Annual Report 2014

IWASAKI ELECTRIC CO., LTD.

Profile

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

Contents

Message from the President

Overall performance of Iwasaki Electric Co., Ltd. in the consolidated fiscal year ended March 31, 2014 exceeded last fiscal year’s level in both sales and operating income, and resulted in the posting of a profit. In the Lighting Sector, sales of LED products increased by 50% year-on-year, which was above our expectations. While the conventional lighting products continued to experience a drop in demand, the range of the drop was smaller than expected, which as a result led to robust sales in the category. In the Applied Optics Sector, sales of curing-related products and information equipment such as road information boards grew, leading to positive growth in overall sales compared to the last fiscal year. We also announced our withdrawal from light sources for images in February due to the realization that it would not be profitable.

With regard to operations during our 100th term, we intend to launch 600 new LED product items in Japan and 400 abroad, for a total of 1,000 new items. We launched 707 new LED product items during the previous fiscal year, thereby surpassing our target of 700. By continuing to aggressively add new products this fiscal year, we will strive to address the growing demand for LED products and expand sales. In particular, we expect an increase in sales of LED products for plants and warehouses with high ceilings, for roads and parks, and for sports-related facilities such as stadium lights.

With regard to the Applied Optics Sector, we hope to increase order intake by focusing on capital expenditure demand related to semi-conductors and FPD (flat panel displays) on the back of a gradual recovery trend in companies’ capital expenditure.

August 18 will mark the 70th anniversary of the founding of the Company. We would like to extend our deepest gratitude to our shareholders and other related parties for their support. We will aim for further growth by making this 70th anniversary a milestone in our dramatic advance. The Company will continue to set forth the following three items as the Group’s key policies for the future: “strengthening and expanding the SSL (solid state lighting) business such as LED and organic EL,” “creating business by deepening applied optics technology” and “expanding overseas business.” Based on these policies, we will operate our business strategically and do our utmost to improve our business performance.

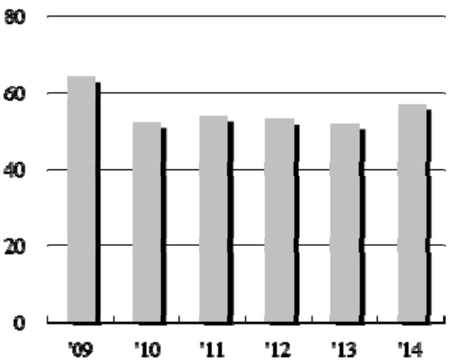
We are grateful for the continued support of all our shareholders.

Bunya Watanabe, President and Representative Director

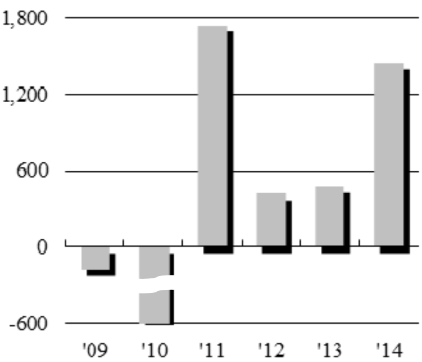
Consolidated Six-Year Summary

	Millions of yen					
	Year ended March 31					
	2014	2013	2012	2011	2010	2009
For the year:						
Net sales	**¥57,030**	¥52,062	¥53,269	¥54,158	¥52,432	¥64,203
Net (loss) income	**1,439**	471	414	1,731	(8,031)	(2,397)
At year-end:						
Total assets	**¥67,473**	¥60,959	¥61,486	¥62,620	¥61,183	¥69,190
Total shareholders' equity[2]	**21,826**	20,799	19,489	18,930	17,568	25,257
Working capital	**23,270**	23,512	18,487	21,112	20,066	17,033
Long-term bank loans, less current portion	**1,890**	4,415	3,075	6,095	8,030	3,275
Amounts per share:[3]						
Net (loss) income	**¥19.35**	¥6.34	¥5.58	¥23.34	(¥108.24)	(¥32.30)
Cash dividends	**2.00**	–	–	–	–	–

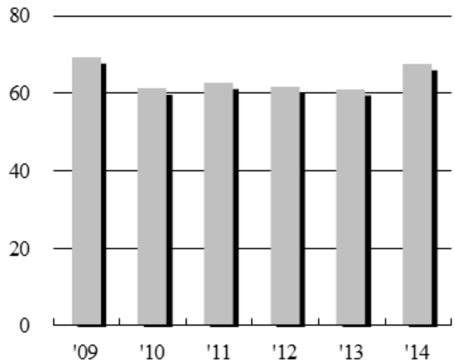
1. As permitted by accounting standards generally accepted in Japan, amounts of less than one million yen have been omitted.
2. Total shareholders' equity = Total net assets – Minority interests.
3. Per share figures are in exact yen amounts.



Net Sales
(Billions of yen)



Net Income(Loss)
(Millions of yen)



Total Assets
(Billions of yen)

Status of the Business

Outline of the Operating Results

1. Operating Results

During the fiscal year ended March 31, 2014, the global economy showed signs of recovery as the United States continued to see a gradual recovery trend and the Euro zone's real GDP for Q3 2013 maintained positive quarterly growth. On the other hand, the Chinese economy continued to be sluggish, with GDP growth remaining at the 7% level.

In Japan, the economy showed bright signs of recovery and a turnaround in the economic environment on the back of the trend of the weaker yen and rising stock prices due in part to implemented economic policies and monetary easing; and the improvement in business confidence expanded widely in Q4 as evidenced by the rise in last-minute demand stemming from the increase in the consumption tax.

Under these circumstances, the Iwasaki Electric Group has made efforts in "strengthening and expanding the SSL (solid state lighting) business such as with LED and organic EL," "creating business by deepening the use of applied optics technology" and "expanding overseas business" as the Group's key policies. In the Lighting Sector, the Company sought to enhance the product line-up mainly offered in outdoor lighting equipment by injecting managerial resources into the LED business, which has seen an expansion in demand due to rising awareness of energy- and electricity-saving. In the Applied Optics Sector, the Company made efforts to expand order intake on the back of the effects of the increase in revamping work for information equipment products such as the tunnel emergency alarm system and the road information system.

As a result, net sales amounted to ¥57,030 million (a 9.5% increase from ¥52,062 million in the previous fiscal year), operating income totaled ¥2,437 million (a 169.3% increase from ¥905 million in the previous fiscal year), ordinary income reached ¥2,109 million (a 284.8% increase from ¥548 million in the previous fiscal year), and net income amounted to ¥1,439 million (a 205.0% increase from ¥471 million in the previous fiscal year).

Operating results by business segment are described below:

Lighting Sector

As demand for products with high energy-saving effects is rising, the LED illumination business remained robust in both sales and operating income. By promoting the development of illumination equipment that can realize a comfortable lighting environment as well as high energy-saving effects, the Group has been focusing on the development of appliances dedicated to LEDs, which brings out the characteristics of LEDs to the fullest, as well as LED products that allow the use of existing appliances. In terms of product category, the Company launched new products mainly for roads, tunnels and streets, lights for crime prevention, floodlights, and lights for high ceilings and facilities, and continued to hold previews and technical seminars in each region in an effort to aggressively promote energy-saving products. On the other hand, the continued drop in demand in the conventional lighting business led by HID due to the switch to LEDs was smaller than initially projected, resulting in increased support for operating results.

As a result, sales and operating income for this sector amounted to ¥40,123 million (a 10.7% increase from ¥36,253 million in the previous fiscal year) and ¥4,005 million (a 52.9% increase from ¥2,619 million in the previous fiscal year), respectively.

