Before tax effect	(1,496)	719
Tax effect	–	–
After tax effect	(1,496)	719
Share of other comprehensive income of affiliates accounted for using the equity method		
Before tax effect	(83)	41
Tax effect	–	–
After tax effect	(83)	41
Total other comprehensive income		
Before tax effect	(2,096)	1,905
Tax effect	225	17
After tax effect	¥(1,870)	¥1,922

19. Supplemental Information of Consolidated Statements of Changes in Net Assets
(a) Type and number of issued shares and treasury stock

For the year ended March 31, 2016

	Number of shares (Thousand)			
	April 1, 2015	Increase	Decrease	March 31, 2016
Type of issued shares				
Common stock	78,219	–	–	78,219
Total	78,219	–	–	78,219
Type of treasury stock				
Common stock	3,847	9	–	3,856
Total	3,847	9	–	3,856

Note: The increase of 9,000 shares of common stock in treasury was due to the repurchase of fractional shares.

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.

(b) Matters related to dividends
1. Amount of dividends

For the year ended March 31, 2016

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

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

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, 2016

(Resolution)	Type	Total dividends paid (Millions of yen)	Source of dividends	Amount of dividends per share (Yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders on June 28, 2016	Common stock	¥297	Retained earnings	¥4	March 31, 2016	June 29, 2016

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

20. Supplemental Cash Flow Information

A reconciliation of cash and cash equivalents at March 31, 2016 and 2015 to cash and deposits in the accompanying consolidated balance sheets was as follows:

	Millions of yen	
	March 31, 2016	March 31, 2015
Cash and deposits	¥16,749	¥15,418
Time deposits with maturity in excess of three months	(51)	(101)
Cash and cash equivalents	¥16,697	¥15,317

21. Leases

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

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

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, 2016 and 2015, of mainly leased tools, furniture and fixtures on an “as if capitalized” basis is as follows:

	Millions of yen	
	March 31, 2016	March 31, 2015
Acquisition cost	¥–	¥3
Accumulated depreciation	–	3
Net book value	¥–	¥–

(2) Future minimum lease payments (inclusive of imputed interest expense portion)

Not Applicable.

(3) Lease payments, reversal of accumulated impairment loss on leased assets, pro forma depreciation and impairment loss for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen	
	Year ended March 31, 2016	Year ended March 31, 2015
Lease payments	¥–	¥0
Depreciation expense	–	0

(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.

22. Employees' Retirement Benefits

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

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

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

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

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

(1) The changes in the retirement benefit obligations

	Millions of yen	
	Year ended March 31, 2016	Year ended March 31, 2015
Retirement benefit obligations at April 1	¥14,038	¥13,897
Service costs	611	614
Interest costs	140	138
Actuarial loss	1,565	0
Retirement benefits paid	(632)	(615)
Others	3	2
Retirement benefit obligations at March 31	¥15,726	¥14,038

(2) The changes in plan assets

	Millions of yen	
	Year ended March 31, 2016	Year ended March 31, 2015
Plan assets at April 1	¥2,834	¥2,496
Expected return on plan assets	87	85
Actuarial gain	(108)	126
Contributions by the Company	378	397
Retirement benefits paid	(297)	(270)
Plan assets at March 31	¥2,894	¥2,834

(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, 2016	March 31, 2015
Funded retirement benefit obligations	¥6,241	¥5,617
Plan assets	(2,894)	(2,834)
	3,346	2,782
Unfunded retirement benefit obligations	9,485	8,421
Net liability for retirement benefits in the consolidated balance sheet	12,832	11,204
Liability for retirement benefits	12,832	11,204
Net liability for retirement benefits in the consolidated balance sheet	¥12,832	¥11,204

(4) The components of retirement benefit expenses

	Millions of yen	
	Year ended March 31, 2016	Year ended March 31, 2015
Service costs	¥611	¥614
Interest costs	140	138
Expected return on plan assets	(87)	(85)
Amortization of transitional obligations	–	308
Amortization of actuarial loss	175	278
Amortization of prior service costs	2	2
Others	3	2
Retirement benefit expenses	¥845	¥1,261

