

ANNUAL REPORT 2015

Year ended March 31, 2015

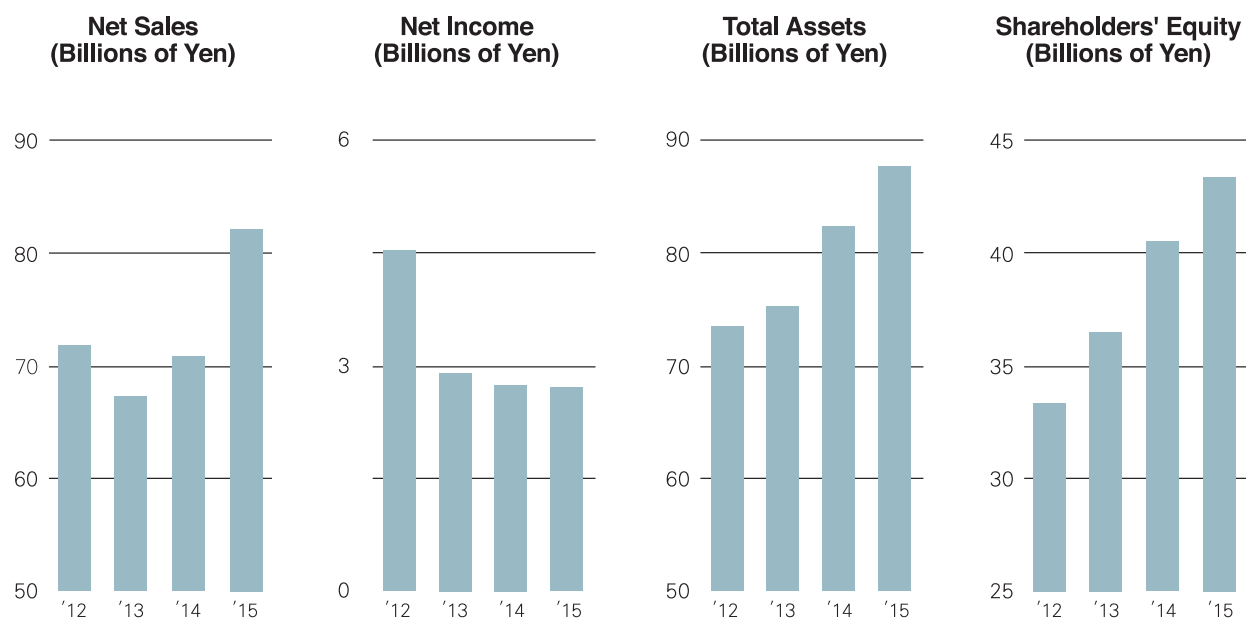
AICHI ELECTRIC CO., LTD.

Financial Highlights

Years ended March 31

Consolidated

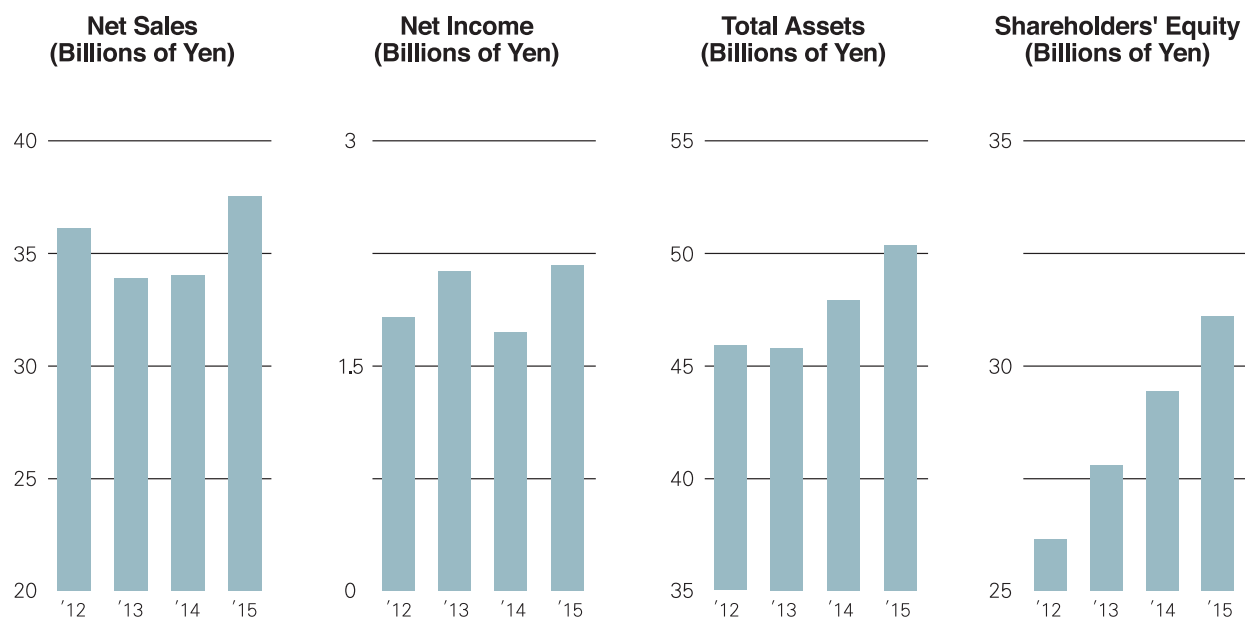
	Millions of Yen				Thousands of U.S. dollars
	2015	2014	2013	2012	2015
Net sales	¥ 82,085	70,931	67,110	71,932	\$ 683,071
Net income	2,728	2,777	2,909	4,523	22,697
Total assets	87,878	82,388	75,209	73,630	731,281
Shareholders' equity	43,494	40,497	36,499	33,445	361,936
Per share (Yen and dollars)					
Net income	¥ 56.69	57.72	60.45	94.00	\$ 0.47