Applied Optics Sector

Sales for the Applied Optics Sector were robust on the back of a resurgence in the recognition of the benefits of effective use of road information boards in expressways since the Great East Japan Earthquake as well as an increase in revamping work in the information equipment business. On the other hand, both sales and operating income from other businesses were sluggish due to the lack of a full-scale recovery in Japan in capital expenditure and R&D investment primarily by semiconductor and FPD-related manufacturers, despite some signs of recovery abroad. In addition, sales from projector light source products, which the Company decided to withdraw from at the end of June 2014, were significantly below those of the previous fiscal year, reflecting a significant drop in shipment volume.

As a result, sales for this sector totaled ¥16,967 million (a 6.9% increase from ¥15,869 million in the previous fiscal year) and operating income of ¥150 million (an improvement of ¥168 million from an operating loss of ¥17 million in the previous fiscal year).

2. Cash Flows

Cash and cash equivalents increased by ¥3,656 million from the previous fiscal year to ¥15,521 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 ¥5,018 million.
The main component consisted of ¥1,483 million in depreciation and a ¥3,360 million increase in trade notes and accounts payable, which was offset by a ¥1,644 million increase in trade notes and accounts receivable.

(2) Cash flows from investment activities
Investment activities in the current fiscal year resulted in a net outflow of ¥881 million.
This reflected proceeds from the maturity of investment securities of ¥552 million, which was offset by ¥1,023 million for the purchase of plants, property, and equipment.

(3) Cash flows from financing activities
Financing activities in the current fiscal year resulted in a net outflow of ¥840 million.
This was primarily due to net decreases of ¥604 million in short-term loans payable and ¥120 million in long-term loans payable.

3. Challenges Facing the Company

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

In the Lighting Business, the Company intends to shift its focus from the conventional lighting business to the LED lighting business, which it will position as a future pillar of its operations, and seek expansion of the overall business by aggressively injecting energy-saving and electricity-saving products into the market as well as by promoting globalization of production and sales, in addition to strengthening domestic competitiveness. Furthermore, in the conventional lighting business, which is expected to face a continued drop in demand, the Company will aim to maintain profits by switching HID appliances to LED form while effectively using existing managerial resources and securing transaction volume by taking in maintenance demand in HID light sources, as well as carrying out cost reduction measures.

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

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

The Company commemorates its 70th anniversary on August 18, 2014. We will strive to improve our corporate value by steadily implementing such managerial measures and by seeking to establish a corporate structure that can continuously grow as we reach our 80th and 100th anniversary through enhancement of the technologies that we own and expansion into new businesses.

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, 2014 totaled ¥45,446 million, an increase of ¥5,613 million from a year earlier. This was mainly due to increases of ¥3,256 million in cash and time deposits, ¥1,794 million in trade notes and accounts receivable, and ¥963 million in inventory.

(Noncurrent Assets)
Noncurrent assets as of March 31, 2014 stood at ¥22,027 million, an increase of ¥900 million compared to the previous fiscal year-end. This was principally attributable to an increase of ¥756 million in investment securities at market value.

(Current Liabilities)
Current liabilities as of March 31, 2014 were ¥22,176 million, an increase of ¥5,855 million compared to the previous fiscal year-end. This was mainly due to increases totaling ¥3,450 million in trade notes and accounts payable and electronic recording debt, as well as ¥2,405 million in the current portion of long-term loans payable.

(Noncurrent Liabilities)
Noncurrent liabilities as of March 31, 2014 were ¥22,186 million, a decrease of ¥371 million compared to the previous fiscal year-end. This was mainly attributable to an increase of ¥1,987 million in liabilities pertaining to retirement benefits due to factors including immediate recognition of the unrecognized portions of retirement benefit obligations and a decrease of ¥2,525 million due to the transfer of long-term bank loans to current liabilities.

(Net Assets)
Net assets as of March 31, 2014 totaled ¥23,110 million, an increase of ¥1,029 million compared to the previous fiscal year-end. This was mainly due to shareholders' equity, in which retained earnings increased by ¥1,439 million corresponding to net income for the year ended March 31, 2014. In accumulated other comprehensive income, the valuation difference on available-for-sale securities increased by ¥450 million due to investment securities at market value, and the foreign currency translation adjustment increased by ¥871 million due to exchange rate fluctuations, while negative accumulated adjustments pertaining to employee retirement benefits were recorded due to a number of factors including immediate recognition of the unrecognized portions of retirement benefit obligations, which led to a decrease of ¥1,732 million.

2. Analysis of Operating Results

(Gross Profit)

Gross profit for the current fiscal year increased by ¥2,057 million from the previous fiscal year to ¥16,874 million. This was mainly attributable to the robust LED business in the Lighting Sector, as well as the smaller than expected drop in demand in the conventional lighting business, led by HID, which continued due to the transition to LEDs.

In the Applied Optics Sector, although sales from the information equipment business such as road information boards were robust, other businesses were sluggish with regard to both sales and profit.

(Operating Income)

Operating income for the current fiscal year totaled ¥2,437 million, an increase of ¥1,532 million compared to the previous fiscal year, due to the same primary factors as those described above regarding gross profit.

(Ordinary Income)

The current fiscal year resulted in ordinary income of ¥2,109 million, an increase of ¥1,561 million from the previous fiscal year, again, due to the same primary factors as those described above regarding gross profit.

(Net Income)

The current fiscal year resulted in a net income of ¥1,439 million, an increase of ¥967 million compared to the previous fiscal year. This was mainly attributable to the recording of ¥159 million of impairment loss on production equipment related to the projector light source business, from which the Company decided to withdraw, as extraordinary losses, as well as to the increase in tax costs at Group companies due to an increase in overall profits, although the incomes described above were robust.

Consolidated Balance Sheets

March 31, 2014 and 2013

ASSETS

	Millions of yen	
	March 31, 2014	March 31, 2013
Current assets		
Cash and deposits (Notes 21 and 25)	¥ 15,923	¥ 12,666
Notes and accounts receivable - trade (Notes 13 and 25)	16,215	14,421
Securities (Notes 4 and 25)	208	500
Merchandise and finished goods	6,287	5,904
Work in process	1,839	1,690
Raw materials and supplies	3,587	3,156
Deferred tax assets (Note 7)	872	931
Other	557	601
Allowance for doubtful accounts	(46)	(39)
Total current assets	45,446	39,832
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (Note 11)	13,715	13,437
Machinery, equipment and vehicles (Note 11)	16,871	16,601
Tools, furniture and fixtures	7,622	7,505
Land (Notes 11 and 12)	10,122	10,172
Leased assets (Note 22)	179	224
Construction in progress	97	119
	48,606	48,061
Accumulated depreciation	(32,668)	(31,836)
Property, plant and equipment, net	15,939	16,224
Intangible assets		
Software	279	283
Other	215	225
Intangible assets, net	494	509
Investments and other assets		
Investment securities (Notes 4, 10 and 25)	4,450	3,694
Long-term loans receivable	8	8
Deferred tax assets (Note 7)	407	370
Other	903	511
Allowance for doubtful accounts	(177)	(193)
Total investments and other assets	5,592	4,393
Total noncurrent assets	22,027	21,126
Total assets	¥ 67,473	¥ 60,959