(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, 2016	Year ended March 31, 2015
Prior service costs	¥2	¥2
Actuarial loss	(1,498)	404
Transitional obligation	–	308
Total	¥(1,496)	¥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, 2016	March 31, 2015
Unrecognized prior service costs	¥18	¥21
Unrecognized actuarial loss	2,491	992
Total	¥2,509	¥1,013

(7) Plan assets

(i) Major components of plan assets

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

	%	
	March 31, 2016	March 31, 2015
General accounts	63%	60%
Stocks	23	24
Bonds	12	14
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, 2016	Year ended March 31, 2015
Discount rate	0.0%	1.0%
Long-term expected return on plan assets	3.1%	3.4%
Anticipated salary increase rate l	0.0%–3.5%	0.0%–3.5%

Note: While the discount rate applied for calculation at the beginning of the current fiscal year was 1.0%, the Company judged that a change in the discount rate would have a significant impact on the amount of retirement benefit obligations and after reviewing the discount rate at the end of the current fiscal year the discount rate was changed to 0.0%.

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, 2016	Year ended March 31, 2015
Liability for retirement benefits at April 1	¥1,217	¥1,222
Retirement benefit expenses	136	60
Retirement benefits paid	(52)	(26)
Plan contributions	(54)	(39)
Liability for retirement benefits at March 31	¥1,246	¥1,217

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

	Millions of yen	
	March 31, 2016	March 31, 2015
Funded retirement benefit obligations	¥471	¥464
Plan assets	(301)	(289)
	169	174
Unfunded retirement benefit obligations	1,077	1,042
Net liability for retirement benefits in the consolidated balance sheet	1,246	1,217
Liability for retirement benefits	1,246	1,217
Net liability for retirement benefits in the consolidated balance sheet	¥1,246	¥1,217

(3) Retirement benefit expenses

	Millions of yen	
	Year ended March 31, 2016	Year ended March 31, 2015
Retirement benefit expenses calculated using the simplified method	¥136	¥60
Amortization of transitional obligations	–	3
Total	¥136	¥64

(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, 2016	Year ended March 31, 2015
Transitional obligation	¥–	¥3

4. Defined contribution plan

Required amounts of contribution to the defined contribution plan for consolidated subsidiaries were ¥24 million for the year ended March 31, 2016 and ¥45 million for the year ended March 31, 2015.

5. Multi-employer plan

Required contributions to the multi-employer corporate pension fund plan, which are recognized in the same way as the defined contribution pension plan, were ¥222 million for the year ended March 31, 2016 and ¥404 million for the year ended March 31, 2015.

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

	Millions of yen	
	March 31, 2015	March 31, 2014
Plan assets at fair value	¥317,423	¥303,721
Total amount of actuarial obligations and minimum actuarial reserves under pension funding computation	302,957	299,821
Projected benefit obligations in excess of plan assets	¥14,465	¥3,900

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

For the year ended March 31, 2015 3.39%

For the year ended March 31, 2014 3.41%

(3) Supplementary explanation

The main component of projected benefit obligation in excess of plan assets listed under (1) above was prior service costs under pension accounting (¥18,843 million for the year ended March 31, 2016 and ¥20,430 million for the year ended March 31, 2015). Prior service costs are amortized by the straight-line method over a period of 20 years under this plan.

23. Commitment and Contingent Liabilities

The Company has entered into commitment line contracts with 5 banks in order to ensure the timeliness of financing. Relevant figures at March 31, 2016 and 2015 were as follows:

	Millions of yen	
	March 31, 2016	March 31, 2015
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, 2016:

To maintain net assets of at least ¥20.4 billion on the consolidated balance sheet at the end of each fiscal year and second quarter.

24. Financial Instruments

1. Matters relating to the status of financial instruments

(1) Policy toward financial instruments

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

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

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

Stocks carry market risks. Most stocks are those of companies which have business relationships with the Company and their market prices are regularly reported to the officer in charge of finance. 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, 2016 and 2015 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, 2016

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	¥16,749	¥16,749	¥–
(2) Notes and accounts receivable - trade	14,501	14,501	–
(3) Electronically recorded monetary claims - operating	979	979	–
(5) Investment securities	3,583	3,583	–
Total assets	¥35,813	¥35,813	¥–
(6) Notes and accounts payable - trade	¥10,463	¥10,463	¥–
(7) Electronically recorded obligations - operating	2,402	2,402	–
(8) Short-term loans payable	1,120	1,120	–
(9) Bonds payable	3,600	3,617	17
(10) Long-term loans payable	2,383	2,419	36
Total liabilities	¥19,968	¥20,022	¥54
Derivatives	¥–	¥–	¥–

