

# Annual Report

## 2017



Year ended March 31, 2017

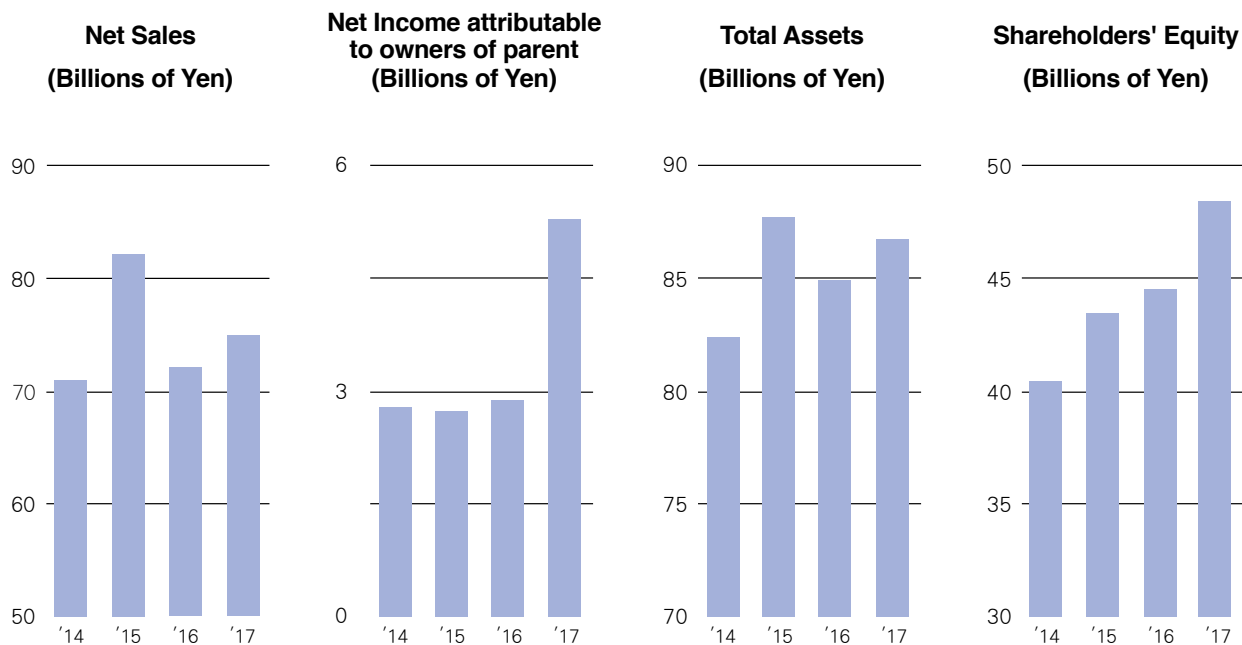


# Financial Highlights

## Years ended March 31

### Consolidated

	Millions of Yen				Thousands of U.S. dollars
	2017	2016	2015	2014	2017
Net sales .....	<b>¥ 74,883</b>	72,066	82,085	70,931	<b>\$ 667,468</b>
Net income attributable to owners of parent .....	<b>5,294</b>	2,880	2,728	2,777	<b>47,184</b>
Total assets .....	<b>86,728</b>	84,907	87,878	82,388	<b>773,046</b>
Shareholders' equity .....	<b>48,484</b>	44,542	43,494	40,497	<b>432,163</b>
Per share (Yen and dollars)					
Net income .....	<b>¥ 550.80</b>	299.34	56.69	57.72	<b>\$ 4.91</b>

