



**NISSIN**  
ELECTRIC



ANNUAL REPORT  
**2016**  
Year Ended March 31, 2016



The Nissin Electric Group supplies a wide range of products and services that support well-rounded social and industrial infrastructure, with an emphasis on power system and energy equipment. We will constantly create products and technologies essential for the world by leveraging our proprietary high voltage, vacuum, as well as monitoring and control technologies developed over the course of our almost 100-year history.

## Corporate Principles of Nissin Electric

### Our Mission

#### Forge a bright future for both people and technology

With the aim of realizing a sustainable society, gentle to humans and the environment, Nissin Electric develops original technology to meet the fundamental needs of society and industry.

### Company Code of Conduct

#### Integrity, Trust, and Long-term Relationships

We take the following Five Trusts as the point of origin for our activities. Through these Trusts, we strive to promote the growth of the company and foster the personal development of its employee.

##### (1) Customer Trust

We provide reliable, high-quality products and services that are useful to customers. This will facilitate our efforts to enhance our technologies, which are the source of value delivered to customers. In addition, the Company commits itself to providing constantly dependable services in order to foster long-term relationships with customers.

##### (2) Shareholder Trust

We exert efforts to provide appropriate dividends and to enhance the net share value for our shareholders, who are the financial supporters of Nissin Electric.

##### (3) Societal Trust

We comply with law and other social codes, seek to coexist with the natural environment, and strive to maintain a good relationship with the local community in order to fulfill our obligation as a responsible member of society.

##### (4) Partner Trust

We place a strong emphasis on our relationships with our business partners. In our pursuit of growth, we remain committed to dealing with our partners in an honest and fair manner.

##### (5) Employee Mutual Trust

It is we, the employees, who are the source of Trust. In our business activities, we highly-motivated employees cooperate with each other in order to achieve a stable life, to find meaning in life, and to encourage personal development of all employees.

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### Forward-Looking Statements

Statements regarding earnings projections, market outlooks and similar items are forward-looking statements based on information available to the company at the present time and thus contain many uncertainties. Readers should understand that such forward-looking statements embody risks and that actual results, market conditions and other events may differ significantly from the estimates and projections contained in this publication.

# Consolidated Financial Highlights

Nissin Electric Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31

|                                         | Millions of yen |           |           |           |           | Thousands of U.S. dollars |
|-----------------------------------------|-----------------|-----------|-----------|-----------|-----------|---------------------------|
|                                         | 2016            | 2015      | 2014      | 2013      | 2012      | 2016                      |
| Net sales                               | ¥ 113,618       | ¥ 107,090 | ¥ 109,864 | ¥ 103,309 | ¥ 100,341 | \$ 1,014,446              |
| Operating income                        | 12,424          | 8,930     | 9,319     | 7,045     | 7,432     | 110,929                   |
| Profit attributable to owners of parent | 8,525           | 5,055     | 5,194     | 3,283     | 3,652     | 76,116                    |
| Total assets                            | 143,287         | 124,948   | 118,546   | 117,352   | 111,401   | 1,279,348                 |
| Shareholders' equity                    | 77,632          | 75,976    | 64,808    | 62,909    | 57,734    | 693,143                   |
| Capital expenditure                     | 3,813           | 3,162     | 3,011     | 3,648     | 5,759     | 34,045                    |
| Depreciation and amortization           | 2,999           | 2,964     | 2,745     | 2,443     | 2,370     | 26,777                    |
| Research and development expenses       | 5,331           | 4,937     | 5,318     | 4,751     | 4,280     | 47,598                    |

| Per share of common stock:                      | Yen     |         |         |         |         | U.S. dollars |
|-------------------------------------------------|---------|---------|---------|---------|---------|--------------|
|                                                 | 2016    | 2015    | 2014    | 2013    | 2012    | 2016         |
| Profit attributable to owners of parent         | ¥ 79.77 | ¥ 47.30 | ¥ 48.59 | ¥ 30.71 | ¥ 34.17 | \$ 0.71      |
| Diluted profit attributable to owners of parent | —       | —       | —       | —       | 34.17   | —            |
| Cash dividends                                  | 18.00   | 13.00   | 12.00   | 10.00   | 9.00    | 0.16         |
| Shareholders' equity                            | 726.38  | 710.88  | 606.37  | 588.58  | 540.16  | 6.49         |

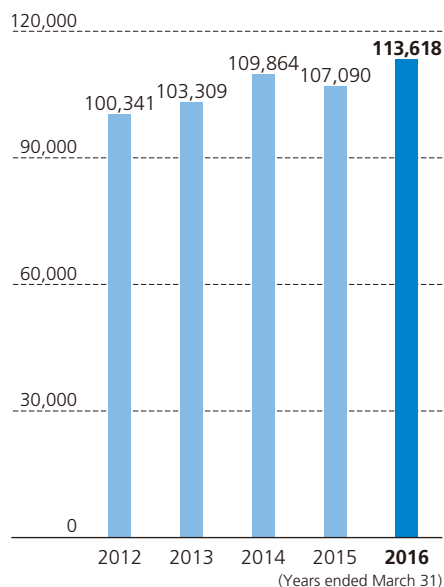
Note: 1. For convenience only, Japanese yen amounts have been translated into U.S. dollar amounts at the rate of ¥ 112 to US\$1.00, the approximate exchange rate prevailing on March 31, 2016.

2. For the fiscal years ended March 31, 2016, 2015, 2014 and 2013 there were no potentially dilutive common stocks.

3. Shareholders' equity = net assets excluding share subscription rights and non-controlling interests.

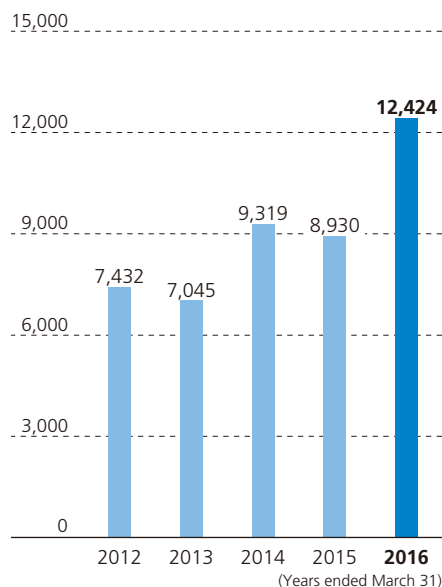
## Net Sales

(Millions of yen)



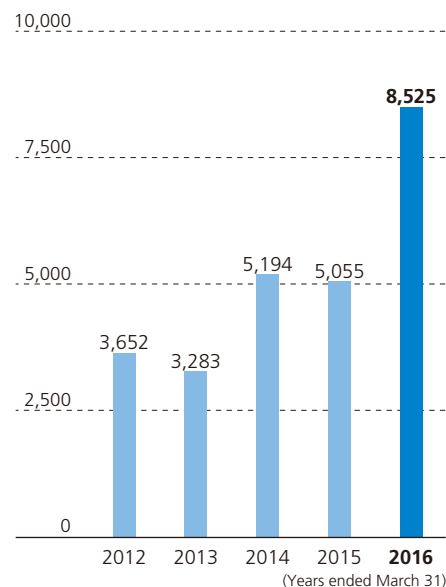
## Operating Income

(Millions of yen)



## Profit Attributable to Owners of Parent

(Millions of yen)



# Message from the President



## Performance for the Last Reporting Year

In the fiscal year under review (April 1, 2015, to March 31, 2016), the Japanese economy turned around to post positive growth, albeit at a low level. Many companies reported improved earnings and equipment investment held firm, but personal consumption, which accounts for the bulk of gross domestic product (GDP), remained stagnant. Into 2016, the yen's incremental strength and the slowing growth of emerging economies have spawned concerns over their impact on the Japanese economy. Overseas, economic growth slowed down in China, the Nissin Electric Group's primary market, due mainly to sluggish investment in the manufacturing sector. The recovery of the economies of ASEAN countries was not as swift as hoped for as a whole, primarily because of their export slump.

Next, I will report on trends seen in the Nissin Electric Group's primary markets. In the market for electric power companies in Japan, while they remained restrained on investment, there emerged some signs of a recovery in replacement investment. The private sector market continued to be firm, centering on the replacement of equipment and facilities at plants. In the renewable energy market, on the other hand, demand for industrial power conditioners for photovoltaic systems decreased, due in part to declining power purchase prices. In China's power system equipment market, demand for power capacitors increased thanks to robust investment in the ultrahigh voltage transmission sector. In the charged beam equipment and processing market, a surge in demand was observed as investment turned active in ion implanters for manufacturing small/medium high-definition flat panel displays (FPDs) in China and some other countries.

In light of the situation described above, the Nissin Electric Group has developed products and services corresponding to market trends and customer needs and brought them to market. We also proactively promoted measures to enhance our cost

competitiveness. As a result, the Group's total order receipts were up 12.1% year on year to ¥138,248 million.

Order receipts by business segment are as follows:

Order receipts for the Power System Equipment Business totaled ¥55,811 million, an increase of 9.1% year on year thanks to larger orders received from electric power companies in Japan.

Order receipts for the Charged Beam Equipment and Processing Business came to ¥38,273 million, up 40.6% year on year, reflecting a sharp rise in orders received for ion implanters for manufacturing small/medium high-definition FPDs, notably from China.

Order receipts for the Renewable Energy and Environment Business totaled ¥21,042 million, down 9.9% year on year, due to a decrease in orders for power conditioners for photovoltaic systems.

Order receipts for the Life Cycle Engineering Business increased 7.1% year on year to ¥23,121 million thanks to an increase in private sector demand in Japan.

Net sales of the Group grew 6.1% year on year to ¥113,618 million.

Net sales by business segment are as follows:

Net sales for the Power System Equipment Business totaled ¥45,360 million, a drop of 4.1% year on year, as demand from electric power companies in China declined.

Net sales for the Charged Beam Equipment and Processing Business came to ¥23,517 million, up a sharp 45.3% year on year, as ion implanters for manufacturing small/medium high-definition FPDs increased.

Net sales for the Renewable Energy and Environment Business totaled ¥22,911 million, down 4.7% year on year, due to decreased sales of power conditioners for photovoltaic systems.

Net sales for the Life Cycle Engineering Business rose 11.4% year on year to ¥21,830 million, reflecting higher private sector demand in Japan.

Operating income of the Group came to ¥12,424 million, a sharp increase of 39.1% year on year, with all the business segments reporting higher income than the previous fiscal year. The Nissin Electric Group was able to report larger operating income as we exerted thorough efforts to enhance earnings through cost reductions and the promotion of the reinforcement of organizational culture across the Group.

We booked a total of ¥359 million in extraordinary income, including ¥222 million in gain on sales of investment securities resulting from the sale of some of the stocks held for policy purposes. On the other hand, we booked a total of ¥987 million in extraordinary losses, including ¥667 million of expenses for business structure improvement in response to the deteriorating business environment for Beijing Hongda Nissin Electric Co., Ltd., a subsidiary in China, and ¥249 million of provision for environmental

protection measures as a result of the review of expenditures required for the disposal of polychlorinated biphenyl (PCB).

Based on the above, profit attributable to owners of parent surged 68.6% over the previous fiscal year to ¥8,525 million after income tax and adjustments for non-controlling interests.

The fiscal year under review was the final year of the Nissin Electric Group's medium- to long-term business plan "VISION 2015," launched in April 2011. While we could not achieve the numerical target of ¥150,000 million for net sales, operating income surpassed the target of ¥12,000 million and our return on assets (ROA) of 9.3% overtook the target of 8%. Furthermore, for the fiscal year under review, we were able to report record-high numbers in all of the order receipts, net sales, operating income and profit attributable to owners of parent.

## Looking Back on Medium- to Long-Term Business Plan "VISION 2015"

As discussed above, the Nissin Electric Group launched its medium- to long-term business plan "VISION 2015" with the numerical targets for the fiscal year ending March 31, 2016, of an operating income of ¥12,000 million and net sales of ¥150,000 million in April 2011. We took a balanced approach to growing each of the four business segments of "Power System Equipment," "Charged Beam Equipment and Processing," "Renewable Energy and Environment" and "Life Cycle Engineering," and exerted our best efforts to expand each segment globally. By doing so, we aimed to transform ourselves into a group of companies that can achieve more stable and sustainable growth.

For the fiscal year under review, the final year of "VISION 2015," we were able to report operating income in excess of the target, as our earnings power improved through cost reduction activities and business structure reform. Furthermore, we expanded net sales to private sector customers in Japan other than electric power companies in the Electric System Equipment Business, and coupled with higher net sales in the three other business segments, we were able to develop the business portfolio of "4xGlobal" we have aimed for. However, we could not attain the numerical target for net sales due to the impact of the suspension of operations of nuclear power plants in Japan as well as the slower growth of the power system equipment market in China and intensified competition from local companies there.

