

ANNUAL REPORT 2012

Year ended March 31, 2012

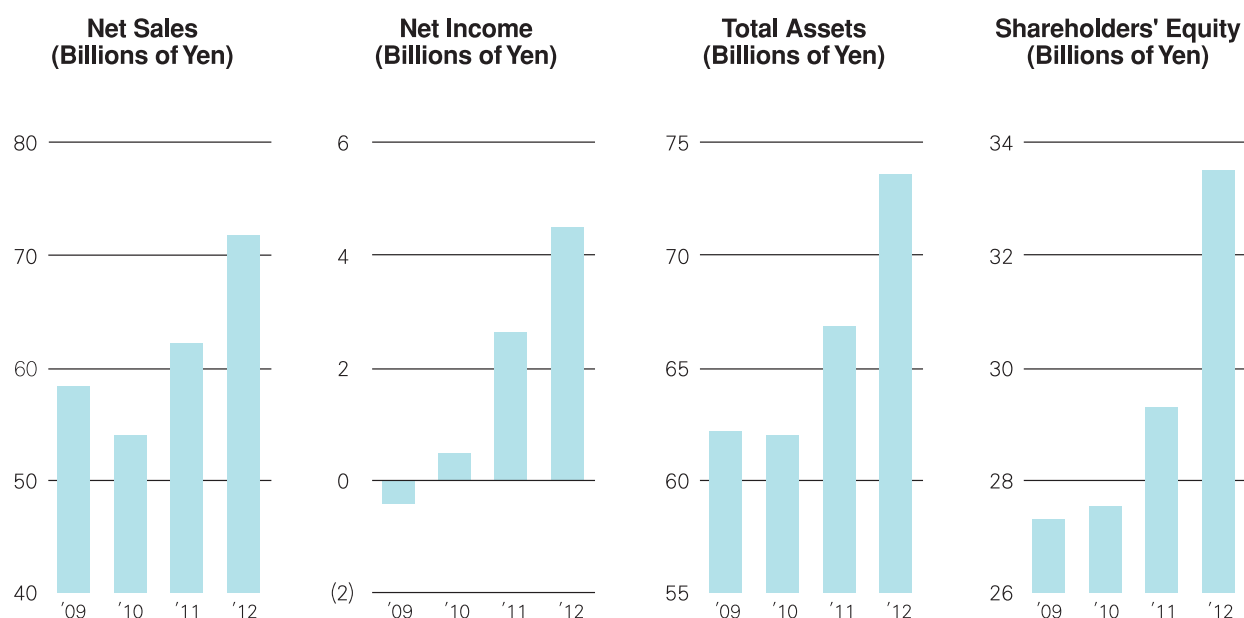
AICHI ELECTRIC CO., LTD.