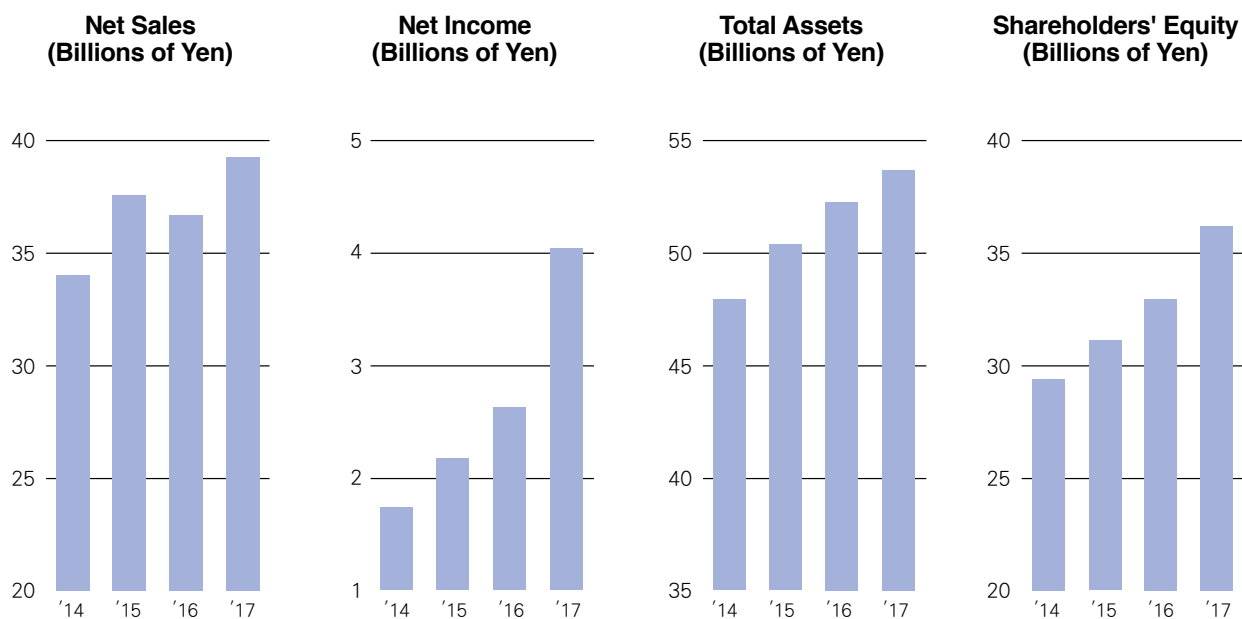


Note1. In this Annual Report, U.S. dollars and \$ refer to the currency of the United States of America and Yen and ¥ refer to the currency of Japan. U.S. dollar amounts are translated from Yen at the rate of ¥112.19=U.S.\$1, solely for the convenience of the reader.

2. On 1st October 2016, the Company executed a reverse stock split at a ratio of one share per five. Net income per share were calculated as if reverse stock split was executed at the beginning of the fiscal year ended 31st March 2016.

## Non-Consolidated

	Millions of Yen				Thousands of U.S. dollars
	2017	2016	2015	2014	2017
Net sales .....	<b>¥ 39,267</b>	36,693	37,585	34,012	<b>\$ 350,002</b>
Net income .....	<b>4,038</b>	2,626	2,170	1,734	<b>35,996</b>
Total assets .....	<b>53,677</b>	52,279	50,368	47,930	<b>478,448</b>
Shareholders' equity .....	<b>36,183</b>	32,961	31,099	29,394	<b>322,511</b>
Per share (Yen and dollars)					
Net income .....	<b>¥ 419.96</b>	272.75	45.09	36.01	<b>\$ 3.74</b>
Cash dividends .....	<b>72.00</b>	13.00	11.00	10.00	<b>0.64</b>





## To Our Shareholders



We are pleased to extend our greetings to our shareholders in presenting our 108<sup>th</sup> annual report for the fiscal year ended March 31, 2017.

The Japanese economy showed moderate recovery in 2016. However, future prospects are uncertain due to the slowdown of Chinese market growth and policy trends of the new United States administration.

Regarding our group's business, demand for sophisticated power distribution products was favorable, while demand for hermetic motors and printed wiring boards recovered from the second half, so good conditions persisted overall.

Under these circumstances, our group has launched the 2018 medium-term management plan "Create the future with reliable technology" from 2016 to 2018. We have carried out promotions to expand our products and businesses, and reinforced our management base.

For the expansion of our products and businesses, we have been reinforcing the production of medium and large transformers, cost reduction through domestic production shifts and productivity improvement, and promoting sales of automatic voltage regulators, etc. To reinforce the management base, we have been revising personnel systems, expanding basic technologies and new technologies, and improving the visualization of business information.

