

IWATSU ELECTRIC CO., LTD.

2013 ANNUAL REPORT
For the year ended March31, 2013

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June 2013

Overview of Fiscal Year 2012

The Japanese economy during the fiscal year under review saw some signs of gradual recovery but it remained unstable, plagued with such chronic issues as the appreciation of the yen, deflation triggered by the debt problems in Europe and concerns about the slowdown of the Asian economy. Some anticipation was brought forth by the advent of the new administration at the end of 2012 and business confidence was boosted by the sharp depreciation of the yen and high stock prices toward the end of the fiscal year. However, the actual economy has yet to be rid of a sense of uncertainty due to the unsteady overseas market situations.

IWATSU Group moved forward with its mid term business plan, "Challenge & Innovation 2012", for the three-year term ended in this fiscal year. Although we were not able to achieve the targeted profit point, we worked diligently on implementing measures for growth in line with the mid term business plan and formed the foundation of new businesses for oncoming years. As one of the measures of the plan, we have proceeded with the realignment of factory function (unification of Fukushima factories), which had been suspended due to the effects of the Great Eastern Earthquake (the "Earthquake"), since the latter half of the fiscal year. We are going to position the factory not only as a production facility but also as the hub for streamlining logistics and the model factory for our environmental business. In addition, we purchased real estates (land and a building) at Shinagawa Ward, Tokyo in October 2012 as substitute assets for a part of our principal office premises which was expropriated by Tokyo Metropolitan Government in March 2011 for road construction.

Consolidated net sales during the term under review amounted to 24,296 million yen, a decrease of 4.4% from the previous fiscal year. This is principally due to the decrease in sales for our Telecommunications business as the result of the market demand coming back to normal as strong demands for reconstruction and distribution stocks subsequent to the Earthquake, the sales driving factor in the previous year, subsided. In terms of profit, consolidated operating loss resulted in 275 million yen (a profit of 12 million yen in the previous term). The loss is attributable mainly to the increase of provision for product warranties despite of our company-wide efforts to better profit margin and reduce fixed costs. The net profit amounted to 144 million yen (97 million yen in the previous term). The improvement was largely the effect of the reversal of deferred tax liabilities associated with the unspent portion of the proceeds from the land expropriation due to the expiry of its deferral period.

IWATSU Group has drawn up a new mid term business plan "WING2015 ~ Challenge for Growth ~", for the period starting the next fiscal year through fiscal year 2015. We will focus on (1) establishment of new business fields such as power electronics, digital label printing machines and wireless authentication system, (2) expansion of overseas operations, (3) customer relation-based continuous income business models (as opposed to those accumulating one-time sales) and (4) effective operations for the existing businesses by being closer to the customers and getting intimate knowledge of their needs.

We have projected 25,600 million yen in consolidated sales, break even for both consolidated operating profit/ loss and net profit/ loss in the fiscal year ended March 2014.

IWATSU ELECTRIC CO., LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended March 31, 2013 and 2012