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	16,774	16,774	–
(3) Electronically recorded monetary claims - operating	660	660	–
(4) Securities	139	139	–
(5) Investment securities	3,804	3,804	–
Total assets	¥36,797	¥36,797	¥–
(6) Notes and accounts payable - trade	¥12,374	¥12,374	¥–
(7) Electronically recorded obligations - operating	1,873	1,873	–
(8) Short-term loans payable	1,217	1,217	–
(9) Bonds payable	3,350	3,359	9
(10) Long-term loans payable	2,390	2,409	19
Total liabilities	¥21,205	¥21,233	¥28
Derivatives	¥–	¥–	¥–

(Notes)

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

Assets

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

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

"(4) Securities" and "(5) 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

"(6) Notes and accounts payable - trade," "(7) Electronically recorded obligations - operating," and "(8) 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.

"(9) 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.

"(10) Long-term loans payable"

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

Derivatives

See note "25. Derivatives."

2) Financial instruments whose fair values are not readily determinable at March 31, 2016 and 2015 are as follows:

Category	Millions of yen	
	March 31, 2016	March 31, 2015
Unlisted equity securities	¥647	¥1,017
Investments in limited liability partnership	¥93	¥98

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 "(5) Investment securities" as the fair value is not readily determinable.

3) Monetary claims and securities with maturity dates subsequent to March 31, 2016 and 2015 are summarized as follows:

At March 31, 2016

	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	¥16,746	¥–
(2) Notes and accounts receivable - trade	14,501	–
(3) Electronically recorded monetary claims - operating	979	–
(5) Investment Securities		
Available-for-sale securities with maturity dates		
Debt securities (corporate bonds)	–	–
Total	¥32,227	¥–

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	16,774	–
(3) Electronically recorded monetary claims - operating	660	–
(4) Securities and (5) Investment securities		
Available-for-sale securities with maturity dates		
Debt securities (corporate bonds)	138	–
Total	¥32,988	¥–

4) Bonds payable, long-term loans payable and other interest-bearing liabilities with repayment dates subsequent to March 31, 2016 and 2015 are summarized as follows:

At March 31, 2016

	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	¥1,120	¥–	¥–	¥–	¥–	¥–
Bonds payable	–	1,000	2,600	–	–	–
Long-term loans payable	33	533	1,416	–	400	–
Total	¥1,153	¥1,533	¥4,016	¥–	¥400	¥–

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	¥–	¥–	¥–

25. Derivatives

At March 31, 2016 and 2015, 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, 2016 and 2015, for which hedge accounting has been applied are summarized as follows:

At March 31, 2016

	Notional Amount (Millions of yen)		Fair value (Millions of yen)
	Maturing within one year	Maturing after one year	
Interest rate swap hedging long-term loans payable, accounted for by short-cut method:			
Receive/floating and pay/fixed	¥1,050	¥1,050	*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, 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.

26. Segment Information

Segment Information (For the years ended March 31, 2016 and 2015)

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			
	Year ended March 31, 2016		Year ended March 31, 2015	
Sales:				
Lighting Sector	¥	42,132	¥	42,278
Applied Optics Sector		16,073		17,197
		58,206		59,476
Corporate and eliminations:				
Lighting Sector		47		39
Applied Optics Sector		106		87
		154		127
Adjustments		(154)		(127)
	¥	58,206	¥	59,476
Segment Income(loss):				
Lighting Sector	¥	3,570	¥	4,320
Applied Optics Sector		462		619
		4,033		4,940
Adjustments		(1,951)		(1,888)
	¥	2,082	¥	3,051
Segment Assets:				
Lighting Sector	¥	36,575	¥	37,219
Applied Optics Sector		20,403		21,075
		56,978		58,295
Adjustments		12,657		12,278
	¥	69,636	¥	70,573
Depreciation and Amortization:				
Lighting Sector	¥	1,151	¥	1,115
Applied Optics Sector		390		355
		1,541		1,471
Adjustments		–		–
	¥	1,541	¥	1,471
Increase in Property, Plant and Equipment and Intangible Assets:				
Lighting Sector	¥	1,931	¥	1,265
Applied Optics Sector		492		428
		2,424		1,693
Adjustments		–		–
	¥	2,424	¥	1,693

Notes: 1. The adjustments for segment income(loss) of ¥ (1,951) million and ¥ (1,888) million at March 31, 2016 and 2015, respectively, include corporate costs, etc., which have not been allocated to the reportable segments.

