



ANNUAL REPORT 2016

Year ended March 31, 2016

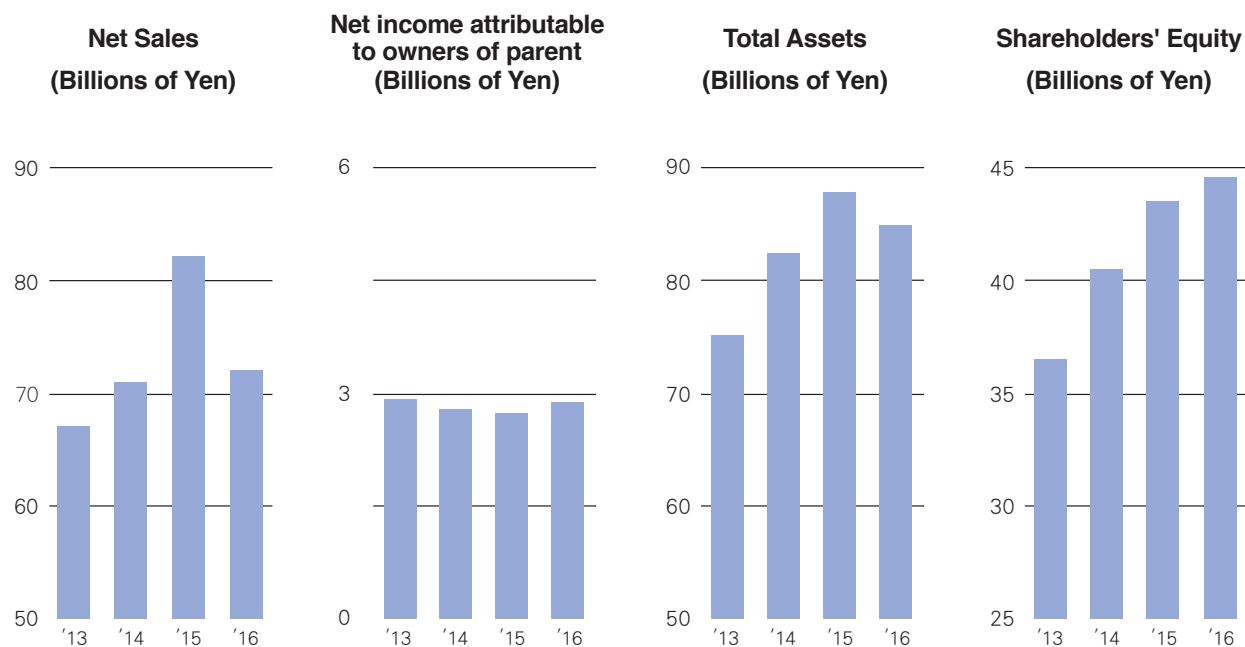
AICHI ELECTRIC CO., LTD.

Financial Highlights

Years ended March 31

Consolidated

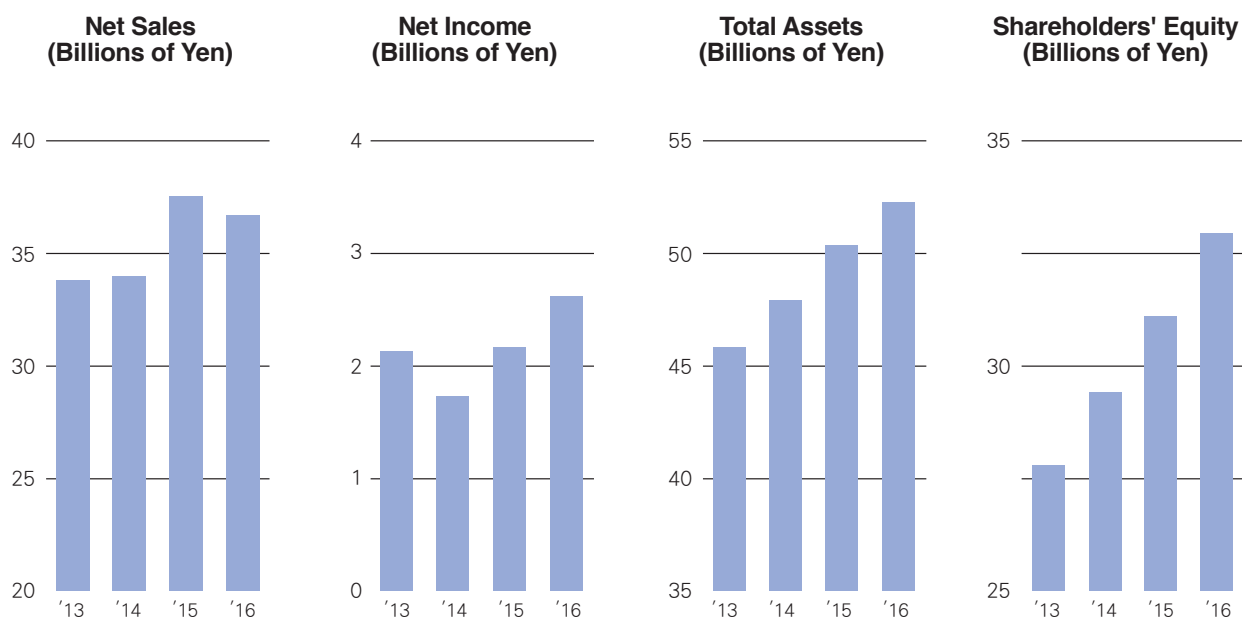
	Millions of Yen				Thousands of U.S. dollars
	2016	2015	2014	2013	2016
Net sales	¥ 72,066	82,085	70,931	67,110	\$ 639,559
Net income attributable to owners of parent	2,880	2,728	2,777	2,909	25,561
Total assets	84,907	87,878	82,388	75,209	753,523
Shareholders' equity	44,542	43,494	40,497	36,499	395,296
Per share (Yen and dollars)					
Net income	¥ 59.87	56.69	57.72	60.45	\$ 0.53