| | Millions of yen | | Thousands of U.S. dollars | |
|--|-----------------|---------------|---------------------------|-----------------|
| | 2013 | 2012 | 2013 | 2012 |
| Net sales | ¥ 24,296 | ¥ 25,425 | \$ 258,333 | \$ 270,335 |
| Costs and expenses : | | | | |
| Cost of sales | 14,137 | 14,920 | 150,317 | 158,639 |
| Selling, general and administrative expenses | 10,434 | 10,492 | 110,946 | 111,558 |
| | <u>24,571</u> | <u>25,412</u> | <u>261,263</u> | <u>270,197</u> |
| Operating income (loss) | (275) | 12 | (2,930) | 138 |
| Other income (expenses): | | | | |
| Interest and dividends income | 45 | 45 | 480 | 478 |
| Interest expense | (7) | (8) | (76) | (85) |
| Purchase discounts | 17 | 25 | 185 | 266 |
| Gain on sale of investment securities, net | 34 | (99) | 362 | (1,053) |
| Provision of allowance for doubtful accounts | - | (21) | - | (223) |
| Reversal of allowance for doubtful accounts | 92 | 11 | 988 | 117 |
| Equity in earnings (losses) of affiliates | - | 41 | - | 436 |
| Exchange gains (losses) | (23) | 5 | (249) | 53 |
| Real estate rent | 113 | 37 | 1,207 | 393 |
| Rent expenses on real estates | (53) | (35) | (565) | (372) |
| Loss on retirement of property, plant and equipment | (36) | - | (393) | - |
| Gain on abolishment of retirement benefit plan | - | 122 | - | 1,297 |
| Compensation income | - | 10 | - | 106 |
| Subsidy income | 19 | - | 206 | - |
| Special retirement expenses | (16) | (25) | (170) | (266) |
| Extra retirement payments | (17) | (4) | (189) | (43) |
| Settlement package | (91) | - | (975) | - |
| Loss on disaster | - | (57) | - | (606) |
| Other - net | 68 | 59 | 731 | 627 |
| | <u>145</u> | <u>106</u> | <u>1,542</u> | <u>1,125</u> |
| Income (loss) before income taxes and minority interests | (130) | 119 | (1,388) | 1,263 |
| Income taxes : | | | | |
| Current | 95 | 100 | 1,020 | 1,063 |
| Deferred | (378) | (91) | (4,024) | (968) |
| | <u>(282)</u> | <u>9</u> | <u>(3,004)</u> | <u>95</u> |
| Income (loss) before minority interests | 152 | 109 | 1,616 | 1,168 |
| Minority interests | (7) | (12) | (75) | (130) |
| Net income (loss) | <u>¥ 144</u> | <u>¥ 97</u> | <u>\$ 1,541</u> | <u>\$ 1,038</u> |
| | | | | |
| | | Yen | | U.S. dollars |
| Net income (loss) per share: | ¥ 1.45 | ¥ 0.97 | \$ 0.02 | 0.01 |
| Cash dividends per share | | | | |
| Basic | ¥ 1.00 | ¥ - | \$ 0.01 | - |
| Diluted | - | - | - | - |

IWATSU ELECTRIC CO., LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended March 31, 2013 and 2012

| | Millions of yen | | Thousands of U.S. dollars | |
|--|-----------------|-------|------------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Income (loss) before minority interests | 152 | 109 | 1,616 | 1,168 |
| Other comprehensive income: | | | | |
| Net unrealized holding gain (loss) on other securities | 131 | 36 | 1,393 | 383 |
| Foreign currency translation adjustments | 100 | (4) | 1,072 | (43) |
| Total other comprehensive income | 231 | 31 | 2,465 | 340 |
| Comprehensive income | ¥ 383 | ¥ 141 | \$ 4,081 | \$ 1,508 |
| Comprehensive income attributable to: | | | | |
| Owners of the parent | 376 | 129 | 4,006 | 1,378 |
| Minority interests | 7 | 12 | 75 | 130 |