With regard to the consolidated performance, both income and profit increased as a result of the strong performance of the Electric Power Products Group.

Compared with the previous year, sales were 74,883 million yen (an increase of 3.9%) and operating income was 6,768 million yen (an increase of 50.5%), while net income attributable to owners of the parent company was 5,294 million yen (an increase of 83.8%).

### Dividend

Our final dividend was 65 yen per share with addition of 25 yen for the 75th anniversary. Combined with the interim dividend, our total dividend was 100 yen per share.

On 1 October 2016, we executed a reverse stock split at a ratio of one share per five. Thus, the interim dividend of 7 yen per share before the reverse stock split corresponds to 35 yen after the reverse split.

## Challenges for new products and new businesses

The Electric Power Products Group has focused on biogas power generation systems and new automatic voltage regulators as key development areas with a view to market trends such as the spread of renewable energy and the progress of electric power system reforms.

In addition, we have focused on selling TVR (thyristor voltage regulator) and STATCOM (static synchronous compensator).

The Motor Products Group has expanded the range of actuators and inverters which demand is expected to increase in the future.

With regard to the actuators, we have been promoting products development for bathing support equipment and lifting equipment.

In the case of inverters, we have been working on commercialization of inverter modules for various air conditioners.

## Future prospects

Regarding future prospects, the Electric Power Products Group expects further demand for sophisticated power distribution products, but it is foreseen that the capital investment and expenditure of electric power companies will be suppressed against the background of the electric power system reform. The Motor Products Group is concerned about tough competition for orders due to the slowdown of Chinese market growth and increased in-house production by customers. Therefore,

this group will face an uncertain and severe business environment.

To respond to these changes, our group will steadily promote product strategy and management base reinforcement strategy based on the medium-term management plan with the aim of achieving sustainable growth.

As one of measures, we decided to absorb Aiden Shoji Co., Ltd. (a sales subsidiary) in October 2017, with the aim of expanding sales of products for the private sector market.

With great appreciation to all concerned, we celebrated the 75th anniversary since our foundation in May of this year.

We will continue to develop our comprehensive technological capabilities as a manufacturer with the aim of becoming a trusted 100 year company as the new start year.

We appreciate your continued understanding and support.

June, 2017



Toru Satoh  
President



# Consolidated Balance Sheets

## March 31, 2017 and 2016

	Millions of Yen		Thousands of U.S. dollars
	2017	2016	2017
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and time deposits .....	¥ 15,943	¥ 16,130	\$ 142,106
Marketable securities .....	9,300	9,401	82,895
Notes and accounts receivable			
Trade notes and accounts .....	24,385	21,727	217,355
Other accounts .....	157	279	1,400
Allowance for doubtful receivables .....	(16)	(4)	(144)
Inventories .....	10,697	11,126	95,350
Deferred tax assets .....	699	336	6,235
Other current assets .....	763	638	6,790
<b>Total current assets</b> .....	<b>61,928</b>	<b>59,633</b>	<b>551,987</b>
<b>Property, plant and equipment:</b>			
Land .....	4,260	4,260	37,975
Buildings and structures .....	24,341	24,279	216,964
Machinery and equipment .....	36,786	36,961	327,886
Construction in progress .....	59	439	525
Accumulated depreciation .....	(49,434)	(48,787)	(440,625)
	<b>16,012</b>	<b>17,152</b>	<b>142,725</b>
<b>Investments and other assets:</b>			
Investments in securities .....	5,975	5,302	53,261
Deferred tax assets .....	2,068	1,998	18,430
Other assets .....	745	822	6,643
	<b>8,788</b>	<b>8,122</b>	<b>78,334</b>
	<b>¥ 86,728</b>	<b>¥ 84,907</b>	<b>\$ 773,046</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Notes and accounts payable			
Trade notes and accounts .....	¥ 15,442	¥ 14,694	\$ 137,645
Other accounts .....	438	1,047	3,901
Short-term bank loans .....	4,646	7,056	41,413
Income and enterprise taxes payable .....	1,729	845	15,411
Accrued expenses .....	2,845	1,848	25,359
Other current liabilities .....	1,048	564	9,343
<b>Total current liabilities</b> .....	<b>26,148</b>	<b>26,054</b>	<b>233,072</b>
<b>Long-term liabilities:</b>			
Long-term debt .....	4,579	4,923	40,816
Net defined benefit liability .....	6,739	8,553	60,064
Other long-term liabilities .....	778	835	6,931
	<b>12,096</b>	<b>14,311</b>	<b>107,811</b>
<b>Shareholders' equity:</b>			
Common stock			
Authorized 119,561,000 shares in 2016			
23,912,200 shares in 2017			
Issued 48,252,061 shares in 2016			
9,650,412 shares in 2017 .....	4,053	4,053	36,126
Capital surplus .....	2,199	2,199	19,605
Retained earnings .....	40,218	35,599	358,482
Treasury stock, at cost .....	(396)	(32)	(3,527)
Unrealized gain on available-for-sale securities .....	1,282	1,020	11,424
Foreign currency translation adjustments .....	1,262	1,968	11,247
Remeasurements of defined benefit plans .....	(713)	(802)	(6,355)
Non-controlling interests .....	579	537	5,161
<b>Total shareholders' equity</b> .....	<b>48,484</b>	<b>44,542</b>	<b>432,163</b>
	<b>¥ 86,728</b>	<b>¥ 84,907</b>	<b>\$ 773,046</b>