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

March 31, 2014 and 2013

LIABILITIES AND NET ASSETS

	Millions of yen	
	March 31, 2014	March 31, 2013
Liabilities		
Current liabilities		
Notes and accounts payable - trade (Note 25)	¥ 12,507	¥ 9,559
Electronically recorded obligations - operating (Note 25)	1,813	1,311
Short-term loans payable (Notes 5 and 25)	3,855	2,034
Income taxes payable	409	213
Accrued consumption taxes	193	149
Provision for employees' bonuses	749	565
Provision for repair claims	48	–
Other	2,599	2,486
Total current liabilities	22,176	16,320
Noncurrent liabilities		
Bonds payable (Notes 5 and 25)	2,350	2,350
Long-term loans payable (Notes 5, 11 and 25)	1,890	4,415
Deferred tax liabilities (Note 7)	686	570
Deferred tax liabilities for land revaluation (Note 12)	1,501	1,518
Provision for employees' retirement benefits (Note 23)	–	10,636
Liability for retirement benefits (Note 2 and 23)	12,623	–
Provision for directors' retirement benefits	223	223
Asset retirement obligations (Note 6)	151	125
Other	2,758	2,719
Total noncurrent liabilities	22,186	22,557
Total liabilities	44,362	38,878
Commitments and contingent liabilities (Note 24)		
Net assets (Note 20)		
Shareholders' equity (Note 9)		
Common stock:		
Authorized: 239,000,000 shares in 2014 and 2013		
Issued: 78,219,507 shares in 2014 and 2013	8,640	8,640
Capital surplus	2,013	6,189
Retained earnings	10,384	4,739
Treasury stock	(909)	(908)
Total shareholders' equity	20,128	18,660
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,167	716
Revaluation reserve for land	2,507	2,536
Foreign currency translation adjustment	(243)	(1,115)
Retirement benefits liability adjustments	(1,732)	–
Total accumulated other comprehensive income	1,698	2,137
Minority interests	1,284	1,282
Total net assets	23,110	22,081
Total liabilities and net assets	¥ 67,473	¥ 60,959

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Years ended March 31, 2014 and 2013

	Millions of yen	
	Year ended March 31, 2014	Year ended March 31, 2013
Net sales	¥ 57,030	¥ 52,062
Cost of sales (Note 14)	40,156	37,244
Gross profit	16,874	14,817
Selling, general and administrative expenses (Note 15)	14,437	13,912
Operating income	2,437	905
Other income (Note 16)		
Interest and dividend income	96	79
Equity in earnings of affiliates	–	1
Foreign exchange gains	22	38
Amortization of negative goodwill	–	39
Gain on sale of noncurrent assets	16	71
Gain on sale of investment securities	0	0
Gain on bargain purchase	5	29
Other	147	107
Total other income	288	370
Other expenses (Note 17)		
Interest expenses	179	244
Amortization of net retirement benefit obligation at transition	312	311
Equity in losses of affiliates	28	–
Loss on sale and retirement of noncurrent assets	45	26
Impairment loss (Note 18)	159	–
Contribution for withdrawal from employees' pension fund	–	39
Other	72	74
Total other expenses	797	696
Income before income taxes and minority interests	1,928	579
Income taxes (Note 7)		
Income taxes - current	557	436
Income taxes - deferred	(87)	(364)
Total income taxes	470	71
Income before minority interests	1,457	508
Minority interests in income	18	36
Net income	¥ 1,439	¥ 471

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Years ended March 31, 2014 and 2013

	Millions of yen	
	Year ended March 31, 2014	Year ended March 31, 2013
Income before minority interests	1,457	508
Other comprehensive income (Note 19)		
Valuation difference on available-for-sale securities	451	336
Foreign currency translation adjustment	843	406
Share of other comprehensive income of affiliates accounted for by the equity method	27	98
Total other comprehensive income	1,322	840
Comprehensive income	2,779	1,349
Comprehensive income attributable to:		
Shareholders of Iwasaki Electric Co., Ltd.	2,760	1,310
Minority interests	18	39

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2014 and 2013

	Number of shares of common stock issued	Millions of yen: Shareholders' equity: Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2013	78,219,507	¥8,640	¥6,189	¥4,739	(¥908)	¥18,660
Net income	–	–	–	1,439	–	1,439
Purchase of treasury stock	–	–	–	–	(0)	(0)
Reversal of revaluation reserve for land	–	–	–	29	–	29
Deficit disposition	–	–	(4,176)	4,176	–	–
Net changes of items other than shareholders' equity	–	–	–	–	–	–
Balance at March 31, 2014	78,219,507	¥8,640	¥2,013	¥10,384	(¥909)	¥20,128

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

	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, 2012	78,219,507	¥8,640	¥6,189	¥4,014	(¥908)	¥17,936
Net income	–	–	–	471	–	471
Purchase of treasury stock	–	–	–	–	(0)	(0)
Reversal of revaluation reserve for land	–	–	–	252	–	252
Deficit disposition	–	–	–	–	–	–
Net changes of items other than shareholders' equity	–	–	–	–	–	–
Balance at March 31, 2013	78,219,507	¥8,640	¥6,189	¥4,739	(¥908)	¥18,660

	Millions of yen: Accumulated other comprehensive income: Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Retirement benefits liability adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at April 1, 2012	¥382	¥2,789	(¥1,619)	–	¥1,552	¥1,299	¥20,788
Net income	–	–	–	–	–	–	471
Purchase of treasury stock	–	–	–	–	–	–	(0)
Reversal of revaluation reserve for land	–	–	–	–	–	–	252
Deficit disposition	–	–	–	–	–	–	–
Net changes of items other than shareholders' equity	333	(252)	504	–	585	(17)	568
Balance at March 31, 2013	¥716	¥2,536	(¥1,115)	–	¥2,137	¥1,282	¥22,081

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2014 and 2013

	Millions of yen	
	Year ended March 31, 2014	Year ended March 31, 2013
Cash flows from operating activities:		
Income before income taxes and minority interests	¥ 1,928	¥ 579
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,483	1,558
Impairment loss	159	–
Amortization of negative goodwill	–	(39)
Increase (decrease) in provision for employee’s retirement benefits	–	269
Increase (decrease) in provision for directors’ retirement benefits	–	(14)
Increase (decrease) in provision for employee’s bonuses	182	(8)
Increase (decrease) in allowance for doubtful accounts	(14)	(44)
Increase (decrease) in liability for retirement benefits	254	–
Interest and dividend income	(96)	(80)
Interest expenses	179	244
Foreign exchange losses (gains)	(11)	(15)
Loss (gain) on sales and retirement of property, plant and equipment	29	(44)
Equity in (earnings) losses of affiliates	28	(1)
Loss (gain) on sales of investment securities	(2)	(0)
Change in assets and liabilities:		
Decrease (increase) in notes and accounts receivable - trade	(1,644)	1,031
Decrease (increase) in inventories	(642)	263
Increase (decrease) in notes and accounts payable - trade	3,360	(508)
Other	272	(150)
Subtotal	5,466	3,037
Interest and dividends income received	107	92
Interest expenses paid	(185)	(286)
Income taxes paid	(369)	(457)
Net cash provided by operating activities	5,018	2,385
Cash flows from investing activities:		
Payments into time deposits	(750)	(53)
Proceeds from withdrawal of time deposits	750	56
Purchase of securities	(145)	(800)
Proceeds from redemption of securities	552	300
Purchases of property, plant and equipment	(1,023)	(1,069)
Proceeds from sales of property, plant and equipment	63	539
Purchase of intangible assets	(119)	(74)
Purchase of investment securities	(222)	(107)
Proceeds from sales of investment securities	10	35
Payments of loans receivable	(5)	(3)
Collection of loans receivable	10	24
Other	(3)	(14)
Net cash used in investing activities	(881)	(1,166)
Cash flows from financing activities:		
Increase in short-term loans payable	4,695	5,574
Decrease in short-term loans payable	(5,299)	(5,444)
Proceeds from long-term loans payable	200	1,650
Repayment of long-term loans payable	(320)	(5,520)
Proceeds from issuance of bonds	–	2,314
Purchase of treasury stock	(0)	(0)
Purchase of treasury stock of subsidiaries in consolidation	(10)	(19)
Cash dividends paid to minority shareholders	(1)	(27)
Other	(103)	(79)
Net cash used in financing activities	(840)	(1,551)
Effect of exchange rate change on cash and cash equivalents	359	178
Net increase (decrease) in cash and cash equivalents	3,656	(154)
Cash and cash equivalents at beginning of year	11,865	12,019
Cash and cash equivalents of the end of year (Note 21)	¥ 15,521	¥ 11,865

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

March 31, 2014 and 2013

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, 2013 to the 2014 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, 2014, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 25 and 8, respectively. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries. The Company, consolidated subsidiaries and affiliates accounted for by the equity method are collectively referred to as the "Group" within these consolidated financial statements.

