

**Annual Report**

**2022**

**IWASAKI ELECTRIC CO., LTD.**

## **Profile**

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

## **Contents**

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Message from the President	1
Consolidated Six-Year Summary	2
Status of the Business	3
Consolidated Balance Sheet	11
Consolidated Statement of Income	13
Consolidated Statement of Comprehensive Income	14
Consolidated Statement of Changes in Net Assets	15
Consolidated Statement of Cash Flows	16
Notes to Consolidated Financial Statements	17
Independent Auditor’s Report	46
Board of Directors and Corporate Data	50
Directory	51

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## Message from the President

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At the Iwasaki Electric Group, each and every employee is missioned with serving customers with sincerity and creating new technologies and services with the aim of contributing to the realization of a sustainable and flourishing society. We uphold the management vision of striving to become a leading-edge corporation that sustains social and industrial infrastructure by combining optical technologies with new technologies.

Although it remains unclear as to when the COVID-19 pandemic will end, the global and domestic economies are anticipated to recover in step with the normalization of social and economic activities. Yet, given the worldwide shortage of semiconductors and other components and their surging prices, the current trends in oil prices and exchange rates, and the situation in Ukraine, among other factors, we project that the outlook will continue to be unpredictable and opaque. In particular, the recent shortage of component supplies and their price increases pose the most imminent management risks, and we are working on these issues as our first priority.

The Iwasaki Electric Group has formulated its medium-term management plan, which covers the period until the fiscal year ending March 31, 2026. Under the basic policy of implementing “a growth strategy and structural reform toward second founding,” we will work to launch new businesses and advance our Group’s structural reform with the aim of expanding our business domains and delivering new value to society.

Until LED became the prevalent illumination light source, our Lighting business had primarily focused on the manufacture and marketing of high-pressure discharge lamps, referred to as a high intensity discharge (HID) light source. As we likely need to discontinue the manufacture and marketing of HID light source lamps by the end of the period covered by the medium-term management plan, a structural reform is required. HID light source sales account for approximately 30% of the sales of our Lighting business. As the business has been generating profit by the in-house manufacture of HID products, its discontinuation will inevitably exert an immense impact on our profit/loss. To limit losses to the extent possible, we need to create new businesses to replace existing businesses. We regard this as our “second founding.”

Since I took office as president, I have given top priority to building a degree of financial soundness that can withstand the critical turning point where HID light source production will be discontinued after 50 years, and I believe we have been able to improve our financial position to a certain extent. Going forward, we intend to take steady steps to advance our structural reform and aim for expansion and growth to increase our corporate value over the medium and long term, while placing importance on our relationships with all our stakeholders, including shareholders, to achieve our second founding.

We will make efforts to strengthen and sophisticate our mainstay business, develop our peripheral businesses, and provide new value to society. In addition, while focusing on providing all kinds of added value far beyond merely supplying products, we will propel growth with the aim of offering solutions not only for existing markets, but also for society and the environment. To this end, in line with its management vision, our Group will allocate its management resources primarily to building new supply chains, strengthening procurement capacity, promoting IT and DX, research and development, developing new technologies in view of social trends, and environmental initiatives. Furthermore, by creating businesses that aim to deliver new value to society, we are determined to enhance our corporate value.

We express our deepest appreciation for your continued understanding and support.

June 2022

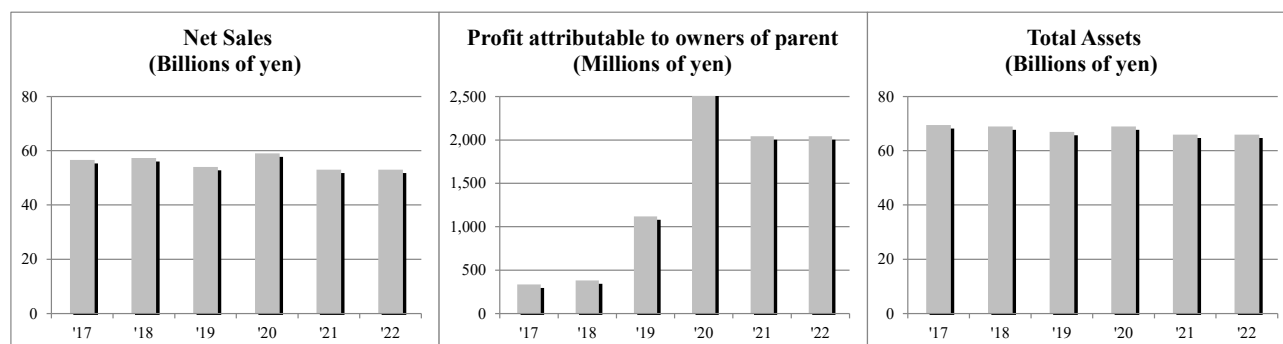
Yoshitake Ito  
President and Chief Executive Officer



## Consolidated Six-Year Summary

	Millions of yen					
	Year ended March 31					
	2017	2018	2019	2020	2021	2022
<b>For the year:</b>						
Net sales	¥56,611	¥57,328	¥54,006	¥59,274	¥53,587	<b>¥53,185</b>
Profit attributable to owners of parent	335	381	1,119	2,681	2,041	<b>2,330</b>
<b>At year-end:</b>						
Total assets	¥69,463	¥69,625	¥67,288	¥69,450	¥66,970	<b>¥65,585</b>
Total shareholders' equity <sup>2</sup>	25,791	26,342	26,921	28,982	31,325	<b>33,416</b>
Working capital	25,777	22,133	25,448	27,528	25,352	<b>29,618</b>
Long-term bank loans, less current portion	2,816	2,500	5,300	4,400	600	<b>2,550</b>
<b>Amounts per share:<sup>3</sup></b>						
Profit attributable to owners of parent	¥44.34	¥49.31	¥144.75	¥348.63	¥269.07	<b>¥313.01</b>
Cash dividends	4.00	40.00	40.00	40.00	40.00	<b>130.00</b>

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





## Status of the Business

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

Forward-looking statements contained in this report are based on the assumptions of the Iwasaki Electric Group as of the end of the current consolidated fiscal year.

Based on its mission of “contributing to the realization of a sustainable and affluent society through the creation of new technologies and services in which each and every employee sincerely interacts with customers,” the Iwasaki Electric Group upholds a management vision of “aiming to be an advanced company that supports social and industrial infrastructure by combining optical device engineering and new technologies.”

In line with this policy, the Group aims to accurately recognize changes in the social environment and grow while fulfilling its corporate social responsibility.

The global and Japanese economies are expected to recover as social and economic activities normalize, although it remains unclear when the COVID-19 pandemic will come to an end. However, the situation is expected to remain unpredictable due to the prolonged global semiconductor shortage, fluctuations in crude oil prices and foreign exchange rates, and the conflict in Ukraine.

Under this business environment, in the Lighting segment, government initiatives for energy conservation are expected to accelerate toward the realization of a decarbonized society, which will continue to promote the introduction of LED lighting and drive inventory demand. In addition, we expect continued demand related to infrastructure development aimed at disaster prevention and mitigation in line with the national resilience policy.

As for the Applied Optics and Environment segment, in the sterilization field, demand reflecting increased public awareness on safety and peace of mind will likely continue as we live with COVID-19 and look ahead of the future after COVID-19. In the UV-curing systems and environmental testing equipment fields, capital investment is expected to continue to recover. We will promote business development responding to such market trends adequately by proposing new technologies and solutions.

The Group has formulated the Medium-term Management Plan which started from the fiscal year ended March 2022 (plan period: fiscal year ended March 2022 to fiscal year ending March 2026). Under our basic policy of “Growth strategy and structural reform for the second foundation,” we will promote initiatives for new businesses and structural reforms of the Group in order to expand our business fields and realize new value for society. As part of such efforts, we will work on the “reinforcement and sophistication of mainstay businesses,” “expansion of peripheral businesses,” and “provision of new value to society,” and promote the building of a foundation for growth to realize solutions for existing markets and social and environmental solutions by focusing on the provision of all kinds of added value, not just products.

In the Lighting segment, we will aggressively expand our services related to lighting infrastructure, with a focus on the fields of facility lighting and industrial lighting. The energy-saving performance of LED lighting equipment can be further enhanced by being combined with communications and control systems. We believe that we can create comfortable and enjoyable lighting environments by improving the quality of light and designing the color rendition. Moreover, as we have had an increased frequency of natural disasters in recent years, outdoor lighting and facility lighting need to play more diverse roles and meet diverse needs. We believe that our disaster prevention and mitigation lighting systems which can provide safety and peace of mind through the illumination of various environments in the event of a disaster will contribute as social infrastructure.

Focusing on the development of high-value-added lighting systems by combining our technologies in light distribution and circuit control with peripheral technologies, we will not only strengthen our initiatives related to energy service companies (ESCOs) and expand our business in the urban landscape and streetscape markets but also strive to promote our comfortable and convenient smart lighting systems in the fields of facility lighting and industrial lighting.

In the Applied Optics and Environment segment, we will promote business development with a focus on the

businesses using the Group's various optical technologies, such as UV rays, infrared rays and electron beams, as well as services and maintenance thereof. In the environmental testing equipment field and the UV/EB curing related field, we will endeavor to expand into new markets and develop new applications in pursuit of light interactions and effects. In addition, we will aim to expand our businesses by developing optical technologies related to semiconductor manufacturing processes. In the sterilization domain, it has been confirmed that the ultraviolet light source installed in AIRLIA, our air circulation sterilization unit using UV rays, is highly effective at inactivating COVID-19. We will continue the speedy development of products that combine our highly reliable technology with external technologies to help customers create a more hygienic environment and prevent the spread of infectious diseases.

The Applied Optics and Environment segment will follow a medium- to long-term plan, as well as short-term plans, to pioneer new business domains dedicated to the prevention of global warming and reduction of environmental impact by maximally utilizing the basic lighting technologies of the Group in combination with peripheral technologies.

In promoting its Lighting and Applied Optics and Environment businesses, the Group will allocate management resources with a focus on the development of supply chains and enhancement of procurement capabilities in manufacturing, promotion of IT and DX, R&D for the expansion of solutions business, development of new technologies based on social trends, and environmental initiatives.

In addition, we will endeavor to increase our corporate value through contribution to sustainability including the SDGs by creating businesses that provide new value to society.

## 2. Outline of the Operating Results, etc.

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

### (1) Financial Position and Operating Results

There were signs of recovery in the global economy in the current consolidated fiscal year as economic activities resumed in Europe and the United States on the back of economic stimulus packages by governments, resulting in increases in personal consumption and capital investment. In China, where the economy had been on a moderate recovery path, the pace of economic recovery slowed due to the effects of the restrictions on power usage and the zero-COVID policy by the government. Looking at the Japanese economy, although state of emergency declarations were issued intermittently due to the spread of COVID-19, there were signs of recovery during the second half of the fiscal year in line with the gradual resumption of economic activities. However, uncertainty over the future of the economy has intensified due to soaring resource prices, a prolonged global semiconductor shortage, rising tensions in Ukraine, and rising energy prices.

Amid such circumstances, based on its management vision of “aiming to be an advanced company that supports social and industrial infrastructure by combining optical device engineering and new technologies,” the Iwasaki Electric Group has been promoting the provision of high-value-added products and services by providing unique products and developing solution businesses, including peripheral businesses, in the Lighting segment and Applied Optics and Environment segment. In the current consolidated fiscal year, we developed new products that reflect market needs and actively made proposals by combining peripheral technologies. In addition, while we continued to make efforts to maintain and improve work efficiency and productivity, our procurement activities were negatively impacted by the soaring prices of some materials and longer procurement lead time.