## New Medium- to Long-Term Business Plan "VISION 2020" (2016-2020)

The market environment in which the Nissin Electric Group operates is undergoing major changes, including reforms to electric power

systems. We embrace the dynamic changes taking place in the business environment as an opportunity, and in order to expand our business operations by making use of the core technologies the Group holds, we launched the new medium- to long-term business plan "VISION 2020" in April 2016. Under the "VISION 2020," on the strength of the "4xGlobal" business portfolio built up under the "VISION 2015," we set the "six growth domains," and by seeking to expand the scope of businesses and scale of net sales in the six growth domains, we aim to build a new business portfolio, "4xGlobal+NEW," which promises to provide us with greater growth potential. At the same time, by further strengthening the earnings power we have built thus far, our ultimate goal is to become a profitable "Global, Energy, Environment and Solutions Company," that has greater growth potential and is more profitable. For the "VISION 2020," we have set the numerical targets for the fiscal year ending March 31, 2021, of net sales of ¥180,000 million, an operating income of ¥18,000 million, and ROA (return on assets) and ROE (return on equity) of over 10%.

### Six Growth Domains

We have selected the following six growth domains in order to aim for the new business expansion (+NEW) by leveraging the core technologies of the Nissin Electric Group:

#### 1. Power System Equipment, Renewable Energy and Environment (Japan)

Demand for new products, systems and services can be expected to expand in tandem with drastic reforms in the electric power market triggered by, among other factors, the Great East Japan Earthquake and the nuclear power plant accident.

#### 2. Power System Equipment, Renewable Energy and Environment (Overseas)

An expansion of the overseas markets can be expected in tandem with advancements in the development of the electric power infrastructure in emerging economies, including the ASEAN countries and India.

#### 3. Life Cycle Engineering

Demand can be expected to grow for monitored maintenance, inspections, repairs and replacement in tandem with the expanded deliveries of power system equipment, power conditioners and charged beam equipment.

#### 4. Next-Generation, Equipment for Manufacturing Semiconductors and FPDs

Demand can be expected to expand for new equipment in tandem with anticipated innovations in semiconductor and FPD technologies.

## **5. Mobility**

New business opportunities where the Nissin Electric Group can leverage its core technologies can be expected to expand, including such fields as electric vehicles, the employment of new materials and parts, and energy-efficient railways.

## **6. New Fields**

An expansion of business can be expected in new fields, including the equipment parts business, which leverages technologies in areas such as parts processing and assembly for power system equipment, in response to the needs for lower costs for a variety of equipment, and the disinfection and the sterilization device business, which utilizes the Group's electron beam irradiation technologies, in the medical and food industries.

### **Development and Introduction of the "3 Advances"**

We will aim for the growth of our businesses by developing and introducing the following "3 Advances" (Advanced Products, Technology and Business Model) in the six growth domains:

#### **1. Advanced Products**

We will develop and put on the market new products based on the concept of "Compact + FACES," which adds "FACES\*" to the Compact, the very source of the competitiveness of products of the Nissin Electric Group.

- \*Flexible.....Respond to diverse needs
- Adjustable.....Easy maintenance
- Compact.....More compact
- Environment.....Global environment-friendly
- Smart.....Control function

#### **2. Advanced Technology**

We will proactively invest management resources in research and development and promote the commercialization of novel technologies that will be an impetus to growth.

#### **3. Advanced Business Model**

In order to respond to more sophisticated and complicated customer needs, we will establish a new business model that consists in part of delivering solutions that combine hardware, software and information and communication technology (ICT) and offering a combination of a variety of equipment in one package.

### **Promote Structural Reforms and Untiring Cost Reduction Efforts That Will Support Growth**

In addition to the promotion of cross-organizational activities within the Nissin Electric Group, we will implement various initiatives that include "the enhancement of vertical, horizontal and external collaboration" to promote collaboration with external organizations, including industries, government entities

and academia, "improvement of NPS (Nissin Production System) productivity" aimed at enhancing the efficiency of the total production process from the receipt of orders to deliveries, "strengthening of human resources development" by enriching the Nissin Academy's curriculums and expanding training facilities, and "reform of sales activities" for proposing solutions that suit customer needs and strategic marketing. With these initiatives, we will boost the Group's growth and exert utmost efforts toward cost reductions.

### **Target Further Growth by Building a Business Portfolio for "4xGlobal+NEW"**

We will expand into the new business (+NEW) from the four existing business segments (4xGlobal) by introducing the "3 Advances" into the "six growth domains" and pushing ahead with "structural reforms." We will then go after further growth by building the business portfolio of "4xGlobal+New."

The new business development (+NEW) in each business segment is as follows:

#### **Power System Equipment Business**

In the domestic market, repair and replacement investment by electric power companies is expected to recover moderately. In addition, in tandem with the progress in electric power system reform, their investment associated with the expanding cross-regional accommodation of electric power can be expected to increase, together with an anticipated rise in demand for new equipment related to the separation of power generation and power transmission. Looking at private sector demand, replacement investment at industrial plants is likely to remain robust. We also expect to see an increase in new business opportunities stemming from heightening needs for energy cost reductions and energy saving. We will steadily capture these types of demand by offering new products and solutions corresponding to customer needs, including the Smart Power Supply Systems (SPSS®).

In the overseas market, we will expand sales of products related to ultrahigh voltage transmission in which investment is expanding in China. We will also accelerate business operations in the ASEAN countries, where further economic growth and further expansion of electric power infrastructure can be expected.

In addition, we will expand commissioned design/manufacturing of equipment components with high quality and low cost by leveraging the parts processing and equipment assembly technology, the core technology for power system equipment manufacturing as well as our business bases in

Thailand and Vietnam, with the aim of nurturing this into a new business segment.

#### **Charged Beam Equipment and Processing Business**

The Nissin Electric Group has an overwhelming global market share for ion implanters for manufacturing small/medium high-definition FPDs. We will expand our supply capacity for them to respond to increasing demand for organic light emitting displays.

As for ion implanters for manufacturing semiconductors, we will put new products on the market in order to respond to technological innovations of manufacturing processes. Furthermore, we will seek to further expand business operations in the Chinese market by leveraging the manufacturing base in Yangzhou, Jiangsu Province.

With regard to electron-beam processing equipment, we will strive to expand sales to automobile-related industries mainly in the emerging economies, which is expected to post strong growth over the medium- to long-term. We will also strive to develop new applications in the medical and food sectors.

In the thin-film coating service, we will push ahead with the development of diamond-like carbon (DLC) film with surface smoothness and wear resistance, the characteristic showing one of our strengths, and strive to develop its new applications and expand sales mainly to the automobile industry. We plan to expand the service structure in China, ASEAN countries and India in response to increasing local demand. We will also put greater efforts into increasing sales of new arc coating machines that can form a film in a small amount of time and at low cost.

#### **Renewable Energy and Environment Business**

In the Renewable Energy Business, we will redouble efforts to expand sales of the new type of power conditioners with higher conversion efficiency also mounted with interactive communication functions (the rollout scheduled for autumn 2016) as well as power conditions for battery energy storage, for which demand is expected to grow going forward.

In the Environment Business, we will strive to expand the scope of business by proactively proposing the Smart Power Supply Systems-Water (SPSS-W) that responds to the introduction of renewable energy and the need to promote energy-saving at water treatment facilities, in addition to electrical equipment and supervisory control systems at such facilities we have been selling thus far.

#### **Life Cycle Engineering Business**

In the Life Cycle Engineering Business, we undertake work from equipment installation and adjustment to maintenance for customers and contribute to increasing the operating rate of

equipment and enhancing productivity. As we expect this segment to become the pillar of growth going forward, with the number of customers and equipment we delivered increasing, we will strive to provide a diverse range of solutions covering products from all of our business segments. In Japan in particular, a large number of power system equipment is approaching the time for replacement. We plan to cultivate replacement demand while expanding our state monitoring, inspection, maintenance and repair services in response to user needs to extend the life of equipment in place. Furthermore, we will seek to globalize the Life Cycle Engineering segment by expanding and upgrading service bases in overseas markets.

### **Thoroughgoing Compliance, Promotion of CSR and Further Improvement of Corporate Governance**

The Nissin Electric Group believes that the promotion of thorough compliance and corporate social responsibility (CSR) forms the very foundation of corporate management. In order to remain as a company trusted by society, we are striving to enhance corporate governance.

The “Corporate Principles of the Nissin Electric Group” serves as the basis for our endeavors to steadily push ahead with the above initiatives. It is important that each and every employee will practice in his or her daily work the corporate principles that “Through corporate activities that lay foundations for society and industry by establishing the steady relationship of trust with stakeholders, we will seek to realize a sustainable society that is gentle to both people and the environment.” We will thoroughly seek the further penetration of the corporate principles across the Group and business activities based on them.

We will also seek to become a corporate group that operates in union with local communities and society by promoting initiatives to deal with environmental problems and their commercialization, including proactive utilization of renewable energy and promotion of energy saving, and through proactive social action programs.

We will continue to work collectively as a group going forward to promote our business activities in order to enhance our business performance and fulfill our responsibilities to society.

  
Hideaki Obata, President



# Consolidated Balance Sheets

Nissin Electric Co., Ltd. and Consolidated Subsidiaries  
March 31, 2016 and 2015

| ASSETS                                | Millions of yen |           | Thousands of<br>U.S. dollars (Note 1) |
|---------------------------------------|-----------------|-----------|---------------------------------------|
|                                       | 2016            | 2015      | 2016                                  |
| <b>Current assets:</b>                |                 |           |                                       |
| Cash and cash equivalents             | ¥ 23,323        | ¥ 9,989   | \$ 208,241                            |
| Time deposits                         | 588             | 465       | 5,250                                 |
| Receivables:                          |                 |           |                                       |
| Trade notes and accounts              | 49,754          | 50,736    | 444,232                               |
| Other                                 | 629             | 911       | 5,616                                 |
|                                       | 50,383          | 51,647    | 449,848                               |
| Allowance for doubtful receivables    | (241)           | (343)     | (2,152)                               |
|                                       | 50,142          | 51,304    | 447,696                               |
| Inventories (Note 4)                  | 27,811          | 21,843    | 248,313                               |
| Advance payments                      | 1,682           | 1,354     | 15,018                                |
| Deferred tax assets (Note 12)         | 3,303           | 3,233     | 29,491                                |
| Other current assets                  | 2,554           | 1,879     | 22,804                                |
| Total current assets                  | 109,403         | 90,067    | 976,813                               |
| <b>Property, plant and equipment:</b> |                 |           |                                       |
| Land                                  | 4,113           | 4,165     | 36,723                                |
| Buildings and structures              | 30,764          | 30,768    | 274,679                               |
| Machinery and equipment               | 39,358          | 41,282    | 351,411                               |
| Construction in progress              | 952             | 347       | 8,500                                 |
| Total property, plant and equipment   | 75,187          | 76,562    | 671,313                               |
| Accumulated depreciation              | (51,081)        | (51,775)  | (456,081)                             |
| Net property, plant and equipment     | 24,106          | 24,787    | 215,232                               |
| <b>Investments and other assets:</b>  |                 |           |                                       |
| Investment securities (Note 3)        | 5,597           | 6,848     | 49,973                                |
| Deferred tax assets (Note 12)         | 1,792           | 466       | 16,000                                |
| Net defined benefit asset (Note 13)   | 48              | 62        | 428                                   |
| Other assets                          | 1,301           | 1,532     | 11,617                                |
| Allowance for doubtful receivables    | (229)           | (242)     | (2,045)                               |
| Total investments and other assets    | 8,509           | 8,666     | 75,973                                |
| <b>Intangible assets</b>              | 1,269           | 1,428     | 11,330                                |
| Total assets                          | ¥ 143,287       | ¥ 124,948 | \$ 1,279,348                          |

See accompanying notes.