IWATSU ELECTRIC CO., LTD.
CONSOLIDATED BALANCE SHEETS
March 31, 2013 and 2012

| <u>ASSETS</u> | Millions of yen | | Thousands of U.S. dollars | |
|--|-----------------|----------|------------------------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| | ¥ | ¥ | \$ | \$ |
| Current assets: | | | | |
| Cash and deposits | 6,811 | 8,604 | 72,422 | 91,483 |
| Notes and accounts receivable - trade: | | | | |
| Unconsolidated subsidiaries and affiliated companies | - | 170 | - | 1,808 |
| Other | 5,687 | 6,187 | 60,476 | 65,784 |
| Short-term investment securities | 1,998 | 1,998 | 21,247 | 21,244 |
| Inventories | 3,452 | 3,535 | 36,713 | 37,586 |
| Deferred tax assets | 33 | 35 | 352 | 372 |
| Other current assets | 339 | 266 | 3,589 | 2,828 |
| Allowance for doubtful accounts | (12) | (69) | (135) | (734) |
| Total current assets | 18,308 | 20,729 | 194,664 | 220,371 |
| Property, plant and equipment, at cost | | | | |
| Land | 1,055 | 985 | 11,218 | 10,473 |
| Buildings and structures | 10,600 | 10,665 | 112,713 | 113,397 |
| Machinery and equipment | 11,803 | 12,005 | 125,503 | 127,645 |
| Lease assets | 90 | 89 | 965 | 946 |
| Construction in progress | 687 | 32 | 7,307 | 340 |
| | 24,235 | 23,776 | 257,706 | 252,801 |
| Accumulated depreciation | (19,964) | (20,087) | (212,283) | (213,578) |
| Accumulated impairment loss | (70) | (74) | (750) | (787) |
| | 4,201 | 3,617 | 44,673 | 38,436 |
| Intangible assets | 967 | 1,014 | 10,292 | 10,781 |
| Investments and other assets: | | | | |
| Investment securities | 1,103 | 1,029 | 11,731 | 10,941 |
| Investments in unconsolidated subsidiaries and affiliated companies | 26 | 26 | 286 | 286 |
| Long-term loans receivable: | | | | |
| Unconsolidated subsidiaries and affiliated companies | - | - | - | - |
| Other | 13 | 96 | 139 | 1,021 |
| Real estate for investment- net | 2,178 | - | 23,161 | - |
| Deferred tax assets | 46 | 49 | 492 | 521 |
| Other assets | 443 | 443 | 4,708 | 4,710 |
| Allowance for doubtful accounts | (76) | (194) | (816) | (2,063) |
| | 3,733 | 1,451 | 39,701 | 15,416 |
| | ¥ 27,211 | ¥ 26,811 | \$ 289,330 | \$ 285,004 |

IWATSU ELECTRIC CO., LTD.
CONSOLIDATED BALANCE SHEETS
March 31, 2013 and 2012

| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | Millions of yen | | Thousands of U.S. dollars | |
|--|-----------------|----------|------------------------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| Current liabilities: | | | | |
| Short-term loans payable | ¥ 70 | ¥ 40 | \$ 744 | \$ 425 |
| Long-term debt due within one year | 13 | 16 | 146 | 170 |
| Notes and accounts payable - trade: | | | | |
| Unconsolidated subsidiaries and affiliated companies | - | 50 | - | 532 |
| Other | 1,925 | 1,682 | 20,475 | 17,884 |
| Lease obligations | 20 | 29 | 216 | 308 |
| Accounts payable - other | 687 | 705 | 7,309 | 7,496 |
| Accrued expenses | 439 | 463 | 4,671 | 4,923 |
| Income taxes payable | 91 | 84 | 968 | 893 |
| Provision for bonuses | 653 | 683 | 6,944 | 7,262 |
| Provision for directors' bonuses | 18 | 16 | 196 | 170 |
| Provision for product warranties | 375 | 265 | 3,995 | 2,818 |
| Other current liabilities | 285 | 277 | 3,040 | 2,949 |
| Total current liabilities | 4,580 | 4,315 | 48,704 | 45,830 |
| Long-term debt due after one year | 45 | 68 | 481 | 723 |
| Lease obligations | 25 | 44 | 276 | 468 |
| Severance and retirement benefits for employees | 3,307 | 3,132 | 35,167 | 33,301 |
| Deferred tax liabilities | 842 | 1,194 | 8,961 | 12,695 |
| Provision for directors' retirement benefits | 23 | 23 | 245 | 245 |
| Other liabilities | 811 | 699 | 8,599 | 7,432 |
| Stockholders' equity: | | | | |
| Common stock | | | | |
| Authorized - 300,000,000 shares | | | | |
| Issued - 100,803,447 shares | 6,025 | 6,025 | 64,066 | 64,066 |
| Capital surplus | 6,942 | 6,942 | 73,812 | 73,812 |
| Retained earnings | 4,796 | 4,651 | 51,002 | 49,452 |
| Less treasury stock of 2,123,965 shares (295,483 shares in 2012), at cost | (189) | (49) | (2,014) | (521) |
| Total stockholders' equity | 17,574 | 17,569 | 186,866 | 186,809 |
| Net unrealized holding gains on securities | 132 | 1 | 1,411 | 11 |
| Foreign currency translation adjustments | (274) | (375) | (2,919) | (3,987) |
| Total accumulated other comprehensive income | (142) | (374) | (1,508) | (3,976) |
| Minority interests | 145 | 138 | 1,541 | 1,467 |
| Total net assets | 17,577 | 17,334 | 186,899 | 184,300 |
| Contingent liabilities | - | - | - | - |
| | ¥ 27,211 | ¥ 26,811 | \$ 289,330 | \$ 285,004 |