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 ¥120.17=U.S.\$1, solely for the convenience of the reader.

Non-Consolidated

	Millions of Yen				Thousands of U.S. dollars
	2015	2014	2013	2012	2015
Net sales	¥ 37,585	34,012	33,819	36,198	\$ 312,764
Net income	2,170	1,734	2,132	1,831	18,061
Total assets	50,368	47,930	45,828	45,927	419,142
Shareholders' equity	31,099	29,394	27,791	26,145	258,789
Per share (Yen and dollars)					
Net income	¥ 45.09	36.01	44.28	38.04	\$ 0.38
Cash dividends	11.00	10.00	9.00	11.50	0.09



To Our Shareholders



We would like to present our 106th annual report for the fiscal year ending March 31, 2015.

The Japanese economy maintained a moderate recovery in 2014, by increased equipment investment based on improved corporate performance, despite a prolonged influence from the consumption tax hike.

Regarding business conditions of our group, demand for electric power products in the private sector and for motor products was steady. However, supply of electric power products to electric power companies remained severe due to a decline in sales price and increase in the cost of imported materials.

Under these conditions, our group has focused on expanding our customer base and promoting the sale of products to the private sector. We have also endeavored to reduce costs and improve production efficiency and performance.

The Electric Power Products Group has expanded its transformer-related products and business, and the Motor Products Group has worked to expand its overseas business for motor products and application of actuator products, which are to strengthen the business activity base.

Due to steady sales in Electric Power Products and Motor Products, our consolidated sales and profits increased over the previous year, but our net profit decreased slightly as a result of corporate tax increase. Compared with the previous year, sales were 82,085 million yen for an increase of 15.7%, operating income was 3,891 million yen for an increase of 26.0% and net profit was 2,728 million yen for a decrease of 1.8%.

Our year-end dividend was 6 yen per share. And after adding the midterm dividend, our final dividend for the 106th fiscal year was 11 yen per share.

Performance by our group was as follows

Sales condition

Sales achieved by the Electric Power Products Group was 31,229 million yen, for an 8.7% increase over the previous year. Although medium- and large-size transformer sales to electric power companies decreased, top runner transformers and overseas plant construction business increased in addition to the steady demand for control equipment.

In the Motor Products Group, sales were 50,855 million yen, for a 20.5% increase over the previous year. In addition to continued steady sales of nursing care equipment, hermetic motor sales in the Chinese market increased substantially. Meanwhile, printed circuit board sales remained unchanged from the previous year.

Challenge for new products, new business

In the Electric Power Products for the domestic market, we worked to expand orders for step voltage regulators such as SVR for reverse flow, TVR, etc. as well as to promote transformer repair business by setting up a new repair line. We continued to expand our sales of private sector products such as top runner transformers and power conditioners. For the overseas market, we continued to prepare for the start of production in a joint venture in Indonesia.

In the Motor Products business, we diligently promoted sales of our brand products, such as powder mixing equipment, ventilation fans for cattle farms, as well as nursing care equipment and actuator products. Efforts to expand sales of hermetic motors for air conditioners were also made, while developing customers for shutter operators and inverter drive modules, in China.