As a result, net sales amounted to ¥53,185 million (a 0.8% decrease from the ¥53,587 million recorded in the previous fiscal year). Operating income came to ¥3,287 million (an 11.8% increase from the ¥2,941 million recorded in the previous fiscal year). Ordinary income totaled ¥3,462 million (an 8.5% increase from the ¥3,191 million recorded in the previous fiscal year). Profit attributable to owners of parent was ¥2,330 million (a 14.1% increase from the ¥2,041 million recorded in the previous fiscal year).

As described in “Notes to Consolidated Financial Statements, 3. Change in Accounting Policies,” the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020), etc. have been applied from the beginning of the current fiscal year. For this reason, figures for the same period of the previous fiscal year are based on different calculation methods.

Operating results by business segment are described below.

#### **Lighting Segment**

The Lighting segment worked on developing and launching on the market lighting fixtures with smart technologies such as control system equipment using wireless and bidirectional communications as well as lighting fixtures that can provide optimal lighting depending on the facility environment and application. In Japan, sales of LED road lamps and LED street lamps increased thanks to public infrastructure renewal demand from local governments and sales of lighting fixtures used in special environments remained robust as a result of the launch of new products reflecting mainly demand from the private sector. Meanwhile, sales of conventional light sources decreased from the previous fiscal year as the production and import and export of mercury lamps were terminated in December 2020. Looking overseas, while sales in Southeast Asia increased year on year, sales were sluggish in North America.

As a result, this segment reported net sales of ¥36,332 million (a 2.2% decrease from the ¥37,150 million recorded in the previous fiscal year) and operating income of ¥3,382 million (a 3.6% decrease from the ¥3,510 million recorded in the previous fiscal year).

## **Applied Optics and Environment Segment**

In the Applied Optics and Environment segment, sales in the UV curing business increased as a result of EB equipment related delivery, despite sluggish sales related to printing equipment. In the environmental test equipment business, there were signs of a recovery in capital investment, and sales of weathering test equipment increased. In the sterilization business, sales of our air circulation sterilization unit using UV rays decreased as reaction to the high demand related to infectious disease during the previous fiscal year, despite our active proposals for environmental hygiene improvements to facilities used by a large and unspecified number of people. Sales in the information equipment business remained flat.

As a result, this segment reported net sales of ¥16,899 million (a 2.5% increase from the ¥16,481 million recorded in the previous fiscal year) and operating income of ¥1,591 million (a 40.0% increase from the ¥1,136 million recorded in the previous fiscal year).

The financial position as of March 31, 2022 was as follows:

Total assets as of March 31, 2022 totaled ¥65,585 million, a decrease of ¥1,384 million compared to the previous fiscal year-end.

### **Current Assets**

Current assets as of March 31, 2022 totaled ¥45,162 million, a decrease of ¥32 million compared to the previous fiscal year-end. Major factors were a decrease of ¥1,563 million in cash and deposits as a result of repayment of short-term and long-term loans payable of ¥2,110 million, among other factors, and an increase of ¥1,069 million in raw materials and supplies due mainly to soaring material prices.

### **Noncurrent Assets**

Non-current assets as of March 31, 2022 totaled ¥20,422 million, a decrease of ¥1,352 million compared to the previous fiscal year-end. Major factors were a decrease of ¥873 million in property, plant and equipment and intangible assets, due mainly to depreciation/amortization expenses, which were higher than the total value of the newly acquired assets, as well as the partial sale of the land of the Company's Saitama Plant. Major factors related to investments and other assets included a decrease of ¥363 million in investment securities as a result of the sale of cross-shareholdings (two stocks) and the decline in market values.

### **Current Liabilities**

Current liabilities as of March 31, 2022 totaled ¥15,544 million, a decrease of ¥4,297 million compared to the previous fiscal year-end. Major factors included a decrease of ¥4,060 million in short-term loans payable and the current portion of long-term loans payable as a result of repayments.

### **Noncurrent Liabilities**

Non-current liabilities as of March 31, 2022 totaled ¥16,606 million, an increase of ¥820 million compared to the previous fiscal year-end. Major factors included an increase of ¥1,950 million as a result of the refinancing of long-term loans payable, and a decrease of ¥684 million in liability for retirement benefits reflecting a decrease in retirement benefit obligations.



## **Net Assets**

Net assets as of March 31, 2022 totaled ¥33,434 million, an increase of ¥2,092 million compared to the previous fiscal year-end. Major factors under shareholders' equity included an increase of ¥2,235 million in retained earnings as a result of the recognition of profit attributable to owners of parent of ¥2,330 million, and purchases of treasury shares of ¥500 million in order to implement a flexible capital policy in response to changes in the management environment. Major factors under accumulated other comprehensive income included an increase of ¥513 million in foreign currency translation adjustments due to foreign exchange fluctuations, and a decrease of ¥268 million in valuation difference on available-for-sale securities as a result of the sale of cross-shareholdings (two stocks) and the decline in market values.

## **(2) Cash Flows**

Cash and cash equivalents as of March 31, 2022 decreased by ¥1,563 million to ¥16,939 million compared to the end of the previous fiscal year-end.

### **Cash flows from operating activities**

Operating activities in the current fiscal year resulted in a net cash inflow of ¥1,417 million compared to the net cash inflow of ¥4,094 million in the previous fiscal year.

The major factors behind the inflows were the recording of ¥3,516 million in profit before income taxes and an increase of ¥1,207 million in depreciation expenses. The major factors behind the outflows were an increase of ¥624 million in inventories due mainly to soaring material prices, a decrease of ¥581 million in liability for retirement benefits as a result of the payment of retirement benefits, and an increase of ¥869 million in income taxes paid.

In the previous fiscal year, there was a cash inflow due to a decrease ¥3,092 million in notes and accounts receivable-trade as reaction to demand related to the Tokyo Olympics and Paralympics.

### **Cash flows from investment activities**

Net cash used in investment activities amounted to ¥193 million compared to a net cash outflow of ¥747 million in the previous fiscal year.

The major factor behind the outflows was the payment of ¥506 million for the purchases of property, plant and equipment. The major factor behind the inflows was proceeds from sales of property, plant and equipment of ¥412 million as a result of the partial sale of the land of the Company's Saitama Plant.

In the previous fiscal year, there was a cash outflow of ¥672 million due to purchases of property, plant and equipment.

### **Cash flows from financing activities**

Net cash used in financing activities amounted to ¥2,989 million compared to the net cash outflow of ¥1,060 million in the previous fiscal year.

The major factors behind the outflows were the repayment of long-term loans payable of ¥4,200 million, purchases of treasury shares of ¥500 million in order to implement a flexible capital policy in response to changes in the management environment, cash dividends paid of ¥306 million on the basis of continuation of stable dividend payments. The major factor behind the inflows was proceeds from long-term loans payable of ¥2,150 million as a result of the refinancing of long-term loans payable.

In the previous fiscal year, there were cash outflows due to a net decrease in long-term loans payable of ¥500 million and cash dividends paid of ¥307 million.

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

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

Forward-looking statements in the document are based on the judgments as of the end of the fiscal year ended March 2022.

#### (1) Recognition, Analysis and Discussion of Financial Position and Operating Results

The analysis of financial position for the current fiscal year is described in "2. Outline of the Operating Results, etc."

##### • Business results

##### **Gross profit**

Gross profit for the year ended March 31, 2022 increased by ¥316 million from the previous fiscal year to ¥17,267 million. The major factors behind this increase were as follows. The Lighting segment worked on developing and launching on the market lighting fixtures with smart technologies such as control system equipment using wireless and bidirectional communications as well as lighting fixtures that can provide optimal lighting depending on the facility environment and application. In Japan, sales of LED road lamps and LED street lamps increased thanks to public infrastructure renewal demand from local governments and sales of lighting fixtures used in special environments remained robust as a result of the launch of new products reflecting mainly demand from the private sector. Meanwhile, sales of conventional light sources decreased from the previous fiscal year as the production and import and export of mercury lamps were terminated in December 2020. Looking overseas, while sales in Southeast Asia increased year on year, sales were sluggish in North America. On the other hand, in the Applied Optics and Environment segment, sales in the UV curing business increased as a result of EB equipment related delivery, despite sluggish sales related to printing equipment. In the environmental test equipment business, there were signs of a recovery in capital investment, and sales of weathering test equipment increased. In the sterilization business, sales of our air circulation sterilization unit using UV rays decreased as reaction to the high demand related to infectious disease during the previous fiscal year, despite our active proposals for environmental hygiene improvements to facilities used by a large and unspecified number of people. Sales in the information equipment business remained flat.

As a result, overall sales were ¥53,185 million, a decrease of ¥402 million from the previous consolidated fiscal year. However, as we continued to make efforts to maintain and improve work efficiency and productivity, cost of sales also decreased by ¥719 million from the previous consolidated fiscal year, resulting in an increase in gross profit of ¥316 million year on year.

##### **Operating income**

Operating income for the year ended March 31, 2022 increased by ¥346 million from the previous fiscal year to ¥3,287 million. The major factors behind this increase were a decrease in selling, general and administrative expenses of ¥29 million from the previous fiscal year, on top of the increase in gross profit mentioned above.

##### **Ordinary income**

Ordinary income for the year ended March 31, 2022 increased by ¥270 million from the previous fiscal year to ¥3,462 million. The major factors behind this increase were as follows. In terms of other income, on top of the increases in gross profit and operating income mentioned above, foreign exchange gains of ¥44 million were recorded in the current fiscal year due to foreign exchange fluctuations, while subsidy income of ¥155 million was recorded in connection with COVID-19 in the previous fiscal year. In terms of other expenses, interest expenses decreased by ¥20 million from the previous fiscal year as a result of the reduction of interest-bearing debt.

### **Profit attributable to owners of parent**

Profit attributable to owners of parent totaled ¥2,330 million in the year ended March 31, 2022, an increase of ¥288 million compared to the previous fiscal year. The major factors behind this increase were as follows. In terms of extraordinary income, on top of the increases in each profit mentioned above, proceeds from sales of property, plant and equipment of ¥89 million were recorded as a result of the partial sale of the land of the Company's Saitama Plant, and gain on sale of investment securities of ¥20 million was recorded as a result of the sale of cross-shareholdings (two stocks) in the current fiscal year. In terms of extraordinary loss, on the other hand, a loss on sale and retirement of non-current assets of ¥56 million was recorded in the current fiscal year as a result of the demolition of No.1 Administration Office of the Company's Saitama Plant, while business restructuring expenses of ¥187 million and impairment losses of ¥214 million were recorded in the previous fiscal year. Business restructuring expenses included disposal of materials and restructuring costs at the mercury lamp producing subsidiary upon the termination of production of mercury lamps. As explained for business restructuring expenses, impairment losses included the impairment of the mercury lamp production facilities due to the termination of mercury lamp production and the impairment related to the closing of corporate housing by the Company.