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

Teito Denki Inc. is not included in the scope of consolidation for the year ended March 31, 2014, as the former consolidated subsidiary was merged into the Company on April 1, 2013.

(c) Accounting period

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

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

(d) Translation of foreign currency transactions and financial statements

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

(e) Securities and investment securities

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

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

During the years ended March 31, 2014 and 2013, the Company and consolidated subsidiaries had neither trading securities nor held-to-maturity securities.

(f) Derivatives and hedging activities

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

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

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

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

(h) Inventories

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

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

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

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

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

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

(k) Leases

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

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

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

(l) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on the past experience for receivables, other than doubtful receivables, and the uncollectible amounts estimated separately for specific doubtful receivables.

(m) Provision for employees' bonuses

The Company and domestic subsidiaries provide for payments of bonuses to employees at estimated amounts calculated based on their payment regulations. However, at foreign subsidiaries, a provision for employees' bonuses has not been recorded.

(n) Provision for directors' retirement benefits

Provision for retirement benefits for directors and audit & supervisory board members are provided for at an amount based upon internal rules at the balance sheet date.

(o) 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.

(p) Retirement benefits

a) Method of attributing the estimated retirement benefit obligation to periods
The straight-line method is used to attribute the estimated amount of retirement benefits to periods up to the current fiscal year.

b) Amortization of actuarial gain or loss, prior service costs and transitional obligations
A transitional obligation of ¥4,684 million is being amortized using the straight-line method over 15 years. Prior service costs are amortized as incurred by the straight-line method over a period not exceeding the expected average remaining service years of employees (14 years).
Actuarial gain or loss is amortized from the following fiscal year after recognition using the straight-line method over 14 years, which is within the estimated average remaining service years of employees.

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

(q) Accounting for significant revenues and expenses

Accounting for revenues and costs of completed construction work

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

b) Other construction contracts
Completed contract method

(r) Consumption taxes

Consumption taxes are calculated by the tax exclusion method.

2. Accounting Changes

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

The Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26 issued on May 17, 2012, hereinafter, the "Retirement Benefits Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 issued on May 17, 2012, hereinafter, the "Retirement Benefits Guidance") have been implemented from the end of the fiscal year ended March 31, 2014 (excluding the stipulations set forth in Section 35 of the Retirement Benefits Accounting Standard and in Section 67 of the Retirement Benefits Guidance). The amount of retirement benefit obligations less plan assets is recognized as retirement benefit liabilities, and the unrecognized actuarial differences, unrecognized prior service costs and unrecognized transitional obligations have been included in retirement benefit liabilities.

The implementation of the accounting standard for retirement benefits, etc. is in accordance with the transitional treatment stipulated in Section 37 of the Retirement Benefits Accounting Standard, and the effect of the change was recognized as retirement benefit liability adjustments in accumulated other comprehensive income at March 31, 2014.

As a result, ¥12,623 million in retirement benefit liabilities were recorded as of March 31, 2014. In addition, accumulated other comprehensive income decreased by ¥1,732 million.

The impact on net assets per share is presented in Note28.

3. Standards Issued But Not Yet Effective

・“Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012)
・“Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012)

(1) Overview

These accounting standards, etc. reflect the revisions that were made to the amortization of unrecognized actuarial losses and unrecognized prior service costs, calculation methods for retirement benefit obligations and service costs, and the enhancement of disclosure.

(2) Scheduled date of adoption

The Company will apply these revisions related to the calculation methods for retirement benefit obligations and service costs from the beginning of the fiscal year ending March 31, 2015.

Since the implementation of these accounting standards, etc. is subject to the transitional treatment, they will not be applied retrospectively to the Company’s prior year’s consolidated financial statements.

(3) Impact of adopting revised accounting standard and guidance

The Company is currently evaluating the impact these revisions related to the calculation methods for retirement benefit obligations and service costs will have on its consolidated results of operations and financial position.

4. Securities and Investment Securities

Information regarding securities and investment securities classified as available-for-sale securities with fair market value at March 31, 2014 and 2013 is summarized as follows:

	Millions of yen					
	March 31, 2014			March 31, 2013		
	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	¥1,366	¥3,163	¥1,797	¥1,194	¥2,340	¥1,145
Debt securities						
Government bonds	–	–	–	–	–	–
Corporate bonds	133	134	0	–	–	–
Other	–	–	–	–	–	–
Other	–	–	–	–	–	–
Subtotal	1,500	3,297	1,797	1,194	2,340	1,145
Securities whose acquisition cost exceeds their carrying amount (fair market value):						
Equity securities	66	56	(9)	230	213	(17)
Debt securities						
Government bonds	–	–	–	–	–	–
Corporate bonds	144	144	(0)	–	–	–
Other	–	–	–	–	–	–
Other	–	–	–	500	500	–
Subtotal	211	201	(10)	730	713	(17)
Total	¥1,711	¥3,498	¥1,787	¥1,925	¥3,053	¥1,127

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, 2014 and March 31, 2013, no impairment losses were recognized.

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

For the year ended March 31, 2013, the sales of investment securities classified as available-for-sale securities with fair market value are summarized as follows:

	Millions of yen		
	March 31, 2013		
	Proceeds from sales	Gross realized gain	Gross realized loss
Equity securities	¥1	¥0	–
Debt securities			
Government bonds	–	–	–
Corporation bonds	–	–	–
Other	–	–	–
Other	–	–	–
Total	¥1	¥0	–

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

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

Short-term loans from banks at an average interest rate of 1.00% amounted to ¥1,130 million and ¥1,714 million at March 31, 2014 and 2013, respectively.

Long-term loans, lease obligations and deposits received classified as other long-term liabilities with interest at March 31, 2014 and 2013 consisted of the following:

	Millions of yen	
	March 31, 2014	March 31, 2013
Loans, principally from banks, maturing in installments through 2016 with an average interest rate of 1.86%	¥4,615	¥ 4,735
Less current portion of loans	(2,725)	(320)
Net	1,890	4,415
Lease obligations	164	186
Less current portion of lease obligations	(68)	(79)
Net	95	107
Deposits received with an average interest rate of 2.34%	2,494	2,458
Total	¥4,480	¥6,980

The annual maturities of long-term loans and lease obligations subsequent to March 31, 2014 are summarized as follows:

	Long-term loans	Lease obligations
	Millions of yen	Millions of yen
Year ending March 31,		
2016	¥1,890	¥45
2017	–	25
2018	–	13
2019 and thereafter	–	6

Bonds payable at March 31, 2014 and 2013 consisted of the following:

Name of company	Issue	Date of issue	Millions of yen		Interest rate (%)	Collateral	Maturity date
			March 31, 2014	March 31, 2013			
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
Total	–	–	¥2,350	¥2,350	–	–	–

(Note) Scheduled redemption amounts over 5 years subsequent to March 31, 2014 are summarized as follows:

Due in 1 year or less (Millions of yen)	Due after 1 year and in 2 years or less (Millions of yen)	Due after 2 years and in 3 years or less (Millions of yen)	Due after 3 years and in 4 years or less (Millions of yen)	Due after 4 years and in 5 years or less (Millions of yen)
¥–	¥2,350	¥–	¥–	¥–

6. Asset Retirement Obligations

No description is provided pursuant to the provisions of Article 92-2 of the Ordinance on Terminology, Forms, and preparation Methods of Consolidated Financial Statements because the amount of asset retirement obligations at April 1, 2013 and March 31, 2014 accounted for less than 1% of total liabilities and net assets at the beginning and end of the fiscal year.