## Consolidated Statements of Income

Years ended March 31, 2017 and 2016

	Millions of Yen		Thousands of U.S. dollars
	2017	2016	2017
<b>Net sales</b> .....	<b>¥ 74,883</b>	¥ 72,066	<b>\$ 667,468</b>
<b>Cost of sales</b> .....	<b>60,921</b>	60,725	<b>543,021</b>
<b>Gross profit</b> .....	<b>13,962</b>	11,341	<b>124,447</b>
<b>Selling, general and administrative expenses</b> .....	<b>7,194</b>	6,844	<b>64,123</b>
<b>Operating income</b> .....	<b>6,768</b>	4,497	<b>60,324</b>
<b>Other income (expenses):</b>			
Interest and dividend income .....	<b>120</b>	121	<b>1,067</b>
Interest expense .....	<b>(151)</b>	(190)	<b>(1,347)</b>
Other, net .....	<b>449</b>	247	<b>4,008</b>
<b>Income before income taxes</b> .....	<b>7,186</b>	4,675	<b>64,052</b>
<b>Income taxes</b>			
Current .....	<b>2,363</b>	1,620	<b>21,060</b>
Deferred .....	<b>(542)</b>	147	<b>(4,832)</b>
<b>Net income</b> .....	<b>5,365</b>	2,908	<b>47,824</b>
<b>Net income attributable to non-controlling interests</b> .....	<b>71</b>	28	<b>640</b>
<b>Net income attributable to owners of parent</b> .....	<b>¥ 5,294</b>	¥ 2,880	<b>\$ 47,184</b>
<b>Per share of common stock:</b>			
Net income .....	<b>¥ 550.80</b>	¥ 299.34	<b>\$ 4.91</b>



## Consolidated Statements of Changes in Equity

### Years ended March 31, 2017 and 2016

	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										
<b>Balance at March 31, 2015</b>	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)
<b>Balance at March 31, 2016</b>	48,252,061	¥4,053	¥2,199	¥35,599	¥(32)	¥1,020	¥1,968	¥(802)	¥537	¥44,542
Millions of Yen										
<b>Balance at March 31, 2016</b>	<b>48,252,061</b>	<b>¥4,053</b>	<b>¥2,199</b>	<b>¥35,599</b>	<b>¥(32)</b>	<b>¥1,020</b>	<b>¥1,968</b>	<b>¥(802)</b>	<b>¥537</b>	<b>¥44,542</b>
Net income attributable to owners of parent	—	—	—	5,294	—	—	—	—	—	5,294
Cash dividends	—	—	—	(675)	—	—	—	—	—	(675)
Purchase of treasury stock	—	—	—	—	(364)	—	—	—	—	(364)
Disposal of treasury stock	—	—	0	—	0	—	—	—	—	0
Consolidation of shares	(38,601,649)	—	—	—	—	—	—	—	—	—
Net changes during the year	—	—	—	—	—	262	(706)	89	42	(313)
<b>Balance at March 31, 2017</b>	<b>9,650,412</b>	<b>¥4,053</b>	<b>¥2,199</b>	<b>¥40,218</b>	<b>¥(396)</b>	<b>¥1,282</b>	<b>¥1,262</b>	<b>¥(713)</b>	<b>¥579</b>	<b>¥48,484</b>
Thousands of U.S. dollars										
<b>Balance at March 31, 2016</b>	<b>48,252,061</b>	<b>\$36,126</b>	<b>\$19,602</b>	<b>\$317,305</b>	<b>\$(283)</b>	<b>\$9,086</b>	<b>\$17,544</b>	<b>\$(7,146)</b>	<b>\$4,789</b>	<b>\$397,023</b>
Net income attributable to owners of parent	—	—	—	47,184	—	—	—	—	—	47,184
Cash dividends	—	—	—	(6,007)	—	—	—	—	—	(6,007)
Purchase of treasury stock	—	—	—	—	(3,249)	—	—	—	—	(3,249)
Disposal of treasury stock	—	—	3	—	5	—	—	—	—	8
Consolidation of shares	(38,601,649)	—	—	—	—	—	—	—	—	—
Net changes during the year	—	—	—	—	—	2,338	(6,297)	791	372	(2,796)
<b>Balance at March 31, 2017</b>	<b>9,650,412</b>	<b>\$36,126</b>	<b>\$19,602</b>	<b>\$358,482</b>	<b>\$(3,527)</b>	<b>\$11,424</b>	<b>\$11,247</b>	<b>\$(6,355)</b>	<b>\$5,161</b>	<b>\$432,163</b>



## Consolidated Statements of Cash Flows

Years ended March 31, 2017 and 2016

	Millions of Yen		Thousands of U.S. dollars
	2017	2016	2017
<b>Cash flows from operating activities</b>			
Income before income taxes	¥ 7,186	¥ 4,675	\$ 64,052
Adjustments for:			
Depreciation and amortization	2,412	2,383	21,498
Increase (decrease) in net defined benefit liability	(1,698)	141	(15,131)
Equity in net loss (income) of affiliated companies	(267)	(189)	(2,376)
Decrease (increase) in trade receivables	(3,052)	3,629	(27,201)
Decrease (increase) in inventories	212	791	1,886
Increase (decrease) in trade payable	747	(1,536)	6,657
Other-net	2,025	(92)	18,046
Sub-total	7,565	9,802	67,431
Interest and dividend received	126	124	1,119
Interest paid	(147)	(192)	(1,307)
Income taxes paid	(1,576)	(1,950)	(14,044)
Net cash provided by operating activities	5,968	7,784	53,199
<b>Cash flows from investing activities</b>			
Payments for purchase of property, plant and equipment	(1,863)	(2,685)	(16,616)
Proceeds from sales of property, plant and equipment	1	3	12
Purchases of marketable securities and investment securities	(15)	(116)	(135)
Proceeds from sales of marketable securities and investment securities	8	0	74
Other-net	(39)	(1,790)	(345)
Net cash used in investing activities	(1,908)	(4,588)	(17,010)
<b>Cash flows from financing activities</b>			
Increase (decrease) in short-term loans	(1,954)	(317)	(17,417)
Proceeds from long-term debt	1,850	1,300	16,490
Payment for long-term debt	(2,649)	(3,310)	(23,614)
Cash dividends	(674)	(578)	(6,006)
Other-net	(525)	(168)	(4,680)
Net cash provided by financing activities	(3,952)	(3,073)	(35,227)
Effects of exchange rate changes on cash and cash equivalents	(330)	(103)	(2,944)
Net increase (decrease) in cash and cash equivalents	(222)	20	(1,982)
Cash and cash equivalents at beginning of year	15,428	15,408	137,517
Cash and cash equivalents at end of year	¥ 15,206	¥ 15,428	\$ 135,535



## Non-Consolidated Balance Sheets

### March 31, 2017 and 2016

	Millions of Yen		Thousands of U.S. dollars
	2017	2016	2017
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and time deposits .....	¥ 5,690	¥ 5,695	\$ 50,719
Marketable securities .....	9,300	9,300	82,895
Notes and accounts receivable			
Trade notes and accounts .....	12,290	11,333	109,546
Other accounts .....	45	66	403
Allowance for doubtful receivables .....	(1)	(1)	(12)
Inventories .....	4,798	5,011	42,762
Deferred tax assets .....	464	190	4,137
Other current assets .....	1,045	544	9,323
<b>Total current assets</b> .....	<b>33,631</b>	<b>32,138</b>	<b>299,773</b>
<b>Property, plant and equipment:</b>			
Land .....	2,801	2,801	24,971
Buildings and structures .....	11,751	11,662	104,739
Machinery and equipment .....	16,952	17,143	151,097
Construction in progress .....	12	9	104
Accumulated depreciation .....	(24,042)	(23,931)	(214,295)
	<b>7,474</b>	<b>7,684</b>	<b>66,616</b>
<b>Investments and other assets:</b>			
Investments in securities .....	2,754	2,441	24,551
Investments in subsidiaries and affiliates .....	7,804	7,783	69,558
Deferred tax assets .....	1,052	997	9,374
Other assets .....	962	1,236	8,576
	<b>12,572</b>	<b>12,457</b>	<b>112,059</b>
	<b>¥ 53,677</b>	<b>¥ 52,279</b>	<b>\$ 478,448</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Notes and accounts payable			
Trade notes and accounts .....	¥ 8,423	¥ 8,498	\$ 75,074
Other accounts .....	305	405	2,717
Short-term bank loans .....	730	2,320	6,507
Income and enterprise taxes payable .....	1,495	762	13,328
Accrued expenses .....	1,581	953	14,095
Other current liabilities .....	665	293	5,927
<b>Total current liabilities</b> .....	<b>13,199</b>	<b>13,231</b>	<b>117,648</b>
<b>Long-term liabilities:</b>			
Long-term debt .....	1,000	1,000	8,913
Retirement benefits .....	2,905	4,664	25,899
Other long-term liabilities .....	390	423	3,477
	<b>4,295</b>	<b>6,087</b>	<b>38,289</b>
<b>Shareholders' equity:</b>			
Common stock			
Authorized 119,561,000 shares in 2016			
23,912,200 shares in 2017			
Issued 48,252,061 shares in 2016			
9,650,412 shares in 2017 .....	4,053	4,053	36,126
Capital surplus .....	2,199	2,199	19,605
Retained earnings .....	29,267	25,903	260,874
Treasury stock, at cost .....	(391)	(28)	(3,492)
Unrealized gain on available-for-sale securities .....	1,055	834	9,398
<b>Total shareholders' equity</b> .....	<b>36,183</b>	<b>32,961</b>	<b>322,511</b>
	<b>¥ 53,677</b>	<b>¥ 52,279</b>	<b>\$ 478,448</b>



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## Outline of the Company

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### Corporate Data (As of March 31, 2017)

Head Office:	1, Aichi-cho, Kasugai city, Aichi 486-8666, Japan Phone: +81-568-31-1111 Fax: +81-568-35-1242 URL: <a href="http://www.aichidenki.jp">http://www.aichidenki.jp</a>
Established:	1942
Capital:	¥4,053 million
Shares:	Authorized 23,912,200 Issued 9,650,412
Number of Shareholders:	3,001
Number of Employees:	Consolidated 2,369 Non-consolidated 762
Office Location:	Sapporo, Sendai, Tokyo, Osaka, Fukuoka, Naha Suzhou (China)

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### Board of Directors and Auditors (As of June 29, 2017)

President:	Toru Satoh
Managing Directors:	Makoto Andou Teruo Ono
Directors:	Katsumi Nonomura Hideki Hosoe Hiroshi Sugiyama Toshiyuki Miyakawa Toshinobu Ando Kazuo Kobayashi Shinobu Kato
Outside Directors:	Nozomu Amano Hitoshi Okubo
Standing Auditor:	Makoto Yamada
Outside Auditors:	Kazuhiro Matsubara Masatoshi Hori

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