

# **IWATSU ELECTRIC CO., LTD.**

**2015 ANNUAL REPORT**  
**For the year ended March 31, 2015**

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**June 2015**

**IWATSU ELECTRIC CO., LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
Years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars	
	2014	2015	2014	2015
Net sales	¥ 25,275	¥ 24,778	\$ 210,329	\$ 206,196
Cost of sales	15,022	15,187	125,011	126,380
Gross profit (loss)	10,252	9,591	85,317	79,815
Selling, general and administrative expenses	10,185	9,853	84,756	81,994
Operating income (loss)	67	(261)	560	(2,178)
Non-operating income				
Interest income	24	23	201	197
Dividends income	28	32	236	271
Real estate rent	221	211	1,840	1,761
Other	122	166	1,015	1,385
Non-operating income total	395	434	3,294	3,616
Non-operating expenses				
Interest expenses	6	4	54	40
Rent expenses on real estates	117	121	981	1,011
Foreign exchange losses	23	41	195	343
Other	27	14	228	118
Non-operating expenses total	175	181	1,460	1,514
Ordinary income (loss)	287	(9)	2,394	(76)
Extraordinary income				
Gain on sales of investment securities	-	106	-	882
Subsidy income	655	-	5,453	-
Extraordinary income total	655	106	5,453	882
Extraordinary loss				
Loss on retirement of noncurrent assets	14	-	117	-
Extraordinary loss total	14	-	117	-
Income (loss) before income taxes	929	96	7,731	806
Income taxes-current	134	110	1,120	917
Income taxes-deferred	204	(106)	1,699	(889)
Total income taxes	338	3	2,820	28
Income (loss) before minority interests	590	93	4,911	777
Minority interests in income (loss)	23	42	198	353
Net income (loss)	¥ 566	¥ 51	\$ 4,712	\$ 424

**IWATSU ELECTRIC CO., LTD.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**Years ended March 31, 2014 and 2015**

	Millions of yen		Thousands of U.S. dollars	
	2014	2015	2014	2015
Income (loss) before minority interests	590	93	4,911	777
Other comprehensive income:				
Valuation difference on available-for sale securities	128	71	1,073	595
Foreign currency translation adjustment	77	166	644	1,385
Remeasurements of defined benefit plans	-	39	-	326
Total other comprehensive income	206	277	1,717	2,306
Comprehensive income	¥ 796	¥ 370	\$ 6,628	\$ 3,084
Comprehensive income attributable to:				
Owners of the parent	772	328	6,430	2,731
Minority interests	23	42	198	353

**IWATSU ELECTRIC CO., LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
**March 31, 2014 and 2015**

<b>ASSETS</b>	Millions of yen		Thousands of U.S. dollars	
	2014	2015	2014	2015
Assets				
Current assets				
Cash and deposits	¥ 6,531	¥ 5,849	\$ 54,355	\$ 48,681
Notes and accounts receivable-trade	6,280	6,534	52,263	54,377
Securities	199	600	1,663	4,992
Merchandise and finished goods	1,078	965	8,975	8,037
Work in progress	502	670	4,181	5,575
Raw materials and supplies	1,882	1,956	15,668	16,284
Deferred tax assets	35	27	297	225
Other	241	184	2,008	1,533
Allowance for doubtful accounts	(6)	(14)	(55)	(118)
Current assets total	16,746	16,774	139,357	139,588
Noncurrent assets				
Property, plant and equipment				
Buildings and structures	3,016	2,880	25,103	23,972
Machinery, equipment and vehicles	828	832	6,890	6,926
Tools, furniture and fixtures	555	572	4,623	4,762
Land	1,127	1,145	9,384	9,528
Lease assets	20	10	172	91
Construction in progress	0	-	0	-
Property, plant and equipment total	5,548	5,441	46,176	45,281
Intangible assets				
Goodwill	26	3	220	31
Software	818	959	6,812	7,987
Other	68	62	572	519
Intangible assets total	913	1,026	7,604	8,538
Investments and other assets				
Investment securities	1,585	1,639	13,195	13,646
Long-term loans receivable	9	9	83	83
Long-term time deposits	1,000	1,300	8,321	10,818
Real estate for investment	2,146	2,112	17,858	17,576
Deferred tax assets	44	48	369	403
Other	480	481	3,994	4,009
Allowance for doubtful accounts	(64)	(49)	(535)	(407)
Investments and other assets total	5,201	5,543	43,287	46,129
Noncurrent assets total	11,664	12,010	97,067	99,949
Assets total	¥ 28,411	¥ 28,785	\$ 236,424	\$ 239,538

**IWATSU ELECTRIC CO., LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
**March 31, 2014 and 2015**

<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>Millions of yen</b>		<b>Thousands of U.S. dollars</b>	
	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>
Liabilities				
Current liabilities				
Notes and accounts payable-trade	¥ 2,004	¥ 2,089	\$ 16,682	\$ 17,390
Short-term loans payable	87	87	725	725
Lease obligations	18	11	154	97
Accounts payable-other	634	812	5,277	6,760
Accrued expenses	401	407	3,338	3,389
Income taxes payable	129	90	1,077	751
Provision for bonuses	662	632	5,515	5,263
Provision for product warranties	452	304	3,767	2,535
Other	281	375	2,344	3,122
Current liabilities total	4,672	4,811	38,883	40,034
Noncurrent liabilities				
Long-term loans payable	36	19	305	163
Lease obligations	29	17	244	147
Deferred tax liabilities	1,083	988	9,014	8,223
Net defined benefit liability	3,883	4,204	32,315	34,985
Other	742	589	6,176	4,908
Noncurrent liabilities total	5,774	5,819	48,056	48,427
Liabilities total	10,447	10,630	86,940	88,462
Net assets				
Shareholders' equity				
Capital stock	6,025	6,025	50,141	50,141
Capital surplus	6,942	6,942	57,768	57,768
Retained earnings	5,264	5,148	43,808	42,844
Treasury stock	(190)	(191)	(1,587)	(1,592)
Shareholders' equity total	18,041	17,924	150,131	149,162
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	261	333	2,178	2,773
Foreign currency translation adjustment	(197)	(31)	(1,643)	(258)
Remeasurements of defined benefit plans	(307)	(268)	(2,558)	(2,232)
Accumulated other comprehensive income total	(243)	34	(2,023)	282
Minority interests	165	196	1,376	1,631
Net assets total	17,963	18,154	149,484	151,076
Liabilities and net assets total	¥ 28,411	¥ 28,785	\$ 236,424	\$ 239,538

**IWATSU ELECTRIC CO., LTD.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
Years ended March 31, 2014 and 2015

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total Accumulated other comprehensive income	Minority interests	
Balance at March 31, 2013	¥ 6,025	¥ 6,942	¥ 4,796	¥ (189)	¥ 17,574	¥ 132	¥ (274)	¥ -	¥ (142)	¥ 145	¥ 17,577
Cumulative effects of changes in accounting policies											
Restated balance	6,025	6,942	4,796	(189)	17,574	132	(274)	-	(142)	145	17,577
Changes of items during period											
Net income (loss)			566		566						566
Dividends from surplus			(98)		(98)						(98)
Purchases of treasury stock				(1)	(1)						(1)
Disposal of treasury stock				-	-						-
Net changes to items other than shareholders' equity						128	77	(307)	(101)	20	(80)
Total changes of items during period	-	-	467	(1)	466	128	77	(307)	(101)	20	385
Balance at March 31, 2014	¥ 6,025	¥ 6,942	¥ 5,264	¥ (190)	¥ 18,041	¥ 261	¥ (197)	¥ (307)	¥ (243)	¥ 165	¥ 17,963
Cumulative effects of changes in accounting policies			(68)		(68)						(68)
Restated balance	6,025	6,942	5,196	(190)	17,973	261	(197)	(307)	(243)	165	17,895
Changes of items during period											
Net income (loss)			51		51						51
Dividends from surplus			(98)		(98)						(98)
Purchases of treasury stock				(1)	(1)						(1)
Disposal of treasury stock				0	0						0
Net changes to items other than shareholders' equity						71	166	39	277	30	307
Total changes of items during period	-	-	(47)	(0)	(48)	71	166	39	277	30	259
Balance at March 31, 2015	¥ 6,025	¥ 6,942	¥ 5,148	¥ (191)	¥ 17,924	¥ 333	¥ (31)	¥ (268)	¥ 34	¥ 196	¥ 18,154

Thousands of U.S. dollars

	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	Capital stock	Capital Surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total Accumulated other comprehensive income	Minority interests	
Balance at March 31, 2013	\$ 50,141	\$ 57,768	\$ 39,916	\$ (1,576)	\$ 146,250	\$ 1,105	\$ (2,288)	\$ -	\$ (1,183)	\$ 1,207	\$ 146,274
Cumulative effects of changes in accounting policies											
Restated balance	50,141	57,768	39,916	(1,576)	146,250	1,105	(2,288)	-	(1,183)	1,207	146,274
Changes of items during period											
Net income (loss)			4,712		4,712						4,712
Dividends from surplus			(821)		(821)						(821)
Purchases of treasury stock				(10)	(10)						(10)
Disposal of treasury stock				-	-						-
Net changes to items other than shareholders' equity						1,073	644	(2,558)	(841)	168	(673)
Total changes of items during period	-	-	3,891	(10)	3,881	1,073	644	(2,558)	(841)	168	3,208
Balance at March 31, 2014	\$ 50,141	\$ 57,768	\$ 43,808	\$ (1,587)	\$ 150,131	\$ 2,178	\$ (1,643)	\$ (2,558)	\$ (2,023)	\$ 1,376	\$ 149,484
Cumulative effects of changes in accounting policies			(566)		(566)						(566)
Restated balance	50,141	57,768	43,242	(1,587)	149,565	2,178	(1,643)	(2,558)	(2,023)	1,376	148,918
Changes of items during period											
Net income (loss)			424		424						424
Dividends from surplus			(821)		(821)						(821)
Purchases of treasury stock				(10)	(10)						(10)
Disposal of treasury stock				5	5						5
Net changes to items other than shareholders' equity						595	1,385	326	2,306	254	2,560
Total changes of items during period	-	-	(397)	(5)	(402)	595	1,385	326	2,306	254	2,158
Balance at March 31, 2015	\$ 50,141	\$ 57,768	\$ 42,844	\$ (1,592)	\$ 149,162	\$ 2,773	\$ (258)	\$ (2,232)	\$ 282	\$ 1,631	\$ 151,076

**IWATSU ELECTRIC CO., LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years ended March 31, 2014 and 2015**

	Millions of yen		Thousands of U.S. dollars	
	2014	2015	2014	2015
Cash flows from operating activities:				
Income (loss) before income taxes and minority interests	¥ 929	¥ 96	\$ 7,731	\$ 806
Depreciation and amortization	900	1,019	7,495	8,480
Increase (decrease) in allowance for doubtful accounts	(18)	(8)	(154)	(67)
Increase (decrease) in net defined benefit liability	266	288	2,217	2,403
Interest and dividends income	(52)	(56)	(437)	(469)
Interest expenses	6	4	54	40
Loss (gain) on sales of investment securities	-	(111)	-	(929)
Subsidy income	(655)	-	(5,453)	-
Decrease (increase) in notes and accounts receivable-trade	(582)	(235)	(4,848)	(1,963)
Decrease (increase) in inventories	5	(93)	45	(778)
Increase (decrease) in notes and accounts payable-trade	71	71	597	594
Other, net	(8)	(30)	(71)	(252)
Subtotal	<u>862</u>	<u>945</u>	<u>7,175</u>	<u>7,864</u>
Interest and dividends income received	80	105	666	879
Interest expenses paid	(6)	(4)	(54)	(40)
Income taxes paid	(103)	(135)	(862)	(1,130)
Proceeds from subsidy income	655	-	5,453	-
Other, net	(91)	-	(763)	-
Net cash provided by (used in) operating activities	<u>1,395</u>	<u>910</u>	<u>11,615</u>	<u>7,573</u>
Cash flows from investing activities:				
Purchase of securities	(899)	(600)	(7,488)	(4,992)
Proceeds from redemption of securities	2,700	200	22,468	1,664
Purchase of property, plant and equipment	(1,751)	(494)	(14,578)	(4,114)
Purchase of intangible assets	(400)	(445)	(3,336)	(3,706)
Purchase of investment securities	(301)	(211)	(2,509)	(1,758)
Proceeds from sales of investment securities	-	325	-	2,709
Payments into time deposits	(2,036)	(1,426)	(16,942)	(11,866)
Proceeds from withdrawal of time deposits	1,220	1,020	10,152	8,487
Other, net	73	0	610	8
Net cash provided by (used in) investing activities	<u>(1,397)</u>	<u>(1,630)</u>	<u>(11,625)</u>	<u>(13,569)</u>
Cash flows from financing activities:				
Cash dividends paid	(97)	(97)	(809)	(813)
Other, net	(31)	(48)	(262)	(402)
Net cash provided by (used in) financing activities	<u>(128)</u>	<u>(146)</u>	<u>(1,072)</u>	<u>(1,215)</u>
Effect of exchange rate change on cash and cash equivalents	34	78	287	654
Net increase (decrease) in cash and cash equivalents	<u>(95)</u>	<u>(787)</u>	<u>(794)</u>	<u>(6,556)</u>
Cash and cash equivalents at beginning of period	<u>5,483</u>	<u>5,387</u>	<u>45,630</u>	<u>44,835</u>
Cash and cash equivalents at end of period	<u>5,387</u>	<u>4,599</u>	<u>44,835</u>	<u>38,278</u>

**IWATSU ELECTRIC CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2014 AND 2015**

**Segment information**

The Company's primary businesses are the manufacturing and sales of (1) Business communication systems, (2) Printing systems and (3) Test and measurement equipment.

	Millions of yen				
	Business communication systems	Printing systems	Test and measurement equipment	Reconciliations	Consolidated
For the year ended March 31, 2014:					
Net sales:					
Outside customers	¥ 18,345	¥ 3,962	¥ 2,966	¥ -	¥ 25,275
Inter-segment	-	-	-	-	-
total	<u>18,345</u>	<u>3,962</u>	<u>2,966</u>	<u>-</u>	<u>25,275</u>
Operating income (loss)	<u>¥ 926</u>	<u>¥ 423</u>	<u>¥ 63</u>	<u>¥ (1,346)</u>	<u>¥ 67</u>
Assets	<u>¥ 13,143</u>	<u>¥ 3,298</u>	<u>¥ 1,946</u>	<u>¥ 10,023</u>	<u>¥ 28,411</u>
Other:					
Depreciation and amortization	¥ 631	¥ 97	¥ 45	¥ 92	¥ 866
Amortization of goodwill	38	6	-	-	45
Increase of property, plant and equipment and intangible assets	1,607	156	81	332	2,177

	Millions of yen				
	Business communication systems	Printing systems	Test and measurement equipment	Reconciliations	Consolidated
For the year ended March 31, 2015:					
Net sales:					
Outside customers	¥ 18,016	¥ 3,613	¥ 3,148	¥ -	¥ 24,778
Inter-segment	-	-	-	-	-
total	<u>18,016</u>	<u>3,613</u>	<u>3,148</u>	<u>-</u>	<u>24,778</u>
Operating income (loss)	<u>¥ 890</u>	<u>¥ 190</u>	<u>¥ 32</u>	<u>¥ (1,375)</u>	<u>¥ (261)</u>
Assets	<u>¥ 14,191</u>	<u>¥ 2,982</u>	<u>¥ 2,114</u>	<u>¥ 9,496</u>	<u>¥ 28,785</u>
Other:					
Depreciation and amortization	¥ 728	¥ 101	¥ 50	¥ 104	¥ 985
Amortization of goodwill	16	6	-	-	22
Increase of property, plant and equipment and intangible assets	809	36	58	58	962

\*1 Reconciliations were inclusive of followings.

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

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

(3) Reconciliations of increase of property, plant and equipment and intangible assets include capital investments by indirect departments.

\*2 Reconciliations were made on operating income (loss) to be consistent with the that of consolidated statements of operations.



**IWATSU ELECTRIC CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2014 AND 2015**

	Thousands of U.S. dollars				
	Business communication systems	Printing systems	Test and measurement equipment	Reconciliations	Consolidated
For the year ended March 31, 2014:					
Net sales:					
Outside customers	\$ 152,666	\$ 32,974	\$ 24,688	\$ -	\$ 210,329
Inter-segment	-	-	-	-	-
total	<u>152,666</u>	<u>32,974</u>	<u>24,688</u>	<u>-</u>	<u>210,329</u>
Operating income (loss)	<u>\$ 7,709</u>	<u>\$ 3,526</u>	<u>\$ 525</u>	<u>\$ (11,201)</u>	<u>\$ 560</u>
Assets	<u>\$ 109,372</u>	<u>\$ 27,447</u>	<u>\$ 16,197</u>	<u>\$ 83,406</u>	<u>\$ 236,424</u>
Other:					
Depreciation and amortization	\$ 5,258	\$ 810	\$ 377	\$ 767	\$ 7,214
Amortization of goodwill	319	56	-	-	376
Increase of property, plant and equipment and intangible assets	13,374	1,305	677	2,764	18,121

	Thousands of U.S. dollars				
	Business communication systems	Printing systems	Test and measurement equipment	Reconciliations	Consolidated
For the year ended March 31, 2015:					
Net sales:					
Outside customers	\$ 149,923	\$ 30,070	\$ 26,202	\$ -	\$ 206,196
Inter-segment	-	-	-	-	-
total	<u>149,923</u>	<u>30,070</u>	<u>26,202</u>	<u>-</u>	<u>206,196</u>
Operating income (loss)	<u>\$ 7,411</u>	<u>\$ 1,585</u>	<u>\$ 268</u>	<u>\$ (11,444)</u>	<u>\$ (2,178)</u>
Assets	<u>\$ 118,095</u>	<u>\$ 24,821</u>	<u>\$ 17,599</u>	<u>\$ 79,022</u>	<u>\$ 239,538</u>
Other:					
Depreciation and amortization	\$ 6,063	\$ 846	\$ 418	\$ 870	\$ 8,199
Amortization of goodwill	138	49	-	-	188
Increase of property, plant and equipment and intangible assets	6,735	301	484	488	8,010

\*1 Reconciliations were inclusive of followings.

- (1) Reconciliations of operating income (loss) include company-wide expenses not distributed to individual reporting segment.
- (2) Reconciliations of assets include company-wide assets not distributed to each reporting segment.
- (3) Reconciliations of increase of property, plant and equipment and intangible assets include capital investments by indirect departments.

\*2 Reconciliations were made on operating income (loss) to be consistent with the that of consolidated statements of operations.