Financial Highlights

Years ended March 31

Consolidated

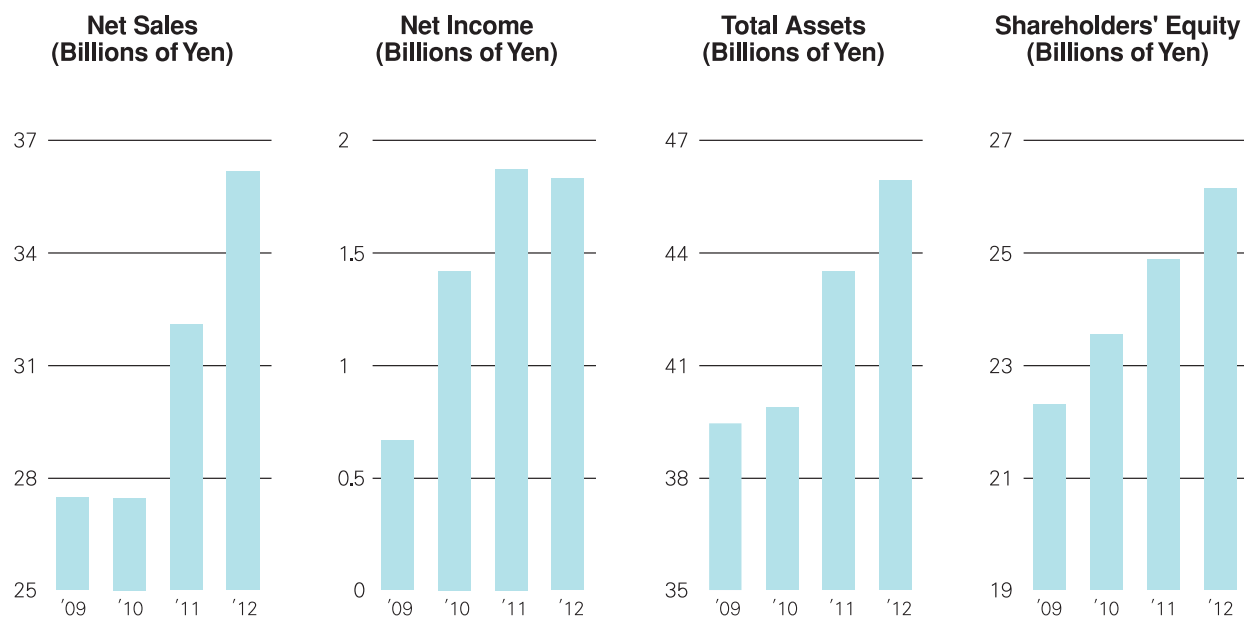
		Millions of Yen			Thousands of U.S. dollars
		2012	2011	2010	2009
Net sales.....	¥ 71,932	62,186	54,019	58,543	\$ 875,192
Net income	4,523	2,667	459	(415)	55,035
Total assets.....	73,630	66,800	61,954	62,160	895,850
Shareholders' equity	33,445	29,361	27,488	27,254	406,919
Per share (Yen and dollars)					
Net income	¥ 94.00	55.42	9.54	(8.62)	\$ 1.14



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 ¥82.19=U.S.\$1, solely for the convenience of the reader.

Non-Consolidated

		Millions of Yen			Thousands of U.S. dollars
		2012	2011	2010	2009
Net sales.....	¥ 36,198	32,111	27,465	27,546	\$ 440,414
Net income	1,831	1,861	1,421	659	22,283
Total assets	45,927	43,437	39,870	39,475	558,786
Shareholders' equity.....	26,145	24,830	23,578	22,346	318,104
Per share (Yen and dollars)					
Net income	¥ 38.04	38.65	29.51	13.69	\$ 0.46
Cash dividends	11.50	7.50	6.50	6.00	0.14



To Our Shareholders



We, Aichi Electric Co., Ltd was founded in 1942, making this our 70th anniversary year and we have great appreciation for all concerned. Since our foundation we have produced various products such as transformers, control equipment, and motors by pushing technology and encouraging a passion for manufacturing. With our philosophy of “Create good products, develop human resources and establish good relationships”, we aim to enhance the value of our company for all stakeholders.

We are pleased to extend our greetings to our shareholders in presenting our 103rd annual report for the fiscal year ended March 31, 2012.

Outline of business operations

The Japanese economy in 2012 improved slowly after the Great East Japan Earthquake of last March. However the economy is still in a severe situation due to the influence of European debt crisis, the historically sharp appreciation of the yen, and the massive flood disaster in Thailand.

Regarding the business condition of our group, it improved due to the steady expansion of the air conditioning market in China, though there was some influence on material procurement.

In this situation, under the Transform & Actuate Phase II middle term management plan, we made efforts to raise the level of our manufacturing by absolute quality improvement, shortening the lead time from order receipt to shipment, while tackling the expansion of our overseas business, and creating new products and new businesses.

We also reinforced the group company management through making Aikokiki Mfg Co., Ltd. and Gifu Aichi Electric Co., Ltd our wholly owned subsidiary companies.

In addition to these measures, as a result of integrated manufacturing and sales activities and positive value engineering and cost reductions, we achieved steady consolidated sales both for the Electric Power Products Group and the Motor Products Group. Our sales were 71,932 million yen, an increase of 15.7% over the previous fiscal year and the operating income was 6,209 million yen, an increase of 48.7%, and net profit was 4,523 million yen, a 69.6% increase on the previous fiscal year.