Note: In this Annual Report, U.S. dollars and \$ refer to the currency of the United States of America and Yen and ¥ refer to the currency of Japan. U.S. dollar amounts are translated from Yen at the rate of ¥112.68=U.S.\$1, solely for the convenience of the reader.

Non-Consolidated

	Millions of Yen				Thousands of U.S. dollars
	2016	2015	2014	2013	2016
Net sales	¥ 36,693	37,585	34,012	33,819	\$ 325,636
Net income	2,626	2,170	1,734	2,132	23,303
Total assets	52,279	50,368	47,930	45,828	463,961
Shareholders' equity	32,961	31,099	29,394	27,791	292,514
Per share (Yen and dollars)					
Net income	¥ 54.55	45.09	36.01	44.28	\$ 0.48
Cash dividends	13.00	11.00	10.00	9.00	0.12



To Our Shareholders



We would like to extend cordial greetings to our shareholders as we present our 107th annual report for the fiscal year ending March 31, 2016.

The Japanese economy sustained a moderate recovery in 2015 due to increased investment in plant and equipment and improvement of employment and income based on good corporate performance. However, future prospects are uncertain because of the slowdown in the Chinese economy and falling stock prices.

Regarding the business of our group, electrical power products were generally steady. However, motor products remained problematic due to prolonged adjustment of production by Chinese customers, increased cost of imported materials, etc.

Under these conditions, our group has focused on repatriating production from overseas, reducing costs

by value-added engineering, general cost reduction, and expansion of sales to the private sector in order to achieve the targets of the medium-term management plan “Transform & Actuate Phase III”

We have also endeavored to reinforce our business base by developing sophisticated power distribution products, reinforcing the production of medium-sized transformers, establishing human resource development center.

Regarding consolidated performance, sales decreased due to the sluggish business of the Motor Products Group. However, the operating income and net income for parent company shareholders were better than in the previous year thanks to cost cutting and other measures. Compared with the previous year, sales were 72,066 million yen (a decrease of 12.2%) and operating income was 4,497 million yen (an increase of 15.6%), while net income attributable to owners of parent was 2,880 million yen (an increase of 5.6%).

Dividend

Our final dividend was 7 yen per share. Combined with the interim dividend, the total dividend was 13 yen per share.

Challenges for new products and new business

The Electrical Power Products Group has worked to expand our sophisticated power distribution products, such as the static synchronous compensator

(STATCOM), reverse flow monitoring panel for control equipment, step voltage regulator, thyristor voltage regulator (TVR), etc. for electrical power companies. We have also reinforced production capacity for our top-runner transformers and expanded power conditioners for the private sector.

The Motor Products Group has worked to improve nursing equipment, expand powder processing equipment functions, develop a high efficiency ventilation fan for cattle farms, and develop various actuators, while exploring new Chinese customers for hermetic motors and inverters and on-vehicle motors.