7. 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, 2014 and 2013 were as follows:

	Millions of yen	
	March 31, 2014	March 31, 2013
Deferred tax assets:		
Loss carried forward for tax purposes	¥1,680	¥2,281
Provision for retirement benefits	–	3,818
Liability for retirement benefits	4,494	–
Other	1,170	987
Gross deferred tax assets	7,345	7,086
Valuation allowance	(6,046)	(5,773)
Total deferred tax assets	1,299	1,312
Deferred tax liabilities:		
Land revaluation	–	(102)
Unrealized gain on available-for-sale securities	(622)	(404)
Other	(82)	(74)
Gross deferred tax liabilities	(705)	(581)
Net deferred tax assets	¥593	¥731

Note: Net deferred tax assets for the years ended March 31, 2014 and 2013 were included in the following items on the consolidated balance sheets.

	Millions of yen	
	March 31, 2014	March 31, 2013
Current assets – Deferred tax assets	¥872	¥931
Investments and other assets – Deferred tax assets	407	370
Noncurrent liabilities – Deferred tax liabilities	(686)	(570)

The reconciliation of the Japanese statutory tax rate and the effective tax rate applicable to the Company for the years ended March 31, 2014 and 2013 was as follows:

	March 31, 2014	March 31, 2013
Japanese statutory tax rate	38.0%	38.0%
(Adjustments)		
Permanent non-deductible differences, including entertainment, etc.	2.4	6.0
Permanent non-taxable differences, including dividend income	(0.8)	(0.8)
Inhabitants taxes per capita, etc.	3.3	10.9
Decrease in valuation allowance	(18.7)	(37.8)
Amortization of negative goodwill	–	(2.7)
Gain on bargain purchase	(0.1)	(0.6)
Effect of change in the tax rate	2.6	–
Other	(2.3)	(0.7)
Effective tax rate	24.4	12.3

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

Following the promulgation of the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 10, 2014) on March 31, 2014, a special reconstruction surtax was repeated from the fiscal year beginning on April 1, 2014 and thereafter. As a result, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities will be lowered from 38.0% to 35.6% for temporary differences expected to be utilized in the fiscal year beginning on April 1, 2014.

The changes in statutory effective tax rate resulted in a ¥50 million decrease in deferred tax assets (after deducting deferred tax liabilities) and an increase in income taxes-deferred in the same amount at and for the year ended March 31, 2014.

8. Rental Properties

For the year ended March 31, 2014 and 2013

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

9. Shareholders’ Equity

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

10. Investments in Affiliates

Investments in affiliates at March 31, 2014 and 2013 amounted to ¥829 million and ¥811 million, respectively, and are accounted for principally by the equity method.

11. Pledged Assets and Secured liabilities

A summary of assets pledged as collateral and secured liabilities at March 31, 2014 and 2013 is presented below:

	Millions of yen	
	March 31, 2014	March 31, 2013
Pledged assets		
Buildings and structures	¥600	¥632
Machinery, equipment and vehicles	490	574
Land	2,579	2,579
Total	¥3,670	¥3,786
Secured liabilities		
Short-term loans payable	¥1,000	¥-
Long-term loans payable	-	1,000
Total	¥1,000	¥1,000

12. Land Revaluation

Based on the Law Concerning Land Revaluation, promulgated on March 31, 1998, the Company revalued its land used for business purposes at March 31, 2000, in accordance with the revaluation method as stated in Article 3-3.

The value of land is based on the official notice prices calculated as directed by public notification of the Commissioner of the National Tax Administration and as provided for in the Law Concerning Public Notification of Land Prices, as stipulated in Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No. 119, promulgated March 31, 1998), after making reasonable adjustments.

The differences between the revalued carrying amount and the fair value at March 31, 2014 and 2013 of land revalued pursuant to Article 10 of the law were ¥2,317 million and ¥2,270 million, respectively.

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

13. Notes Receivable

Notes receivable are settled at the date of clearance. Since March 31, 2013 was a bank holiday, notes receivable of ¥470 million maturing on that day, was included in the balance at March 31, 2013, and was settled on the next business day.

14. Cost of Sales

Loss on valuation of inventories of ¥92 million and ¥7 million was included in cost of sales for the years ended March 31, 2014 and 2013, 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, 2014 and 2013 were as follows. The figures in the following table have been offset against reversals.

	Millions of yen	
	March 31, 2014	March 31, 2013
Salaries	¥5,316	¥5,054
Packing and transportation costs	1,675	1,632
Provision for employees’ retirement benefits	697	647
Provision for employees’ bonuses	392	307
Provision of allowance for doubtful accounts	(4)	3

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2014 and 2013 amounted to ¥389 million and ¥567 million, respectively.

16. Other Income

Gain on sales of noncurrent assets at March 31, 2014 and 2013 were summarized as follows:

	Millions of yen	
	March 31, 2014	March 31, 2013
Land	¥–	¥71
Machinery, equipment and vehicles	16	0
Tools, furniture and fixtures	0	–
Total	¥16	¥71

17. Other Expenses

Loss on sales and retirement of noncurrent assets at March 31, 2014 and 2013 were summarized as follows:

	Millions of yen	
	March 31, 2014	March 31, 2013
Buildings and structures	¥21	¥14
Machinery, equipment and vehicles	6	9
Tools, furniture and fixtures	2	2
Land	14	–
Other	0	0
Total	¥45	¥26

18. Impairment Loss

For the year ended March 31, 2014, impairment losses was recorded for the following asset groups.

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

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

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

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

19. Statement of Comprehensive Income

Reclassification adjustments relating to other comprehensive income for the year ended March 31, 2014 and 2013 were as follows:

	Millions of yen	
	March 31, 2014	March 31, 2013
Valuation difference on available-for-sale securities:		
Amount arising during the year	¥668	¥519
Reclassification adjustments for gain (loss) included in net income	–	(0)
Total	668	518
Foreign currency translation adjustment:		
Amount arising during the year	843	406
Reclassification adjustments for gain (loss) included in net income	–	–
Total	843	406
Share of other comprehensive income of affiliates accounted for using the equity method:		
Amount arising during the year	27	98
Total amount before income taxes	1,540	1,022
Income taxes	(217)	(181)
Total other comprehensive income	¥1,322	¥840

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

	Millions of yen	
	March 31, 2014	March 31, 2013
Valuation difference on available-for-sale securities		
Before income taxes	¥668	¥518
Income taxes	(217)	(181)
After income taxes	451	336
Foreign currency translation adjustment		
Before income taxes	843	406
Income taxes	–	–
After income taxes	843	406
Share of other comprehensive income of affiliates accounted for using the equity method		
Before income taxes	27	98
Income taxes	–	–
After income taxes	27	98
Total other comprehensive income		
Before income taxes	1,540	1,022
Income taxes	(217)	(181)
After income taxes	¥1,322	¥840

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

For the year ended March 31, 2014

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

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

For the year ended March 31, 2013

	Number of shares (thousand)			
	April 1, 2012	Increase	Decrease	March 31, 2013
Type of issued shares				
Common stock	78,219	–	–	78,219
Total	78,219	–	–	78,219
Type of treasury stock				
Common stock	3,833	2	–	3,835
Total	3,833	2	–	3,835

Note: The increase of 2,000 shares of common stock in treasury was due to the repurchase of fractional shares.

(b) Matters related to dividends
1. Amount of dividends
   Not applicable.

2. Dividends with the cut-off date in the year ended March 31, 2014 and the effective date in the year ending March 31, 2015.

For the year ended March 31, 2014

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

For the year ended March 31, 2013
Not applicable.