Regarding future prospects, recovery of the domestic economy is expected as a result of intervention by the government and Bank of Japan and lower crude oil prices. However, we also foresee severe and uncertain business climate, such as worsening conditions for product orders by electric power companies and a possible downturn in the global economy.

Under these circumstances, we will move toward continued growth by steady implementation of vital measures based on our midterm management plan “Transform & Actuate Phase III” which seeks to “diversify products and business”, “promote overseas business”, and “expand the private sector business”. In the meantime, we are actively developing the market and improving quality, cost, and delivery.

In addition to offering high quality products and services, we will fulfill our social responsibilities, such as reducing environmental load and complying with relevant regulations, and aim to become a corporate group which is trusted by our shareholders, customers and society.

We appreciate your continued understanding and support.

June, 2015



Toru Satoh
President

Consolidated Balance Sheets

March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
ASSETS			
Current assets:			
Cash and time deposits	¥ 16,085	¥ 14,121	\$ 133,854
Marketable securities (Note 2).....	7,903	6,402	65,762
Notes and accounts receivable			
Trade notes and accounts.....	25,790	25,208	214,610
Other accounts	385	228	3,202
Allowance for doubtful receivables (Note 2)	(3)	(2)	(28)
Inventories (Notes 2 and 3)	12,031	11,149	100,120
Deferred tax assets	237	194	1,972
Other current assets	663	963	5,520
Total current assets	63,091	58,263	525,012
Property, plant and equipment (Note 2):			
Land	4,260	4,235	35,454
Buildings and structures	23,531	24,046	195,812
Machinery and equipment	36,299	35,725	302,064
Construction in progress	562	201	4,678
Accumulated depreciation	(48,049)	(47,681)	(399,844)
	16,603	16,526	138,164
Investments and other assets:			
Investments in securities (Note 2)	5,250	4,750	43,687
Deferred tax assets	2,042	2,228	16,996
Other assets	892	621	7,422
	8,184	7,599	68,105
	¥ 87,878	¥ 82,388	\$ 731,281

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Notes and accounts payable			
Trade notes and accounts	¥ 16,379	¥ 16,631	\$ 136,302
Other accounts	910	1,226	7,569
Short-term bank loans	8,888	8,597	73,961
Income and enterprise taxes payable	1,161	563	9,661
Accrued expenses	2,214	2,112	18,428
Other current liabilities	847	532	7,048
Total current liabilities	30,399	29,661	252,969
Long-term liabilities:			
Long-term debt	5,417	4,193	45,079
Net defined benefit liability	7,750	7,115	64,491
Other Long-term liabilities	818	922	6,806
	13,985	12,230	116,376
Shareholders' equity:			
Common stock			
Authorized 119,561,000 shares			
Issued 48,252,061 shares	4,053	4,053	33,728
Capital surplus	2,199	2,199	18,300
Retained earnings	33,335	31,605	277,398
Treasury stock, at cost	(31)	(29)	(259)
Unrealized gain on available-for-sale securities	1,265	847	10,529
Foreign currency translation adjustments	2,404	1,641	20,002
Remeasurements of defined benefit plans	(267)	(303)	(2,219)
Minority interests	536	484	4,457
Total shareholders' equity	43,494	40,497	361,936
	¥ 87,878	¥ 82,388	\$ 731,281

Consolidated Statements of Income

Years ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
Net sales	¥ 82,085	¥ 70,931	\$ 683,071
Cost of sales	70,174	60,885	583,956
Gross profit	11,911	10,046	99,115
Selling, general and administrative expenses	8,020	6,958	66,738
Operating income	3,891	3,088	32,377
Other income (expenses):			
Interest and dividend income	120	157	998
Interest expense	(186)	(187)	(1,552)
Other, net	902	1,054	7,509
Income before income taxes and minority interests	4,727	4,112	39,332
Income taxes			
Current	1,792	1,297	14,914
Deferred	200	94	1,663
Net income before minority interests	2,735	2,721	22,755
Minority interests	7	(56)	58
Net income	¥ 2,728	¥ 2,777	\$ 22,697
	Yen		U.S. dollars
Per share of common stock (Note 2):			
Net income	¥ 56.69	¥ 57.72	\$ 0.47