| <b>LIABILITIES AND NET ASSETS</b>                     | Millions of yen |           | Thousands of<br>U.S. dollars (Note 1) |
|-------------------------------------------------------|-----------------|-----------|---------------------------------------|
|                                                       | <b>2016</b>     | 2015      | <b>2016</b>                           |
| <b>LIABILITIES</b>                                    |                 |           |                                       |
| <b>Current liabilities:</b>                           |                 |           |                                       |
| Short-term bank loans (Note 5)                        | ¥ 2,126         | ¥ 3,893   | \$ 18,982                             |
| Payables:                                             |                 |           |                                       |
| Trade notes and accounts                              | 22,239          | 19,419    | 198,563                               |
| Other                                                 | 3,454           | 2,824     | 30,839                                |
|                                                       | 25,693          | 22,243    | 229,402                               |
| Advances from customers                               | 15,343          | 4,809     | 136,991                               |
| Accrued income taxes                                  | 2,505           | 331       | 22,366                                |
| Accrued expenses                                      | 6,885           | 6,785     | 61,473                                |
| Allowance for losses on contracts (Note 4)            | 534             | 460       | 4,768                                 |
| Other provision                                       | 486             | 626       | 4,339                                 |
| Other current liabilities                             | 748             | 260       | 6,679                                 |
| Total current liabilities                             | 54,320          | 39,407    | 485,000                               |
| <b>Long-term liabilities:</b>                         |                 |           |                                       |
| Long-term debt due after one year (Note 5)            | 70              | 30        | 625                                   |
| Allowance for environmental protection measures       | 2,155           | 2,273     | 19,241                                |
| Net defined benefit liability (Note 13)               | 5,962           | 2,176     | 53,232                                |
| Asset retirement obligations                          | 462             | 473       | 4,125                                 |
| Other long-term provision                             | 274             | 534       | 2,446                                 |
| Other long-term liabilities (Note 12)                 | 62              | 946       | 554                                   |
| Total long-term liabilities                           | 8,985           | 6,432     | 80,223                                |
| Total liabilities                                     | 63,305          | 45,839    | 565,223                               |
| <b>Contingent liabilities (Note 6)</b>                |                 |           |                                       |
| <b>NET ASSETS (Note 7 and 8)</b>                      |                 |           |                                       |
| <b>Shareholders' equity:</b>                          |                 |           |                                       |
| Common stock:                                         |                 |           |                                       |
| Authorized - 431,329,000 shares                       |                 |           |                                       |
| Issued and outstanding - 107,832,445 shares           | 10,253          | 10,253    | 91,545                                |
| Capital surplus                                       | 6,679           | 6,679     | 59,634                                |
| Retained earnings                                     | 60,791          | 53,762    | 542,777                               |
| Treasury stock, at cost:                              |                 |           |                                       |
| 957,657 shares in 2016 and 957,386 shares in 2015     | (301)           | (301)     | (2,688)                               |
| Total shareholders' equity                            | 77,422          | 70,393    | 691,268                               |
| <b>Other comprehensive income:</b>                    |                 |           |                                       |
| Valuation difference on available-for-sale securities | 2,152           | 2,926     | 19,214                                |
| Deferred gains and losses on hedges                   | (12)            | 6         | (107)                                 |
| Foreign currency translation adjustments              | 2,411           | 4,870     | 21,527                                |
| Remeasurements of defined benefit plans (Note 13)     | (4,341)         | (2,219)   | (38,759)                              |
| Total other comprehensive income                      | 210             | 5,583     | 1,875                                 |
| <b>Non-controlling interests</b>                      | 2,350           | 3,133     | 20,982                                |
| Total net assets                                      | 79,982          | 79,109    | 714,125                               |
| <b>Total liabilities and net assets</b>               | ¥ 143,287       | ¥ 124,948 | \$ 1,279,348                          |

See accompanying notes.

# Consolidated Statements of Income

Nissin Electric Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2016 and 2015

|                                                                                        | Millions of yen  |           | Thousands of<br>U.S. dollars (Note 1) |
|----------------------------------------------------------------------------------------|------------------|-----------|---------------------------------------|
|                                                                                        | 2016             | 2015      | 2016                                  |
| <b>Net sales</b>                                                                       | <b>¥ 113,618</b> | ¥ 107,090 | <b>\$ 1,014,446</b>                   |
| <b>Cost and expenses:</b>                                                              |                  |           |                                       |
| Cost of sales (Note 9)                                                                 | <b>78,359</b>    | 76,479    | <b>699,634</b>                        |
| Selling, general and administrative expenses (Note 9 and 10)                           | <b>22,835</b>    | 21,681    | <b>203,883</b>                        |
| <b>Operating income</b>                                                                | <b>12,424</b>    | 8,930     | <b>110,929</b>                        |
| <b>Other income (expenses):</b>                                                        |                  |           |                                       |
| Interest and dividend income                                                           | <b>193</b>       | 183       | <b>1,723</b>                          |
| Gain on sales of investment securities                                                 | <b>222</b>       | —         | <b>1,982</b>                          |
| Reversal of provision for loss on liquidation of subsidiaries and associates (Note 14) | <b>137</b>       | —         | <b>1,223</b>                          |
| Interest expense                                                                       | <b>(88)</b>      | (151)     | <b>(786)</b>                          |
| Loss on valuation of derivatives                                                       | <b>(513)</b>     | —         | <b>(4,580)</b>                        |
| Impairment loss (Note 15)                                                              | —                | (223)     | —                                     |
| Loss on sales of investments in capital of subsidiaries and associates                 | <b>(48)</b>      | —         | <b>(429)</b>                          |
| Loss on liquidation of subsidiaries and associates (Note 16)                           | <b>(23)</b>      | (438)     | <b>(205)</b>                          |
| Loss on discontinued operation (Note 17)                                               | —                | (109)     | —                                     |
| Business structure improvement expenses (Note 18)                                      | <b>(667)</b>     | —         | <b>(5,955)</b>                        |
| Provision for environmental protection measures                                        | <b>(249)</b>     | —         | <b>(2,223)</b>                        |
| Other, net                                                                             | <b>124</b>       | 240       | <b>1,107</b>                          |
| <b>Income before income taxes</b>                                                      | <b>11,512</b>    | 8,432     | <b>102,786</b>                        |
| <b>Income taxes (Note 12):</b>                                                         |                  |           |                                       |
| Current                                                                                | <b>3,965</b>     | 2,628     | <b>35,402</b>                         |
| Deferred                                                                               | <b>(989)</b>     | 851       | <b>(8,830)</b>                        |
| Total income taxes                                                                     | <b>2,976</b>     | 3,479     | <b>26,572</b>                         |
| <b>Profit</b>                                                                          | <b>8,536</b>     | 4,953     | <b>76,214</b>                         |
| <b>Profit (loss) attributable to non-controlling interests</b>                         | <b>11</b>        | (102)     | <b>98</b>                             |
| <b>Profit attributable to owners of parent</b>                                         | <b>¥ 8,525</b>   | ¥ 5,055   | <b>\$ 76,116</b>                      |
|                                                                                        | Yen              |           | U.S. dollars (Note 1)                 |
| <b>Amounts per share:</b>                                                              |                  |           |                                       |
| Profit attributable to owners of parent                                                | <b>¥ 79.77</b>   | ¥ 47.30   | <b>\$ 0.71</b>                        |
| Diluted profit attributable to owners of parent                                        | —                | —         | —                                     |
| Cash dividends applicable to the period                                                | <b>18.00</b>     | 13.00     | <b>0.16</b>                           |

See accompanying notes.

# Consolidated Statements of Comprehensive Income

Nissin Electric Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2016 and 2015

|                                                       | Millions of yen |          | Thousands of<br>U.S. dollars (Note 1) |
|-------------------------------------------------------|-----------------|----------|---------------------------------------|
|                                                       | 2016            | 2015     | 2016                                  |
| <b>Profit</b>                                         | <b>¥ 8,536</b>  | ¥ 4,953  | <b>\$ 76,214</b>                      |
| <b>Other comprehensive income (Note 19):</b>          |                 |          |                                       |
| Valuation difference on available-for-sale securities | <b>(774)</b>    | 1,175    | <b>(6,911)</b>                        |
| Deferred gains and losses on hedges                   | <b>(18)</b>     | 17       | <b>(161)</b>                          |
| Foreign currency translation adjustments              | <b>(2,675)</b>  | 3,191    | <b>(23,884)</b>                       |
| Remeasurements of defined benefit plans               | <b>(2,153)</b>  | 1,691    | <b>(19,223)</b>                       |
| Total other comprehensive income                      | <b>(5,620)</b>  | 6,074    | <b>(50,179)</b>                       |
| <b>Comprehensive income</b>                           | <b>¥ 2,916</b>  | ¥ 11,027 | <b>\$ 26,035</b>                      |
| Comprehensive income attributable to                  |                 |          |                                       |
| Owners of parent                                      | <b>¥ 3,152</b>  | ¥ 10,727 | <b>\$ 28,142</b>                      |
| Non-controlling interests                             | <b>(236)</b>    | 300      | <b>(2,107)</b>                        |

See accompanying notes.

# Consolidated Statements of Changes in Net Assets

Nissin Electric Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2016 and 2015

|                                                     | Millions of yen      |                 |                   |                         |                            |
|-----------------------------------------------------|----------------------|-----------------|-------------------|-------------------------|----------------------------|
|                                                     | Shareholders' equity |                 |                   |                         |                            |
|                                                     | Common stock         | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity |
| <b>Balance at April 1, 2014</b>                     | ¥ 10,253             | ¥ 6,679         | ¥ 48,245          | ¥ (299)                 | ¥ 64,878                   |
| Cumulative effect of changes in accounting policies | –                    | –               | 1,744             | –                       | 1,744                      |
| Restated balance at April 1, 2014                   | 10,253               | 6,679           | 49,989            | (299)                   | 66,622                     |
| Cash dividends                                      | –                    | –               | (1,282)           | –                       | (1,282)                    |
| Profit attributable to owners of parent             | –                    | –               | 5,055             | –                       | 5,055                      |
| Purchase of treasury stock                          | –                    | –               | –                 | (2)                     | (2)                        |
| Net changes for the year                            | –                    | –               | –                 | –                       | –                          |
| <b>Balance at March 31, 2015</b>                    | <b>¥ 10,253</b>      | <b>¥ 6,679</b>  | <b>¥ 53,762</b>   | <b>¥ (301)</b>          | <b>¥ 70,393</b>            |

|                                                     | Millions of yen                                       |                                     |                                          |                                         |                                  |                           |                  |
|-----------------------------------------------------|-------------------------------------------------------|-------------------------------------|------------------------------------------|-----------------------------------------|----------------------------------|---------------------------|------------------|
|                                                     | Other comprehensive income                            |                                     |                                          |                                         |                                  |                           |                  |
|                                                     | Valuation difference on available-for-sale securities | Deferred gains and losses on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total other comprehensive income | Non-controlling interests | Total net assets |
| <b>Balance at April 1, 2014</b>                     | ¥ 1,751                                               | ¥ (11)                              | ¥ 2,095                                  | ¥ (3,905)                               | ¥ (70)                           | ¥ 3,267                   | ¥ 68,075         |
| Cumulative effect of changes in accounting policies | –                                                     | –                                   | –                                        | –                                       | –                                | –                         | 1,744            |
| Restated balance at April 1, 2014                   | 1,751                                                 | (11)                                | 2,095                                    | (3,905)                                 | (70)                             | 3,267                     | 69,819           |
| Cash dividends                                      | –                                                     | –                                   | –                                        | –                                       | –                                | –                         | (1,282)          |
| Profit attributable to owners of parent             | –                                                     | –                                   | –                                        | –                                       | –                                | –                         | 5,055            |
| Purchase of treasury stock                          | –                                                     | –                                   | –                                        | –                                       | –                                | –                         | (2)              |
| Net changes for the year                            | 1,175                                                 | 17                                  | 2,775                                    | 1,686                                   | 5,653                            | (134)                     | 5,519            |
| <b>Balance at March 31, 2015</b>                    | <b>¥ 2,926</b>                                        | <b>¥ 6</b>                          | <b>¥ 4,870</b>                           | <b>¥ (2,219)</b>                        | <b>¥ 5,583</b>                   | <b>¥ 3,133</b>            | <b>¥ 79,109</b>  |

|                                                     | Millions of yen      |                 |                   |                         |                            |
|-----------------------------------------------------|----------------------|-----------------|-------------------|-------------------------|----------------------------|
|                                                     | Shareholders' equity |                 |                   |                         |                            |
|                                                     | Common stock         | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity |
| <b>Balance at April 1, 2015</b>                     | <b>¥ 10,253</b>      | <b>¥ 6,679</b>  | <b>¥ 53,762</b>   | <b>¥ (301)</b>          | <b>¥ 70,393</b>            |
| Cumulative effect of changes in accounting policies | –                    | –               | –                 | –                       | –                          |
| Restated balance at April 1, 2015                   | <b>10,253</b>        | <b>6,679</b>    | <b>53,762</b>     | <b>(301)</b>            | <b>70,393</b>              |
| Cash dividends                                      | –                    | –               | <b>(1,496)</b>    | –                       | <b>(1,496)</b>             |
| Profit attributable to owners of parent             | –                    | –               | <b>8,525</b>      | –                       | <b>8,525</b>               |
| Purchase of treasury stock                          | –                    | –               | –                 | <b>(0)</b>              | <b>(0)</b>                 |
| Net changes for the year                            | –                    | –               | –                 | –                       | –                          |
| <b>Balance at March 31, 2016</b>                    | <b>¥ 10,253</b>      | <b>¥ 6,679</b>  | <b>¥ 60,791</b>   | <b>¥ (301)</b>          | <b>¥ 77,422</b>            |



# Consolidated Statements of Changes in Net Assets

Nissin Electric Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2016 and 2015