21. Supplemental Cash Flow Information

A reconciliation of cash and cash equivalents at March 31, 2014 and 2013 to cash and deposits in the accompanying consolidated balance sheets was as follows:

	Millions of yen	
	March 31, 2014	March 31, 2013
Cash and deposits	¥15,923	¥12,666
Time deposits with maturity in excess of three months	(401)	(801)
Cash and cash equivalents	¥15,521	¥11,865

22. Leases

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

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

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

(1) A summary of pro forma amounts (inclusive of the imputed interest expense portion) of acquisition cost, accumulated depreciation, accumulated impairment loss and net book value at March 31, 2014 and 2013, of mainly leased tools, furniture and fixtures on an “as if capitalized” basis is as follows:

	Millions of yen	
	March 31, 2014	March 31, 2013
Acquisition cost	¥61	¥330
Accumulated depreciation	61	328
Net book value	¥0	¥2

(2) A summary of future minimum lease payments (inclusive of imputed interest expense portion), required under non-cancelable operating leases at March 31, 2014 and 2013 was as follows:

	Millions of yen	
	March 31, 2014	March 31, 2013
Due in one year or less	¥0	¥1
Due after one year	–	0
Total	¥0	¥2

(3) Lease payments, reversal of accumulated impairment loss on leased assets, pro forma depreciation and impairment loss for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen	
	March 31, 2014	March 31, 2013
Lease payments	¥1	¥20
Depreciation expense	1	20

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

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

23. Employees' Retirement Benefits

For the year ended March 31, 2014

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

The Company and certain of its domestic consolidated subsidiaries have a defined benefit corporate pension plan and a lump sum payment plan as a defined benefit plan. Meanwhile, certain 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 during the year ended March 31, 2014

	Millions of yen
Retirement benefit obligations at April 1, 2013	¥14,067
Service costs	624
Interest costs	140
Actuarial loss	0
Retirement benefits paid	(935)
Retirement benefit obligations at March 31, 2014	¥13,897

(2) The changes in plan assets during the year ended March 31, 2014

	Millions of yen
Plan assets at April 1, 2013	¥2,158
Expected return on plan assets	62
Actuarial gain	81
Contributions by the Company	557
Retirement benefits paid	(364)
Plan assets at March 31, 2014	¥2,496

(3) The funded status of the plans and the amounts recognized in the consolidated balance sheet at March 31, 2014 for the plans

	Millions of yen
Funded retirement benefit obligations	¥5,602
Plan assets	(2,496)
	3,106
Unfunded retirement benefit obligations	8,294
Net liability for retirement benefits in the consolidated balance sheet	11,401
Liability for retirement benefits	11,401
Net liability for retirement benefits in the consolidated balance sheet	¥11,401

(4) The components of retirement benefit expenses for the year ended March 31, 2014

	Millions of yen
Service costs	¥624
Interest costs	140
Expected return on plan assets	(62)
Amortization of transitional obligations	308
Amortization of actuarial loss	284
Amortization of prior service costs	2
Retirement benefit expenses for the year ended March 31, 2014	¥1,297

(5) Retirement benefits liability adjustments

The components of retirement benefits liability adjustments (before adjusting tax effects) were as follows:

	Millions of yen
Unrecognized actuarial loss	¥1,396
Unrecognized prior service costs	23
Unrecognized transitional obligation	308
Total	¥1,729

(6) Plan assets

(i) Major components of plan assets

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

	%
General accounts	61%
Stocks	21
Bonds	16
Others	2
Total	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.

(7) The assumptions used in accounting for the plans for the year ended March 31, 2014

Discount rate	1.0%
Long-term expected return on plan assets	2.9%

3. Defined benefit plan using the simplified method

(1) The changes in the liability for retirement benefits calculated using the simplified method during the year ended March 31, 2014

	Millions of yen
Liability for retirement benefits at April 1, 2013	¥1,133
Retirement benefit expenses	149
Retirement benefits paid	(22)
Plan contributions	(40)
Retirement benefits liability adjustments	3
Liability for retirement benefits at March 31, 2014	¥1,222

(2) The funded status of the plans and the amounts recognized in the consolidated balance sheet at March 31, 2014 for the plans

	Millions of yen
Funded retirement benefit obligations	¥449
Plan assets	(222)
	226
Unfunded retirement benefit obligations	996
Net liability for retirement benefits in the consolidated balance sheet	1,222
Liability for retirement benefits	1,222
Net liability for retirement benefits in the consolidated balance sheet	¥1,222

(3) Retirement benefit expenses

	Millions of yen
Retirement benefit expenses calculated using the simplified method	¥145
Amortization of transitional obligations	3
Total	¥149

(4) Retirement benefits liability adjustments

The components of retirement benefits liability adjustments (before adjusting tax effects) were as follows:

	Millions of yen
Unrecognized transitional obligation	¥3

4. Defined contribution plan

Required amount of contribution to the defined contribution plan for consolidated subsidiaries is ¥60 million.

5. Multi-employer plan

The required contribution to the multi-employer welfare pension fund plan, which is recognized in the same way as the defined contribution pension plan, is ¥519 million.

(1) Total funded status of the multi-employer plan at March 31, 2013

	Millions of yen
Plan assets at fair value	¥281,339
Projected benefit obligations under pension funding computation	290,987
Projected benefit obligations in excess of plan assets	¥(9,648)

(2) Ratio of the Group's contribution to total contributions of the multi-employer plan for the year ended March 31, 2013

3.36%

(3) Supplementary explanation

The main component of projected benefit obligation in excess of plan assets listed under (1) above was prior service costs of ¥21,968 million under pension accounting. Prior service costs are amortized by the straight-line method over a period of 20 years under this plan.

For the year ended March 31, 2013

The Company and certain of its domestic subsidiaries have a defined benefit plan covering substantially all of their employees. The plan includes the lump sum payment plan and the defined-benefit pension plan. In addition, the Company has a multi-employer welfare pension fund plan, established by participating companies. Certain of its domestic subsidiaries participate in the Smaller Enterprise Retirement Allowance Mutual Aid (SERAMA) Scheme and a defined contribution pension plan.

The Company and some consolidated subsidiaries in Japan terminated their tax-qualified pension plan and introduced a defined-benefit pension plan on November 1, 2009. The plans' funded status and amount recognized in the accompanying consolidated balance sheet at March 31, 2013 were as follows:

	Millions of yen
	March 31, 2013
Projected benefit obligation	¥ (15,390)
Plan assets	2,340
Projected benefit obligation in excess of plan assets	(13,049)
Unrecognized transitional obligation	624
Unrecognized actuarial loss	1,761
Unrecognized past service liabilities	26
Accrued employees' retirement benefits	¥ (10,636)

Note: Certain consolidated subsidiaries adopted a simplified method in the calculation of their projected benefit obligation.

The components of net periodic benefit costs of employees' retirement benefits for the year ended March 31, 2013 were as follows:

	Millions of yen
	March 31, 2013
Service cost	691
Interest cost	243
Expected return on plan assets	(45)
Amortization of actuarial loss	200
Amortization of transitional obligation	311
Past service liabilities recognized as expense	2
Net periodic benefit costs	¥1,404
Total	¥1,404

Note: Service cost contains benefit costs of certain consolidated subsidiaries of which projected benefit obligations are calculated by a simplified method.

In addition, the Company paid ¥517 million for the year ended March 31, 2013 for the multi-employer welfare pension fund plan.

The actuarial assumptions used in accounting for the pension plans for the year ended March 31, 2013 were as follows:

	March 31, 2013
Periodic allocation method for projected benefits	Straight-line method
Discount rate	1.0%
Expected return on plan assets	2.4%
Amortization period of past service liability	14 years
Amortization period of actuarial gain/loss	14 years
Amortization period of transitional obligation	15 years

The total funded status of the multi-employer welfare pension fund plan for the year ended March 31, 2013 was as follows:

	Millions of yen
	March 31, 2013
Projected benefit obligations under pension funding computation	¥299,366
Plan assets at fair value	254,797
Projected benefit obligation in excess of plan assets	¥44,568

Notes: The ratio of the group's contribution to total contributions of the plan above was 3.19% for the year ended March 31, 2013.
The main component of projected benefit obligation in excess of plan assets was prior service cost of ¥13,193 million for the year ended March 31, 2013. Prior service cost is amortized by the straight-line method over a period of 20 years.