IWATSU ELECTRIC CO., LTD.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended March 31, 2013 and 2012

Millions of yen

| | Stockholders' equity | | | | | Accumulated other comprehensive income | | | | | Total net assets |
|---|----------------------------------|--------------|-----------------|-------------------|----------------|--|--|--|--|--------------------|------------------|
| | Number of Shares of common stock | Common stock | Capital surplus | Retained earnings | Treasury stock | Total stockholders' equity | Net unrealized holding gains on securities | Foreign currency translation adjustments | Total Accumulated other comprehensive income | Minority interests | |
| | | | | | | | | | | | |
| Balance at March 31, 2011 | 100,803,447 | ¥ 6,025 | ¥ 6,942 | ¥ 5,199 | ¥ (48) | ¥ 18,118 | ¥ (34) | ¥ (648) | ¥ (683) | ¥ 126 | ¥ 17,561 |
| Dividends from surplus | - | - | - | (251) | - | (251) | - | - | - | - | (251) |
| Net income (loss) | - | - | - | 97 | - | 97 | - | - | - | - | 97 |
| Change of scope of consolidation | - | - | - | (277) | - | (277) | - | - | - | - | (277) |
| Change of scope of equity method | - | - | - | (116) | - | (116) | - | - | - | - | (116) |
| Adjustments from translation of foreign currency financial statements | - | - | - | - | - | - | - | 272 | 272 | - | 272 |
| Increase of net unrealized holding gains on securities | - | - | - | - | - | - | 36 | - | 36 | - | 36 |
| Treasury stock | - | - | - | - | (1) | (1) | - | - | - | - | (1) |
| Other | - | - | - | - | - | - | - | - | - | 11 | 11 |
| Balance at March 31, 2012 | 100,803,447 | ¥ 6,025 | ¥ 6,942 | ¥ 4,651 | ¥ (49) | ¥ 17,569 | ¥ 1 | ¥ (375) | ¥ (374) | ¥ 138 | ¥ 17,334 |
| Dividends from surplus | - | - | - | - | - | - | - | - | - | - | - |
| Net income (loss) | - | - | - | 144 | - | 144 | - | - | 100 | - | 144 |
| Adjustments from translation of foreign currency financial statements | - | - | - | - | - | - | - | 100 | 100 | - | 100 |
| Increase of net unrealized holding gains on securities | - | - | - | - | - | - | 131 | - | 131 | - | 131 |
| Treasury stock | - | - | - | - | (140) | (140) | - | - | - | - | (140) |
| Other | - | - | - | - | - | - | - | - | - | 7 | 7 |
| Balance at March 31, 2013 | 100,803,447 | ¥ 6,025 | ¥ 6,942 | ¥ 4,796 | ¥ (189) | ¥ 17,574 | ¥ 132 | ¥ (274) | ¥ (142) | ¥ 145 | ¥ 17,577 |