## **(2) Analysis and Discussion of Cash Flows and Information on Capital Resources and Liquidity of Funds**

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

### **• Capital resources and liquidity of funds**

#### **Funding methods and status**

The Iwasaki Electric Group mainly uses its own funds internally earned through its business activities as working capital, and also raises funds by borrowings from financial institutions. Group companies use intra-group loans from Iwasaki Electric Co., Ltd., in addition to loans from financial institutions, as appropriate according to their cash plans, which are developed based on their respective operation policies and the reduction of financing costs such as interest. As a result of the refinancing of long-term loans payable by the Company during the current fiscal year, the balance of loans from financial institutions at the end of the current fiscal year was ¥3,390 million, a decrease of ¥2,110 million from the end of the previous fiscal year.

#### **Trends in capital demand**

The Group has formulated the Medium-term Management Plan which started from the fiscal year ended March 2022 (plan period: fiscal year ended March 2022 to fiscal year ending March 2026). Under our basic policy of "Growth strategy and structural reform for the second foundation," we are promoting initiatives for new businesses and structural reforms of the Group in order to expand our business fields and realize new value for society. As part of such efforts, we will work on the "reinforcement and sophistication of mainstay businesses," "expansion of peripheral businesses," and "provision of new value to society," and promote the building of a foundation for growth to realize solutions for existing markets and social and environmental solutions by focusing on the provision of all kinds of added value, not just products. During the period of the Medium-term Management Plan, we plan to invest ¥5.0 billion in total in priority initiatives.

Capital investment and R&D expenses for the current fiscal year amounted to ¥600 million and ¥463 million, respectively. In addition, we purchased treasury shares of ¥500 million in order to implement a flexible capital policy in response to changes in the management environment.

The Group announced the "Basic Policy on the Dividend Policy" on May 12, 2022. As for dividend payments to shareholders, the basic policy is to maintain stable dividends, and dividends are determined in consideration of the business performance for the current fiscal year and the business environment, while taking into account internal reserves for future business development. Specifically, with a target consolidated dividend payout ratio of no less than 30%, the Company will focus on the return of profit to shareholders more than ever and pay dividends according to earnings on a continual and stable basis.

While the amount of dividends paid in the current fiscal year was ¥306 million (consolidated dividend payout ratio of 14.9%), the Company plans to pay dividends of ¥964 million (consolidated dividend payout

ratio of 41.5%) for the next fiscal year.

The Company secures cash on hand at a level of sales revenues for one to two months and also has concluded credit line agreements with financial institutions to maintain liquidity in order to respond to urgent cash demand and changes in the economic environment. The Company will continue to use cash on hand for investments for medium- to long-term growth, returns to shareholders, and reduction of interest-bearing debt in the future. While paying close attention to the situation of the COVID-19 pandemic, we will secure sufficient cash on hand in consideration of the need to strike a balance, such as enhancing the return of profit to shareholders while ensuring stable financial position.

The balance of cash and cash equivalents as of the end of the current fiscal year decreased by ¥1,563 million to ¥16,939 million.

### (3) Significant Accounting Estimates and Assumptions Used for the Estimation

The consolidated financial statements of the Iwasaki Electric Group are prepared in accordance with the generally accepted accounting principles of Japan. Significant accounting estimates used in preparing these consolidated financial statements and the assumptions used in those estimates are described in “Notes to Consolidated Financial Statements, 2. Significant Accounting Estimates.”

For accounting estimates associated with the spread of COVID-19, please refer to “Notes to Consolidated Financial Statements, 5. Additional Information.”

## **4. Important Business Agreements**

Not Applicable.

## Consolidated Balance Sheet

At March 31, 2022 and 2021

### ASSETS

	Millions of yen	
	March 31, 2022	March 31, 2021
<b>Current assets</b>		
Cash and deposits (Notes 25 and 28)	¥ 16,939	¥ 18,503
Notes and accounts receivable - trade (Note 28)	–	12,238
Notes and accounts receivable - trade, and contract assets (Note 28)	12,719	–
Electronically recorded monetary claims - operating (Note 28)	1,986	1,897
Merchandise and finished goods	5,647	6,085
Work in process	1,671	1,451
Raw materials and supplies	5,560	4,490
Other	680	566
Allowance for doubtful accounts	(42)	(37)
<b>Total current assets</b>	<b>45,162</b>	<b>45,195</b>
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings and structures (Note 14)	15,747	15,689
Machinery, equipment and vehicles (Note 14)	14,289	14,338
Tools, furniture and fixtures	7,426	8,025
Land (Notes 14 and 15)	8,941	9,248
Leased assets (Note 26)	81	117
Construction in progress	120	89
	46,606	47,507
Accumulated depreciation	(31,562)	(31,726)
<b>Property, plant and equipment, net</b>	<b>15,043</b>	<b>15,781</b>
Intangible assets		
Software	196	283
Other	136	186
<b>Intangible assets, net</b>	<b>332</b>	<b>469</b>
Investments and other assets		
Investment securities (Notes 6, 13 and 28)	4,247	4,611
Deferred tax assets (Note 9)	265	432
Other	546	497
Allowance for doubtful accounts	(14)	(15)
<b>Total investments and other assets</b>	<b>5,045</b>	<b>5,524</b>
<b>Total noncurrent assets</b>	<b>20,422</b>	<b>21,774</b>
<b>Total assets</b>	<b>¥ 65,585</b>	<b>¥ 66,970</b>

See accompanying notes to consolidated financial statements.

## Consolidated Balance Sheet

At March 31, 2022 and 2021

### LIABILITIES AND NET ASSETS

	Millions of yen	
	March 31, 2022	March 31, 2021
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade (Note 28)	¥ 6,002	¥ 5,808
Electronically recorded obligations - operating (Note 28)	5,273	5,155
Short-term loans payable (Notes 7 and 28)	640	700
Current portion of long-term loans payable (Notes 7, 14 and 28)	200	4,200
Income taxes payable	804	537
Accrued consumption taxes	267	350
Provision for employees' bonuses	731	756
Provision for repair claims	62	111
Other	1,562	2,222
<b>Total current liabilities</b>	<b>15,544</b>	<b>19,842</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable (Notes 7, 14 and 28)	2,550	600
Deferred tax liabilities (Note 9)	9	182
Deferred tax liabilities for land revaluation (Note 15)	1,024	1,118
Liability for retirement benefits (Note 27)	11,465	12,150
Asset retirement obligations (Note 8)	136	134
Provision for share-based remuneration for directors (and other officers)	86	69
Other	1,332	1,530
<b>Total noncurrent liabilities</b>	<b>16,606</b>	<b>15,785</b>
<b>Total liabilities</b>	<b>32,151</b>	<b>35,628</b>
<b>Net assets (Note 24)</b>		
<b>Shareholders' equity (Note 11)</b>		
Common stock:	8,640	8,640
Authorized: 23,900,000 shares in 2021 and 2022		
Issued: 7,821,950 shares in 2021 and 2022		
Capital surplus	2,069	2,069
Retained earnings	20,498	18,262
Treasury stock	(823)	(323)
<b>Total shareholders' equity</b>	<b>30,384</b>	<b>28,649</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,623	1,891
Revaluation reserve for land (Note 15)	2,136	2,348
Foreign currency translation adjustments	(1)	(515)
Retirement benefits liability adjustments	(726)	(1,048)
<b>Total accumulated other comprehensive income</b>	<b>3,031</b>	<b>2,675</b>
<b>Non-controlling interests</b>	<b>17</b>	<b>16</b>
<b>Total net assets</b>	<b>33,434</b>	<b>31,342</b>
<b>Total liabilities and net assets</b>	<b>¥ 65,585</b>	<b>¥ 66,970</b>

See accompanying notes to consolidated financial statements.



## Consolidated Statement of Income

Years ended March 31, 2022 and 2021

	Millions of yen	
	Year ended March 31, 2022	Year ended March 31, 2021
Net sales	¥ 53,185	¥ 53,587
Cost of sales (Note 17)	35,917	36,636
Gross profit	17,267	16,950
Selling, general and administrative expenses (Note 18)	13,979	14,009
Operating income	3,287	2,941
Other income (Note 19)		
Interest income	3	4
Dividend income	109	101
Rental income	10	10
Dividend income of insurance	21	24
Foreign exchange gains	44	–
Share of profit of entities accounted for using the equity method	–	2
Subsidy income	–	155
Gain on sales of noncurrent assets	89	6
Gain on sales of investment securities	20	–
Other	64	61
Total other income	364	367
Other expenses (Note 20)		
Interest expenses	67	87
Foreign exchange losses	–	1
Share of loss of entities accounted for using equity method	4	–
Settlement package	–	15
Loss on sale and retirement of noncurrent assets	56	3
Business restructuring expenses (Note 21)	–	187
Impairment losses (Note 22)	–	214
Other	7	6
Total other expenses	135	516
Profit before income taxes	3,516	2,792
Income taxes (Note 9)		
Income taxes - current	1,114	923
Income taxes - deferred	72	(173)
Total income taxes	1,186	750
Profit	2,329	2,041
Profit (loss) attributable to non-controlling interests	(0)	0
Profit attributable to owners of parent	¥ 2,330	¥ 2,041

See accompanying notes to consolidated financial statements.

## Consolidated Statement of Comprehensive Income

Years ended March 31, 2022 and 2021

	Millions of yen	
	Year ended March 31, 2022	Year ended March 31, 2021
Profit	¥ 2,329	¥ 2,041
Other comprehensive income (Note 23)		
Valuation difference on available-for-sale securities	(268)	345
Foreign currency translation adjustments	482	(150)
Retirement benefits liability adjustments	322	423
Share of other comprehensive income of affiliates accounted for by equity method	31	14
Total other comprehensive income	567	633
Comprehensive income	2,897	2,675
Comprehensive income attributable to:		
Owners of parent	2,898	2,674
Non-controlling interests	¥ (0)	¥ 0

See accompanying notes to consolidated financial statements.