Future prospects

Regarding future prospects, the Electrical Power Products Group is concerned about strong competition related to deregulation of the electricity industry and separation of electrical power production and supply businesses. The Motor Products Group faces an uncertain and difficult business environment due to the slowdown of Chinese market growth, increased in-house production by customers, etc.

Under these circumstances, our group will move to achieve continued growth by implementing our product category strategy and our business base reinforcement strategy based on the 2018 medium-term management plan “Create the future with reliable technology”.

In addition to offering high-quality products and

services, we will fulfill our social responsibilities, such as reducing our environmental footprint and complying with relevant regulations. We aim to become a corporate group trusted by our shareholders, customers, and society.

June, 2016



Toru Satoh
President

Consolidated Balance Sheets

March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. dollars
	2016	2015	2016
ASSETS			
Current assets:			
Cash and time deposits	¥ 16,130	¥ 16,085	\$ 143,151
Marketable securities	9,401	7,903	83,428
Notes and accounts receivable			
Trade notes and accounts	21,727	25,790	192,822
Other accounts	279	385	2,479
Allowance for doubtful receivables	(4)	(3)	(32)
Inventories	11,126	12,031	98,740
Deferred tax assets	336	237	2,983
Other current assets	638	663	5,657
Total current assets	59,633	63,091	529,228
Property, plant and equipment:			
Land	4,260	4,260	37,810
Buildings and structures	24,279	23,531	215,468
Machinery and equipment	36,961	36,299	328,020
Construction in progress	439	562	3,894
Accumulated depreciation	(48,787)	(48,049)	(432,973)
	17,152	16,603	152,219
Investments and other assets:			
Investments in securities	5,302	5,250	47,051
Deferred tax assets	1,998	2,042	17,730
Other assets	822	892	7,295
	8,122	8,184	72,076
	¥ 84,907	¥ 87,878	\$ 753,523
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Notes and accounts payable			
Trade notes and accounts	¥ 14,694	¥ 16,379	\$ 130,402
Other accounts	1,047	910	9,295
Short-term bank loans	7,056	8,888	62,614
Income and enterprise taxes payable	845	1,161	7,499
Accrued expenses	1,848	2,214	16,402
Other current liabilities	564	847	5,007
Total current liabilities	26,054	30,399	231,219
Long-term liabilities:			
Long-term debt	4,923	5,417	43,691
Net defined benefit liability	8,553	7,750	75,903
Other Long-term liabilities	835	818	7,414
	14,311	13,985	127,008
Shareholders' equity:			
Common stock			
Authorized 119,561,000 shares			
Issued 48,252,061 shares	4,053	4,053	35,970
Capital surplus	2,199	2,199	19,517
Retained earnings	35,599	33,335	315,924
Treasury stock, at cost	(32)	(31)	(283)
Unrealized gain on available-for-sale securities	1,020	1,265	9,047
Foreign currency translation adjustments	1,968	2,404	17,468
Remeasurements of defined benefit plans	(802)	(267)	(7,115)
Non-controlling interests	537	536	4,768
Total shareholders' equity	44,542	43,494	395,296
	¥ 84,907	¥ 87,878	\$ 753,523

Consolidated Statements of Income

Years ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. dollars
	2016	2015	2016
Net sales	¥ 72,066	¥ 82,085	\$ 639,559
Cost of sales	60,725	70,174	538,910
Gross profit	11,341	11,911	100,649
Selling, general and administrative expenses	6,844	8,020	60,738
Operating income	4,497	3,891	39,911
Other income (expenses):			
Interest and dividend income	121	120	1,071
Interest expense	(190)	(186)	(1,687)
Other, net	247	902	2,191
Income before income taxes	4,675	4,727	41,486
Income taxes			
Current	1,620	1,792	14,380
Deferred	147	200	1,304
Net income	2,908	2,735	25,802
Net income attributable to non-controlling interests	28	7	241
Net income attributable to owners of parent	¥ 2,880	¥ 2,728	\$ 25,561
Per share of common stock:			
Net income	¥ 59.87	¥ 56.69	\$ 0.53

Consolidated Statements of Changes in Equity

Years ended March 31, 2016 and 2015

	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total
Millions of Yen										
Balance at April 1, 2014	48,252,061	¥4,053	¥2,199	¥31,605	¥(29)	¥847	¥1,641	¥(303)	¥484	¥40,497
Cumulative effects of changes in accounting policies	—	—	—	(406)	—	—	—	—	—	(406)
Restated balance	48,252,061	4,053	2,199	31,199	(29)	847	1,641	(303)	484	40,091
Net income attributable to owners of parent	—	—	—	2,728	—	—	—	—	—	2,728
Cash dividends	—	—	—	(481)	—	—	—	—	—	(481)
Change of scope of equity method	—	—	—	(111)	—	—	—	—	—	(111)
Change in treasury shares arising from change in equity in entities accounted for using equity method	—	—	—	—	0	—	—	—	—	0
Purchase of treasury stock	—	—	—	—	(2)	—	—	—	—	(2)
Net changes during the year	—	—	—	—	—	418	763	36	52	1,269
Balance at March 31, 2015	48,252,061	¥4,053	¥2,199	¥33,335	¥(31)	¥1,265	¥2,404	¥(267)	¥536	¥43,494
Millions of Yen										
Balance at March 31, 2015	48,252,061	¥4,053	¥2,199	¥33,335	¥(31)	¥1,265	¥2,404	¥(267)	¥536	¥43,494
Restated balance	48,252,061	4,053	2,199	33,335	(31)	1,265	2,404	(267)	536	43,494
Net income attributable to owners of parent	—	—	—	2,880	—	—	—	—	—	2,880
Cash dividends	—	—	—	(577)	—	—	—	—	—	(577)
Change of scope of equity method	—	—	—	(39)	—	—	—	—	—	(39)
Purchase of treasury stock	—	—	—	—	(1)	—	—	—	—	(1)
Net changes during the year	—	—	—	—	—	(245)	(436)	(535)	1	(1,215)
Balance at March 31, 2016	48,252,061	¥4,053	¥2,199	¥35,599	¥(32)	¥1,020	¥1,968	¥(802)	¥537	¥44,542
Thousands of U.S. dollars										
Balance at March 31, 2015	48,252,061	\$35,970	\$19,517	\$295,837	\$(276)	\$11,229	\$21,332	\$(2,367)	\$4,753	\$385,995
Restated balance	48,252,061	35,970	19,517	295,837	(276)	11,229	21,332	(2,367)	4,753	385,995
Net income attributable to owners of parent	—	—	—	25,561	—	—	—	—	—	25,561
Cash dividends	—	—	—	(5,126)	—	—	—	—	—	(5,126)
Change of scope of equity method	—	—	—	(348)	—	—	—	—	—	(348)
Purchase of treasury stock	—	—	—	—	(7)	—	—	—	—	(7)
Net changes during the year	—	—	—	—	—	(2,182)	(3,864)	(4,748)	15	(10,779)
Balance at March 31, 2016	48,252,061	\$35,970	\$19,517	\$315,924	\$(283)	\$9,047	\$17,468	\$(7,115)	\$4,768	\$395,296

Consolidated Statements of Cash Flows

Years ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. dollars
	2016	2015	2016
Cash flows from operating activities			
Income before income taxes	¥ 4,675	¥ 4,727	\$ 41,486
Adjustments for:			
Depreciation and amortization	2,383	2,452	21,150
Increase (decrease) in net defined benefit liability	141	82	1,248
Equity in net loss (income) of affiliated companies	(189)	(32)	(1,673)
Decrease (increase) in trade receivables	3,629	(11)	32,209
Decrease (increase) in inventories	791	(544)	7,020
Increase (decrease) in trade payable	(1,536)	(621)	(13,633)
Other-net	(92)	56	(814)
Sub-total	9,802	6,109	86,993
Interest and dividend received	124	124	1,101
Interest paid	(192)	(189)	(1,710)
Income taxes paid	(1,950)	(1,197)	(17,304)
Net cash provided by operating activities	7,784	4,847	69,080
Cash flows from investing activities			
Payments for purchase of property, plant and equipment	(2,685)	(2,241)	(23,835)
Proceeds from sales of property, plant and equipment	3	184	29
Purchases of marketable securities and investment securities	(116)	(18)	(1,027)
Proceeds from sales of marketable securities and investment securities	0	161	0
Other-net	(1,790)	(2,275)	(15,884)
Net cash used in investing activities	(4,588)	(4,189)	(40,717)
Cash flows from financing activities			
Increase (decrease) in short-term loans	(317)	(833)	(2,811)
Proceeds from long-term debt	1,300	4,650	11,537
Payment for long-term debt	(3,310)	(2,302)	(29,374)
Cash dividends	(578)	(482)	(5,129)
Other-net	(168)	(218)	(1,495)
Net cash provided by financing activities	(3,073)	815	(27,272)
Effects of exchange rate changes on cash and cash equivalents	(103)	276	(913)
Net (decrease) increase in cash and cash equivalents	20	1,749	178
Cash and cash equivalents at beginning of year	15,408	13,659	136,741
Cash and cash equivalents at end of year	¥ 15,428	¥ 15,408	\$ 136,919