24. Commitment and Contingent Liabilities

The Company has entered into commitment line contracts with 5 banks in order to ensure the timeliness of financing. Relevant figures at March 31, 2014 and 2013 were as follows:

	Millions of yen	
	March 31, 2014	March 31, 2013
Commitment lines extended	¥1,500	¥2,000
Loans payable	–	–
Unused balance	¥1,500	¥2,000

This commitment line contract includes the following restrictive financial covenants for the year ended March 31, 2014:
To maintain net assets of at least ¥16.8 billion on the consolidated balance sheet at the end of each fiscal year and second quarter.

25. Financial Instruments

1. Matters relating to the status of financial instruments

(1) Policy toward financial instruments

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

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

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

Stocks carry market risks. Most stocks are those of companies which have business relationships with the Company and their market prices are regularly reported to the officer in charge of finance. The bonds are held for the purpose of gaining interest income, and only companies with high rating have been selected, posing minimal credit risks.

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

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

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

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

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

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

The carrying amounts and fair values at March 31, 2014 and 2013 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, 2014

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

At March 31, 2013

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	¥12,666	¥12,666	¥–
(2) Notes and accounts receivable - trade	14,421	14,421	–
(3) Securities	500	500	–
(4) Investment securities	2,553	2,553	–
Total assets	¥30,141	¥30,141	¥–
(5) Notes and accounts payable - trade	¥9,559	¥9,559	¥–
(6) Electronically recorded obligations - opretating	1,311	1,311	–
(7) Short-term loans payable	1,714	1,714	–
(8) Bonds payable	2,350	2,352	2
(9) Long-term loans payable	4,735	4,792	57
Total liabilities	¥19,670	¥19,730	¥59
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) Securities (negotiable certificates of deposit)”

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

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

For stocks, the exchange price is used as fair value. For debt securities, price provided by the financial institutions is used as fair value. Notes relating to securities held for different purposes are described in notes under “4. Securities and Investment Securities.”

Liabilities

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

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

“(8) Bonds payable”

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

“(9) Long-term loans payable”

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

Derivatives

See note “26. Derivatives.”

2) Financial instruments whose fair values are not readily determinable at March 31, 2014 and 2013 are as follows:

Category	Millions of yen	
	March 31, 2014	March 31, 2013
Unlisted equity securities	¥1,053	¥1,040
Investments in limited liability partnership	¥107	¥100

These financial instruments do not have a market price and excessive costs would be incurred in estimating their future cash flows. Therefore, they are not included in "(4) Investment securities" as the fair value is not readily determinable.

3) Monetary claims and securities with maturity dates subsequent to March 31, 2014 and 2013 are summarized as follows:

At March 31, 2014

	Due in 1 year or less (Millions of yen)	Due after 1 year and in 5 years or less (Millions of yen)
(1) Cash and deposits	¥15,918	¥–
(2) Notes and accounts receivable - trade	16,215	–
(3) Securities and (4) Investment securities		
Available-for-sale securities with maturity dates		
Debt securities (corporate bonds)	204	67
Total	¥32,339	¥67

At March 31, 2013

	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	¥12,660	¥–
(2) Notes and accounts receivable - trade	14,421	–
(3) Securities		
Available-for-sale securities with maturity dates		
Negotiable certificates of deposit	500	–
Total	¥27,581	¥–

4) Bonds payable, long-term loans payable and other interest-bearing liabilities with repayment dates subsequent to March 31, 2014 and 2013 are summarized as follows:

At March 31, 2014

	Due in 1 year or less (Millions of yen)	Due after 1 year and in 2 years or less (Millions of yen)	Due after 2 years and in 3 years or less (Millions of yen)	Due after 3 years and in 4 years or less (Millions of yen)	Due after 4 years and in 5 years or less (Millions of yen)	Due after 5 years (Millions of yen)
Short-term loans payable	¥1,130	¥–	¥–	¥–	¥–	¥–
Bonds payable	–	2,350	–	–	–	–
Long-term loans payable	2,725	1,890	–	–	–	–
Total	¥3,855	¥4,240	¥–	¥–	¥–	¥–

At March 31, 2013

	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	¥1,714	¥–	¥–	¥–	¥–	¥–
Bonds payable	–	–	2,350	–	–	–
Long-term loans payable	320	2,725	1,690	–	–	–
Total	¥2,034	¥2,725	¥4,040	¥–	¥–	¥–

26. Derivatives

At March 31, 2014 and 2013, 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, 2014 and 2013, for which hedge accounting has been applied are summarized as follows:

At March 31, 2014

	Notional Amount (Millions of yen)		Fair value (Millions of yen)
	Maturing within one year	Maturing after one year	
Interest rate swap hedging long-term loans payable, accounted for by short-cut method:			
Receive/floating and pay/fixed	¥3,425	¥750	*1

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

At March 31, 2013

	Notional Amount (Millions of yen)		Fair value (Millions of yen)
	Maturing within one year	Maturing after one year	
Interest rate swap hedging long-term loans payable, accounted for by short-cut method:			
Receive/floating and pay/fixed	¥3,605	¥3,425	*1

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

27. Segment Information

Segment Information (For the years ended March 31, 2014 and 2013)

1. General Information about Reportable Segments

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

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

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

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

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

	Millions of yen	
	For the year ended March 31, 2014	For the year ended March 31, 2013
Sales:		
Lighting Sector	¥ 40,066	¥ 36,197
Applied Optics Sector	16,964	15,864
	57,030	52,062
Corporate and eliminations:		
Lighting Sector	56	56
Applied Optics Sector	3	4
	59	60
Adjustments	(59)	(60)
	¥ 57,030	¥ 52,062
Segment Income (Loss):		
Lighting Sector	¥ 4,005	¥ 2,619
Applied Optics Sector	150	(17)
	4,156	2,602
Adjustments	(1,719)	(1,697)
	¥ 2,437	¥ 905
Segment Assets:		
Lighting Sector	¥ 35,049	¥ 32,895
Applied Optics Sector	20,541	18,855
	55,590	51,750
Adjustments	11,882	9,208
	¥ 67,473	¥ 60,959
Depreciation and Amortization:		
Lighting Sector	¥ 1,100	¥ 1,142
Applied Optics Sector	383	415
	1,483	1,558
Adjustments	–	–
	¥ 1,483	¥ 1,558
Increase in Property, Plant and Equipment and Intangible Assets:		
Lighting Sector	¥ 971	¥ 947
Applied Optics Sector	250	423
	1,221	1,371
Adjustments	–	–
	¥ 1,221	¥ 1,371

Notes: 1. The adjustments for segment income (loss) of ¥ (1,719) million and ¥ (1,697) million at March 31, 2014 and 2013, respectively, include corporate costs, etc., which have not been allocated to the reportable segments.

2. The adjustments for segment assets of ¥11,882 million and ¥9,208 million at March 31, 2014 and 2013, 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, 2014 and 2013

1. Information by Product and Service

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

2. Information by Country or Region

(1) Net Sales

	Millions of yen	
	March 31, 2014	March 31, 2013
Japan	¥47,453	¥43,326
North America	5,195	4,144
Asia	3,763	3,903
Europe	280	330
Other	338	356
Total	¥57,030	¥52,062

(2) Property, Plant and Equipment

No description is provided because property, plant and equipment in Japan at March 31, 2014 and 2013 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, 2014 and 2013 in the consolidated statements of income.

Information on Impairment Loss on Fixed Assets by Reportable Segment

For the year ended March 31, 2014

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

For the year ended March 31, 2013

Not applicable.

Information on Amortization of Goodwill and Balance by Reportable Segment

(Negative goodwill)

At and for the year ended March 31, 2014

Not applicable.