The year-end dividend to stockholders was 7.5 yen after adding 3 yen of our 70th anniversary commemorative dividend. After adding the intermediate dividend, the dividend of the 103rd fiscal year was 11.5 yen per share.

The performance by group was as follows.

Sales condition

The sales of the Electric Power Products Group were 31,809 million yen, a 11.3% increase over the previous year. Sales were increased by greater small transformer sales to electric power companies and Top-runner transformers for private customers and overseas construction, in spite of a decrease in control

equipment sales.

In the Motor Products Group, sales were increased significantly due to the demand for nursing care equipment and small motors in China.

In the Electric Power Products Group, we introduced the next generation of distribution demonstration test facilities to prepare for the full-scale spread of smart grid related products. With these facilities, we develop voltage fluctuation measures and develop and make step voltage regulators. In addition, we are increasing our overseas development of transformer products.

In the Motor Products Group, we developed and started to sell inverter drive modules for air conditioners, targeting the Chinese market. Aiming at entering the motor market for electric vehicles, which is expected to grow, we established the Suzhou Aichi Gauss Motor Co., Ltd. joint venture company and are making preparations for full-scale operation.

The prospects of the business environment that surrounds us are unpredictable. Based on the Transform & Actuate Phase II middle term management plan, we will continue to reinforce our strength as a manufacturer by continuously tackling measures such as absolute quality improvement, shortening the lead time from order receipt to shipment, and human resource development. In accordance with the direction that was determined in the fundamental strategy, Next Stage 27, we will further promote markets such as smart grid related products and the newly emerging markets which can be expected in the future.

As well as offering high quality products and services, we will carry out our social responsibilities such as our reducing environmental load and complying with

relevant regulations, and we aim to be a corporate group which is trusted by stockholders, customers and society.

We appreciate your continued understanding and support.

June, 2012



Isao Yamada

President

Consolidated Balance Sheets

March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. dollars
	2012	2011	2012
ASSETS			
Current assets:			
Cash and time deposits	¥ 12,006	¥ 12,182	\$ 146,074
Marketable securities (Note 2)	4,411	2,400	53,666
Notes and accounts receivable			
Trade notes and accounts	22,608	18,627	275,070
Other accounts	130	116	1,578
Allowance for doubtful receivables (Note 2)	(10)	(11)	(117)
Inventories (Notes 2 and 3)	11,187	10,093	136,109
Deferred tax assets	239	258	2,908
Other current assets	656	146	7,986
Total current assets	51,227	43,811	623,274
Property, plant and equipment (Note 2):			
Land	4,240	4,240	51,588
Buildings and structures	22,889	22,868	278,484
Machinery and equipment	32,957	33,162	400,985
Construction in progress	593	178	7,211
Accumulated depreciation	(45,494)	(45,089)	(553,517)
	15,185	15,359	184,751
Investments and other assets:			
Investments in securities (Note 2)	4,155	4,374	50,557
Deferred tax assets	2,458	2,660	29,911
Other assets	605	596	7,357
	7,218	7,630	87,825
	¥ 73,630	¥ 66,800	\$ 895,850

The accompanying notes are an integral part of these statements.

	Millions of Yen		Thousands of U.S. dollars
	2012	2011	2012
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Notes and accounts payable			
Trade notes and accounts.....	¥ 16,671	¥ 13,261	\$ 202,831
Other accounts.....	844	692	10,266
Short-term bank loans.....	7,403	7,270	90,075
Income and enterprise taxes payable.....	897	1,275	10,908
Accrued expenses.....	2,181	1,989	26,534
Other current liabilities	582	954	7,093
Total current liabilities	28,578	25,441	347,707
Long-term liabilities:			
Long-term debt.....	3,764	3,852	45,794
Retirement benefits.....	6,801	6,877	82,745
Other Long-term liabilities	1,042	1,269	12,685
	11,607	11,998	141,224
Shareholders' equity:			
Common stock			
Authorized 119,561,000 shares			
Issued 48,252,061 shares.....	4,053	4,053	49,313
Capital surplus.....	2,199	2,199	26,757
Retained earnings.....	26,954	22,816	327,952
Treasury stock, at cost.....	(27)	(26)	(335)
Unrealized gain on available-for-sale securities.....	297	424	3,617
Foreign currency translation adjustment	(366)	(372)	(4,462)
Minority interests	335	267	4,077
Total shareholders' equity.....	33,445	29,361	406,919
	¥ 73,630	¥ 66,800	\$ 895,850