Non-Consolidated Balance Sheets

March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. dollars
	2016	2015	2016
ASSETS			
Current assets:			
Cash and time deposits	¥ 5,695	¥ 7,013	\$ 50,546
Marketable securities	9,300	7,802	82,534
Notes and accounts receivable			
Trade notes and accounts	11,333	10,798	100,576
Other accounts	66	58	583
Allowance for doubtful receivables	(1)	(1)	(11)
Inventories	5,011	4,521	44,470
Deferred tax assets	190	214	1,686
Other current assets	544	542	4,834
Total current assets	32,138	30,947	285,218
Property, plant and equipment:			
Land	2,801	2,801	24,863
Buildings and structures	11,662	11,444	103,494
Machinery and equipment	17,143	16,375	152,140
Construction in progress	9	21	81
Accumulated depreciation	(23,931)	(23,319)	(212,384)
	7,684	7,322	68,194
Investments and other assets:			
Investments in securities	2,441	2,653	21,658
Investments in subsidiaries and affiliates	7,783	7,580	69,073
Deferred tax assets	997	954	8,847
Other assets	1,236	912	10,971
	12,457	12,099	110,549
	¥ 52,279	¥ 50,368	\$ 463,961
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Notes and accounts payable			
Trade notes and accounts	¥ 8,498	¥ 8,665	\$ 75,416
Other accounts	405	213	3,594
Short-term bank loans	2,320	2,320	20,589
Income and enterprise taxes payable	762	847	6,763
Accrued expenses	953	1,032	8,464
Other current liabilities	293	392	2,598
Total current liabilities	13,231	13,469	117,424
Long-term liabilities:			
Long-term debt	1,000	1,000	8,875
Retirement benefits	4,664	4,522	41,395
Other Long-term liabilities	423	278	3,753
	6,087	5,800	54,023
Shareholders' equity:			
Common stock			
Authorized 119,561,000 shares			
Issued 48,252,061 shares	4,053	4,053	35,969
Capital surplus	2,199	2,199	19,517
Retained earnings	25,903	23,855	229,881
Treasury stock, at cost	(28)	(27)	(248)
Unrealized gain on available-for-sale securities	834	1,019	7,395
Total shareholders' equity	32,961	31,099	292,514
	¥ 52,279	¥ 50,368	\$ 463,961

Non-Consolidated Statements of Income

Years ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. dollars
	2016	2015	2016
Net sales	¥ 36,693	¥ 37,585	\$ 325,636
Cost of sales	29,842	31,629	264,836
Gross profit	6,851	5,956	60,800
Selling, general and administrative expenses	3,028	3,067	26,869
Operating income	3,823	2,889	33,931
Other income(expenses):			
Interest and dividend income	114	293	1,015
Interest expense	(43)	(44)	(382)
Other, net	147	441	1,299
Income before income taxes	4,041	3,579	35,863
Income taxes			
Current	1,333	1,301	11,835
Deferred	82	108	725
Net income	¥ 2,626	¥ 2,170	\$ 23,303
Per share of common stock:			
Net income	¥ 54.55	¥ 45.09	\$ 0.48
Cash dividends	13.00	11.00	0.12

Outline of the Company

Corporate Data (As of March 31, 2016)

Head Office:	1, Aichi-cho, Kasugai city, Aichi 486-8666, Japan Phone: +81-568-31-1111 Fax: +81-568-35-1242 URL: http://www.aichidenki.jp
Established:	1942
Capital:	¥4,053 million
Shares:	Authorized 119,561,000 Issued 48,252,061
Number of Shareholders:	2,747
Number of Employees:	Consolidated 2,355 Non-consolidated 748
Office Location:	Sapporo, Sendai, Tokyo, Osaka, Fukuoka, Naha Suzhou (China)

Board of Directors and Auditors (As of June 29, 2016)

President:	Toru Satoh
Managing Directors:	Makoto Andou Teruo Ono
Directors:	Toshio Nishimi Hiroshi Yano Katsumi Nonomura Hideki Hosoe Hiroshi Sugiyama Toru Nagata Shinobu Kato Nozomu Amano
Auditors:	Makoto Yamada Kazuhiro Matsubara Masatoshi Hori