Thousands of U.S. dollars

| | Stockholders' equity | | | | | Accumulated other comprehensive income | | | | | Total net assets |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|--|--|--|--------------------|------------|------------------|
| | Common stock | Capital Surplus | Retained earnings | Treasury stock | Total stockholders' equity | Net unrealized holding gains on securities | Foreign currency translation adjustments | Total Accumulated other comprehensive income | Minority interests | | |
| | | | | | | | | | | | |
| Balance at March 31, 2011 | \$ 64,066 | \$ 73,812 | \$ 55,289 | \$ (516) | \$ 192,651 | \$ (367) | \$ (6,898) | \$ (7,265) | \$ 1,344 | \$ 186,730 | |
| Dividends from surplus | - | - | (2,670) | - | (2,670) | - | - | - | - | (2,670) | |
| Net income (loss) | - | - | 1,038 | - | 1,038 | - | - | - | - | 1,038 | |
| Change of scope of consolidation | - | - | (2,958) | - | (2,958) | - | - | - | - | (2,958) | |
| Change of scope of equity method | - | - | (1,246) | - | (1,246) | - | - | - | - | (1,246) | |
| Adjustments from translation of foreign currency financial statements | - | - | - | - | - | - | 2,922 | 2,922 | - | 2,922 | |
| Increase of net unrealized holding gains on securities | - | - | - | - | - | 378 | - | 378 | - | 378 | |
| Treasury stock | - | - | - | (5) | (5) | - | - | - | - | (5) | |
| Other | - | - | - | - | - | - | - | - | 123 | 123 | |
| Balance at March 31, 2012 | \$ 64,066 | \$ 73,812 | \$ 49,452 | \$ (521) | \$ 186,809 | \$ 11 | \$ (3,987) | \$ (3,976) | \$ 1,467 | \$ 184,300 | |
| Dividends from surplus | - | - | - | - | - | - | - | - | - | - | |
| Net income (loss) | - | - | 1,541 | - | 1,541 | - | - | - | - | 1,541 | |
| Adjustments from translation of foreign currency financial statements | - | - | - | - | - | - | 1,057 | 1,057 | - | 1,057 | |
| Increase of net unrealized holding gains on securities | - | - | - | - | - | 1,400 | - | 1,400 | - | 1,400 | |
| Treasury stock | - | - | - | (1,493) | (1,493) | - | - | - | - | (1,493) | |
| Other | - | - | - | - | - | - | - | - | 74 | 74 | |
| Balance at March 31, 2013 | \$ 64,066 | \$ 73,812 | \$ 51,002 | \$ (2,014) | \$ 186,866 | \$ 1,411 | \$ (2,919) | \$ (1,508) | \$ 1,541 | \$ 186,899 | |

IWATSU ELECTRIC CO., LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2013 and 2012