## Consolidated Statement of Changes in Net Assets

Years ended March 31, 2022 and 2021

	Number of shares of common stock issued	Millions of yen					Total shareholders' equity	
		Shareholders' equity						
		Common stock	Capital surplus	Retained earnings	Treasury stock			
Balance at April 1, 2021	7,821,950	¥8,640	¥2,069	¥18,262	(¥323)	¥28,649		
Changes during period	-	-	-	-	-	-		
Dividends of surplus	-	-	-	(306)	-	(306)		
Profit attributable to owners of parent	-	-	-	2,330	-	2,330		
Purchase of treasury shares	-	-	-	-	(500)	(500)		
Reversal of revaluation reserve for land	-	-	-	211	-	211		
Net changes of items other than shareholders' equity	-	-	-	-	-	-		
Total changes during period	-	-	-	2,235	(500)	1,735		
Balance at March 31, 2022	7,821,950	¥8,640	¥2,069	¥20,498	(¥823)	¥30,384		
	Number of shares of common stock issued	Millions of yen					Non-controlling interests	Total net assets
		Accumulated other comprehensive income						
		Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance at April 1, 2021	¥1,891	¥2,348	(¥515)	(¥1,048)	¥2,675	¥16	¥31,342	
Changes during period	-	-	-	-	-	-	-	
Dividends of surplus	-	-	-	-	-	-	(306)	
Profit attributable to owners of parent	-	-	-	-	-	-	2,330	
Purchase of treasury shares	-	-	-	-	-	-	(500)	
Reversal of revaluation reserve for land	-	-	-	-	-	-	211	
Net changes of items other than shareholders' equity	(268)	(211)	513	322	355	1	356	
Total changes during period	(268)	(211)	513	322	355	1	2,092	
Balance at March 31, 2022	¥1,623	¥2,136	(¥1)	(¥726)	¥3,031	¥17	¥33,434	

	Number of shares of common stock issued	Millions of yen					Total shareholders' equity	
		Shareholders' equity						
		Common stock	Capital surplus	Retained earnings	Treasury stock			
Balance at April 1, 2020	7,821,950	¥8,640	¥2,069	¥16,466	(¥298)	¥26,877		
Changes during period	-	-	-	-	-	-		
Dividends of surplus	-	-	-	(307)	-	(307)		
Profit attributable to owners of parent	-	-	-	2,041	-	2,041		
Purchase of treasury shares	-	-	-	-	(32)	(32)		
Disposal of treasury shares	-	-	-	-	7	7		
Reversal of revaluation reserve for land	-	-	-	61	-	61		
Net changes of items other than shareholders' equity	-	-	-	-	-	-		
Total changes during period	-	-	-	1,796	(24)	1,771		
Balance at March 31, 2021	7,821,950	¥8,640	¥2,069	¥18,262	(¥323)	¥28,649		
	Number of shares of common stock issued	Millions of yen					Non-controlling interests	Total net assets
		Accumulated other comprehensive income						
		Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance at April 1, 2020	¥1,546	¥2,410	(¥378)	(¥1,472)	¥2,104	¥17	¥28,999	
Changes during period	-	-	-	-	-	-	-	
Dividends of surplus	-	-	-	-	-	-	(307)	
Profit attributable to owners of parent	-	-	-	-	-	-	2,041	
Purchase of treasury shares	-	-	-	-	-	-	(32)	
Disposal of treasury shares	-	-	-	-	-	-	7	
Reversal of revaluation reserve for land	-	-	-	-	-	-	61	
Net changes of items other than shareholders' equity	345	(61)	(136)	423	571	(0)	570	
Total changes during period	345	(61)	(136)	423	571	(0)	2,342	
Balance at March 31, 2021	¥1,891	¥2,348	(¥515)	(¥1,048)	¥2,675	¥16	¥31,342	

See accompanying notes to consolidated financial statements.

## Consolidated Statement of Cash Flows

Years ended March 31, 2022 and 2021

	Millions of yen	
	Year ended March 31, 2022	Year ended March 31, 2021
Cash flows from operating activities:		
Profit before income taxes	¥ 3,516	¥ 2,792
Adjustments to reconcile profit to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,207	1,422
Impairment losses	–	214
Increase (decrease) in provision for employee's bonuses	(25)	(38)
Increase (decrease) in allowance for doubtful accounts	0	(2)
Increase (decrease) in liability for retirement benefits	(581)	(842)
Interest and dividend income	(113)	(105)
Interest expenses	67	87
Foreign exchange losses (gains)	(19)	(3)
Loss (gain) on sales and retirement of property, plant and equipment	(33)	(3)
Equity in (earnings) losses of affiliates	4	(2)
Loss (gain) on sales of investment securities	(20)	–
Changes in assets and liabilities:		
Decrease (increase) in notes and accounts receivable - trade	(471)	3,092
Decrease (increase) in inventories	(624)	1,183
Increase (decrease) in notes and accounts payable - trade	247	(2,459)
Other	(904)	26
Subtotal	2,249	5,361
Interest and dividends income received	112	105
Interest expenses paid	(75)	(88)
Income taxes paid	(869)	(1,284)
Net cash provided by operating activities	1,417	4,094
Cash flows from investing activities:		
Purchases of property, plant and equipment	(506)	(672)
Proceeds from sales of property, plant and equipment	412	13
Purchases of intangible assets	(81)	(54)
Purchases of investment securities	(60)	(39)
Proceeds from sales of investment securities	91	–
Other	(48)	5
Net cash used in investing activities	(193)	(747)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	(60)	(130)
Proceeds from long-term loans payable	2,150	400
Repayment of long-term loans payable	(4,200)	(900)
Purchases of treasury shares	(500)	(32)
Cash dividends paid	(306)	(307)
Other	(72)	(91)
Net cash used in financing activities	(2,989)	(1,060)
Effect of exchange rate changes on cash and cash equivalents	201	(42)
Net increase (decrease) in cash and cash equivalents	(1,563)	2,243
Cash and cash equivalents at the beginning of the year	18,503	16,260
Cash and cash equivalents at the end of the year (Note 25)	¥ 16,939	¥ 18,503

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

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At March 31, 2022 and 2021

## 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, 2021 to the 2022 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, 2022, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 22 and 7, 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.

### (c) Accounting period

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

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

### (d) Translation of foreign currency transactions and financial statements

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

#### **(e) Securities and investment securities**

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

Available-for-sale securities, which are not classified as nonmarketable available-for-sale are carried at fair market value. The difference between the acquisition cost and the carrying value of available-for-sale securities is recognized in valuation difference on available-for-sale securities, net of related tax effects, in net assets. The cost of available-for-sale securities sold is calculated based by the moving average method.

Nonmarketable available-for-sale-securities without a fair market value, are stated at cost determined by the moving average method. Investments in limited liability partnerships and equivalent partnerships (which are considered Securities pursuant to Article 2, paragraph 2 of the Japanese Financial Instruments and Exchange Act) are stated under the equity method and based on the latest financial statements available on the reportable dates specified in the respective partnership agreements.

#### **(f) Derivatives and hedging activities**

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

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

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

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

#### **(h) Inventories**

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

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

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

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

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

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

Amortization of software for sales is basically calculated by an amortizable amount based on the estimated sales volume within 3 years (not less than an amortizable amount based on a straight-line method over the remaining valid sales period).

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



### **(k) Leases**

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

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

### **(l) Allowance for doubtful accounts**

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

### **(m) Provision for employees' bonuses**

The Company and domestic subsidiaries provide for payments of bonuses to employees at estimated amounts calculated based on their payment regulations.

### **(n) Provision for repair claims**

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

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

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

### **(p) Retirement benefits**

#### **a) Method of attributing the estimated retirement benefit obligation to periods**

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

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

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

Actuarial gain or loss is amortized from the following fiscal year after recognition using the straight-line method over a period not exceeding the expected average remaining service years of employees (12 years).

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

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

### **(q) Accounting for significant revenues and expenses**

Based on the following 5-step approach, the Group recognizes revenue when the promised goods or services are transferred to a customer and a customer gains the control of such goods or services.

Step 1: Identify contract with the customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) a performance obligation is satisfied.

The Group's main businesses are the manufacturing and sales of a wide range of light sources, such as lamps and luminaires, and the manufacturing and sales of applied optics products and environmental products. With

respect to sales of these products, the Company primarily recognized upon shipment or delivery, depending upon when a customer obtains control of these products. In the case of domestic sales, the period from the time of shipment to the time when control of the products is transferred to customers is a short period. Therefore, the Company recognizes revenue at the time of shipment by applying the treatment of shipment standards, etc. set forth in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition.

Revenue is calculated to the extent that there is a high probability that there will be no material reversal of revenue after deducting returns, discounts, rebates, etc. from the consideration promised in the contract with a customer. The promised consideration is recovered mostly within one year from the time when performance obligations are satisfied, and does not include significant financial factors.

As for performance obligations that are satisfied over a certain period of time except for construction contracts for an extremely short period, the progress in the fulfillment of the performance obligations is estimated and revenue over a certain period of time based on the progress is recognized. As for performance obligations that are satisfied at one time, revenue is recognized upon completion of the construction.

The method of estimating the progress in fulfillment of performance obligations is calculated by the ratio of actual costs to estimated total costs (input method). In cases where the progress of performance obligations cannot be reasonably estimated at the initial stage of the contract, the cost recovery method (alternative method) is applied.

## 2. Significant Accounting Estimates

Recognition of impairment of tangible and intangible non-current assets

(1) Amounts recorded in the consolidated financial statements for the current fiscal year

	Millions of yen	
	Year ended March 31, 2022	Year ended March 31, 2021
Tangible and intangible non-current assets	¥15,376	¥16,250
Those in the Lighting and the Applied Optics and Environment segments of the Company	¥12,832	¥13,659
Impairment loss (excluding assets to be disposed of and idle assets)	—	—

(2) Information on the significant accounting estimates for the identified items

(i) Calculation method

The Iwasaki Electric Group categorizes its assets into groups corresponding to business segment where they are used. When withdrawal from a business associated with a group or any other similar transaction is decided, the assets to be disposed of and idle assets related to that transaction will be transferred to a separate group formed for each transaction.

In the current fiscal year, the Company identified signs of impairment in the asset group in the Lighting segment and Applied Optics and Environment segment of the Company (¥12,832 million), including tangible and intangible fixed assets, due to the market values of some land having declined significantly. However, in accordance with the Company's criteria for recognizing impairment loss, no impairment loss was recorded for this asset group because the total amount of undiscounted future cash flows from the asset group exceeded its carrying amount.

Future cash flows are estimated based on the Company's profit and loss ("P&L") plan approved by the Board of Directors for the following year and the growth rate estimated within the long-term average growth rate for the second and subsequent years.

(ii) Major assumptions

Major assumptions used for estimation of the future cash flow estimates are sales by business segment based on the demand forecast and gross profit margin that underlie the P&L plan, and the growth rate after the P&L plan.

(iii) Impact on the next fiscal year

These major assumptions (sales by business segment, gross profit margin, and growth rate after the P&L plan) are subject to a high level of uncertainty. In the event that they fluctuate in the future due to unexpected economic conditions and other factors, the consolidated financial statements for the next fiscal year may be affected.

## 3. Changes in Accounting Policies

(Application of Accounting Standard for Revenue Recognition, etc.)

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Standard"), etc. have been adopted from the beginning of the current fiscal year. In line with this adoption, revenue is recognized when the control of promised goods or services is transferred to a customer at an amount it expects to receive in return for those goods or services.

In the past, the percentage-of-completion method had been applied to construction contracts in which the outcome of the part completed can be estimated reliably and the completed contract method had been applied to other construction contracts. In line with this adoption, however, as for performance obligations that are satisfied over a certain period of time except for construction contracts for an extremely short period, it has been changed to the method where the progress in the fulfillment of the performance obligations is estimated and revenue over a certain period of time based on the progress is recognized. As for performance obligations that are satisfied at one time, revenue is recognized upon completion of the contract.

The method of estimating the progress in fulfillment of performance obligations is calculated by the ratio of

actual costs to estimated total costs (input method). In cases where the progress of performance obligations cannot be reasonably estimated at the initial stage of the contract, the cost recovery method (alternative method) is applied.

In adopting the Revenue Recognition Standard, etc. in accordance with the transitional treatment set forth in the proviso of Section 84 of the Revenue Recognition Standard, the cumulative impact of retrospective application of the new accounting policies to prior fiscal year is adjusted to retained earnings at the beginning of the current fiscal year, with the new accounting policies applied from the beginning balance. However, by adopting the method prescribed in Section 86 of the Revenue Recognition Standard, the Company has not adopted the new accounting policy retroactively to the contracts almost all of whose revenue amounts were recognized in compliance with the conventional method before the beginning of the current fiscal year. In addition, applying the method prescribed in the note (1) for Section 86 of the Revenue Recognition Standard, the contract conditions after modifications are reflected. The cumulative impact of these changes is added to or deducted from retained earnings at the beginning of the current fiscal year.

“Notes and accounts receivable - trade,” which had been included in “current assets” in the balance sheet of the previous fiscal year, has been included in “Notes and accounts receivable - trade, and contract assets” from the current fiscal year. However, in accordance with transitional treatment set forth in Section 89-2 of the Revenue Recognition Standard, the consolidated financial statements for the previous fiscal year have not been reclassified to reflect the change in presentation.

As a result, compared to before the adoption of the Revenue Recognition Standard, etc., notes and accounts receivable - trade, and contract assets increased by ¥73 million and work in process decreased by ¥71 million in the consolidated balance sheet for the current fiscal year. Similarly, in the consolidated statement of income for the current fiscal year, net sales increased by ¥73 million, cost of sales increased by ¥71 million, and operating income, ordinary income, and profit before income taxes increased by ¥2 million, respectively.

In the consolidated statement of cash flows for the current fiscal year, profit before income taxes and inventories increased by ¥2 million and ¥71 million, respectively, while notes and accounts receivable – trade decreased by ¥73 million.

There has been no impact on the balance of retained earnings at the beginning of period in the consolidated statement of changes in net assets for the current fiscal year.

Net assets per share and net income per share for the current fiscal year increased by ¥0.24, respectively.

However, in accordance with transitional treatment set forth in Section 89-3 of the Revenue Recognition Standard, the Notes on Revenue Recognition for the previous fiscal year have not been disclosed.

(Application of Accounting Standard for Fair Value Measurement, etc.)

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter, the “Fair Value Measurement Standard”), etc. have been adopted from the beginning of the current fiscal year, and in accordance with the transitional treatment set forth in Section 19 of the Fair Value Measurement Standard and Section 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company has applied new accounting policies prescribed by Fair Value Measurement Standard, etc. into the future. There has been no impact of this adoption on the consolidated financial statements.

In addition, the Company has disclosed notes on the breakdown of financial instruments by fair value level in “Notes to Consolidated Financial Statements, 28. Financial Instruments.” However, the notes did not include comparative information for the previous fiscal year, in accordance with the transitional treatment set forth in Section 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Implementation Guidance No.19, July 4, 2019).

#### **4. Accounting Standards Issued But Not Yet Effective**

- Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Solution No. 42, August 12, 2021, Accounting Standards Board of Japan)

(1) Outline

In response to the “Partial Amendment of the Income Tax Act, etc.” (Act No. 8 of 2020) enacted on March 27, 2020, which stipulates the review of the consolidated taxation system and the transition to the group tax sharing system, the Accounting Standards Board of Japan (ASBJ) announced this Practical Solution to clarify the accounting treatment and disclosure procedures for corporate and local corporate taxes and tax effect accounting in the case of applying the group tax sharing system.

(2) Scheduled date of adoption

The Company and its domestic subsidiaries will adopt this standard from the fiscal year starting on April 1, 2022.

(3) Impact of adopting the accounting standard and guidance

The impact of adopting the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” on the consolidated financial statements is undetermined at the present time.

#### **5. Additional Information**

Accounting estimates associated with the spread of the novel coronavirus

The effects of the novel coronavirus pandemic are expected to extend to the next fiscal year. However, assuming that there will be no significant decline in its business performance, the Iwasaki Electric Group estimates the recoverability of deferred tax assets, impairment accounting for non-current assets, and other accounting estimates.

The assumptions used for these estimates are highly uncertain. If the impact of the novel coronavirus infection is prolonged or becomes more serious in the future, it may affect the Group’s business performance and financial position for the next year and beyond.

## 6. Securities and Investment Securities

Information regarding securities and investment securities classified as available-for-sale securities with fair market value at March 31, 2022 and 2021 is summarized as follows:

	Millions of yen					
	March 31, 2022			March 31, 2021		
	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	¥1,016	¥3,367	¥2,350	¥1,081	¥3,811	¥2,730
Debt securities						
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
Other	—	—	—	—	—	—
Subtotal	1,016	3,367	2,350	1,081	3,811	2,730
Securities whose acquisition cost exceeds their carrying amount (fair market value):						
Equity securities	58	45	(13)	55	43	(11)
Debt securities						
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
Other	—	—	—	—	—	—
Subtotal	58	45	(13)	55	43	(11)
Total	¥1,075	¥3,413	¥2,337	¥1,136	¥3,855	¥2,718

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, 2022 and 2021, no impairment losses were recognized.

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



Information regarding the sales of investment securities classified as available-for-sale securities with fair market value for the year ended March 31, 2022 and the year ended March 31, 2021 is summarized as follows:

	Millions of yen					
	March 31, 2022			March 31, 2021		
	Proceeds from sales	Gross realized gain	Gross realized loss	Proceeds from sales	Gross realized gain	Gross realized loss
Equity securities	¥91	¥20	–	–	–	–
Debt securities						
Government bonds	–	–	–	–	–	–
Corporation bonds	–	–	–	–	–	–
Other	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total	¥91	¥20	–	–	–	–

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

Short-term loans from banks at an average interest rate of 0.51% amounted to ¥640 million and ¥700 million at March 31, 2022 and 2021, respectively.

Long-term loans, lease obligations and deposits received classified as other long-term liabilities with interest at March 31, 2022 and 2021 consisted of the following:

	Millions of yen	
	March 31, 2022	March 31, 2021
Loans, principally from banks, maturing in installments through 2025 with an average interest rate of 0.91%	¥2,750	¥4,800
Less current portion of loans	(200)	(4,200)
Net	2,550	600
Lease obligations	50	109
Less current portion of lease obligations	(34)	(72)
Net	15	36
Deposits received with an average interest rate of 2.19%	1,244	1,409
Total	¥3,810	¥2,046

The annual maturities of long-term loans and lease obligations subsequent to March 31, 2022 are summarized as follows:

	Long-term loans	Lease obligations
	Millions of yen	Millions of yen
Year ending March 31,		
2024	–	¥5
2025	¥2,150	2
2026	400	1
2027 and thereafter	–	1

## 8. 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, 2021 and March 31, 2022 accounted for less than 1% of total liabilities and net assets at the beginning and the end of the fiscal year.

## 9. Income Taxes

(1) The tax effects of temporary differences that give rise to a significant portion of the deferred tax assets and deferred tax liabilities at March 31, 2022 and 2021 were as follows:

	Millions of yen	
	March 31, 2022	March 31, 2021
Deferred tax assets:		
Provision for bonuses	¥220	¥228
Losses carried forward for tax purposes*1	685	683
Liability for retirement benefits	3,273	3,396
Other	1,113	1,006
Gross deferred tax assets	5,293	5,315
Valuation allowance for tax loss carryforward*1	(684)	(626)
Valuation allowance for total future deductible temporary differences	(3,507)	(3,470)
Valuation reserve subtotal	(4,191)	(4,096)
Total deferred tax assets	1,101	1,219
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	(715)	(823)
Other	(130)	(145)
Gross deferred tax liabilities	(845)	(969)
Net deferred tax assets	¥255	¥249

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

At March 31, 2022

	Due in 1 year or less (Millions of yen)	Due after 1 year and in 2 years or less (Millions of yen)	Due after 2 years and in 3 years or less (Millions of yen)	Due after 3 years and in 4 years or less (Millions of yen)	Due after 4 years and in 5 years or less (Millions of yen)	Due after 5 years (Millions of yen)	Total (Millions of yen)
Tax loss carryforwards*1	¥15	¥26	¥-	¥0	¥150	¥492	¥685
Valuation allowance	(15)	(26)	-	(0)	(150)	(491)	(684)
Deferred tax assets	¥-	¥-	¥-	¥-	¥-	¥1	¥1*2

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

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

At March 31, 2021

	Due in 1 year or less (Millions of yen)	Due after 1 year and in 2 years or less (Millions of yen)	Due after 2 years and in 3 years or less (Millions of yen)	Due after 3 years and in 4 years or less (Millions of yen)	Due after 4 years and in 5 years or less (Millions of yen)	Due after 5 years (Millions of yen)	Total (Millions of yen)
Tax loss carryforwards*3	¥107	¥19	¥29	¥-	¥67	¥458	¥683
Valuation allowance	(107)	(19)	(29)	-	(67)	(401)	(626)
Deferred tax assets	¥-	¥-	¥-	¥-	¥-	¥57	¥57*4

\*3. Tax loss carryforwards are determined by using the statutory effective tax rate.

\*4. Based on comprehensive consideration of past business performance, tax payment status, and future business performance forecast, the Company has determined that the deferred tax assets recognized for the tax loss carryforwards are recoverable.

(2) The reconciliation of the Japanese statutory tax rate and the effective tax rate applicable to the Company for the years ended March 31, 2022 and 2021 was as follows:

	Year ended March 31, 2022	Year ended March 31, 2021
Japanese statutory tax rate	30.6%	30.6%
(Adjustments)		
Permanent non-deductible differences, including entertainment, etc.	0.6	0.9
Permanent non-taxable differences, including dividend income	(0.2)	(0.2)
Inhabitants taxes per capita, etc.	1.8	2.2
Changes in valuation reserve	2.7	(1.4)
Special deduction amount for income taxes	(4.1)	(5.5)
Differences in tax rate from overseas subsidiaries	0.3	(2.6)
Other	2.0	2.9
Effective tax rate	33.7	26.9

## 10. Rental Properties

For the years ended March 31, 2022 and 2021

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

## 11. Shareholders' Equity

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

## 12. Receivables, Contract Assets and Contract Liabilities from Contract with Customers

Receivables, Contract Assets and Contract Liabilities from Contract with Customers are described in "Notes to Consolidated Financial Statements, 34. Revenue Recognition, (3) Relationship between fulfillment of performance obligations based on contracts with customers and cash flows arising from such contracts, amount of revenue estimated to be recognized after the next fiscal year from the contracts with customers effective as of the end of the current fiscal year and the timing of recognition, (i) Balance of contract assets and contract liabilities."

## 13. Investments in Affiliates

Investments in affiliates at March 31, 2022 and 2021 amounted to ¥546 million and ¥522 million, respectively, and are accounted for principally by the equity method.

#### 14. Pledged Assets and Secured Liabilities

A summary of assets pledged as collateral and secured liabilities at March 31, 2022 and 2021 is presented below:

	Millions of yen	
	March 31, 2022	March 31, 2021
Pledged assets		
Buildings and structures	—	¥2,002
Machinery, equipment and vehicles	—	106
Land	—	2,579
Total	—	¥4,688
Secured liabilities		
Current portion of long-term loans payable	—	¥2,480
Long-term loans payable	—	119
Total	—	¥2,599

In the previous fiscal year, the above assets included a revolving mortgage related to banking transactions (maximum amount was ¥1,000 million), but in the current fiscal year, all the revolving mortgages as collateral were released, so there were no assets pledged as collateral and no corresponding obligations.

#### 15. Land Revaluation

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

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

The differences between the revalued carrying amount and the fair value at March 31, 2022 and 2021 of land revalued pursuant to Article 16 of the law were ¥1,916 million and ¥2,062 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.

#### 16. Revenue from Contracts with Customers

As for net sales, revenue from contracts with customers and other revenue are not stated separately. The amount of revenue from contracts with customers is described in “Notes to Consolidated Financial Statements, 34. Revenue Recognition, (1) Breakdown of revenue from contracts with customers.”

#### 17. Cost of Sales

Loss on valuation of inventories of ¥5 million and ¥176 million, net of the amount of the reversal, was included in cost of sales for the years ended March 31, 2022 and 2021, respectively after writing down the carrying values to reflect declines in profitability.

## 18. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2022 and 2021 were as follows. The figures in the following table have been offset against reversals.

	Millions of yen	
	Year ended March 31, 2022	Year ended March 31, 2021
Salaries	¥5,133	¥5,165
Packing and transportation costs	1,648	1,709
Provision for employees' retirement benefits	657	685
Provision for employees' bonuses	425	427
Provision (reversal) of allowance for doubtful accounts	(3)	0

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2022 and 2021 amounted to ¥463 million and ¥451 million, respectively.

## 19. Other Income

Gain on sales of noncurrent assets for the years ended March 31, 2022 and 2021 were summarized as follows:

	Millions of yen	
	Year ended March 31, 2022	Year ended March 31, 2021
Machinery, equipment and vehicles	¥23	¥5
Tools, furniture and fixtures	–	0
Land	66	–
Total	¥89	¥6

## 20. Other Expenses

Loss on sales and retirement of noncurrent assets for the years ended March 31, 2022 and 2021 were summarized as follows:

	Millions of yen	
	Year ended March 31, 2022	Year ended March 31, 2021
Buildings and structures	¥11	¥0
Machinery, equipment and vehicles	0	0
Tools, furniture and fixtures	0	0
Other	43	1
Total	¥56	¥3

## 21. Business Restructuring Expenses

Previous fiscal year (April 1, 2020 to March 31, 2021)

In the current fiscal year, the Group implemented business structural reforms upon the termination of mercury lamp production in the Lighting segment. The costs were recorded as business restructuring expenses.

They included special severance payments of ¥135 million, inventory valuation losses of ¥47 million, and other costs of ¥4 million.

## 22. Impairment Loss

Previous fiscal year (April 1, 2020 to March 31, 2021)

In the current fiscal year, the Group recorded impairment losses for the following asset groups.

Purpose	Location	Type	Impairment loss (million yen)
Mercury lamp production facilities	Dalian, China	Buildings and structures	¥1
		Machinery, equipment and vehicles	46
		Tools, furniture and fixtures	2
Company housing for employees	Gyoda City, Saitama Prefecture	Buildings and structures	75
		Land	89
Total			¥214

The Iwasaki Electric Group categorizes its assets into groups corresponding to business units where they are used. When withdrawal from a business associated with a group or any other similar transaction is decided, the assets to be disposed of and idle assets related to that transaction will be transferred to a separate group formed for each transaction.

In the Lighting segment, the book values of mercury lamp production facilities and some other assets at Dalian Iwasaki Electric Co., Ltd., the Group's production site, have been reduced to their recoverable values upon the termination of the mercury lamp production.

The book value of the company housing for employees was reduced to the recoverable amount because the housing was closed.

The recoverable value for land is calculated based on the net sale price. The recoverable value for other assets is calculated based on the value in use. The value in use is set to zero because future cash flows cannot be expected.

### 23. Statement of Comprehensive Income

Reclassification adjustments relating to other comprehensive income for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen	
	Year ended March 31, 2022	Year ended March 31, 2021
Valuation difference on available-for-sale securities:		
Amount arising during the year	¥(356)	¥490
Reclassification adjustments for gain (loss) included in profit	(20)	—
Total	(377)	490
Foreign currency translation adjustments:		
Amount arising during the year	482	(150)
Reclassification adjustments for gain (loss) included in profit	—	—
Total	482	(150)
Retirement benefits liability adjustments:		
Amount arising during the year	103	207
Reclassification adjustments for gain (loss) included in profit	177	216
Total	281	423
Share of other comprehensive income of affiliates accounted for by equity method:		
Amount arising during the year	31	14
Total amount before income taxes	417	778
Income taxes	149	(145)
Total other comprehensive income	¥567	¥633

Tax effects relating to other comprehensive income for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen	
	March 31, 2022	March 31, 2021
Valuation difference on available-for-sale securities		
Before tax effect	¥(377)	¥490
Tax effect	108	(145)
After tax effect	(268)	345
Foreign currency translation adjustments		
Before tax effect	482	(150)
Tax effect	—	—
After tax effect	482	(150)
Retirement benefits liability adjustments		
Before tax effect	281	423
Tax effect	41	—
After tax effect	322	423
Share of other comprehensive income of affiliates accounted for by equity method		
Before tax effect	31	14
Tax effect	—	—
After tax effect	31	14
Total other comprehensive income		
Before tax effect	417	778
Tax effect	149	(145)
After tax effect	¥567	¥633

## 24. 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, 2022

	Number of shares (Thousand)			
	April 1, 2021	Increase	Decrease	March 31, 2022
Type of issued shares				
Common stock	7,821	–	–	7,821
Total	7,821	–	–	7,821
Type of treasury stock				
Common stock*1, *2	234	245	–	480
Total	234	245	–	480

\*1. The increase of 245 thousand common shares in treasury shares was due to an increase of 245 thousand shares by buybacks based on the Board's resolutions, and an increase of 0 thousand shares by the repurchase of fractional shares.

\*2. The number of treasury shares as of March 31, 2022 includes 75 thousand shares held by the Board Benefit Trust (BBT).

For the year ended March 31, 2021

	Number of shares (Thousand)			
	April 1, 2020	Increase	Decrease	March 31, 2021
Type of issued shares				
Common stock	7,821	–	–	7,821
Total	7,821	–	–	7,821
Type of treasury stock				
Common stock*1, *2, *3	214	25	4	234
Total	214	25	4	234

\*1. The increase of 25 thousand common shares in treasury shares was due to an increase of 25 thousand shares by buybacks based on the Board's resolutions, and an increase of 0 thousand shares by the repurchase of fractional shares.

\*2. The decrease of 4 thousand shares of common treasury shares is due to the distribution from the Board Benefit Trust (BBT).

\*3. The number of treasury shares as of March 31, 2021 includes 75 thousand shares held by the Board Benefit Trust (BBT).

### (b) Matters related to dividends

#### 1. Amount of dividends

For the year ended March 31, 2022

(Resolution)	Type	Total dividends paid (Millions of yen)	Amount of dividends per share (Yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders on June 25, 2021	Common stock	¥306	¥40	March 31, 2021	June 28, 2021

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

For the year ended March 31, 2021

(Resolution)	Type	Total dividends paid (Millions of yen)	Amount of dividends per share (Yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders on June 25, 2020	Common stock	¥307	¥40	March 31, 2020	June 26, 2020

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



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

For the year ended March 31, 2022

(Resolution)	Type	Total dividends paid (Millions of yen)	Source of dividends	Amount of dividends per share (Yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders on June 28, 2022	Common stock	¥964	Retained earnings	¥130	March 31, 2022	June 28, 2022

Note: "Total dividends paid" include dividends of ¥9 million corresponding to shares held by the Board Benefit Trust (BBT).

For the year ended March 31, 2021

(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 25, 2021	Common stock	¥306	Retained earnings	¥40	March 31, 2021	June 28, 2021

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

## 25. Supplemental Cash Flow Information

A reconciliation of cash and cash equivalents at March 31, 2022 and 2021 to cash and deposits in the accompanying consolidated balance sheets was as follows:

	Millions of yen	
	March 31, 2022	March 31, 2021
Cash and deposits	¥16,939	¥18,503
Time deposits with maturity in excess of three months	—	—
Cash and cash equivalents	¥16,939	¥18,503

## 26. 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.

## 27. Employees' Retirement Benefits

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

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

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

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

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

#### (1) The changes in the retirement benefit obligations

	Millions of yen	
	Year ended March 31, 2022	Year ended March 31, 2021
Retirement benefit obligations at April 1	¥15,920	¥15,096
Service costs	658	636
Actuarial loss	(80)	115
Retirement benefits paid	(1,071)	(1,017)
Change due to personnel transfer	–	1,095
Others	(9)	(5)
Retirement benefit obligations at March 31	¥15,417	¥15,920

#### (2) The changes in plan assets

	Millions of yen	
	Year ended March 31, 2022	Year ended March 31, 2021
Plan assets at April 1	¥4,379	¥3,339
Expected return on plan assets	92	58
Actuarial gain	22	323
Contributions by the Company	447	789
Retirement benefits paid	(369)	(384)
Change due to personnel transfer	–	259
Others	(9)	(5)
Plan assets at March 31	¥4,564	¥4,379

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

	Millions of yen	
	March 31, 2022	March 31, 2021
Funded retirement benefit obligations	¥5,986	¥6,187
Plan assets	(4,564)	(4,379)
Unfunded retirement benefit obligations	1,422	1,807
Net liability for retirement benefits in the consolidated balance sheet	9,431	9,733
Net liability for retirement benefits in the consolidated balance sheet	10,853	11,540
Liability for retirement benefits	10,853	11,540
Net liability for retirement benefits in the consolidated balance sheet	¥10,853	¥11,540

(4) The components of retirement benefit expenses

	Millions of yen	
	Year ended March 31, 2022	Year ended March 31, 2021
Service costs	¥658	¥636
Expected return on plan assets	(92)	(58)
Amortization of actuarial loss	174	213
Amortization of prior service costs	2	2
Retirement benefit expenses	¥743	¥794

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

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

	Millions of yen	
	Year ended March 31, 2022	Year ended March 31, 2021
Prior service costs	¥2	¥2
Actuarial loss	278	421
Total	¥281	¥423

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

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

	Millions of yen	
	March 31, 2022	March 31, 2021
Unrecognized prior service costs	¥1	¥4
Unrecognized actuarial loss	766	1,044
Total	¥767	¥1,048

(7) Plan assets

(i) Major components of plan assets

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

	%	
	March 31, 2022	March 31, 2021
General accounts	53%	49%
Stocks	21	24
Bonds	25	25
Others	1	2
Total	100%	100%

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

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

(8) Assumptions used in accounting for the plans

Primary assumptions used in accounting for the plans

	%	
	Year ended March 31, 2022	Year ended March 31, 2021
Discount rate	0.0%	0.0%
Long-term expected return on plan assets	2.1%	1.8%
Anticipated salary increase rate	0.0%–3.0%	0.0%–3.0%

### 3. Defined benefit plan using the simplified method

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

	Millions of yen	
	Year ended March 31, 2022	Year ended March 31, 2021
Liability for retirement benefits at April 1	¥609	¥1,444
Retirement benefit expenses	59	57
Retirement benefits paid	(35)	(31)
Plan contributions	(21)	(24)
Change due to personnel transfer	—	(835)
Liability for retirement benefits at March 31	¥612	¥609

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

	Millions of yen	
	March 31, 2022	March 31, 2021
Funded retirement benefit obligations	¥164	¥160
Plan assets	(190)	(175)
	(26)	(14)
Unfunded retirement benefit obligations	638	624
Net liability for retirement benefits in the consolidated balance sheet	612	609
Liability for retirement benefits	612	609
Net liability for retirement benefits in the consolidated balance sheet	¥612	¥609

#### (3) Retirement benefit expenses

	Millions of yen	
	Year ended March 31, 2022	Year ended March 31, 2021
Retirement benefit expenses calculated using the simplified method	¥59	¥57

### 4. Defined contribution plan

Required amounts of contribution to the defined contribution plan for consolidated subsidiaries were ¥28 million for the year ended March 31, 2022 and ¥51 million for the year ended March 31, 2021.

### 5. Multi-employer plan

Required contributions to the multi-employer corporate pension fund plan, which are recognized in the same way as the defined contribution pension plan, were ¥247 million for the year ended March 31, 2022 and ¥255 million for the year ended March 31, 2021.

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

	Millions of yen	
	March 31, 2021	March 31, 2020
Plan assets at fair value	¥129,661	¥119,769
Actuarial obligations for the pension financing accounting	132,336	136,406
Projected benefit obligations in excess of plan assets	¥(2,675)	¥(16,637)

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

For the year ended March 31, 2021	4.09%
For the year ended March 31, 2020	3.67%

#### (3) Supplementary explanation

The main component of projected benefit obligation in excess of plan assets listed under (1) above was prior service costs under pension accounting (¥12,819 million for the year ended March 31, 2021 and ¥14,756 million for the year ended March 31, 2020). Prior service costs are amortized by the straight-line method over a period of 20 years under this plan.

## 28. 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

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

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

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

Short-term loans payable are borrowed mainly as operating funds, 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

Since fluctuation factors are taken into account in calculating the fair value of financial instruments, adoption of different assumptions may result in fluctuations in the fair value. In addition, the notional amounts, etc. of derivative transactions specified in "Notes to Consolidated Financial Statements, 29. Derivatives" do not necessarily indicate the market risks associated with derivative transactions.

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

The carrying amounts and fair values at March 31, 2022 and 2021 and differences are as follows.

At March 31, 2022

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Investment securities*2	¥3,413	¥3,413	¥-
Total assets	3,413	3,413	-
(2) Long-term loans payable	2,750	2,756	6
Total liabilities	2,750	2,756	6
Derivatives	¥-	¥-	¥-

(\*1) Notes are omitted for “cash,” and no description is provided for “deposits,” “notes and accounts receivable - trade, and contract assets,” “electronically recorded monetary claims - operating,” “notes and accounts payable - trade,” “electronically recorded obligations - operating,” and “short-term loans payable,” because these items are to be settled in a short period of time and fair value is almost equal to book value.

(\*2) Unlisted equity securities, etc. are not included in “(1) Investment securities.” The carrying amount (fair value cannot be reliably determined) of these financial instruments that do not have a quoted market price in an active market is as follows.

Category	Millions of yen
	March 31, 2022
Unlisted equity securities	¥757
Investments in limited liability partnership	¥76

At March 31, 2021

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Investment securities*2	¥3,855	¥3,855	¥-
Total assets	3,855	3,855	-
(2) Long-term loans payable	4,800	4,811	11
Total liabilities	4,800	4,811	11
Derivatives	¥-	¥-	¥-

(\*1) No description is provided for “cash and deposits,” “notes and accounts receivable - trade,” “electronically recorded monetary claims - operating,” “notes and accounts payable - trade,” “electronically recorded monetary obligations - operating” and “short-term loans payable,” because these items are to be settled in a short period of time and fair value is almost equal to book value.

(\*2) The following financial instruments are not included in “(1) Investment securities” as they do not have market prices and their fair values are not readily determinable. The carrying amount (fair value cannot be reliably determined) of these financial instruments that do not have a quoted market price in an active market is as follows.

Category	Millions of yen
	March 31, 2021
Unlisted equity securities	¥730
Investments in limited liability partnership	¥25

(Notes)

1) Monetary claims with redemption dates subsequent to March 31, 2022 and 2021 are summarized as follows:

At March 31, 2022

	Due in 1 year or less (Millions of yen)	Due after 1 year and in 5 years or less (Millions of yen)
(1) Cash and deposits	¥16,939	¥-
(2) Notes and accounts receivable - trade	12,719	-
(3) Electronically recorded monetary claims - operating	1,986	-
Total	¥31,645	¥-

At March 31, 2021

	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	¥18,503	¥-
(2) Notes and accounts receivable - trade, and contract assets	12,238	-
(3) Electronically recorded monetary claims - operating	1,897	-
Total	¥32,639	¥-

2) Long-term loans payable and other interest-bearing liabilities with repayment dates subsequent to March 31, 2022 and 2021 are summarized as follows:

At March 31, 2022

	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	¥640	¥-	¥-	¥-	¥-	¥-
Long-term loans payable	200	-	2,150	400	-	-
Total	¥840	¥-	¥2,150	¥400	¥-	¥-

At March 31, 2021

	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	¥700	¥-	¥-	¥-	¥-	¥-
Long-term loans payable	4,200	200	-	-	400	-
Total	¥4,900	¥200	¥-	¥-	¥400	¥-

3) Fair value information of financial instruments by level of inputs

The fair value of financial instruments is classified into the following three levels according to the observability and significance of inputs related to the calculation of fair value.

Level1 fair value: the fair value measured by quoted prices of identical assets or liabilities in active markets.

Level2 fair value: the fair value measured using observable inputs other than Level 1.

Level3 fair value: fair values measured using unobservable inputs.

When multiple inputs of different categories are used in measuring fair value, the company classified fair values into a category to which the lowest priority is assigned.

(1) Financial instruments recorded on consolidated balance sheets at fair value

As of March 31, 2022

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	¥3,413	¥-	¥-	¥3,413
Derivatives				
Interest rate swaps	-	-	-	-
Total assets	¥3,413	¥-	¥-	¥3,413

(2) Financial instruments other than those recorded on consolidated balance sheets at fair value

As of March 31, 2022

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Long-term loans payable	¥-	¥2,756	¥-	¥2,756
Total liabilities	¥-	¥2,756	¥-	¥2,756

Notes: Explanations on valuation methods used for fair value measurement and inputs concerning fair value measurement.

Investment securities

Investment securities, all of which are listed equity securities, are measured using quoted prices. As listed equity securities are traded in active markets, their fair value is classified into Level 1 fair values.

Long-term loans payable

The fair value of long-term loans payable, which is determined by discounting the total amount of principal and interest of a loan by the interest rate applicable for a similar new loan, is classified into Level 2 fair values. 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

The fair value is included in the fair value of long-term loans payable since the shortcut method is applied. See “Long-term loans payable” above for details.



## 29. Derivatives

At March 31, 2022 and 2021, 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, 2022 and 2021 for which hedge accounting has been applied are summarized as follows:

At March 31, 2022

	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	¥100	¥100	*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, 2021

	Notional amount (Millions of yen)		Fair value (Millions of yen)
	Maturing within one year	Maturing after one year	
Interest rate swap hedging long-term loans payable, accounted for by short-cut method:			
Receive/floating and pay/fixed	¥250	¥-	*1

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

## 30. Segment Information

### Segment Information (For the years ended March 31, 2022 and 2021)

#### 1. General Information about Reportable Segments

The reportable segments of the Company are business segments 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 Segment” engaging in the manufacture and sales of a wide range of light sources such as lamps and luminaires, and the “Applied Optics and Environment Segment” engaging in the manufacture and sales of applied optics products and environmental products.

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

The method for the accounting of reportable business segments is consistent with the accounting method adopted for the preparation 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.

As described in Changes in Accounting Policies, “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. have been adopted from the beginning of the current fiscal year, and the accounting method for revenue recognition has been changed.

As a result of this change, in the Lighting segment, net sales and segment income for the current fiscal year increased by ¥73 million and ¥2 million, respectively, compared with the previous method.

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

	Millions of yen	
	Year ended March 31, 2022	Year ended March 31, 2021
<b>Sales:</b>		
Lighting Segment	¥ 36,312	¥ 37,127
Applied Optics and Environment Segment	16,872	16,459
	53,185	53,587
<b>Corporate and eliminations:</b>		
Lighting Segment	20	22
Applied Optics and Environment Segment	27	21
	47	44
Adjustments	(47)	(44)
	¥ 53,185	¥ 53,587
<b>Segment Income (loss):</b>		
Lighting Segment	¥ 3,382	¥ 3,510
Applied Optics and Environment Segment	1,591	1,136
	4,974	4,647
Adjustments	(1,686)	(1,705)
	¥ 3,287	¥ 2,941
<b>Segment Assets:</b>		
Lighting Segment	¥ 34,961	¥ 34,287
Applied Optics and Environment Segment	16,857	16,930
	51,819	51,218
Adjustments	13,766	15,751
	¥ 65,585	¥ 66,970
<b>Depreciation and Amortization:</b>		
Lighting Segment	¥ 829	¥ 1,003
Applied Optics and Environment Segment	378	419
	1,207	1,422
Adjustments	–	–
	¥ 1,207	¥ 1,422
<b>Increase in Property, Plant and Equipment and Intangible Assets:</b>		
Lighting Segment	¥ 453	¥ 430
Applied Optics and Environment Segment	146	295
	600	726
Adjustments	–	–
	¥ 600	¥ 726

Notes: 1. The adjustments for segment income (loss) of ¥ (1,686) million and ¥ (1,705) million at March 31, 2022 and 2021, respectively, include corporate costs, etc., which have not been allocated to the reportable segments.

2. The adjustments for segment assets of ¥13,766 million and ¥15,751 million at March 31, 2022 and 2021 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, 2022 and 2021

### 1. Information by Product and Service

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

### 2. Information by Country or Region

#### (1) Net Sales

	Millions of yen	
	Year ended March 31, 2022	Year ended March 31, 2021
Japan	¥45,689	¥46,353
North America	4,242	4,527
Asia	2,982	2,461
Other	270	244
Total	¥53,185	¥53,587

#### (2) Property, Plant and Equipment

No description is provided because property, plant and equipment in Japan at March 31, 2022 and 2021 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, 2022 and 2021 in the consolidated statements of income.

## 31. Information on Impairment Loss on Non-Current Assets by Reporting Segment

For the year ended March 31, 2022

Not applicable.

For the year ended March 31, 2021

Impairment losses on non-current assets were recorded in the following segments for the current fiscal year: ¥50 million in the Lighting segment and ¥164 million in the Corporate segment.

## 32. Amounts per Share

Per share information at and for the years ended March 31, 2022 and 2021 was as follows:

	Yen	
	Year ended March 31, 2022	Year ended March 31, 2021
Profit attributable to owners of parent	¥313.01	¥269.07
Net assets	4,551.68	4,128.69

Notes: 1. Since there were no potential shares that would have dilutive effect if issued, data on diluted net income per share is not presented.

2. For the purpose of calculating net assets per share, the Company's shares held by the Board Benefit Trust (BBT) are included in treasury shares excluded from the total number of outstanding shares as of the fiscal year-end (75,000 shares for the previous fiscal year and 75,000 shares for the current fiscal year).

For the purpose of calculating net income per share, these shares held by BBT were included in treasury shares excluded from the calculation of the average number of outstanding shares during the fiscal year (76,000 shares for the previous fiscal year and 75,000 shares for the current fiscal year).

3. As described in Change in Accounting Policies, "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. have been adopted from the beginning of the current fiscal year, and the transitional treatment set forth in the proviso of Section 84 of the "Accounting Standard for Revenue Recognition" has been applied accordingly. As a result, net assets per share and net income per share for the current fiscal year increased by ¥0.24, respectively.

The basis of the computation of profit attributable to owners of parent per share for the years ended March 31, 2022 and 2021 is as follows:

	Millions of yen	
	Year ended March 31, 2022	Year ended March 31, 2021
Profit attributable to owners of parent	¥2,330	¥2,041
Amount not attributable to normal shareholders	–	–
Profit attributable to owners of parent allocable to common shares	¥2,330	¥2,041
Average number of common shares for the period (shares)	7,445,457	7,587,788

### 33. Business Combinations

There are no significant matters to be disclosed.

### 34. Revenue Recognition

#### (1) Breakdown of revenue from contracts with customers

Year ended March 31, 2022

The Group's revenue is primarily derived from revenue recognized from contracts with customers, and the following information breaks down the Group's reportable segments by region.

	Millions of yen		
	Reportable segment		Total
	Lighting	Applied Optics and Environment	
Japan	¥33,036	¥12,652	¥45,689
North America	1,920	2,322	4,242
Asia	1,190	1,792	2,982
Other	165	105	270
Revenue from contracts with customers	36,312	16,872	53,185
Other revenue	–	–	–
Sales to external customers	¥36,312	¥16,872	¥53,185

#### (2) Information as a basis of understanding revenue from contracts with customers

Information as a basis of understanding revenue is the same as that described in “Notes to Consolidated Financial Statements, 1. Summary of Significant Accounting Policies, (q) Accounting for significant revenue and expenses.”

(3) Relationship between fulfillment of performance obligations based on contracts with customers and cash flows arising from such contracts, amount of revenue estimated to be recognized after the next fiscal year from the contracts with customers effective as of the end of the current fiscal year and the timing of recognition

(i) Balance of contract assets and contract liabilities

	Millions of yen
	Year ended March 31, 2022
Receivables arising from contracts with customers (balance at April 1, 2021)	¥14,135
Receivables arising from contracts with customers (balance at March 31, 2022)	14,631
Contract assets (balance at April 1, 2021)	–
Contract assets (balance at March 31, 2022)	73
Contract liabilities (balance at April 1, 2021)	746
Contract liabilities (balance at March 31, 2022)	¥232

Notes: 1. Contract assets are related to consideration recognized based on the fulfillment of performance obligations for construction contracts and included in “notes and accounts receivable - trade, and contract assets” on the consolidated balance sheet.

2. Contract liabilities are related to advances received from customers and included in “other” of current liabilities on the consolidated balance sheet.

3. Of the revenue recognized in the current fiscal year, the amount included in the balance of contract liabilities at the beginning of the fiscal year was ¥746 million.

4. The amount of revenue recognized in the current fiscal year from performance obligations satisfied (or partially satisfied) in the previous period was immaterial.

(ii) Transaction price allocated to remaining performance obligations

As the Group has no significant transactions with an initial expected term of contract exceeding one year, information on remaining performance obligations has been omitted as a practical expedient. In addition, there is no material amount of consideration arising from contracts with customers that is not included in the transaction price.

### 35. Related Party Transactions

For the year ended March 31, 2022

Not Applicable.

For the year ended March 31, 2021

Not Applicable.

### 36. Stock Options

For the year ended March 31, 2022

Not Applicable.

For the year ended March 31, 2021

Not Applicable.

### 37. Significant Subsequent Events

Not Applicable.

## **Translation Independent Auditor's Report**

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The Board of Directors  
IWASAKI ELECTRIC Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of IWASAKI ELECTRIC Co., Ltd. (“the Company”) and its consolidated subsidiaries (“the Group”), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Determination of the necessity for impairment recognition of property, plant and equipment and intangible assets of the Company	
Description of Key Audit Matter	Auditor's Response
<p>Property, plant and equipment and intangible assets in the amount of ¥15,376 million, accounting for 23% of total assets, was recorded in the consolidated balance sheet as of March 31, 2022.</p> <p>As described in the notes to the consolidated financial statements (Significant Accounting Estimates), for the fiscal year under review, the Company determined that there were indications of impairment for the asset group including property, plant and equipment and intangible assets in the amount of ¥12,832 million in the Company's Lighting and the Applied Optics and Environment business segment, because certain land showed signs a significant decline in market value. However, the Company did not recognize an impairment loss because the total undiscounted future cash flows from the asset group exceeded the carrying amount in determining the necessity of recognition for impairment losses.</p> <p>Estimates of future cash flows arising from the continued use of an asset group are based on the Company's profit and loss plan approved by the Board of Directors for the following fiscal year and growth rates for the second and subsequent years which are estimated within the range not exceeding the long-term average growth rate.</p> <p>As described in the notes (Significant Accounting Estimates), the major assumptions used in estimating future cash flows include sales by business segment based on the demand forecasts and gross profit margin which serve as the basis of the profit and loss plan, as well as the growth rate for subsequent periods not covered by the profit and loss plan.</p> <p>Given that the major assumptions used to the estimates of future cash flows are subject to uncertainties and require management judgment, we determined determination of the necessity for impairment recognition of property, plant and equipment and intangible assets of the Company to be a key audit matter.</p>	<p>The audit procedures we performed for the Company's estimates of total undiscounted future cash flows used in determining the necessity of recognition for impairment losses on property, plant and equipment and intangible assets principally are as follows:</p> <ul style="list-style-type: none"> <li>• We compared the estimated periods of future cash flows with the economic remaining useful lives of major assets.</li> <li>• We examined the consistency of future cash flows with the Company's profit and loss plan approved by the Board of Directors.</li> <li>• We compared the Company's profit and loss plan for prior years with actual results to evaluate the effectiveness of the management's estimation process.</li> <li>• We assessed the major assumptions including the level of sales by business segment based on demand forecasts and gross profit margin that serve as the basis of the Company's profit and loss plan, by discussing with the management. Also, we compared the outcome of trend analysis based on past performance to the level of sales by business segment and gross profit margin. In addition, we conducted a sensitivity analysis, taking into account the fluctuation caused by future uncertainties.</li> <li>• We assessed the growth rate for the subsequent periods not covered by the Company's profit and loss plan by reviewing the third party report. We also assessed the management's evaluation of future uncertainty.</li> </ul>

## **Other Information**

The other information comprises the information included in the annual report (Yukashoken Hokokusho) that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material



uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

June 28, 2022



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Kenichi Ishida  
Designated Engagement Partner  
Certified Public Accountant



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Masato Namekawa  
Designated Engagement Partner  
Certified Public Accountant

#### **Notes to the Readers of Independent Auditor's Report**

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

## Board of Directors and Corporate Data

President and Chief Executive Officer  
Yoshitake Ito

Director and Senior Executive Officer  
Masanori Kato

Director and Senior Executive Officer  
Sumio Uehara

Director and Senior Executive Officer  
Seiji Aoyama

Director and Senior Executive Officer  
Kenji Ikeda

Outside Director  
Kenji Oya

Outside Director  
Tsuneo Tanai

Outside Director  
Junko Sunaga

Audit & Supervisory Board Member  
Hiroaki Kato

Audit & Supervisory Board Member  
Haruhiko Hoshino

Outside Audit & Supervisory Board Member  
Naoto Suzuki

Outside Audit & Supervisory Board Member  
Takashi Inagaki

Outside Audit & Supervisory Board Member  
Masayuki Kobayashi

Senior Executive Officer  
Tomohiko Yamada

Senior Executive Officer  
Akira Urushibara

Executive Officer  
Hidemi Orito

Executive Officer  
Tadashi Mizusawa

Executive Officer  
Masahiko Ishihara

Executive Officer  
Hiroyuki Hayakawa

Executive Officer  
Makoto Ookahara

(As of June 25, 2022)

IWASAKI ELECTRIC Co., Ltd.

Date of Establishment: August 18, 1944

1-1-7, Higashinohonbashi, Chuo-ku,  
Tokyo 103-0004, Japan

Phone: +81-3-5846-9010

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

Capital: ¥8,640 million

Common Stock  
Authorized: 23,900,000 shares  
Issued and Outstanding: 7,821,950 shares  
(Including 405,386 shares of treasury stock)  
Number of Shareholders: 5,534  
Number of employees: 1,687 (Consolidated)

Major Shareholders	% of Total
The Master Trust Bank of Japan, Ltd.	12.50
ESG Investment Fund	4.72
Minebea Mitsumi Inc.	4.04
Custody Bank of Japan, Ltd. (Trust account)	3.39
Iwasaki Electric Cooperative Association Stock Ownership Plan	3.00
Challenge No.2 Investment Fund	2.70
Mizuho Bank, Ltd.	2.48
The Meiji Yasuda Life Insurance Company	2.43
The Sumitomo Mitsui Banking Corp.	2.27
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank)	2.22

Stock Exchange Listings  
Tokyo Stock Exchange Prime Market

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

Independent Certified Public Accountants  
ARK LLC

## Directory

### Domestic Plants and Offices

#### Head Office

1-1-7, Higashinohonbashi,  
Chuo-ku, Tokyo 103-0004, Japan  
Phone: +81-3-5846-9010

Sales & Marketing Business Unit  
Phone: +81-3-5846-9021

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

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

Private Sector Sales Division  
9-9, Nihonbashi-hisamatsucho,  
Chuo-ku, Tokyo 103-0005, Japan  
Phone: +81-3-5847-8632

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

### Domestic Affiliates

#### ●Manufacture

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

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

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

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

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

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

#### ●Sales

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

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

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

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

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

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

KINKI LIGHT CUBE CO., LTD.  
Established in 1995  
Sales of lighting equipment for commercial and  
industrial use

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

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

(As of June 28, 2022)

# Global Network



## ◆Sales Office

Global Sales & Marketing Department

### ●Manufacture

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

**EYE LIGHTING INTERNATIONAL OF  
NORTH AMERICA, INC. (ELINA)**  
Established in 1991  
9150 Hendricks Road, Mentor,  
OHIO. 44060, U.S.A.  
Phone: +1-440-350-7000  
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 lamps, lighting materials  
and products

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

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

### ●Sales

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

**ELM LIGHTING SDN. BHD.**  
Established in 2016  
No.16 & 18, Jalan Utarid U5/29, Mah Sing  
Integrated IndustrialPark, Seksyen U5, 40150  
Shah Alam, Selangor Darul Ehsan, Peninsular  
MALAYSIA  
Phone: +60-3-7832-7600/+60-3-7859-7847  
Facsimile: +60-3-7859-7947  
Sales of lamps, luminaires and electric equipment

**SHANGHAI IWASAKI ELECTRIC CO.,LTD.**  
Established in 2007  
26/F suite2612 New Town Center Building,  
83 Loushanguan Road, Shanghai 200336,  
P.R. CHINA  
Phone: + 86-21-6215-3677  
Materials procurement in China, inspection and  
exports Sales in China of lamps, luminaires and  
electric equipment

**EYE LIGHTING (THAILAND) CO.,LTD.**  
Established in 2015  
571 RSU Tower, 10th floor, Unit 4-5,  
Sukhumvit Soi 31, Sukhumvit Road,  
Klongton-Nua, Wattana, Bangkok 10110, Thailand  
Phone: +66-0-2-016-6579  
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, Tsim shatsui, Kowloon, HONG KONG  
Phone: +852-2368-8782  
Facsimile: +852-2481-2661  
Sales of lamps, luminaires and electric equipment

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

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

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

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

(As of June 28 2022)

# IWASAKI ELECTRIC CO., LTD.

Nomurafudosan-higashinonbashi Bldg. 1-1-7,  
Higashinonbashi, Chuo-ku,  
Tokyo 103-0004, Japan  
<https://www.iwasaki.co.jp/>