Millions of yen

|                                                     | Other comprehensive income                            |                                     |                                          |                                         | Total other comprehensive income | Non-controlling interests | Total net assets |
|-----------------------------------------------------|-------------------------------------------------------|-------------------------------------|------------------------------------------|-----------------------------------------|----------------------------------|---------------------------|------------------|
|                                                     | Valuation difference on available-for-sale securities | Deferred gains and losses on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans |                                  |                           |                  |
| <b>Balance at April 1, 2015</b>                     | <b>¥ 2,926</b>                                        | <b>¥ 6</b>                          | <b>¥ 4,870</b>                           | <b>¥ (2,219)</b>                        | <b>¥ 5,583</b>                   | <b>¥ 3,133</b>            | <b>¥ 79,109</b>  |
| Cumulative effect of changes in accounting policies | —                                                     | —                                   | —                                        | —                                       | —                                | —                         | —                |
| Restated balance at April 1, 2015                   | 2,926                                                 | 6                                   | 4,870                                    | (2,219)                                 | 5,583                            | 3,133                     | 79,109           |
| Cash dividends                                      | —                                                     | —                                   | —                                        | —                                       | —                                | —                         | (1,496)          |
| Profit attributable to owners of parent             | —                                                     | —                                   | —                                        | —                                       | —                                | —                         | 8,525            |
| Purchase of treasury stock                          | —                                                     | —                                   | —                                        | —                                       | —                                | —                         | (0)              |
| Net changes for the year                            | (774)                                                 | (18)                                | (2,459)                                  | (2,122)                                 | (5,373)                          | (783)                     | (6,156)          |
| <b>Balance at March 31, 2016</b>                    | <b>¥ 2,152</b>                                        | <b>¥ (12)</b>                       | <b>¥ 2,411</b>                           | <b>¥ (4,341)</b>                        | <b>¥ 210</b>                     | <b>¥ 2,350</b>            | <b>¥ 79,982</b>  |

Thousands of U.S. dollars (Note 1)

|                                                     | Shareholders' equity |                  |                   |                         |                            |
|-----------------------------------------------------|----------------------|------------------|-------------------|-------------------------|----------------------------|
|                                                     | Common stock         | Capital surplus  | Retained earnings | Treasury stock, at cost | Total shareholders' equity |
| <b>Balance at April 1, 2015</b>                     | <b>\$ 91,545</b>     | <b>\$ 59,634</b> | <b>\$ 480,018</b> | <b>\$ (2,688)</b>       | <b>\$ 628,509</b>          |
| Cumulative effect of changes in accounting policies | —                    | —                | —                 | —                       | —                          |
| Restated balance at April 1, 2015                   | 91,545               | 59,634           | 480,018           | (2,688)                 | 628,509                    |
| Cash dividends                                      | —                    | —                | (13,357)          | —                       | (13,357)                   |
| Profit attributable to owners of parent             | —                    | —                | 76,116            | —                       | 76,116                     |
| Purchase of treasury stock                          | —                    | —                | —                 | (0)                     | (0)                        |
| Net changes for the year                            | —                    | —                | —                 | —                       | —                          |
| <b>Balance at March 31, 2016</b>                    | <b>\$ 91,545</b>     | <b>\$ 59,634</b> | <b>\$ 542,777</b> | <b>\$ (2,688)</b>       | <b>\$ 691,268</b>          |

Thousands of U.S. dollars (Note 1)

|                                                     | Other comprehensive income                            |                                     |                                          |                                         | Total other comprehensive income | Non-controlling interests | Total net assets  |
|-----------------------------------------------------|-------------------------------------------------------|-------------------------------------|------------------------------------------|-----------------------------------------|----------------------------------|---------------------------|-------------------|
|                                                     | Valuation difference on available-for-sale securities | Deferred gains and losses on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans |                                  |                           |                   |
| <b>Balance at April 1, 2015</b>                     | <b>\$ 26,125</b>                                      | <b>\$ 54</b>                        | <b>\$ 43,482</b>                         | <b>\$ (19,813)</b>                      | <b>\$ 49,848</b>                 | <b>\$ 27,973</b>          | <b>\$ 706,330</b> |
| Cumulative effect of changes in accounting policies | —                                                     | —                                   | —                                        | —                                       | —                                | —                         | —                 |
| Restated balance at April 1, 2015                   | 26,125                                                | 54                                  | 43,482                                   | (19,813)                                | 49,848                           | 27,973                    | 706,330           |
| Cash dividends                                      | —                                                     | —                                   | —                                        | —                                       | —                                | —                         | (13,357)          |
| Profit attributable to owners of parent             | —                                                     | —                                   | —                                        | —                                       | —                                | —                         | 76,116            |
| Purchase of treasury stock                          | —                                                     | —                                   | —                                        | —                                       | —                                | —                         | (0)               |
| Net changes for the year                            | (6,911)                                               | (161)                               | (21,955)                                 | (18,946)                                | (47,973)                         | (6,991)                   | (54,964)          |
| <b>Balance at March 31, 2016</b>                    | <b>\$ 19,214</b>                                      | <b>\$ (107)</b>                     | <b>\$ 21,527</b>                         | <b>\$ (38,759)</b>                      | <b>\$ 1,875</b>                  | <b>\$ 20,982</b>          | <b>\$ 714,125</b> |

See accompanying notes.

# Consolidated Statements of Cash Flows

Nissin Electric Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2016 and 2015

|                                                                                                                    | Millions of yen |                | Thousands of<br>U.S. dollars (Note 1) |
|--------------------------------------------------------------------------------------------------------------------|-----------------|----------------|---------------------------------------|
|                                                                                                                    | 2016            | 2015           | 2016                                  |
| <b>Cash flows from operating activities:</b>                                                                       |                 |                |                                       |
| Income before income taxes                                                                                         | ¥ 11,512        | ¥ 8,432        | \$ 102,786                            |
| Adjustments for:                                                                                                   |                 |                |                                       |
| Depreciation and amortization                                                                                      | 2,999           | 2,964          | 26,777                                |
| Business structure improvement expenses                                                                            | 628             | —              | 5,607                                 |
| Increase (decrease) in allowance for doubtful receivables                                                          | (94)            | (232)          | (839)                                 |
| Increase (decrease) in net defined benefit liability                                                               | 791             | (382)          | 7,063                                 |
| Increase (decrease) in allowance for loss on contracts                                                             | 73              | (199)          | 652                                   |
| Increase (decrease) in allowance for environmental protection measures                                             | (119)           | —              | (1,063)                               |
| Increase (decrease) in other provision                                                                             | (327)           | 37             | (2,920)                               |
| Interest and dividend income                                                                                       | (193)           | (183)          | (1,723)                               |
| Interest expense                                                                                                   | 88              | 151            | 786                                   |
| Foreign exchange losses (gains)                                                                                    | 8               | (140)          | 71                                    |
| Loss (gain) on valuation of derivatives                                                                            | 513             | —              | 4,580                                 |
| Loss (gain) on sales of investment securities                                                                      | (222)           | (49)           | (1,982)                               |
| Decrease (increase) in trade receivables                                                                           | (546)           | (3,150)        | (4,875)                               |
| Decrease (increase) in inventories                                                                                 | (7,135)         | 2,076          | (63,705)                              |
| Increase (decrease) in trade payables                                                                              | 3,361           | 277            | 30,009                                |
| Decrease (increase) in advance payments                                                                            | (354)           | (947)          | (3,161)                               |
| Increase (decrease) in consumption tax payable                                                                     | (720)           | 143            | (6,429)                               |
| Increase (decrease) in accrued expenses                                                                            | 156             | (539)          | 1,393                                 |
| Increase (decrease) in advances from customers                                                                     | 10,668          | 793            | 95,250                                |
| Other, net                                                                                                         | 493             | 16             | 4,402                                 |
| Subtotal                                                                                                           | 21,580          | 9,068          | 192,679                               |
| Interest and dividends received                                                                                    | 190             | 187            | 1,696                                 |
| Interest paid                                                                                                      | (90)            | (158)          | (804)                                 |
| Income taxes paid                                                                                                  | (1,828)         | (5,247)        | (16,321)                              |
| <b>Net cash provided by (used in) operating activities</b>                                                         | <b>19,852</b>   | <b>3,850</b>   | <b>177,250</b>                        |
| <b>Cash flows from investing activities:</b>                                                                       |                 |                |                                       |
| Payments for purchase of time deposits                                                                             | (2,371)         | (309)          | (21,170)                              |
| Proceeds from refund of time deposits                                                                              | 2,197           | 347            | 19,616                                |
| Purchase of short-term securities                                                                                  | (8,002)         | (5,300)        | (71,446)                              |
| Proceeds from sales and redemption of short-term securities                                                        | 8,002           | 5,300          | 71,446                                |
| Payments for purchase of property, plant and equipment and intangible assets                                       | (3,615)         | (2,642)        | (32,277)                              |
| Proceeds from sales of property, plant and equipment and intangible assets                                         | 794             | 82             | 7,089                                 |
| Proceeds from sales of investment securities                                                                       | 300             | 115            | 2,679                                 |
| Payments for sales of investments in capital of subsidiary resulting in change in scope of consolidation (Note 20) | (29)            | —              | (259)                                 |
| Other, net                                                                                                         | (87)            | (23)           | (776)                                 |
| <b>Net cash provided by (used in) investing activities</b>                                                         | <b>(2,811)</b>  | <b>(2,430)</b> | <b>(25,098)</b>                       |
| <b>Cash flows from financing activities:</b>                                                                       |                 |                |                                       |
| Increase (decrease) in short-term loans                                                                            | (1,417)         | (75)           | (12,652)                              |
| Cash dividends paid                                                                                                | (1,496)         | (1,282)        | (13,357)                              |
| Payments for purchase of treasury shares of subsidiaries                                                           | —               | (394)          | —                                     |
| Other, net                                                                                                         | (85)            | (97)           | (759)                                 |
| <b>Net cash provided by (used in) financing activities</b>                                                         | <b>(2,998)</b>  | <b>(1,848)</b> | <b>(26,768)</b>                       |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                                                | <b>(709)</b>    | <b>526</b>     | <b>(6,330)</b>                        |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                                        | <b>13,334</b>   | <b>98</b>      | <b>119,054</b>                        |
| <b>Cash and cash equivalents at beginning of year</b>                                                              | <b>9,989</b>    | <b>9,891</b>   | <b>89,187</b>                         |
| <b>Cash and cash equivalents at end of year</b>                                                                    | <b>¥ 23,323</b> | <b>¥ 9,989</b> | <b>\$ 208,241</b>                     |

See accompanying notes.

# Notes to Consolidated Financial Statements

Nissin Electric Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2016 and 2015

## 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of overseas consolidated subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified four items as applicable.

The accompanying consolidated financial statements have been restructured and translated into English with some expanded disclosure from the consolidated financial statements of Nissin Electric Co., Ltd. (the "Company") prepared in accordance with

Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements. Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

The translations of the Japanese yen amounts into U.S. dollar amounts have been included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2016, which was ¥112 to U.S. \$1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Principles of consolidation

The consolidated financial statements include the accounts of the Company, 8 domestic subsidiaries (8 in 2015) and 18 overseas subsidiaries (19 in 2015).

Nissin Hengtong Electric Co., Ltd. was excluded from the scope of consolidation by the sales of all investments in capital during the consolidated fiscal year ended March 31, 2016.

Material intercompany balances, transactions and unrealized profits have been eliminated in consolidation.

The fiscal year-end for Nissin Allis Electric Co., Ltd., Nissin Electric (Wuxi) Co., Ltd., Nissin Electric Wuxi Co., Ltd., Beijing Hongda Nissin Electric Co., Ltd. and 9 other overseas subsidiaries (10 in 2015) is December 31. These 13 overseas subsidiaries (14 in 2015) performed additional financial closings for the consolidation at the end of March to provide more accurate reporting.

### Translation of foreign currencies

Foreign currency monetary assets and liabilities are translated into Japanese yen at fiscal year-end rates, and the resulting translation gains and losses are included in profit attributable to owners of parent. The balance sheets of the consolidated overseas subsidiaries are translated into Japanese yen at fiscal year-end rates, except for shareholders' equity accounts, which are translated at historical rates. Income statements of the consolidated overseas subsidiaries are translated at average rates. The resulting foreign currency translation adjustments are shown as a separate component of net assets, net of non-controlling interests.

### Securities and investment securities

Investment securities are classified and accounted for based on management's intent as follows:

Equity securities issued by subsidiaries and associates which are not consolidated or accounted for using the equity method are stated at moving average cost. Available-for-sale securities with available fair market values are stated at fair market value at the fiscal year-end, and unrealized gains and losses are reported net of applicable income taxes

and non-controlling interests as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Other available-for-sale securities with no available fair market value are stated at moving average cost. Held-to-maturity debt securities are stated at amortized cost.

### Inventories

Inventories are stated mainly at the lower of cost or net realizable value. Cost is determined by the specific identification method for finished goods and work-in-process and by the average cost method for raw materials and supplies.