Consolidated Statements of Income and Retained Earnings

Two Years ended March 31, 2012

	Millions of Yen		Thousands of U.S. dollars
	2012	2011	2012
Net sales	¥ 71,932	¥ 62,186	\$ 875,192
Cost of sales	59,525	52,600	724,242
Gross profit	12,407	9,586	150,950
Selling, general & administrative expenses	6,198	5,412	75,402
Operating income	6,209	4,174	75,548
Other income (expenses):			
Interest & dividend income.....	89	86	1,084
Interest expenses.....	(202)	(217)	(2,453)
Other, net	571	159	6,936
Income before income taxes	6,667	4,202	81,115
Income taxes			
Current	1,818	1,741	22,119
Deferred	326	(237)	3,959
Minority interests in net income	0	31	2
Net Income	¥ 4,523	¥ 2,667	\$ 55,035

	Yen		U.S. dollars
Per Share of common stock (Note 2):			
Net income.....	¥ 94.00	¥ 55.42	\$ 1.14

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Equity

Two Years ended March 31, 2012

	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gain on available-for-sale securities	Foreign currency translation adjustment	Minority interests	Total
Millions of Yen									
Balance at April 1, 2010	48,252,061	¥ 4,053	¥ 2,199	¥20,486	¥ (25)	¥719	¥(182)	¥238	¥27,488
Net income	—	—	—	2,667	—	—	—	—	2,667
Cash dividends	—	—	—	(337)	—	—	—	—	(337)
Purchase of treasury stock	—	—	—	—	(1)	—	—	—	(1)
Net changes during the year	—	—	—	—	—	(295)	(190)	29	(456)
Balance at March 31, 2011	48,252,061	4,053	2,199	22,816	(26)	424	(372)	267	29,361
Balance at April 1, 2011	48,252,061	4,053	2,199	22,816	(26)	424	(372)	267	29,361
Net income	—	—	—	4,523	—	—	—	—	4,523
Cash dividends	—	—	—	(385)	—	—	—	—	(385)
Purchase of treasury stock	—	—	—	—	(1)	—	—	—	(1)
Net changes during the year	—	—	—	—	—	(127)	6	68	(53)
Balance at March 31, 2012	48,252,061	¥4,053	¥2,199	¥26,954	¥(27)	¥297	¥(366)	¥335	¥33,445

Thousands of U.S. dollars									
Balance at April 1, 2011	48,252,061	\$ 49,313	\$26,757	\$277,603	\$(325)	\$5,158	\$(4,523)	\$3,252	\$357,235
Net income	—	—	—	55,035	—	—	—	—	55,035
Cash dividends	—	—	—	(4,686)	—	—	—	—	\$(4,686)
Purchase of treasury stock	—	—	—	—	(10)	—	—	—	\$(10)
Net changes during the year	—	—	—	—	—	(1,541)	61	825	\$(655)
Balance at March 31, 2012	48,252,061	\$ 49,313	\$26,757	\$327,952	\$(335)	\$3,617	\$(4,462)	\$4,077	\$406,919

Consolidated Statements of Cash Flows

Two Years ended March 31, 2012

	Millions of Yen		Thousands of U.S. dollars
	2012	2011	2012
Cash flows from operating activities			
Income before taxes and minority interests	¥6,667	¥ 4,202	\$ 81,115
Adjustments for:			
Depreciation and amortization	2,106	2,232	25,622
Increase (decrease) in allowance for retirement benefits	(76)	196	(930)
Equity in net loss (income) of affiliated companies	(62)	19	(757)
Decrease (increase) in trade receivables	(4,569)	(3,144)	(55,590)
Decrease (increase) in inventories	(919)	(882)	(11,182)
Increase (decrease) in trade payable	3,317	1,529	40,363
Other-net	162	520	1,975
Sub-total	6,626	4,672	80,616
Interest and dividend received	95	94	1,154
Interest paid	(202)	(221)	(2,452)
Income taxes paid	(2,195)	(1,229)	(26,702)
Net cash provided by operating activities	4,324	3,316	52,616
Cash flows from investing activities			
Payments for purchase of property, plant and equipment	(1,566)	(1,261)	(19,054)
Proceeds from sales of property, plant and equipment	15	156	186
Purchases of marketable securities and investment securities	(15)	(74)	(187)
Proceeds from sales of marketable securities and investment securities	13	5	158
Other-net	(2,595)	(1,917)	(31,577)
Net cash used in investing activities	(4,148)	(3,091)	(50,474)
Cash flows from financing activities			
Increase (decrease) in short-term loans	908	(380)	11,047
Proceeds from long-term debt	2,500	1,937	30,417
Payment for long-term debt	(3,364)	(1,652)	(40,929)
Cash dividends	(385)	(337)	(4,685)
Other-net	31	(122)	380
Net cash provided by financing activities	(310)	(554)	(3,770)
Effects of exchange rate changes on cash and cash equivalents	10	(88)	121
Net (decrease) increase in cash and cash equivalents	(124)	(417)	(1,507)
Cash and cash equivalents at beginning of year	11,638	12,055	141,594
Cash and cash equivalents at end of year	¥11,514	¥ 11,638	\$ 140,087

Notes to the Consolidated Financial Statements

1. Basis of Presenting Financial Statements

The accompanying consolidated financial statements of Aichi Electric Co., Ltd. (the “Company”) and its consolidated subsidiaries have been prepared in conformity with generally accepted accounting principles and practices in Japan. In preparing the consolidated financial statements for the purpose of inclusion in this Annual Report, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in Japan in order to present these statements in a form which is more familiar to readers outside Japan.

2. Summary of Significant Accounting Policies

(1) Consolidation

The consolidated financial statements include the accounts of the Company and its 8 (8 in 2011) domestic subsidiaries and 2 (1 in 2011) overseas subsidiary. 2 (2 in 2011) companies were not accounted for by the equity method.

Unconsolidated subsidiaries are insignificant to consolidation.

(2) Inventories

Inventories of finished goods and work in process are stated at cost as determined by the specific identification method. Inventories of merchandise, raw materials and supplies are stated at cost as determined by the moving average method.

(3) Investments in securities

Publicly traded equity securities included in investments in securities are stated at the lower of cost or market value as determined by the moving average method. Other securities are stated at cost as determined by the moving average method.

(4) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Depreciation for tangible assets is computed by the declining balance method based on the useful lives prescribed under the Japanese tax regulations, ranging from 3 to 60 years for buildings and structures and from 4 to 8 years for machinery and equipment.

(5) Lease

Property, plant and equipment capitalized under finance lease arrangements are depreciated over the lease term of the respective assets up to no residual values. However, as permitted, finance leases commencing prior to April 1, 2008, which do not transfer ownership of the leased property to the lessee, are accounted for as operating leases with disclosure of certain “as if capitalized” information.

(6) Allowance for doubtful receivables

The Company and its consolidated subsidiaries provide the allowance for doubtful accounts in an amount sufficient to cover possible losses on collection by estimating individually uncollectible amounts and applying a percentage based on collection experience to the remaining accounts.

(7) Retirement benefits

The liability and expenses for severance and retirement benefits are determined based on amounts actuarially calculated using certain assumptions. The Domestic Companies provide allowance for employees' severance and retirement benefits at the end of the fiscal year based on the estimated amounts of projected benefit obligation. Prior service costs are recognized in expenses in equal amounts over 3 years, and actuarial gains and losses are recognized in expenses in equal amounts mainly over 15 years, which is within the average of the estimated remaining service years, commencing with the following period.

(8) Amounts per share of common stock

The computation of net income (loss) per share is based on the weighted average number of shares of common stock outstanding during the year. Cash dividends per share presented in the consolidated statements represent actual amounts applicable to the respective years.

(9) Cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities that do not exceed three months at the time of purchase, are considered to be cash and cash equivalents.

3. Inventories

Inventories at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. dollars
	2012	2011	2012
Finished goods	¥ 3,059	¥ 3,111	\$ 37,217
Merchandise.....	315	256	3,837
Raw materials	4,300	3,121	52,313
Work in process	3,207	3,304	39,016
Supplies	306	301	3,726
	<u>¥ 11,187</u>	<u>¥ 10,093</u>	<u>\$ 136,109</u>

Non-Consolidated Balance Sheets

March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. dollars
	2012	2011	2012
ASSETS			
Current assets:			
Cash and time deposits.....	¥ 5,620	¥ 6,554	\$ 68,377
Marketable securities (Note 2).....	4,300	2,300	52,321
Notes and accounts receivable			
Trade notes and accounts.....	11,335	9,191	137,914
Other accounts.....	91	85	1,112
Allowance for doubtful receivables (Note 2).....	(1)	(0)	(15)
Inventories (Notes 2 and 3).....	4,633	5,364	56,366
Deferred tax assets.....	230	256	2,796
Other current assets.....	536	33	6,524
Total current assets	26,744	23,783	325,395
Property, plant and equipment (Note 2):			
Land.....	2,688	2,688	32,709
Buildings and structures.....	11,410	11,183	138,827
Machinery and equipment.....	14,992	15,139	182,410
Construction in progress.....	67	1	812
Accumulated depreciation.....	(22,417)	(22,191)	(272,756)
	6,740	6,820	82,002
Investments and other assets:			
Investments in securities (Note 2).....	1,911	2,102	23,252
Investments in subsidiaries and affiliates.....	7,481	7,444	91,017
Deferred tax assets.....	1,261	1,318	15,340
Other assets.....	1,790	1,970	21,780
Investments and other assets.....	12,443	12,834	151,389
	¥ 45,927	¥ 43,437	\$ 558,786

The accompanying notes are an integral part of these statements.

	Millions of Yen		Thousands of U.S. dollars
	2012	2011	2012
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Notes and accounts payable			
Trade notes and accounts	¥ 9,569	¥ 7,354	\$ 116,423
Other accounts	563	240	6,845
Short-term bank loans	2,320	3,546	28,227
Income and enterprise taxes payable	657	1,031	7,992
Accrued expenses	1,134	1,132	13,800
Other current liabilities	312	499	3,804
Total current liabilities	14,555	13,802	177,091
Long-term liabilities:			
Long-term debt	1,000	568	12,167
Retirement benefits (Note 2)	4,007	3,996	48,749
Other Long-term liabilities	220	241	2,675
	5,227	4,805	63,591
Shareholders' equity:			
Common stock			
Authorized 119,561,000 shares			
Issued 48,252,061 shares	4,053	4,053	49,313
Capital surplus	2,199	2,199	26,757
Retained earnings	19,660	18,214	239,205
Treasury stock, at cost	(23)	(23)	(285)
Unrealized gain on available-for-sale securities	256	387	3,114
Total shareholders' equity	26,145	24,830	318,104
	¥ 45,927	¥ 43,437	\$ 558,786

Non-Consolidated Statements of Income and Retained Earnings

Two Years ended March 31, 2012

	Millions of Yen		Thousands of U.S. dollars
	2012	2011	2012
Net sales	¥ 36,198	¥ 32,111	\$ 440,414
Cost of sales	30,047	26,155	365,574
Gross profit	6,151	5,956	74,840
Selling, general & administrative expenses	3,051	2,984	37,128
Operating income	3,100	2,972	37,712
Other income(expenses):			
Interest & dividend income	126	107	1,533
Interest expense.....	(56)	(67)	(686)
Other, net.....	225	179	2,753
Income before income taxes	3,395	3,191	41,312
Income Taxes			
Current	1,370	1,457	16,663
Deferred	194	(127)	2,366
Net Income	¥ 1,831	¥ 1,861	\$ 22,283
	Yen		U.S. dollars
Per Share of common stock (Note 2):			
Net income	¥ 38.04	¥ 38.65	\$ 0.46
Cash dividends	11.50	7.50	0.14

The accompanying notes are an integral part of these statements.