| | <u>Millions of yen</u> | | <u>Thousands of U.S. dollars</u> | |
|--|------------------------|---------|----------------------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| Cash flows from operating activities: | | | | |
| Income (loss) before income taxes and minority interests | ¥ (130) | ¥ 119 | \$ (1,388) | \$ 1,263 |
| Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities: | | | | |
| Depreciation | 930 | 1,105 | 9,888 | 11,749 |
| Increase (Decrease) in allowance for doubtful accounts | (173) | (6) | (1,839) | (63) |
| Increase (Decrease) in severance and retirement benefits | 172 | (47) | 1,828 | (499) |
| Interest and dividend income | (45) | (45) | (478) | (478) |
| Interest expense | 7 | 8 | 74 | 85 |
| Equity in earnings (losses) of affiliates | - | (41) | - | (435) |
| Loss (gain) on sale of investment securities and investments in affiliated companies, net | (34) | 99 | (361) | 1,052 |
| Changes in operating assets and liabilities - net: | | | | |
| Decrease (increase) in notes and accounts receivable - trade | 682 | (315) | 7,251 | (3,349) |
| Decrease (increase) in inventories | 101 | (169) | 1,073 | (1,796) |
| Increase (decrease) in notes and accounts payable - trade | 183 | (107) | 1,945 | (1,137) |
| Other - net | 163 | (35) | 1,733 | (372) |
| Subtotal | 1,858 | 564 | 19,726 | 6,020 |
| Interest and dividend received | 47 | 44 | 499 | 467 |
| Interest expenses paid | (7) | (8) | (74) | (85) |
| Income taxes paid | (111) | (123) | (1,180) | (1,307) |
| Proceeds from compensation for removal | - | 430 | - | 4,572 |
| Payments for loss on disaster | - | (217) | - | (2,307) |
| Other - net | 3 | - | 31 | - |
| Net cash provided by operating activities | 1,791 | 689 | 19,002 | 7,360 |
| Cash flows from investing activities: | | | | |
| Decrease (Increase) in time deposits | (64) | (965) | (680) | (10,260) |
| Payment for purchase of short-term investment securities | (2,999) | (3,999) | (31,887) | (42,519) |
| Proceeds from redemption of securities | 3,000 | 2,999 | 31,897 | 31,887 |
| Payment for purchase of properties, intangible assets and long-term prepaid expenses | (1,406) | (876) | (14,949) | (9,314) |
| Proceeds from sales of investment securities | 116 | 211 | 1,233 | 2,243 |
| Payments for investments in real estates | (2,199) | - | (23,381) | - |
| Other - net | 22 | 94 | 233 | 999 |
| Net cash used in investing activities | (3,530) | (2,535) | (37,534) | (26,964) |
| Cash flows from financing activities: | | | | |
| Repayments of long-term loans payable | (45) | (120) | (478) | (1,275) |
| Purchase of treasury stock | (140) | (1) | (1,488) | (10) |
| Dividends paid | (1) | (246) | (10) | (2,615) |
| Other - net | 20 | (27) | 212 | (287) |
| Net cash used in financing activities | (165) | (394) | (1,764) | (4,187) |
| Effect of exchange rate changes on cash and cash equivalents | 47 | (1) | 499 | (10) |
| Net increase in cash and cash equivalents | (1,857) | (2,242) | (19,797) | (23,801) |
| Cash and cash equivalents at beginning of year | 7,341 | 9,607 | 78,054 | 102,147 |
| Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation | - | (23) | - | (244) |
| Cash and cash equivalents at end of year | ¥ 5,483 | ¥ 7,341 | \$ 58,257 | \$ 78,054 |

IWATSU ELECTRIC CO., LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2013 AND 2012

Segment information

The Company's primary businesses are the manufacturing and sales of (1) Telecommunications equipment, (2) IT Networks Solutions (ITNS) equipment, (3) Electric measuring equipment and (4) Reprographic equipment.

A summary of net sales, costs and operating income by business segment for the years ended March 31, 2013 and 2012 was as follows:

| | Millions of yen | | | | | | |
|------------------------------------|---------------------------------|-------------------|------------------------------------|---------------------------|----------------|-------------------|---------------------|
| | Telecommunications equipment | ITNS equipment | Electric measuring equipment | Reprographic equipment | Others | Reconciliations | Consolidated |
| For the year ended March 31, 2013: | | | | | | | |
| Net sales: | | | | | | | |
| Outside customers | ¥ 14,071 | ¥ 2,826 | ¥ 2,118 | ¥ 4,113 | ¥ 1,166 | ¥ - | ¥ 24,296 |
| Inter-segment total | - | - | - | - | - | - | - |
| | <u>14,071</u> | <u>2,826</u> | <u>2,118</u> | <u>4,113</u> | <u>1,166</u> | <u>-</u> | <u>24,296</u> |
| Operating income (loss) | <u>¥ 540</u> | <u>¥ 335</u> | <u>¥ (4)</u> | <u>¥ 470</u> | <u>¥ (287)</u> | <u>¥ (1,329)</u> | <u>¥ (275)</u> |
| Identifiable assets | | | | | | | |
| Depreciation | ¥ 10,503 (506) | ¥ 1,061 (57) | ¥ 1,267 (51) | ¥ 3,056 (135) | ¥ 704 (23) | ¥ 10,617 (134) | ¥ 27,211 (909) |
| For the year ended March 31, 2012: | | | | | | | |
| Net sales: | | | | | | | |
| Outside customers | ¥ 14,590 | ¥ 2,813 | ¥ 2,280 | ¥ 4,278 | ¥ 1,461 | ¥ - | ¥ 25,425 |
| Inter-segment total | - | - | - | - | - | - | - |
| | <u>14,590</u> | <u>2,813</u> | <u>2,280</u> | <u>4,278</u> | <u>1,461</u> | <u>-</u> | <u>25,425</u> |
| Operating income (loss) | <u>¥ 988</u> | <u>¥ 304</u> | <u>¥ 13</u> | <u>¥ 410</u> | <u>¥ (374)</u> | <u>¥ (1,331)</u> | <u>¥ 12</u> |
| Identifiable assets | | | | | | | |
| Depreciation | ¥ 9,682 (628) | ¥ 1,205 (59) | ¥ 1,396 (72) | ¥ 3,160 (142) | ¥ 695 (32) | ¥ 10,670 (170) | ¥ 26,811 (1,105) |