Consolidated Statements of Changes in Equity

Years ended March 31, 2015 and 2014

	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	Minority interests	Total
Millions of Yen										
Balance at April 1, 2013	48,252,061	¥ 4,053	¥ 2,199	¥29,285	¥ (28)	¥430	¥ 274	—	¥286	¥36,499
Net income	—	—	—	2,777	—	—	—	—	—	2,777
Cash dividends	—	—	—	(457)	—	—	—	—	—	(457)
Purchase of treasury stock	—	—	—	—	(1)	—	—	—	—	(1)
Net changes during the year	—	—	—	—	—	417	1,367	(303)	198	1,679
Balance at March 31, 2014	48,252,061	¥ 4,053	¥ 2,199	¥31,605	¥ (29)	¥ 847	¥ 1,641	¥ (303)	¥ 484	¥40,497
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	—	—	—	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
Thousands of U.S. dollars										
Balance at April 1, 2014	48,252,061	\$33,728	\$18,300	\$263,008	\$(246)	\$7,050	\$13,652	\$(2,520)	\$4,027	\$336,999
Cumulative effects of changes in accounting policies	—	—	—	(3,376)	—	—	—	—	—	(3,376)
Restated balance	48,252,061	33,728	18,300	259,632	(246)	7,050	13,652	(2,520)	4,027	333,623
Net income	—	—	—	22,697	—	—	—	—	—	22,697
Cash dividends	—	—	—	(4,006)	—	—	—	—	—	(4,006)
Change of scope of equity method	—	—	—	(925)	—	—	—	—	—	(925)
Change in treasury shares arising from change in equity in entities accounted for using equity method	—	—	—	—	1	—	—	—	—	1
Purchase of treasury stock	—	—	—	—	(14)	—	—	—	—	(14)
Net changes during the year	—	—	—	—	—	3,479	6,350	301	430	10,560
Balance at March 31, 2015	48,252,061	\$33,728	\$18,300	\$277,398	\$(259)	\$10,529	\$20,002	\$(2,219)	\$4,457	\$361,936

Consolidated Statements of Cash Flows

Years ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 4,727	¥ 4,112	\$ 39,332
Adjustments for:			
Depreciation and amortization	2,452	2,230	20,403
Increase (decrease) in allowance for retirement benefits	—	(6,711)	—
Increase (decrease) in net defined benefit liability	82	6,647	686
Equity in net loss (income) of affiliated companies	(32)	(60)	(266)
Decrease (increase) in trade receivables	(11)	(4,063)	(92)
Decrease (increase) in inventories	(544)	6	(4,526)
Increase (decrease) in trade payable	(621)	1,500	(5,166)
Other-net	56	(1,320)	461
Sub-total	6,109	2,341	50,832
Interest and dividend received	124	164	1,034
Interest paid	(189)	(194)	(1,569)
Income taxes paid	(1,197)	(1,406)	(9,962)
Net cash provided by operating activities	4,847	905	40,335
Cash flows from investing activities			
Payments for purchase of property, plant and equipment	(2,241)	(1,943)	(18,653)
Proceeds from sales of property, plant and equipment	184	13	1,532
Purchases of marketable securities and investment securities	(18)	(16)	(146)
Proceeds from sales of marketable securities and investment securities	161	372	1,338
Other-net	(2,275)	704	(18,932)
Net cash used in investing activities	(4,189)	(870)	(34,861)
Cash flows from financing activities			
Increase (decrease) in short-term loans	(833)	991	(6,934)
Proceeds from long-term debt	4,650	3,000	38,695
Payment for long-term debt	(2,302)	(3,354)	(19,151)
Cash dividends	(482)	(457)	(4,006)
Other-net	(218)	16	(1,817)
Net cash provided by financing activities	815	196	6,787
Effects of exchange rate changes on cash and cash equivalents	276	853	2,294
Net (decrease) increase in cash and cash equivalents	1,749	1,084	14,555
Cash and cash equivalents at beginning of year	13,659	12,575	113,664
Cash and cash equivalents at end of year	¥ 15,408	¥ 13,659	\$ 128,219

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 2014) domestic subsidiaries and 2 (2 in 2014) overseas subsidiaries. 1 (2 in 2014) company was 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.

(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) Accounting for retirement benefits

a. Imputation method for retirement benefit estimates

In computing its retirement benefit obligation, the Company applies straight-line attribution as the method for imputing its retirement benefit estimates through the end of the fiscal year under review.

b. Accounting for actuarial differences

Actuarial differences 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 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, 2015 and 2014 consisted of the following:

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
Finished goods	¥ 4,017	¥ 3,617	\$ 33,429
Merchandise	462	267	3,845
Raw materials	4,415	3,972	36,738
Work in process	2,752	2,944	22,898
Supplies	385	349	3,210
	<u>¥ 12,031</u>	<u>¥ 11,149</u>	<u>\$ 100,120</u>

Non-Consolidated Balance Sheets

March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
ASSETS			
Current assets:			
Cash and time deposits	¥ 7,013	¥ 5,792	\$ 58,356
Marketable securities (Note 2)	7,802	6,301	64,924
Notes and accounts receivable			
Trade notes and accounts	10,798	10,948	89,859
Other accounts	58	55	487
Allowance for doubtful receivables (Note 2)	(1)	(1)	(9)
Inventories (Notes 2 and 3)	4,521	4,709	37,619
Deferred tax assets	214	183	1,783
Other current assets	542	787	4,513
Total current assets	30,947	28,774	257,532
Property, plant and equipment (Note 2):			
Land	2,801	2,687	23,313
Buildings and structures	11,444	11,568	95,229
Machinery and equipment	16,375	16,276	136,261
Construction in progress	21	6	175
Accumulated depreciation	(23,319)	(22,903)	(194,050)
	7,322	7,634	60,928
Investments and other assets:			
Investments in securities (Note 2)	2,653	2,276	22,076
Investments in subsidiaries and affiliates	7,580	7,427	63,073
Deferred tax assets	954	1,017	7,940
Other assets	912	802	7,593
	12,099	11,522	100,682
	¥ 50,368	¥ 47,930	\$ 419,142

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Notes and accounts payable			
Trade notes and accounts	¥ 8,665	¥ 8,312	\$ 72,108
Other accounts	213	892	1,769
Short-term bank loans	2,320	3,320	19,306
Income and enterprise taxes payable	847	407	7,048
Accrued expenses	1,032	1,050	8,588
Other current liabilities	392	257	3,265
Total current liabilities	13,469	14,238	112,084
Long-term liabilities:			
Long-term debt	1,000	—	8,322
Retirement benefits (Note 2)	4,522	4,000	37,633
Other Long-term liabilities	278	298	2,314
	5,800	4,298	48,269
Shareholders' equity:			
Common stock			
Authorized 119,561,000 shares			
Issued 48,252,061 shares	4,053	4,053	33,728
Capital surplus	2,199	2,199	18,301
Retained earnings	23,855	22,491	198,509
Treasury stock, at cost	(27)	(25)	(227)
Unrealized gain on available-for-sale securities	1,019	676	8,478
Total shareholders' equity	31,099	29,394	258,789
	¥ 50,368	¥ 47,930	\$ 419,142

Non-Consolidated Statements of Income

Years ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
Net sales	¥ 37,585	¥ 34,012	\$ 312,764
Cost of sales	31,629	28,560	263,202
Gross profit	5,956	5,452	49,562
Selling, general and administrative expenses	3,067	3,117	25,519
Operating income	2,889	2,335	24,043
Other income(expenses):			
Interest and dividend income	293	209	2,438
Interest expense	(44)	(44)	(368)
Other, net	441	250	3,667
Income before income taxes	3,579	2,750	29,780
Income taxes			
Current	1,301	945	10,823
Deferred	108	71	896
Net income	¥ 2,170	¥ 1,734	\$ 18,061
	Yen		U.S. dollars
Per share of common stock (Note 2):			
Net income	¥ 45.09	¥ 36.01	\$ 0.38
Cash dividends	11.00	10.00	0.09

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.

(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

a. Imputation method for retirement benefit estimates

In computing its retirement benefit obligation, the Company applies straight-line attribution as the method for imputing its retirement benefit estimates through the end of the fiscal year under review.

b. Accounting for actuarial differences

Actuarial differences 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 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, 2015 and 2014 consisted of the following:

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
Finished goods	¥ 1,144	¥ 1,034	\$ 9,522
Merchandise	4	0	28
Raw materials	1,487	1,396	12,375
Work in process	1,806	2,185	15,031
Supplies	80	94	663
	<u>¥ 4,521</u>	<u>¥ 4,709</u>	<u>\$ 37,619</u>

Outline of the Company

Corporate Data (As of March 31, 2015)

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: 2,774
Number of Employees: 745
Office Location: Sapporo, Sendai, Tokyo,
Osaka, Fukuoka, Naha
Suzhou (China)

Board of Directors and Auditors (As of June 26, 2015)

President: Toru Satoh

Managing Directors: Makoto Andou
Teruo Ono

Directors: Toshio Nishimi
Hiroshi Yano
Tatsuyoshi Kato
Katsumi Nonomura
Hideki Hosoe
Toru Nagata
Shinobu Kato
Nozomu Amano

Auditors: Makoto Yamada
Hidetaka Tomita
Masatoshi Hori