2. The adjustments for segment assets of ¥12,657 million and ¥12,278 million at March 31, 2016 and 2015, 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, 2016 and 2015
1. Information by Product and Service
No description is provided because information on segments by product and service is the same as that of the reportable segments.

2. Information by Country or Region
(1) Net Sales

	Millions of yen	
	Year ended March 31, 2016	Year ended March 31, 2015
Japan	¥47,255	¥47,893
North America	7,168	7,193
Asia	3,272	3,735
Europe	249	389
Other	259	264
Total	¥58,206	¥59,476

(2) Property, Plant and Equipment
No description is provided because property, plant and equipment in Japan at March 31, 2016 and 2015 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, 2016 and 2015 in the consolidated statements of income.

Information on Impairment Loss on Fixed Assets by Reportable Segment
For the years ended March 31, 2016 and 2015
Not Applicable.

Information on Amortization of Goodwill and Balance by Reportable Segment
For the years ended March 31, 2016 and 2015
Not Applicable.

Information on Gain on Bargain Purchase by Reportable Segment
For the year ended March 31, 2016
Not Applicable.

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 shares by a consolidated subsidiary from minority shareholders.

27. Amounts per Share

Per share information at and for the years ended March 31, 2016 and 2015 was as follows:

	Yen	
	Year ended March 31, 2016	Year ended March 31, 2015
Profit attributable to owners of parent	¥12.38	¥31.88
Net assets	332.45	349.17

The basis of the computation of profit attributable to owners of parent per share for the years ended March 31, 2016 and 2015 is as follows:

	Millions of yen	
	Year ended March 31, 2016	Year ended March 31, 2015
Profit attributable to owners of parent	¥920	¥2,371
Amount not attributable to normal shareholders	–	–
Profit attributable to owners of parent allocable to common shares	¥920	¥2,371
Average number of common shares for the period (shares)	74,367,591	74,376,109

As described in “2. Accounting Changes,” the Company has adopted the Accounting Standards for Business Combinations, etc. following transitional treatment as stipulated in these accounting standards. The impact of the adoption of these accounting standards on per share data is immaterial.

28. Business Combinations

For the year ended March 31, 2016
Not Applicable.

29. Related Party Transactions

For the year ended March 31, 2016
Not Applicable.

For the year ended March 31, 2015
Not Applicable.

30. Stock Options

For the year ended March 31, 2016
Not Applicable.

For the year ended March 31, 2015
Not Applicable.

31. Significant Subsequent Events

Not Applicable.

Independent Auditor's Report

The Board of Directors
IWASAKI ELECTRIC Co., Ltd.

We have audited the accompanying consolidated financial statements of IWASAKI ELECTRIC Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, 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, 2016, 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 23, 2016
Tokyo, Japan

Board of Directors and Corporate Data

Chairman
Bunya Watanabe

President and Chief Executive Officer
Yoshitake Ito

Director
Yoshimasa Kida

Director
Kazuo Saotome

Director
Masanori Kato

Director and Senior Executive Officer
Masayuki Arimatsu

Outside Director
Toshiharu Takasu

Outside Director
Shungo Hiromura

Audit & Supervisory Board Member
Hideya Fujii

Audit & Supervisory Board Member
Teruo Yoshii

Outside Audit & Supervisory Board Member
Masayuki Yamazaki

Outside Audit & Supervisory Board Member
Koichi Ikeda

Senior Executive Officer
Makoto Inamori

Executive Officer
Haruhiko Hoshino

Executive Officer
Sumio Uehara

Executive Officer
Tomohiko Yamada

Executive Officer
Hirofumi Inoue

(As of July 1, 2016)

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 and Outstanding: 78,219,507 Shares
Number of Shareholders: 6,874

Major Shareholders	% of Total
Mizuho Bank, Ltd.	3.62
The Sumitomo Mitsui Banking Corp.	3.43
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank Japan Ltd.)	2.45
Nippon Tochi-Tatemono Co.,Ltd	2.36
The Meiji Yasuda Life Insurance Company	2.30
The Master Trust Bank of Japan, Ltd.	2.07
Japan Trustee Services Bank, Ltd. (Trust Account)	2.02
Iwasaki Electric Cooperative Association Stock Ownership Plan	1.99
CBNY-GOVERNMENT OF NORWAY (Standing proxy: Citibank Japan Ltd.)	1.97
EYE LAMP employee stock ownership plan	1.79

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: +81-3-5847-8624
Local Offices: 41 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
Kawasato Factory
Honjo 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

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
and environment diagnostic equipment

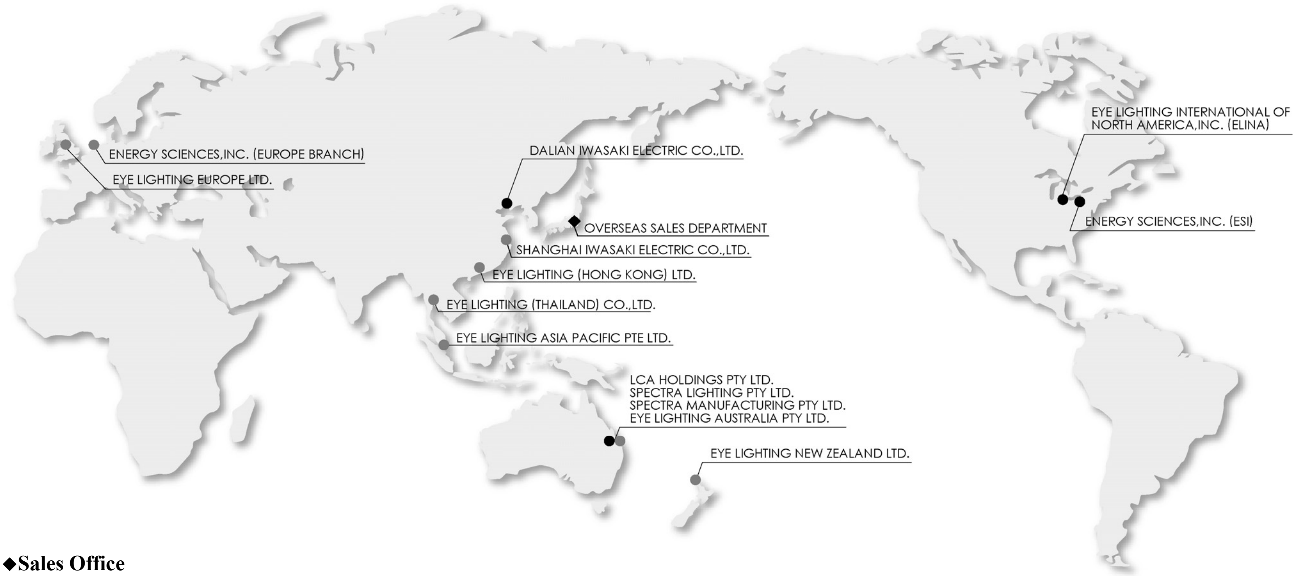
EYE ONE CO., LTD.
Established in 1987
Service trade for the Iwasaki Group, such as
insurance agency operations

EYE LIGHTING DEVICE CO., LTD.
（Former Name: EYE TRADING Co., LTD）
Established in 1988
Sales of raw materials and materials for light
sources and lighting luminaires. Import export
of those items.

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

(As of July 1, 2016)

Global Network



◆Sales Office
International Business Division
Overseas Sales Department

●Manufacture

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

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

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

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

SPECTRA MANUFACTURING PTY LTD.
Acquired in 1999
15 Industrial Avenue Wacol QLD 4076, Australia
Phone: +61-7-3335-3502
Facsimile: +61-7-3355-3533
Manufacture and sales of streetscape luminaries

●Sales

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

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

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

EYE LIGHTING EUROPE LTD.
Established in 2007
c/o Regus Uxbridge, Highbridge Industrial Estate, Oxford Road,Uxbridge, Middlesex, UB8 1HR, United Kingdom
Phone: +44-0-1895-876431
Facsimile: +44-0-1895-814666
Sales of lamps, luminaires and electric equipment

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 (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 40760 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

(As of July 1, 2016)

【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