At and for the year ended March 31, 2013

	Millions of yen			
	Lighting Sector	Applied Optics Sector	Corporate and eliminations	Total
Amortization for the year ended March 31, 2013	¥32	¥6	¥–	¥39
Balance at March 31, 2013	–	–	–	–

Information on Gain on Bargain Purchase by Reportable Segment

For the year ended March 31, 2014

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

For the year ended March 31, 2013
A gain on bargain purchase of ¥29 million (¥1 million for the Lighting Sector, ¥28 million for the Applied Optics Sector) was posted for the current fiscal year. ¥20 million of the amount for the Applied Optics Sector is due to the transfer of business at the Company's subsidiary, Energy Sciences, Inc., and the rest is due to the purchase of treasury stock by a consolidated subsidiary from minority shareholders.

28. Amounts per Share

Per share information at and for the years ended March 31, 2014 and 2013 was as follows:

	Yen	
	March 31, 2014	March 31, 2013
Net income	¥19.35	¥6.34
Net assets	293.44	279.61

As stated under the "Accounting Changes," the Company implemented the accounting standard for retirement benefits, etc. and conformed with the transitional treatment stipulated in Item 37 of the Retirement Benefits Accounting Standard.

As a result, net assets per share decreased ¥23.30 at March 31, 2014.

The basis of the computation of net income per share for the years ended March 31, 2014 and 2013 is as follows:

	Millions of yen	
	March 31, 2014	March 31, 2013
Net income per share		
Net income	¥1,439	¥471
Amount not attributable to normal shareholders	–	–
Net income allocable to common shares	¥1,439	¥471
Average number of common shares for the period (shares)	74,381,990	74,385,123

29. Business Combinations

For the year ended March 31, 2014
Not Applicable.

30. Related Party Transactions

For the year ended March 31, 2014
Not applicable.

For the year ended March 31, 2013
Not Applicable.

31. Stock Options

For the year ended March 31, 2014
Not applicable.

For the year ended March 31, 2013
Not Applicable.

32. Significant Subsequent Events

Not Applicable.

Independent Auditor's Report

The Board of Directors
IWASAKI ELECTRIC Co., Ltd.

We have audited the accompanying consolidated financial statements of IWASAKI ELECTRIC Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, 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, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

June 27, 2014
Tokyo, Japan

Board of Directors and Corporate Data

President and Representative Director
Bunya Watanabe

Director
Hideya Fujii

Director and Executive Officer
Yoshimasa Kida

Director and Executive Officer
Kazuo Saotome

Director
Masanori Katou

Director
Toshiharu Takasu

Audit & Supervisory Board Member
Noriaki Yamauchi

Audit & Supervisory Board Member
Kazuei Aima

Outside Audit & Supervisory Board Member
Kouei Yamashiro

Outside Audit & Supervisory Board Member
Masayuki Yamazaki

Executive Officer
Yoshitake Itou

Executive Officer
Makoto Inamori

Executive Officer
Masayuki Arimatsu

Executive Officer
Haruhiko Hoshino

Executive Officer
Sumio Uehara

(As of July 1, 2014)

IWASAKI ELECTRIC Co., Ltd.

Date of Establishment: August 18, 1944

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

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

Capital: ¥8,640 million

Common Stock
Authorized: 239,000,000 shares
Issued: 78,219,507 Shares
Number of Shareholders: 7,168

Major Shareholders	% of Total
The Master Trust Bank of Japan, Ltd.	4.07
Japan Trustee Services Bank, Ltd. (Trust Account)	4.03
Mizuho Bank, Ltd.	3.62
The Sumitomo Mitsui Banking Corp.	3.43
Sompo Japan Insurance Inc.	2.53
The Meiji Yasuda Life Insurance Company	2.30
Iwasaki Electric Cooperative Association Stock Ownership Plan	2.08
EYE LAMP employee stock ownership plan	1.81
Sekisui Jushi Corporation	1.55
Nippon Tochi-Tatemono Co.,Ltd	1.55

Stock Exchange Listings
Tokyo Stock Exchange 1st Section

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

Independent Certified Public Accountants
Ernst & Young ShinNihon LLC

Directory

Domestic Plants and Offices

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

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

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

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

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

Research and Development
Research & Development
Department

Development and Production
Saitama Plant
Honjo Factory
Kawasato Factory

Domestic Affiliates

●Manufacture

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

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

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

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

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

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

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

●Sales and Administration

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

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

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

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

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

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

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

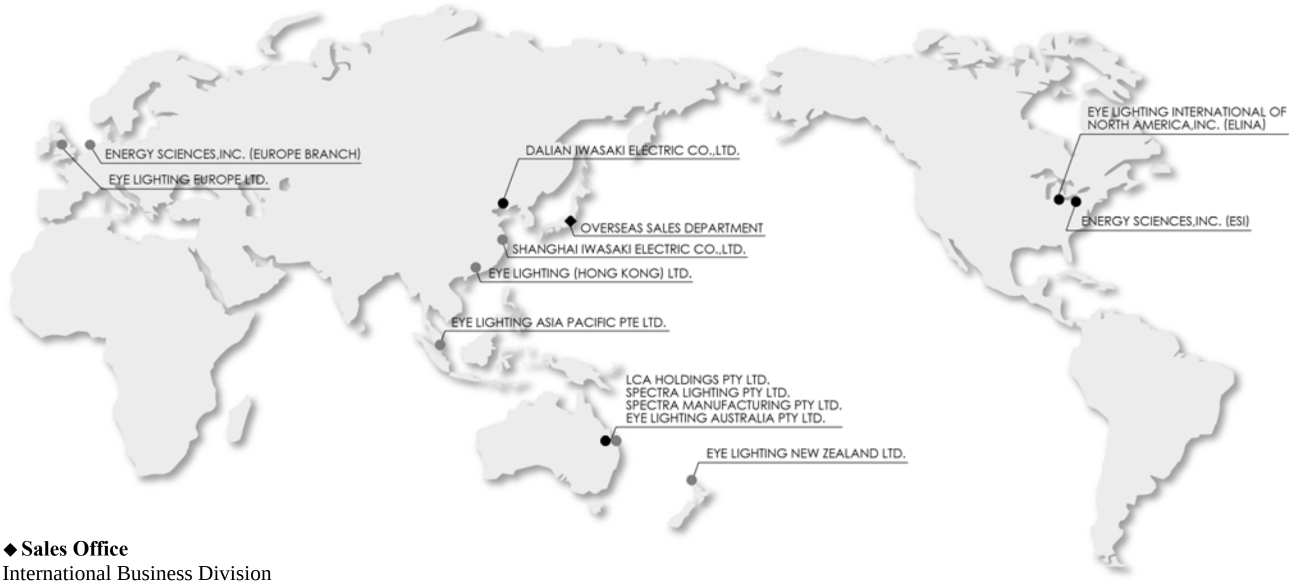
EYE LOGISTICS CO., LTD.
Established in 1996
Autotruck carrier business and Joint delivery

●Development

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

(As of July 1, 2014)

Global Network



◆ **Sales Office**
International Business Division
Overseas Sales Department

● **Manufacture**

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

EYE LIGHTING INTERNATIONAL OF NORTH AMERICA, INC. (ELINA)
Established in 1989
9150 Hendricks Road, Mentor,
OHIO44060, U.S.A.
Phone: +1-440-350-7000
Facsimile: +1-440-350-7001
Manufacture and sales of HID lamp, arc tubes and outer bulbs

DALIAN IWASAKI ELECTRIC CO., LTD.
Established in 1995
Zhenpeng Industrial Area I-8-3, Dalian Development Zone, Dalian, 116600, P.R. China
Phone: +86-411-8751-4186
Facsimile: +86-411-8751-4189
Manufacture of HID lamps, stems and UV lamps

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

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

● **Sales and Administration**

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

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

EYE LIGHTING (HONG KONG) LTD.
A joint venture with Hosoda Trading Company, established in 1992
Room 609, Silvercord Tower 2, 30 Canton Road, Tsimshatsui, Kowloon ,Hong Kong
Phone: +852-2368-8782
Facsimile: +852-2481-2661
Sales of lamps, luminaires and electric equipment

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

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

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

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

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

(As of July 1, 2014)

IWASAKI ELECTRIC CO., LTD.

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

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