### Property, plant and equipment (excluding lease assets)

The Company and its consolidated subsidiaries (the "Companies") use the straight-line method to depreciate property, plant and equipment, excluding lease assets.

### Intangible assets (excluding lease assets)

The Companies use the straight-line method to amortize intangible assets, excluding lease assets.

### Allowance for doubtful receivables

The allowance for doubtful receivables is provided to cover possible losses on collection. With respect to normal trade accounts receivable, it is stated at an amount based on the actual rate of historical bad debts. For certain doubtful receivables, the uncollectible amount is individually estimated.

### Allowance for losses on contracts

To provide for losses on contracts, the Company and some consolidated subsidiaries accrue the amounts which are reasonably estimated at the end of the year.

### Allowance for environmental protection measures

To provide for expenses related to the disposal of PCB waste, the Company accrues the amounts which are reasonably estimated at the end of the year.



### Accounting method for retirement benefits

In the calculation of retirement benefit obligations, the benefit formula method was adopted to attribute retirement benefit obligations to the period of service up to the end of the consolidated fiscal year ended March 31, 2016. Actuarial differences are recognized in expenses in equal amounts over a certain number of years (mainly 14 years), a period which is within the average of the estimated remaining service years of employees, commencing with the following period.

### Accounting standard for construction contracts

The Company and its consolidated domestic subsidiaries apply the percentage-of-completion method with the cost comparison method to estimate the progress under construction contracts for the portions of the contract completed by the end of the fiscal year that can be estimated reliably. The completed contract method is applied to other construction contracts.

### Income taxes

The Companies recognize the tax effects of loss carryforwards and the temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes. The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company files a tax return under the consolidated tax system, which allows companies to base tax payments on the combined profits and losses of the parent company and its wholly owned domestic subsidiaries.

### Derivatives and hedge accounting

The Companies state derivative financial instruments at fair value and recognize a change in the fair value as gain or loss unless the derivative financial instruments are used for hedging purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized.

When forward foreign exchange contracts meet certain conditions, the hedged items are stated at the forward exchange contract rate. If interest rate and currency swap contracts are used as hedges and meet certain hedging criteria, the hedged items are stated at the forward exchange contract rate and the net amount to be paid or received under the interest rate and currency swap contracts is added to or deducted from the interest on the assets or liabilities for which the swap contracts were executed.

The Companies use forward foreign currency contracts and interest rate and currency swap contracts as derivative financial instruments only for the purpose of mitigating future risks of fluctuations in foreign currency exchange rates and interest rates.

The following summarizes the hedging derivative financial instruments used by the Companies and the hedged items:

#### Hedging instruments:

Forward foreign exchange contracts  
Non-deliverable forward contracts  
Interest rate and currency swap contracts

#### Hedged items:

Foreign currency receivables and payables  
Foreign currency receivables and payables  
Principal and interest of foreign currency loans receivables and debts

### Goodwill

Goodwill is amortized on a straight-line basis over a period of five years. However, when the amount is immaterial, it is written off in the current year.

### Cash equivalents

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

### Amounts per share

The computations of profit attributable to owners of parent per share of common stock are based on the weighted average number of shares outstanding during each period. Diluted profit attributable to owners of parent per share of common stock assumes that all stock options were exercised at the beginning of the fiscal year. For the fiscal years ended March 31, 2016 and 2015, there were no potentially dilutive common stocks.

In accordance with the Japanese Corporate Law, the declaration of dividends and the appropriations of retained earnings are approved at the general meeting of shareholders held after the end of the fiscal year. However, cash dividends per share shown in the consolidated statements of income reflect the final dividends approved after the end of the relevant fiscal year.

### Changes in accounting policy

Effective from fiscal year ended March 31, 2016, the Company applied "Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013 ("Statement No.21")), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013 ("Statement No.22")) and "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013 ("Statement No.7")). As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company's ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. Regarding business combination after the beginning of the fiscal year ended March 31, 2016, the Company has reallocated the acquisition costs arising from finalization of provisional accounting treatment on the consolidated financial statements to the fiscal year that the date of business combination belongs to. In addition, the Company changed the presentation of net income and the term "non-controlling interests" is used instead of "minority interests". Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.

On the consolidated statements of cash flows for the fiscal year ended March 31, 2016, cash flows related to the acquisition and disposal of shares in subsidiaries unaccompanied by changes in the scope of consolidation are recorded in "Cash flows from financing activities". Cash flows related to the acquisition cost of shares in

subsidiaries accompanied by changes in the scope of consolidation and cash flows related to costs for the acquisition and disposal of shares in subsidiaries unaccompanied by changes in the scope of consolidation are recorded in "Cash flows from Operating Activities".

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (4) of Statement No.21, article 44-5 (4) of Statement No.22 and article 57-4 (4) of Statement No.7 with application from the beginning of the fiscal year ended March 31, 2016, prospectively.

The impact of these changes on profit or loss, capital surplus or per share information on the consolidated financial statements for the fiscal year ended March 31, 2016 was immaterial.

### Unapplied accounting standard

Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016)

#### (1) Overview

Following the framework in Auditing Committee Report No. 66 "Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets", which prescribes estimation of deferred tax assets according to the

classification of the entity by one of five types, the following treatments were changed as necessary:

- i. Treatment for an entity that does not meet any of the criteria in types 1 to 5;
- ii. Criteria for types 2 and 3;
- iii. Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;
- iv. Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences that exist at the end of the current fiscal year; and
- v. Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.

#### (2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2017

#### (3) Effects of application of the Guidance

The impact on its consolidated financial statements was under assessment as of the time the consolidated financial statements for the fiscal year were prepared.

## 3. INVESTMENT SECURITIES

The carrying amounts of investment securities at March 31, 2016 and 2015 consisted of the following:

|                                                             | Millions of yen |         | Thousands of U.S. dollars |
|-------------------------------------------------------------|-----------------|---------|---------------------------|
|                                                             | 2016            | 2015    | 2016                      |
| Available-for-sale securities with available fair values    | ¥ 5,320         | ¥ 6,601 | \$ 47,500                 |
| Available-for-sale securities with no available fair values | 277             | 247     | 2,473                     |
| Total                                                       | ¥ 5,597         | ¥ 6,848 | \$ 49,973                 |

The following is a summary of available-for-sale securities included in investment securities that had a fair value at March 31, 2016 and 2015.

|                   | Millions of yen           |                        |                         |                   |
|-------------------|---------------------------|------------------------|-------------------------|-------------------|
|                   | Acquisition cost          | Gross unrealized gains | Gross unrealized losses | Book (fair) value |
| <b>2016</b>       |                           |                        |                         |                   |
| Equity securities | ¥ 2,367                   | ¥ 3,014                | ¥ 61                    | ¥ 5,320           |
|                   |                           |                        |                         |                   |
|                   | Millions of yen           |                        |                         |                   |
|                   | Acquisition cost          | Gross unrealized gains | Gross unrealized losses | Book (fair) value |
| <b>2015</b>       |                           |                        |                         |                   |
| Equity securities | ¥ 2,445                   | ¥ 4,156                | ¥ –                     | ¥ 6,601           |
|                   |                           |                        |                         |                   |
|                   | Thousands of U.S. dollars |                        |                         |                   |
|                   | Acquisition cost          | Gross unrealized gains | Gross unrealized losses | Book (fair) value |
| <b>2016</b>       |                           |                        |                         |                   |
| Equity securities | \$ 21,134                 | \$ 26,911              | \$ 545                  | \$ 47,500         |

Proceeds from sales of available-for-sale securities were ¥300 million (\$2,679 thousand) for the year ended March, 31 2016. Gross realized gains on those sales were ¥222 million (\$1,982 thousand) for the year ended March 31, 2016.

Gross realized gains and losses on the sale of available-for-sale securities for the fiscal year ended March 31, 2015 were not material.

The “acquisition cost” in the table represents the book value after recognition of impairment loss. The Company recognized no impairment loss for the fiscal years ended March 31, 2016 and 2015.

#### 4. INVENTORIES

Inventories at March 31, 2016 and 2015 consisted of the following:

|                            | Millions of yen |          | Thousands of U.S. dollars |
|----------------------------|-----------------|----------|---------------------------|
|                            | 2016            | 2015     | 2016                      |
| Finished goods             | ¥ 1,729         | ¥ 1,823  | \$ 15,438                 |
| Work-in-process            | 21,023          | 13,588   | 187,705                   |
| Raw materials and supplies | 5,059           | 6,432    | 45,170                    |
|                            | ¥ 27,811        | ¥ 21,843 | \$ 248,313                |

Inventories related to construction contracts for which losses were expected after being offset by the allowance for loss on contracts for the fiscal years ended March 31, 2016 and 2015 were ¥200 million (\$1,786 thousand) and ¥169 million, respectively.

#### 5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term loans at March 31, 2016 and 2015 were represented by short-term notes that consisted of the following:

|                                                                                  | Millions of yen |         | Thousands of U.S. dollars |
|----------------------------------------------------------------------------------|-----------------|---------|---------------------------|
|                                                                                  | 2016            | 2015    | 2016                      |
| Short-term loans bearing average interest rates of 2.32% (2016) and 2.91% (2015) | ¥ 2,107         | ¥ 3,856 | \$ 18,812                 |

A summary of long-term debt at March 31, 2016 and 2015 consisted of the following:

|                                                                                                      | Millions of yen |      | Thousands of U.S. dollars |
|------------------------------------------------------------------------------------------------------|-----------------|------|---------------------------|
|                                                                                                      | 2016            | 2015 | 2016                      |
| Long-term debt                                                                                       | ¥ 89            | ¥ 67 | \$ 795                    |
| Current portion of long-term debt                                                                    | (19)            | (37) | (170)                     |
| Loans maturing serially through 2019 bearing average interest rates of 4.32% (2016) and 0.76% (2015) | ¥70             | ¥ 30 | \$ 625                    |

The annual maturities of long-term debt outstanding at March 31, 2016 were as follows:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|-----------------------|-----------------|---------------------------|
| 2017                  | ¥ 19            | \$ 170                    |
| 2018                  | 44              | 393                       |
| 2019                  | 26              | 232                       |
| 2020                  | —               | —                         |
| 2021 and thereafter   | —               | —                         |
| Total                 | ¥ 89            | \$ 795                    |



## 6. CONTINGENT LIABILITIES

At March 31, 2016 and 2015, the Companies' contingent liabilities were as follows:

|                                                                                                                                                                | Millions of yen |      | Thousands of U.S. dollars |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------|---------------------------|
|                                                                                                                                                                | 2016            | 2015 | 2016                      |
| Discounted trade notes                                                                                                                                         | ¥ –             | ¥ 31 | \$ –                      |
| Endorsed trade notes                                                                                                                                           | 57              | 106  | 509                       |
| Debt guarantees provided to the financial institution borrowings of non-consolidated subsidiaries, associates and others:<br>Arteche Nissin, Sociedad Limitada | –               | 17   | –                         |

## 7. NET ASSETS

"Net assets" comprises three subsections: shareholders' equity, other comprehensive income and non-controlling interests.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law ("the Law") in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may, by resolution of the shareholders, be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

## 8. CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

### Dividend information

Dividends paid in the fiscal year ended March 31, 2016 and after March 31, 2016 were as follows:

#### Dividends paid in the fiscal year ended March 31, 2016

| Approved by                                     | Record date        | Effective date   | Total amount    |                           |
|-------------------------------------------------|--------------------|------------------|-----------------|---------------------------|
|                                                 |                    |                  | Millions of yen | Thousands of U.S. dollars |
| Shareholders' meeting on June 23, 2015          | March 31, 2015     | June 24, 2015    | ¥ 748           | \$ 6,679                  |
| Board of Directors meeting on November 12, 2015 | September 30, 2015 | December 7, 2015 | 748             | 6,679                     |

#### Dividends paid after March 31, 2016 and for which the record date was in the fiscal year ended March 31, 2016

| Approved by                            | Record date    | Effective date | Total amount    |                           |
|----------------------------------------|----------------|----------------|-----------------|---------------------------|
|                                        |                |                | Millions of yen | Thousands of U.S. dollars |
| Shareholders' meeting on June 22, 2016 | March 31, 2016 | June 23, 2016  | ¥ 1,176         | \$ 10,500                 |

Dividends paid in the fiscal year ended March 31, 2015 and after March 31, 2015 were as follows:

#### Dividends paid in the fiscal year ended March 31, 2015

| Approved by                                    | Record date        | Effective date   | Total amount    |
|------------------------------------------------|--------------------|------------------|-----------------|
|                                                |                    |                  | Millions of yen |
| Shareholders' meeting on June 24, 2014         | March 31, 2014     | June 25, 2014    | ¥ 641           |
| Board of Directors meeting on October 29, 2014 | September 30, 2014 | December 8, 2014 | 641             |

#### Dividends paid after March 31, 2015 and for which the record date was in the fiscal year ended March 31, 2015

| Approved by                            | Record date    | Effective date | Total amount    |
|----------------------------------------|----------------|----------------|-----------------|
|                                        |                |                | Millions of yen |
| Shareholders' meeting on June 23, 2015 | March 31, 2015 | June 24, 2015  | ¥ 748           |

## 9. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in cost of sales and selling, general and administrative expenses for the fiscal years ended March 31, 2016 and 2015 were ¥5,331 million (\$47,598 thousand) and ¥4,937 million, respectively.