IWATSU ELECTRIC CO., LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2013 AND 2012

| | Thousands of U.S. dollars | | | | | | |
|------------------------------------|---------------------------------|-------------------|------------------------------------|---------------------------|-------------------|-------------------------|-------------------|
| | Telecommunications equipment | ITNS equipment | Electric measuring equipment | Reprographic equipment | Others (*1) | Reconciliations (*2) | Consolidated |
| For the year ended March 31, 2013: | | | | | | | |
| Net sales: | | | | | | | |
| Outside customers | \$ 149,612 | \$ 30,048 | \$ 22,520 | \$ 43,732 | \$ 12,398 | \$ - | \$ 258,333 |
| Inter-segment | - | - | - | - | - | - | - |
| total | <u>149,612</u> | <u>30,048</u> | <u>22,520</u> | <u>43,732</u> | <u>12,398</u> | <u>-</u> | <u>258,333</u> |
| Operating income (loss) | <u>\$ 5,742</u> | <u>\$ 3,562</u> | <u>\$ (43)</u> | <u>\$ 4,997</u> | <u>\$ (3,052)</u> | <u>\$ (14,131)</u> | <u>\$ (2,930)</u> |
| Identifiable assets | \$ 111,675 | \$ 11,281 | \$ 13,472 | \$ 32,493 | \$ 7,485 | \$ 112,887 | \$ 289,325 |
| Depreciation | (5,380) | (606) | (542) | (1,435) | (245) | (1,425) | (9,665) |
| For the year ended March 31, 2012: | | | | | | | |
| Net sales: | | | | | | | |
| Outside customers | \$ 155,130 | \$ 29,910 | \$ 24,242 | \$ 45,486 | \$ 15,534 | \$ - | \$ 270,335 |
| Inter-segment | - | - | - | - | - | - | - |
| total | <u>155,130</u> | <u>29,910</u> | <u>24,242</u> | <u>45,486</u> | <u>15,534</u> | <u>-</u> | <u>270,335</u> |
| Operating income (loss) | <u>\$ 10,505</u> | <u>\$ 3,232</u> | <u>\$ 138</u> | <u>\$ 4,359</u> | <u>\$ (3,977)</u> | <u>\$ (14,152)</u> | <u>\$ 138</u> |
| Identifiable assets | \$ 102,945 | \$ 12,812 | \$ 14,843 | \$ 33,599 | \$ 7,390 | \$ 113,450 | \$ 285,072 |
| Depreciation | (6,677) | (627) | (766) | (1,510) | (340) | (1,808) | (11,749) |

*1 'Others' is a business segment not included in the reporting segments such as Component business etc.

*2 Reconciliations of operating income (loss) include company-wide expenses not distributed to individual reporting segment.

The company-wide expenses are principally general expenses not belonging to reporting segments.

Reconciliations of assets include company-wide assets not distributed to each reporting segment.

The company-wide assets are surplus funds such as cash, time deposits and securities etc that are not belonging to individual reporting segment.

*3 Segmentations by geographical area are omitted as the sales for the domestic customers exceeds 90% of consolidated net sales.