Notes to the Non-Consolidated Financial Statements

1. Basis of Presenting Financial Statements

The accompanying non-consolidated financial statements of Aichi Electric Co., Ltd. (the "Company") have been prepared in conformity with generally accepted accounting principles and practices in Japan. In preparing the non-consolidated financial statements for the purpose of inclusion in this Annual Report, certain reclassifications and rearrangements have been made to the non-consolidated financial statements issued domestically in Japan in order to present these statements in a form which is more familiar to readers outside Japan.

2. Summary of Significant Accounting Policies

(1) Inventories

Inventories of finished goods and work in process are stated at cost as determined by the specific identification method. Inventories of merchandise, raw materials and supplies are stated at cost as determined by the moving average method.

(2) Investments in securities

Publicly traded equity securities included in investments in securities are stated at the lower of cost or market value as determined by the moving average method. Other securities are stated at cost as determined by the moving average method.

(3) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Depreciation for tangible assets is computed by the declining balance method based on the useful lives prescribed under the Japanese tax regulations, ranging from 3 to 50 years for buildings and from 4 to 7 years for machinery and equipment.

(4) Lease

Property, plant and equipment capitalized under finance lease arrangements are depreciated over the lease term of the respective assets up to no residual values. However, as permitted, finance leases commencing prior to April 1, 2008, which do not transfer ownership of the leased property to the lessee, are accounted for as operating leases with disclosure of certain "as if capitalized" information.

(5) Allowance for doubtful receivables

The Company provides the allowance for doubtful accounts in an amount sufficient to cover possible losses on collection by estimating individually uncollectible amounts and applying a percentage based on collection experience to the remaining accounts.

(6) Retirement benefits

The liability and expenses for severance and retirement benefits are determined based on amounts actuarially calculated using certain assumptions. The Company provides allowance for employees' severance and retirement benefits at the end of the fiscal year based on the estimated amounts of projected benefit obligation. Prior service costs are recognized in expenses in equal amounts over 3 years, and actuarial gains and losses are recognized in expenses in equal amounts mainly over 15 years, which is within the average of the estimated remaining service years, commencing with the following period.

(7) Amounts per share of common stock

The computation of net income (loss) per share is based on the weighted average number of shares of common stock outstanding during the year. Cash dividends per share presented in non-consolidated statements represent actual amounts applicable to the respective years.

3. Inventories

Inventories at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. dollars
	2012	2011	2012
Finished goods.....	¥ 1,054	¥ 1,593	\$ 12,826
Merchandise.....	2	3	24
Raw materials.....	1,277	1,389	15,536
Work in process.....	2,204	2,283	26,810
Supplies.....	96	96	1,170
	<u>¥ 4,633</u>	<u>¥ 5,364</u>	<u>\$ 56,366</u>

Outline of the Company

Corporate Data (As of March 31, 2012)

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: 3,078
Number of Employees: 793
Office Location: Sapporo, Sendai, Tokyo,
Osaka, Fukuoka, Naha
Suzhou (China)

Board of Directors and Auditors (As of June 28, 2012)

President: Isao Yamada

Executive Managing Director: Toru Satoh

Managing Director: Toshihiko Kusumi

Directors: Makoto Andoh
Toshio Nishimi
Hiroshi Yano
Teruo Ono
Tatsuyoshi Kato
Makoto Yamada
Atsushi Kitanoya
Kazuhiko Usami

Standing Auditor: Kozo Furuhashi
Auditors: Masaaki Kajita
Hidetaka Tomita
Satoshi Takeo