## 10. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major components of selling, general and administrative expenses were as follows:

|                                                 | Millions of yen |         | Thousands of U.S. dollars |
|-------------------------------------------------|-----------------|---------|---------------------------|
|                                                 | 2016            | 2015    | 2016                      |
| Salaries and bonuses for employees              | ¥ 7,804         | ¥ 7,682 | \$ 69,679                 |
| Research and development expenses               | 3,905           | 3,531   | 34,866                    |
| Cost of transportation of goods                 | 2,316           | 1,639   | 20,679                    |
| Retirement benefit costs                        | 647             | 754     | 5,777                     |
| Sales commissions                               | 611             | 733     | 5,455                     |
| Provision of allowance for doubtful receivables | 7               | (250)   | 63                        |

## 11. DERIVATIVE TRANSACTIONS

### A. Derivative transactions to which hedge accounting is not applicable

|                                             | Millions of yen   |                                       |            |                        | Millions of yen   |                                       |            |                        |
|---------------------------------------------|-------------------|---------------------------------------|------------|------------------------|-------------------|---------------------------------------|------------|------------------------|
|                                             | 2016              |                                       |            |                        | 2015              |                                       |            |                        |
|                                             | Contracted amount | Amount of principal due over one year | Fair value | Recognized gain (loss) | Contracted amount | Amount of principal due over one year | Fair value | Recognized gain (loss) |
| Transactions other than market transactions |                   |                                       |            |                        |                   |                                       |            |                        |
| Forward foreign exchange contracts:         |                   |                                       |            |                        |                   |                                       |            |                        |
| Trade receivables                           |                   |                                       |            |                        |                   |                                       |            |                        |
| Chinese yuan                                | ¥ 297             | ¥ –                                   | ¥ 4        | ¥ 4                    | ¥ 111             | ¥ –                                   | ¥ (13)     | ¥ (13)                 |
| U.S. dollars                                | 258               | –                                     | 14         | 14                     | 99                | –                                     | (16)       | (16)                   |
| Trade payables                              |                   |                                       |            |                        |                   |                                       |            |                        |
| Chinese yuan                                | 4,157             | 1,576                                 | (535)      | (535)                  | 125               | –                                     | 3          | 3                      |
| U.S. dollars                                | 70                | –                                     | (1)        | (1)                    | 96                | –                                     | (0)        | (0)                    |
| Japanese yen                                | –                 | –                                     | –          | –                      | 6                 | –                                     | (0)        | (0)                    |
| Total                                       | ¥ 4,782           | ¥ 1,576                               | ¥ (518)    | ¥ (518)                | ¥ 437             | ¥ –                                   | ¥ (26)     | ¥ (26)                 |

|                                             | Thousands of U.S. dollars |                                       |            |                        |
|---------------------------------------------|---------------------------|---------------------------------------|------------|------------------------|
|                                             | 2016                      |                                       |            |                        |
|                                             | Contracted amount         | Amount of principal due over one year | Fair value | Recognized gain (loss) |
| Transactions other than market transactions |                           |                                       |            |                        |
| Forward foreign exchange contracts:         |                           |                                       |            |                        |
| Trade receivables                           |                           |                                       |            |                        |
| Chinese yuan                                | \$ 2,652                  | \$ –                                  | \$ 36      | \$ 36                  |
| U.S. dollars                                | 2,303                     | –                                     | 125        | 125                    |
| Trade payables                              |                           |                                       |            |                        |
| Chinese yuan                                | 37,116                    | 14,071                                | (4,777)    | (4,777)                |
| U.S. dollars                                | 625                       | –                                     | (9)        | (9)                    |
| Japanese yen                                | –                         | –                                     | –          | –                      |
| Total                                       | \$ 42,696                 | \$ 14,071                             | \$ (4,625) | \$ (4,625)             |

Fair values are based on quotes obtained from financial institutions.

## B. Derivative transactions to which hedge accounting is applicable

|                                                               | Millions of yen   |                                       |            | Millions of yen   |                                       |            | Thousands of U.S. dollars |                                       |            |
|---------------------------------------------------------------|-------------------|---------------------------------------|------------|-------------------|---------------------------------------|------------|---------------------------|---------------------------------------|------------|
|                                                               | 2016              |                                       |            | 2015              |                                       |            | 2016                      |                                       |            |
|                                                               | Contracted amount | Amount of principal due over one year | Fair value | Contracted amount | Amount of principal due over one year | Fair value | Contracted amount         | Amount of principal due over one year | Fair value |
| Allocation method                                             |                   |                                       |            |                   |                                       |            |                           |                                       |            |
| Forward foreign exchange contracts:                           |                   |                                       |            |                   |                                       |            |                           |                                       |            |
| Trade receivables                                             |                   |                                       |            |                   |                                       |            |                           |                                       |            |
| U.S. dollars                                                  | ¥ 221             | ¥ –                                   | ¥ 10       | ¥ 346             | ¥ –                                   | ¥ (13)     | \$ 1,973                  | \$ –                                  | \$ 89      |
| Euro                                                          | 36                | 36                                    | 0          | 43                | 36                                    | (0)        | 321                       | 321                                   | 0          |
| Trade payables                                                |                   |                                       |            |                   |                                       |            |                           |                                       |            |
| U.S. dollars                                                  | 7                 | –                                     | 0          | 20                | 2                                     | 1          | 62                        | –                                     | 0          |
| Euro                                                          | 1                 | –                                     | 0          | 2                 | –                                     | (0)        | 9                         | –                                     | 0          |
| Deferred hedge method                                         |                   |                                       |            |                   |                                       |            |                           |                                       |            |
| Forward foreign exchange contracts:                           |                   |                                       |            |                   |                                       |            |                           |                                       |            |
| Trade receivables                                             |                   |                                       |            |                   |                                       |            |                           |                                       |            |
| U.S. dollars                                                  | 207               | –                                     | 17         | 326               | –                                     | (37)       | 1,848                     | –                                     | 152        |
| Chinese yuan                                                  | 76                | –                                     | 4          | 30                | –                                     | (1)        | 679                       | –                                     | 36         |
| Trade payables                                                |                   |                                       |            |                   |                                       |            |                           |                                       |            |
| N.Z. dollars                                                  | 791               | –                                     | (7)        | 44                | –                                     | (0)        | 7,063                     | –                                     | (62)       |
| U.S. dollars                                                  | 627               | –                                     | (17)       | 513               | –                                     | 49         | 5,598                     | –                                     | (152)      |
| Euro                                                          | 566               | –                                     | (2)        | 77                | –                                     | (4)        | 5,054                     | –                                     | (18)       |
| Swiss francs                                                  | 141               | –                                     | (10)       | 20                | –                                     | 0          | 1,259                     | –                                     | (89)       |
| Chinese yuan                                                  | 60                | –                                     | (1)        | 133               | –                                     | 2          | 536                       | –                                     | (9)        |
| Thai baht                                                     | 45                | –                                     | (2)        | –                 | –                                     | –          | 402                       | –                                     | (18)       |
| Canadian dollars                                              | 8                 | –                                     | (0)        | 36                | –                                     | (3)        | 71                        | –                                     | (0)        |
| Special treatment                                             |                   |                                       |            |                   |                                       |            |                           |                                       |            |
| Interest rate and currency swap contracts:                    |                   |                                       |            |                   |                                       |            |                           |                                       |            |
| Receive variable rate in Japanese yen, pay fixed rate in Euro | 147               | –                                     | 14         | 147               | 147                                   | 9          | 1,313                     | –                                     | 125        |
| Total                                                         | ¥ 2,933           | ¥ 36                                  | ¥ 6        | ¥ 1,737           | ¥ 185                                 | ¥ 3        | \$ 26,188                 | \$ 321                                | \$ 54      |

Fair values are based on quotes obtained from financial institutions.



## 12. INCOME TAXES

The Companies are subject to several taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of 33.0% and 35.5% for the fiscal years ended March 31, 2016 and 2015.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2016 and 2015 were as follows:

|                                                                     | Millions of yen |         | Thousands of<br>U.S. dollars |
|---------------------------------------------------------------------|-----------------|---------|------------------------------|
|                                                                     | 2016            | 2015    | 2016                         |
| <b>Deferred tax assets:</b>                                         |                 |         |                              |
| Net defined benefit liability                                       | ¥ 1,841         | ¥ 731   | \$ 16,438                    |
| Accrued employees' bonuses                                          | 1,005           | 882     | 8,973                        |
| Devaluation of inventories                                          | 944             | 959     | 8,429                        |
| Allowance for environmental protection measures                     | 663             | 732     | 5,920                        |
| Cost of sales                                                       | 658             | 844     | 5,875                        |
| Research and development expenses                                   | 529             | 539     | 4,723                        |
| Tax loss carryforwards                                              | 522             | 870     | 4,661                        |
| Retirement benefits trust                                           | 504             | 748     | 4,500                        |
| Depreciation                                                        | 435             | 556     | 3,884                        |
| Unrealized intercompany profits                                     | 230             | 219     | 2,054                        |
| Other temporary differences                                         | 1,613           | 1,487   | 14,400                       |
| Total deferred tax assets                                           | 8,944           | 8,567   | 79,857                       |
| Valuation allowance                                                 | (1,989)         | (3,181) | (17,759)                     |
| Net deferred tax assets                                             | 6,955           | 5,386   | 62,098                       |
| <b>Deferred tax liabilities:</b>                                    |                 |         |                              |
| Valuation difference on available-for-sale securities               | (819)           | (1,229) | (7,313)                      |
| Undistributed earnings of overseas subsidiaries                     | (798)           | (991)   | (7,125)                      |
| Reserve for deferred gains related to fixed assets for tax purposes | (244)           | (257)   | (2,179)                      |
| Other temporary differences                                         | (18)            | (95)    | (160)                        |
| Total deferred tax liabilities                                      | (1,879)         | (2,572) | (16,777)                     |
| Net deferred tax assets                                             | ¥ 5,076         | ¥ 2,814 | \$ 45,321                    |

Reconciliations to the consolidated balance sheets were as follows:

|                                                                  | Millions of yen |         | Thousands of<br>U.S. dollars |
|------------------------------------------------------------------|-----------------|---------|------------------------------|
|                                                                  | 2016            | 2015    | 2016                         |
| Deferred tax assets reported in current assets                   | ¥ 3,303         | ¥ 3,233 | \$ 29,491                    |
| Deferred tax assets reported in investments and other assets     | 1,792           | 466     | 16,000                       |
| Deferred tax liabilities reported in other long-term liabilities | (19)            | (885)   | (170)                        |
| Net deferred tax assets                                          | ¥ 5,076         | ¥ 2,814 | \$ 45,321                    |

Significant differences between the statutory income tax rate and the effective income tax rate in the consolidated financial statements for the fiscal years ended March 31, 2016 and 2015 were as follows:

|                                                    | 2016   | 2015   |
|----------------------------------------------------|--------|--------|
| Statutory income tax rate                          | 33.0 % | 35.5 % |
| Changes in valuation allowance                     | (5.4)  | 2.2    |
| Tax credit for research and development expenses   | (3.2)  | (3.9)  |
| Tax credit for increase in salaries                | (1.1)  | (1.3)  |
| Change in tax rate                                 | 1.6    | 1.6    |
| Effect of lower tax rates on overseas subsidiaries | (1.1)  | (1.2)  |
| Overseas retained earnings                         | (1.7)  | 2.1    |
| Others                                             | 3.8    | 6.3    |
| Effective income tax rate                          | 25.9 % | 41.3 % |

#### (Revisions to deferred tax assets and deferred tax liabilities due to changes in the corporate tax rates)

The Act for Partial Amendment of the Income Tax Act, etc., and The Act for Partial Amendment of the Local Income Tax Act, etc., were enacted in the Diet on March 29, 2016, changing the statutory effective tax rate used in calculating deferred tax assets and deferred tax liabilities (limited to those to be eliminated on April 1, 2016 and after) from 32.2% in the previous consolidated fiscal year to 30.8% for those expected to be recovered or paid during the period from April 1, 2016 to March 31, 2018 and to 30.5% for those expected to be recovered or paid on April 1, 2018 or after. As a result, the amount of deferred tax assets (the amount obtained by deducting the amount of deferred tax liabilities) was ¥276 million (\$2,464 thousand) less and income taxes – deferred, valuation difference on available-for-sale securities, and remeasurements of defined benefit plans recorded for the consolidated fiscal year ¥208 million (\$1,857 thousand), ¥44 million (\$393 thousand) and 112 million (\$1,000 thousand) more, respectively, than the amounts that would have been reported without the change.

## 13. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

### A. Overview of retirement benefit plans

The Company and some consolidated subsidiaries have unfunded retirement benefit plans, defined contribution pension plans and defined benefit pension plans. There are also cases when an employee is given premium severance pay on leaving the company. In addition, the Company has an employee pension trust.

### B. Defined benefit plans

#### (1) Movements in retirement benefit obligations

|                                                     | Millions of yen |          | Thousands of<br>U.S. dollars |
|-----------------------------------------------------|-----------------|----------|------------------------------|
|                                                     | 2016            | 2015     | 2016                         |
| Balance at beginning of year                        | ¥ 22,627        | ¥ 24,969 | \$ 202,027                   |
| Cumulative effect of changes in accounting policies | –               | (2,709)  | –                            |
| Restated balance at beginning                       | 22,627          | 22,260   | 202,027                      |
| Service cost - benefits earned during the year      | 1,300           | 1,163    | 11,607                       |
| Interest cost on retirement benefit obligations     | 319             | 308      | 2,848                        |
| Actuarial differences                               | 2,314           | 256      | 20,661                       |
| Payment of retirement benefits                      | (1,104)         | (1,360)  | (9,857)                      |
| Balance at end of year                              | ¥ 25,456        | ¥ 22,627 | \$ 227,286                   |

#### (2) Movements in pension assets

|                                   | Millions of yen |          | Thousands of<br>U.S. dollars |
|-----------------------------------|-----------------|----------|------------------------------|
|                                   | 2016            | 2015     | 2016                         |
| Balance at beginning of year      | ¥ 20,513        | ¥ 16,968 | \$ 183,152                   |
| Expected return on pension assets | 543             | 348      | 4,848                        |
| Actuarial differences             | (1,557)         | 1,899    | (13,902)                     |
| Contributions from the employer   | 999             | 2,366    | 8,920                        |
| Payment of retirement benefits    | (956)           | (1,068)  | (8,536)                      |
| Balance at end of year            | ¥ 19,542        | ¥ 20,513 | \$ 174,482                   |

**(3) Reconciliation from retirement benefit obligations and pension assets to net defined benefit liability (asset) in the consolidated balance sheet**

|                                                                                  | Millions of yen |          | Thousands of U.S. dollars |
|----------------------------------------------------------------------------------|-----------------|----------|---------------------------|
|                                                                                  | 2016            | 2015     | 2016                      |
| Retirement benefit obligation of funded plans                                    | ¥ 25,353        | ¥ 22,554 | \$ 226,366                |
| Pension assets                                                                   | (19,542)        | (20,513) | (174,482)                 |
|                                                                                  | ¥ 5,811         | ¥ 2,041  | \$ 51,884                 |
| Retirement benefit obligation of unfunded plans                                  | 103             | 73       | 920                       |
| Net defined benefit liability (asset) recorded in the consolidated balance sheet | ¥ 5,914         | ¥ 2,114  | \$ 52,804                 |

|                                                                                  | Millions of yen |         | Thousands of U.S. dollars |
|----------------------------------------------------------------------------------|-----------------|---------|---------------------------|
|                                                                                  | 2016            | 2015    | 2016                      |
| Net defined benefit liability                                                    | ¥ 5,962         | ¥ 2,176 | \$ 53,232                 |
| Net defined benefit asset                                                        | (48)            | (62)    | (428)                     |
| Net defined benefit liability (asset) recorded in the consolidated balance sheet | ¥ 5,914         | ¥ 2,114 | \$ 52,804                 |

**(4) Retirement benefit costs**

|                                                    | Millions of yen |         | Thousands of U.S. dollars |
|----------------------------------------------------|-----------------|---------|---------------------------|
|                                                    | 2016            | 2015    | 2016                      |
| Service cost - benefits earned during the year     | ¥ 1,300         | ¥ 1,163 | \$ 11,607                 |
| Interest cost on retirement benefit obligation     | 319             | 308     | 2,848                     |
| Expected return on pension assets                  | (543)           | (348)   | (4,848)                   |
| Amortization of unrecognized actuarial differences | 855             | 1,154   | 7,634                     |
|                                                    | ¥ 1,931         | ¥ 2,277 | \$ 17,241                 |

**(5) Remeasurements of defined benefit plans (before tax)**

|                       | Millions of yen |         | Thousands of U.S. dollars |
|-----------------------|-----------------|---------|---------------------------|
|                       | 2016            | 2015    | 2016                      |
| Actuarial differences | ¥ (3,017)       | ¥ 2,797 | \$ (26,938)               |

**(6) Accumulated remeasurements of defined benefit plans (before tax)**

|                                    | Millions of yen |         | Thousands of U.S. dollars |
|------------------------------------|-----------------|---------|---------------------------|
|                                    | 2016            | 2015    | 2016                      |
| Unrecognized actuarial differences | ¥ 6,364         | ¥ 3,348 | \$ 56,821                 |

**(7) Pension assets**

Pension assets consist of the followings:

|             | 2016  | 2015  |
|-------------|-------|-------|
| Bonds       | 21 %  | 19 %  |
| Stock       | 32    | 35    |
| Cash        | 6     | 11    |
| Alternative | 38    | 30    |
| Other       | 3     | 5     |
|             | 100 % | 100 % |

Alternative consists of investments in hedge funds which invest mainly in global REITs, long and short strategies, multi-assets, etc.

Total pension assets include an employees' retirement benefit trust which is set up for the corporate pension plan. The proportion of pension assets in trust was 16% and 21% for the fiscal years ended March 31, 2016 and 2015, respectively.

In order to determine the long-term expected rate of return, the Company takes into account the current and expected allocation of pension assets as well as the current and future expected rate of return of long-term investment of diverse assets that comprise pension assets.

#### (8) Actuarial assumptions

|                                   | 2016          | 2015          |
|-----------------------------------|---------------|---------------|
| Discount rate                     | mainly 0.52 % | mainly 1.38 % |
| Long-term expected rate of return | mainly 2.5 %  | mainly 2.5 %  |

The Nissin Electric Group provides mainly a point based plan. The group does not use the salary increase rate in order to calculate retirement benefit obligation.

#### C. Defined contribution plans

The required contributions to defined contribution plans of the Company and certain consolidated subsidiaries were ¥159 million (\$1,420 thousand) and ¥156 million for the fiscal years ended March 31, 2016 and 2015, respectively.

## 14. REVERSAL OF PROVISION FOR LOSS ON LIQUIDATION OF SUBSIDIARIES AND ASSOCIATES

The Company accrued gain from the reversal of provision for loss on liquidation of the following subsidiary.

|                                     | Millions of yen |      | Thousands of U.S. dollars |
|-------------------------------------|-----------------|------|---------------------------|
|                                     | 2016            | 2015 | 2016                      |
| Nissin Electric (Wujiang) Co., Ltd. | ¥ 137           | ¥ –  | \$ 1,223                  |

## 15. IMPAIRMENT LOSS

Fiscal year ended March 31, 2016

| Location       | Group                                          | Assets                                                    | Millions of yen | Thousands of U.S. dollars |
|----------------|------------------------------------------------|-----------------------------------------------------------|-----------------|---------------------------|
|                |                                                |                                                           | Impairment loss | Impairment loss           |
| Beijing, China | Gas insulated switchgear production facilities | Structures, machinery and equipment and intangible assets | ¥ 62            | \$ 554                    |

The amount of ¥62 million (\$554 thousand) is included in "Business structure improvement expenses" (Note 18) in the consolidated statement of income for fiscal year ended March 31, 2016.

The Nissin Electric Group categorizes business assets by site and business. As a result of the fundamental review of the business structure of Beijing Hongda Nissin Electric Co., Ltd. in response to the rapid deceleration of business environment, the Company wrote down the book value of the assets held by this subsidiary to the recoverable amount and accrued an impairment loss of ¥62 million (\$554 thousand). The recoverable amount, measured by the net sale value, was zero.

## Fiscal year ended March 31, 2015

| Location                            | Group                                                | Assets                                                   | Millions of yen |
|-------------------------------------|------------------------------------------------------|----------------------------------------------------------|-----------------|
|                                     |                                                      |                                                          | Impairment loss |
| Jilin, Jilin Province, China        | Circuit breaker and switchgear production facilities | Buildings, machinery and equipment and intangible assets | ¥ 180           |
| Dongguan, Guangdong Province, China | Thin-film coating equipment production facilities    | Machinery                                                | 43              |
|                                     |                                                      | Total                                                    | ¥ 223           |

The Nissin Electric Group categorizes business assets by site and business. As a result of a decrease in the profitability of consolidated subsidiary Nissin Hengtong Electric Co., Ltd., the Company wrote down the book value of the assets held by this subsidiary to the recoverable amount and accrued an impairment loss of ¥180 million. The recoverable amount was measured by the value in use, and future cash flows were calculated by discounting at the discount rate of 7.8%.

As a result of the discontinued use of thin-film coating equipment held by Nissin Advanced Technology Electric (Dongguan) Co., Ltd., the Company wrote down the book value of the assets to the recoverable amount and accrued an impairment loss of ¥43 million. The recoverable amount, measured by the net sale value, was zero.

## 16. LOSS ON LIQUIDATION OF SUBSIDIARIES AND ASSOCIATES

As the Company decided to liquidate the following subsidiary, the Company accrued the expected losses for this liquidation.

|                                                          | Millions of yen |       | Thousands of U.S. dollars |
|----------------------------------------------------------|-----------------|-------|---------------------------|
|                                                          | 2016            | 2015  | 2016                      |
| Nissin Advanced Technology Electric (Dongguan) Co., Ltd. | ¥ 23            | ¥ 438 | \$ 205                    |

## 17. LOSS ON DISCONTINUED OPERATION

The Company accrued the expected losses for the discontinued operation of the following subsidiary.

|                                                          | Millions of yen |       | Thousands of U.S. dollars |
|----------------------------------------------------------|-----------------|-------|---------------------------|
|                                                          | 2016            | 2015  | 2016                      |
| Nissin Advanced Technology Electric (Dongguan) Co., Ltd. | ¥ –             | ¥ 109 | \$ –                      |

## 18. BUSINESS STRUCTURE IMPROVEMENT EXPENSES

Fiscal year ended March 31, 2016

As a result of the fundamental review of the business structure of Beijing Hongda Nissin Electric Co., Ltd. in response to the rapid deceleration of the business environment, the Company accrued business structure improvement expenses of ¥667 million (\$5,955 thousand). The details of the expenses for the fiscal year ended March 31, 2016 are as follows:

|                                      | Millions of yen | Thousands of U.S. dollars |
|--------------------------------------|-----------------|---------------------------|
| Loss on valuation of inventories     | ¥ 566           | \$ 5,053                  |
| Impairment loss (Note 15)            | 62              | 554                       |
| Extra payment of retirement benefits | 39              | 348                       |
| Total                                | ¥ 667           | \$ 5,955                  |



## 19. OTHER COMPREHENSIVE INCOME

|                                                               | Millions of yen |         | Thousands of<br>U.S. dollars |
|---------------------------------------------------------------|-----------------|---------|------------------------------|
|                                                               | 2016            | 2015    | 2016                         |
| <b>Valuation difference on available-for-sale securities:</b> |                 |         |                              |
| Current period                                                | ¥ (982)         | ¥ 1,641 | \$ (8,768)                   |
| Adjustments                                                   | (221)           | (48)    | (1,973)                      |
| Before income tax effect                                      | (1,203)         | 1,593   | (10,741)                     |
| Tax effects                                                   | 429             | (418)   | 3,830                        |
| Total                                                         | ¥ (774)         | ¥ 1,175 | \$ (6,911)                   |
| <b>Deferred gains and losses on hedges:</b>                   |                 |         |                              |
| Current period                                                | ¥ (26)          | ¥ 26    | \$ (232)                     |
| Adjustments                                                   | —               | —       | —                            |
| Before income tax effect                                      | (26)            | 26      | (232)                        |
| Tax effects                                                   | 8               | (9)     | 71                           |
| Total                                                         | ¥ (18)          | ¥ 17    | \$ (161)                     |
| <b>Foreign currency translation adjustments:</b>              |                 |         |                              |
| Current period                                                | ¥ (3,206)       | ¥ 3,190 | \$ (28,625)                  |
| Adjustments                                                   | 531             | 1       | 4,741                        |
| Total                                                         | ¥ (2,675)       | ¥ 3,191 | \$ (23,884)                  |
| <b>Remeasurements of defined benefit plans:</b>               |                 |         |                              |
| Current period                                                | ¥ (3,871)       | ¥ 1,643 | \$ (34,563)                  |
| Adjustments                                                   | 854             | 1,154   | 7,625                        |
| Before income tax effect                                      | (3,017)         | 2,797   | (26,938)                     |
| Tax effects                                                   | 864             | (1,106) | 7,715                        |
| Total                                                         | ¥ (2,153)       | ¥ 1,691 | \$ (19,223)                  |
| <b>Total other comprehensive income:</b>                      | ¥ (5,620)       | ¥ 6,074 | \$ (50,179)                  |

## 20. CASH FLOW INFORMATION

Fiscal year ended March 31, 2016

Nissin Hengtong Electric Co., Ltd. is no longer a consolidated subsidiary of the Company after the Company disposed of its entire equity stake in the firm. The breakdown of assets and liabilities at the time of the disposal, the sale value of the equity stake and expenses associated with the disposal are as follows:

|                                                                                                         | Millions of yen |      | Thousands of<br>U.S. dollars |
|---------------------------------------------------------------------------------------------------------|-----------------|------|------------------------------|
|                                                                                                         | 2016            | 2015 | 2016                         |
| Current assets                                                                                          | ¥ 1,478         |      | \$ 13,196                    |
| Non-current assets                                                                                      | 419             |      | 3,741                        |
| Current liabilities                                                                                     | (988)           |      | (8,821)                      |
| Non-controlling interests                                                                               | (425)           |      | (3,795)                      |
| Foreign currency translation adjustments                                                                | (266)           |      | (2,374)                      |
| Loss on sales of investments in capital of subsidiaries and associates                                  | (48)            |      | (429)                        |
| Sales of investments in capital                                                                         | ¥ 170           |      | \$ 1,518                     |
| Accounts receivable - other                                                                             | (170)           |      | (1,518)                      |
| Cash and cash equivalents                                                                               | (29)            |      | (259)                        |
| Payments for sales of investment in capital of subsidiary resulting in change in scope of consolidation | ¥ (29)          |      | \$ (259)                     |

## 21. SEGMENT INFORMATION

### A. Overview of Reporting Segments

#### (1) Method of Determining Reporting Segments

The reporting segments are the components of the Company for which separate financial information is available and evaluated regularly by the Board of Directors in deciding how to allocate management resources and in assessing business performance.

The Company has four reporting segments classified by the type and nature of its products and services: Power System Equipment, Charged Beam Equipment and Processing, Renewable Energy and Environment and Life Cycle Engineering.

#### (2) Types of products and services related to each reporting segment

| Segment Name                          | Main Products and Services                                                                                                                                                                                   |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Power System Equipment                | Switchgear, Transformer, Instrument transformer, Relay, Circuit breaker, Gas insulated switchgear, Capacitor, Harmonic filter equipment, Reactor, Smart power supply systems(SPSS®), etc.                    |
| Charged Beam Equipment and Processing | Ion implanter for semiconductor, Ion implanter for flat panel display (FPD), Electron-beam processing system, Electron-beam processing service, Thin-film coating equipment, Thin-film coating service, etc. |
| Renewable Energy and Environment      | Photovoltaic system, Power conditioner for photovoltaic system, Smart power supply systems(SPSS®), Voltage dip compensator, Static var compensator, Monitoring and control system, etc.                      |
| Life Cycle Engineering                | Comprehensive support services: installation, adjustment, inspection, maintenance, etc.                                                                                                                      |

The method of calculation for sales, profit or loss, assets and other items by reportable segment is pursuant to the accounting policies stated in Note 2. Intersegment sales and transfers are determined on the same terms and conditions as ordinary transactions.

### B. Information about net sales, profit (loss), assets and other items by reporting segment

| Year ended March 31, 2016                                       | Millions of yen        |                                       |                                  |                        |           |            |              |
|-----------------------------------------------------------------|------------------------|---------------------------------------|----------------------------------|------------------------|-----------|------------|--------------|
|                                                                 | Power System Equipment | Charged Beam Equipment and Processing | Renewable Energy and Environment | Life Cycle Engineering | Total     | Adjustment | Consolidated |
| <b>Sales:</b>                                                   |                        |                                       |                                  |                        |           |            |              |
| Sales to outside customers                                      | ¥ 45,360               | ¥ 23,517                              | ¥ 22,911                         | ¥ 21,830               | ¥ 113,618 | ¥ –        | ¥ 113,618    |
| Intersegment sales and transfers                                | 281                    | 131                                   | –                                | 1,570                  | 1,982     | (1,982)    | –            |
| Total                                                           | 45,641                 | 23,648                                | 22,911                           | 23,400                 | 115,600   | (1,982)    | 113,618      |
| Segment profit (loss)                                           | ¥4,663                 | ¥ 2,129                               | ¥ 3,907                          | ¥ 3,535                | ¥ 14,234  | ¥ (1,810)  | ¥ 12,424     |
| Segment assets                                                  | ¥ 60,285               | ¥ 29,163                              | ¥ 12,288                         | ¥ 17,963               | ¥ 119,699 | ¥ 23,588   | ¥ 143,287    |
| <b>Other:</b>                                                   |                        |                                       |                                  |                        |           |            |              |
| Depreciation and amortization                                   | ¥ 1,429                | ¥ 1,017                               | ¥ 225                            | ¥ 206                  | ¥ 2,877   | ¥ 122      | ¥ 2,999      |
| Amortization of goodwill                                        | 6                      | –                                     | –                                | –                      | 6         | –          | 6            |
| Increase in property, plant and equipment and intangible assets | 2,290                  | 481                                   | 529                              | 400                    | 3,700     | 113        | 3,813        |

| Year ended March 31, 2016                                       | Thousands of U. S. dollars |                                       |                                  |                        |              |             |              |
|-----------------------------------------------------------------|----------------------------|---------------------------------------|----------------------------------|------------------------|--------------|-------------|--------------|
|                                                                 | Power System Equipment     | Charged Beam Equipment and Processing | Renewable Energy and Environment | Life Cycle Engineering | Total        | Adjustment  | Consolidated |
| <b>Sales:</b>                                                   |                            |                                       |                                  |                        |              |             |              |
| Sales to outside customers                                      | \$ 405,000                 | \$ 209,973                            | \$ 204,562                       | \$ 194,911             | \$ 1,014,446 | \$ –        | \$ 1,014,446 |
| Intersegment sales and transfers                                | 2,509                      | 1,170                                 | –                                | 14,018                 | 17,697       | (17,697)    | –            |
| Total                                                           | 407,509                    | 211,143                               | 204,562                          | 208,929                | 1,032,143    | (17,697)    | 1,014,446    |
| Segment profit (loss)                                           | \$ 41,634                  | \$ 19,009                             | \$ 34,884                        | \$ 31,563              | \$ 127,090   | \$ (16,161) | \$ 110,929   |
| Segment assets                                                  | \$ 538,259                 | \$ 260,384                            | \$ 109,714                       | \$ 160,384             | \$ 1,068,741 | \$ 210,607  | \$ 1,279,348 |
| <b>Other:</b>                                                   |                            |                                       |                                  |                        |              |             |              |
| Depreciation and amortization                                   | \$ 12,759                  | \$ 9,080                              | \$ 2,009                         | \$ 1,839               | \$ 25,687    | \$ 1,090    | \$ 26,777    |
| Amortization of goodwill                                        | 54                         | –                                     | –                                | –                      | 54           | –           | 54           |
| Increase in property, plant and equipment and intangible assets | 20,446                     | 4,295                                 | 4,723                            | 3,571                  | 33,035       | 1,010       | 34,045       |

An adjustment of negative ¥1,810 million (\$16,161 thousand) in segment profit (loss) includes an elimination of transactions between the segments of ¥27 million (\$241 thousand) and corporate expenses of negative ¥1,837 million (\$16,402 thousand). Corporate expenses are mainly general and administrative expenses not attributable to the reporting segments.

An adjustment of ¥23,588 million (\$210,607 thousand) in segment assets includes an elimination of transactions between the segments of negative ¥3,197 million (\$28,545 thousand) and corporate assets of ¥26,785 million (\$239,152 thousand). Corporate assets are mainly assets not attributable to the reporting segments.

An adjustment of ¥122 million (\$1,090 thousand) in depreciation and amortization includes an elimination of transactions between the segments of negative ¥3 million (\$26 thousand) and corporate expenses of ¥125 million (\$1,116 thousand). Corporate expenses are mainly general and administrative expenses not attributable to the reporting segments.

An adjustment of ¥113 million (\$1,010 thousand) in increase in property, plant and equipment and intangible assets includes an elimination of transactions between the segments of negative ¥10 million (\$88 thousand) and corporate assets of ¥123 million (\$1,098 thousand). Corporate assets are mainly assets not attributable to the reporting segments.

Segment profit (loss) has been adjusted with operating income in the consolidated statements of income.

"Depreciation and amortization" and "Increase in property, plant and equipment and intangible assets" include long-term prepaid expenses and its amortization.

| Year ended March 31, 2015                                       | Millions of yen        |                                       |                                  |                        |           |            |              |
|-----------------------------------------------------------------|------------------------|---------------------------------------|----------------------------------|------------------------|-----------|------------|--------------|
|                                                                 | Power System Equipment | Charged Beam Equipment and Processing | Renewable Energy and Environment | Life Cycle Engineering | Total     | Adjustment | Consolidated |
| <b>Sales:</b>                                                   |                        |                                       |                                  |                        |           |            |              |
| Sales to outside customers                                      | ¥ 47,283               | ¥ 16,185                              | ¥ 24,034                         | ¥ 19,588               | ¥ 107,090 | ¥ –        | ¥ 107,090    |
| Intersegment sales and transfers                                | 168                    | 47                                    | 0                                | 1,301                  | 1,516     | (1,516)    | –            |
| Total                                                           | 47,451                 | 16,232                                | 24,034                           | 20,889                 | 108,606   | (1,516)    | 107,090      |
| Segment profit (loss)                                           | ¥ 4,371                | ¥ 562                                 | ¥ 3,717                          | ¥ 2,652                | ¥ 11,302  | ¥ (2,372)  | ¥ 8,930      |
| Segment assets                                                  | ¥ 58,152               | ¥ 19,656                              | ¥ 17,494                         | ¥ 16,867               | ¥ 112,169 | ¥ 12,779   | ¥ 124,948    |
| <b>Other:</b>                                                   |                        |                                       |                                  |                        |           |            |              |
| Depreciation and amortization                                   | ¥ 1,371                | ¥ 1,042                               | ¥ 271                            | ¥ 173                  | ¥ 2,857   | ¥ 107      | ¥ 2,964      |
| Amortization of goodwill                                        | 39                     | 7                                     | –                                | –                      | 46        | –          | 46           |
| Increase in property, plant and equipment and intangible assets | 1,865                  | 478                                   | 333                              | 302                    | 2,978     | 184        | 3,162        |

An adjustment of negative ¥2,372 million in segment profit (loss) includes an elimination of transactions between the segments of ¥10 million and corporate expenses of negative ¥2,382 million. Corporate expenses are mainly general and administrative expenses not attributable to the reporting segments.

An adjustment of ¥12,779 million in segment assets includes an elimination of transactions between the segments of negative ¥1,919 million and corporate assets of ¥14,698 million. Corporate assets are mainly assets not attributable to the reporting segments.

An adjustment of ¥107 million in depreciation and amortization includes an elimination of transactions between the segments of negative ¥12 million and corporate expenses of ¥119 million. Corporate expenses are mainly general and administrative expenses not attributable to the reporting segments.

An adjustment of ¥184 million in increase in property, plant and equipment and intangible assets includes an elimination of transactions between the segments of negative ¥11 million and corporate assets of ¥195 million. Corporate assets are mainly assets not attributable to the reporting segments.

Segment profit (loss) has been adjusted with operating income in the consolidated statements of income.

"Depreciation and amortization" and "Increase in property, plant and equipment and intangible assets" include long-term prepaid expenses and its amortization.

### C. Information about geographical segments

| Year ended March 31, 2016        | Millions of yen           |            |           |              |
|----------------------------------|---------------------------|------------|-----------|--------------|
|                                  | Japan                     | Asia       | Other     | Total        |
| Sales                            | ¥ 79,074                  | ¥ 31,180   | ¥ 3,364   | ¥ 113,618    |
| Property, plant and equipment    | 17,238                    | 6,855      | 13        | 24,106       |
|                                  | Thousands of U.S. dollars |            |           |              |
| <b>Year ended March 31, 2016</b> |                           |            |           |              |
| Sales                            | \$ 706,018                | \$ 278,393 | \$ 30,035 | \$ 1,014,446 |
| Property, plant and equipment    | 153,911                   | 61,205     | 116       | 215,232      |

| Year ended March 31, 2015     | Millions of yen |          |         |           |
|-------------------------------|-----------------|----------|---------|-----------|
|                               | Japan           | Asia     | Other   | Total     |
| Sales                         | ¥ 76,635        | ¥ 26,123 | ¥ 4,332 | ