

IWATSU ELECTRIC CO., LTD.

2019 ANNUAL REPORT
For the year ended March 31, 2019

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June 2019

IWATSU ELECTRIC CO., LTD.
CONSOLIDATED BALANCE SHEETS
March 31, 2018 and 2019

<u>ASSETS</u>	Millions of yen		Thousands of U.S. dollars	
	2018	2019	2018	2019
Current assets				
Cash and deposits	¥ 6,156	¥ 8,280	\$ 55,472	\$ 74,609
Notes and accounts receivable-trade	6,605	5,668	59,512	51,077
Securities	200	-	1,802	-
Merchandise and finished goods	1,872	1,651	16,873	14,884
Work in process	628	871	5,662	7,851
Raw materials and supplies	1,771	1,958	15,958	17,644
Other	197	141	1,775	1,272
Allowance for doubtful accounts	(7)	(3)	(68)	(30)
Total current assets	<u>17,424</u>	<u>18,569</u>	<u>156,988</u>	<u>167,306</u>
Noncurrent assets				
Property, plant and equipment				
Buildings and structures, net	3,122	3,388	28,135	30,528
Machinery, equipment and vehicles, net	774	694	6,980	6,254
Tools, furniture and fixtures, net	501	431	4,518	3,887
Land	2,540	3,724	22,885	33,555
Lease assets, net	5	3	50	33
Total property, plant and equipment	<u>6,944</u>	<u>8,241</u>	<u>62,569</u>	<u>74,257</u>
Intangible assets				
Software	710	472	6,402	4,257
Other	45	45	413	413
Total intangible assets	<u>756</u>	<u>518</u>	<u>6,815</u>	<u>4,669</u>
Investments and other assets				
Investment securities	3,851	1,682	34,705	15,161
Long-term loans receivable	4	3	38	34
Deferred tax assets	22	22	199	199
Other	326	406	2,943	3,658
Allowance for doubtful accounts	(34)	(34)	(314)	(313)
Total investments and other assets	<u>4,170</u>	<u>2,079</u>	<u>37,572</u>	<u>18,740</u>
Total noncurrent assets	<u>11,871</u>	<u>10,840</u>	<u>106,957</u>	<u>97,666</u>
Total assets	<u>¥ 29,295</u>	<u>¥ 29,409</u>	<u>\$ 263,946</u>	<u>\$ 264,973</u>

IWATSU ELECTRIC CO., LTD.
CONSOLIDATED BALANCE SHEETS
March 31, 2018 and 2019

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars	
	2018	2019	2018	2019
Liabilities				
Current liabilities				
Notes and accounts payable-trade	¥ 1,594	¥ 1,344	\$ 14,368	\$ 12,110
Short-term borrowings	80	80	720	720
Lease obligations	4	1	44	14
Accounts payable-other	580	682	5,234	6,146
Accrued expenses	382	366	3,448	3,305
Income taxes payable	88	343	793	3,096
Provision for bonuses	526	518	4,744	4,675
Provision for product warranties	136	91	1,232	825
Other	408	432	3,683	3,901
Total current liabilities	3,803	3,861	34,270	34,794
Noncurrent liabilities				
Lease obligations	4	3	44	30
Deferred tax liabilities	1,970	1,245	17,754	11,226
Provision for share-based remuneration	46	54	418	490
Retirement benefit liability	3,607	4,110	32,505	37,038
Other	452	456	4,073	4,115
Total noncurrent liabilities	6,081	5,871	54,796	52,899
Total liabilities	9,885	9,733	89,066	87,693
Net assets				
Shareholders' equity				
Share capital	6,025	6,025	54,289	54,289
Capital surplus	6,948	6,948	62,604	62,604
Retained earnings	6,273	6,584	56,526	59,329
Treasury shares	(168)	(165)	(1,516)	(1,488)
Total shareholders' equity	19,079	19,393	171,902	174,734
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	439	296	3,957	2,670
Foreign currency translation adjustment	(176)	(127)	(1,594)	(1,149)
Remeasurements of defined benefit plans	67	113	612	1,025
Total accumulated other comprehensive income	330	282	2,976	2,546
Total net assets	19,409	19,676	174,879	177,280
Total liabilities and net assets	¥ 29,295	¥ 29,409	\$ 263,946	\$ 264,973

IWATSU ELECTRIC CO., LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars	
	2018	2019	2018	2019
Net sales	¥ 21,764	¥ 20,847	\$ 196,097	\$ 187,831
Cost of sales	13,452	13,342	121,204	120,218
Gross profit	8,312	7,504	74,892	67,613
Selling, general and administrative expenses	8,137	7,721	73,319	69,567
Operating profit (loss)	174	(216)	1,572	(1,954)
Non-operating income				
Interest income	18	27	167	243
Dividend income	54	43	486	394
Rental income from land and buildings	36	35	328	320
Gain on sales of investment securities	0	34	0	313
Other	74	35	671	323
Total non-operating income	183	176	1,655	1,594
Non-operating expenses				
Interest expenses	3	3	28	28
Foreign exchange losses	44	16	400	153
Loss on sales of investment securities	0	76	0	685
Other	28	15	258	142
Total non-operating expenses	76	111	686	1,008
Ordinary profit (loss)	282	(151)	2,541	(1,368)
Extraordinary income				
Gain on sales of land	-	573	-	5,167
Gain on sales of buildings	-	84	-	765
Gain on sales of investment securities	-	69	-	625
Gain on forgiveness of debts	27	-	249	-
Total extraordinary income	27	727	249	6,558
Extraordinary loss				
Loss on valuation of investment securities	-	26	-	241
Retirement benefit expenses	-	461	-	4,156
Total Extraordinary losses	-	487	-	4,396
Profit before income taxes	309	88	2,791	793
Income taxes-current	58	301	527	2,716
Income taxes-deferred	(17)	(623)	(161)	(5,617)
Total income taxes	40	(321)	366	(2,901)
Profit	269	410	2,425	3,694
Profit attributable to owners of parent	¥ 269	¥ 410	\$ 2,425	\$ 3,694

IWATSU ELECTRIC CO., LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars	
	2018	2019	2018	2019
Profit	269	410	2,425	3,694
Other comprehensive income:				
Valuation difference on available-for-sale securities	87	(142)	785	(1,288)
Foreign currency translation adjustment	(61)	49	(557)	446
Remeasurements of defined benefit plans	57	45	516	412
Total other comprehensive income	82	(47)	744	(430)
Comprehensive income	¥ 351	¥ 362	\$ 3,169	\$ 3,264
Comprehensive income attributable to:				
Owners of parent	351	362	3,169	3,264

IWATSU ELECTRIC CO., LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Years ended March 31, 2018 and 2019

Millions of yen

	Shareholders' equity				Accumulated other comprehensive income					Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at March 31, 2017	¥ 6,025	¥ 6,948	¥ 6,152	¥ (182)	¥ 18,944	¥ 352	¥ (115)	¥ 10	¥ 247	¥ 19,191
Changes of items during period										
Profit attributable to owners of parent			269		269					269
Dividends of surplus			(148)		(148)					(148)
Purchases of treasury shares				(1)	(1)					(1)
Disposal of treasury shares				15	15					15
Net changes of items other than shareholders' equity						87	(61)	57	82	82
Total changes of items during period	-	-	121	14	135	87	(61)	57	82	218
Balance at March 31, 2018	¥ 6,025	¥ 6,948	¥ 6,273	¥ (168)	¥ 19,079	¥ 439	¥ (176)	¥ 67	¥ 330	¥ 19,409
Changes of items during period										
Profit attributable to owners of parent			410		410					410
Dividends of surplus			(98)		(98)					(98)
Purchases of treasury shares				(0)	(0)					(0)
Disposal of treasury shares				3	3					3
Net changes in items other than shareholders' equity						(142)	49	45	(47)	(47)
Total changes of items during period	-	-	311	3	314	(142)	49	45	(47)	266
Balance at March 31, 2019	¥ 6,025	¥ 6,948	¥ 6,584	¥ (165)	¥ 19,393	¥ 296	¥ (127)	¥ 113	¥ 282	¥ 19,676

Thousands of U.S. dollars

	Shareholders' equity				Accumulated other comprehensive income					Total net assets
	Share capital	Capital Surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at March 31, 2017	\$ 54,289	\$ 62,604	\$ 55,437	\$ (1,647)	\$ 170,682	\$ 3,172	\$ (1,036)	\$ 96	\$ 2,232	\$ 172,914
Changes of items during period										
Profit attributable to owners of parent			2,425		2,425					2,425
Dividends of surplus			(1,334)		(1,334)					(1,334)
Purchases of treasury shares				(10)	(10)					(10)
Disposal of treasury shares				141	141					141
Net changes of items other than shareholders' equity						785	(557)	516	744	744
Total changes of items during period	-	-	1,091	131	1,222	785	(557)	516	744	1,966
Balance at March 31, 2018	\$ 54,289	\$ 62,604	\$ 56,526	\$ (1,516)	\$ 171,902	\$ 3,957	\$ (1,594)	\$ 612	\$ 2,976	\$ 174,879
Changes of items during period										
Profit attributable to owners of parent			3,694		3,694					3,694
Dividends of surplus			(891)		(891)					(891)
Purchases of treasury shares				(5)	(5)					(5)
Disposal of treasury shares				33	33					33
Net changes in items other than shareholders' equity						(1,288)	445	412	(431)	(431)
Total changes of items during period	-	-	2,803	28	2,831	(1,288)	445	412	(431)	2,400
Balance at March 31, 2019	\$ 54,289	\$ 62,604	\$ 59,329	\$ (1,488)	\$ 174,734	\$ 2,670	\$ (1,149)	\$ 1,025	\$ 2,546	\$ 177,280

IWATSU ELECTRIC CO., LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars	
	2018	2019	2018	2019
Cash flows from operating activities:				
Profit before income taxes	¥ 309	¥ 88	\$ 2,791	\$ 793
Depreciation	1,070	988	9,643	8,906
Increase (decrease) in allowance for doubtful accounts	4	(4)	41	(40)
Increase (decrease) in retirement benefit liability	203	548	1,835	4,939
Interest and dividend income	(72)	(70)	(654)	(637)
Interest expenses	3	3	28	27
Loss (gain) on sales of non-current assets	(1)	(658)	(10)	(5,932)
Decrease (increase) in trade receivables	(398)	943	(3,591)	8,496
Decrease (increase) in inventories	(928)	(199)	(8,370)	(1,797)
Increase (decrease) in trade payables	279	(256)	2,516	(2,314)
Other, net	(164)	41	(1,480)	369
Subtotal	305	1,421	2,748	12,810
Interest and dividends received	72	67	654	605
Interest paid	(3)	(3)	(27)	(27)
Income taxes paid	(51)	(57)	(459)	(522)
Other, net	-	(33)	-	(297)
Net cash provided by (used in) operating activities	323	1,395	2,916	12,568
Cash flows from investing activities:				
Purchase of securities	(1,800)	-	(16,217)	-
Proceeds from redemption of securities	2,700	200	24,326	1,801
Purchase of property, plant and equipment	(285)	(3,922)	(2,573)	(35,344)
Proceeds from sales of property, plant and equipment	1	2,704	12	24,365
Purchase of intangible assets	(257)	(90)	(2,321)	(813)
Proceeds from sales of investment securities	1	1,917	10	17,280
Payments into time deposits	(120)	(314)	(1,081)	(2,829)
Proceeds from withdrawal of time deposits	120	114	1,081	1,027
Other, net	(345)	7	(3,114)	71
Net cash provided by (used in) investing activities	13	617	122	5,560
Cash flows from financing activities:				
Dividends paid	(146)	(98)	(1,317)	(885)
Other, net	32	(15)	291	(140)
Net cash provided by (used in) financing activities	(113)	(113)	(1,026)	(1,025)
Effect of exchange rate change on cash and cash equivalents	(32)	25	(291)	230
Net increase (decrease) in cash and cash equivalents	191	1,923	1,721	17,334
Cash and cash equivalents at beginning of period	5,803	5,994	52,290	54,011
Cash and cash equivalents at end of period	5,994	7,918	54,011	71,345

IWATSU ELECTRIC CO., LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 AND 2019

Segment information

The Company's primary businesses are the manufacturing and sales of (1) Business communication systems, (2) Printing systems, (3) Test and measurement equipment and (4) Property leasing.

	Millions of yen					
	Business communication systems	Printing systems	Test and measurement equipment	Property leasing	Reconciliations	Consolidated
For the year ended March 31, 2018:						
Net sales:						
Outside customers	¥ 15,645	¥ 2,671	¥ 3,177	¥ 270	¥ -	¥ 21,764
Inter-segment total	-	-	-	-	-	-
	<u>15,645</u>	<u>2,671</u>	<u>3,177</u>	<u>270</u>	<u>-</u>	<u>21,764</u>
Operating income (loss)	¥ 1,236	¥ 108	¥ 221	¥ 107	¥ (1,499)	¥ 174
Assets	<u>¥ 13,391</u>	<u>¥ 1,994</u>	<u>¥ 2,422</u>	<u>¥ 2,155</u>	<u>¥ 9,330</u>	<u>¥ 29,295</u>
Other:						
Depreciation	¥ 819	¥ 82	¥ 58	¥ 35	¥ 74	¥ 1,070
Amortization of goodwill	0	-	-	-	-	0
Increase of property, plant and equipment and intangible assets	390	34	39	23	54	543

	Millions of yen					
	Business communication systems	Printing systems	Test and measurement equipment	Property leasing	Reconciliations	Consolidated
For the year ended March 31, 2019:						
Net sales:						
Outside customers	¥ 14,987	¥ 2,554	¥ 3,003	¥ 301	¥ -	¥ 20,847
Inter-segment total	-	-	-	-	-	-
	<u>14,987</u>	<u>2,554</u>	<u>3,003</u>	<u>301</u>	<u>-</u>	<u>20,847</u>
Operating income (loss)	¥ 1,172	¥ 13	¥ 105	¥ 102	¥ (1,611)	¥ (216)
Assets	<u>¥ 11,890</u>	<u>¥ 1,805</u>	<u>¥ 2,454</u>	<u>¥ 4,054</u>	<u>¥ 9,204</u>	<u>¥ 29,409</u>
Other:						
Depreciation	¥ 731	¥ 74	¥ 63	¥ 49	¥ 70	¥ 988
Increase of property, plant and equipment and intangible assets	130	32	31	3,668	207	4,069

*1 Reconciliations were inclusive of followings.

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

Those are mainly general and administrative expenses not belonging to reporting segments.

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

Those are mainly cash and deposits not belonging to reporting segments.

(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 that of consolidated statements of operations.

IWATSU ELECTRIC CO., LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 AND 2019

	Thousands of U.S. dollars					
	Business communication systems	Printing systems	Test and measuremen t equipment	Property leasing	Reconciliations	Consolidated
For the year ended March 31, 2018:						
Net sales:						
Outside customers	\$ 140,961	\$ 24,066	\$ 28,629	\$ 2,438	\$ -	\$ 196,096
Inter-segment	-	-	-	-	-	-
total	<u>140,961</u>	<u>24,066</u>	<u>28,629</u>	<u>2,438</u>	<u>-</u>	<u>196,096</u>
Operating income (loss)	<u>\$ 11,137</u>	<u>\$ 975</u>	<u>\$ 1,998</u>	<u>\$ 969</u>	<u>\$ (13,507)</u>	<u>\$ 1,572</u>
Assets	<u>\$ 120,658</u>	<u>\$ 17,974</u>	<u>\$ 21,825</u>	<u>\$ 19,423</u>	<u>\$ 84,063</u>	<u>\$ 263,946</u>
Other:						
Depreciation	\$ 7,380	\$ 743	\$ 524	\$ 320	\$ 675	\$ 9,643
Amortization of goodwill	1	-	-	-	-	1
Increase of property, plant and equipment and intangible assets	3,514	313	360	209	495	4,893

	Thousands of U.S. dollars					
	Business communication systems	Printing systems	Test and measuremen t equipment	Property leasing	Reconciliations	Consolidated
For the year ended March 31, 2019:						
Net sales:						
Outside customers	\$ 135,034	\$ 23,017	\$ 27,060	\$ 2,718	\$ -	\$ 187,831
Inter-segment	-	-	-	-	-	-
total	<u>135,034</u>	<u>23,017</u>	<u>27,060</u>	<u>2,718</u>	<u>-</u>	<u>187,831</u>
Operating income (loss)	<u>\$ 10,563</u>	<u>\$ 118</u>	<u>\$ 953</u>	<u>\$ 926</u>	<u>\$ (14,515)</u>	<u>\$ (1,954)</u>
Assets	<u>\$ 107,130</u>	<u>\$ 16,267</u>	<u>\$ 22,111</u>	<u>\$ 36,533</u>	<u>\$ 82,929</u>	<u>\$ 264,973</u>
Other:						
Depreciation	\$ 6,590	\$ 667	\$ 571	\$ 443	\$ 632	\$ 8,906
Increase of property, plant and equipment and intangible assets	1,172	289	279	33,053	1,867	36,663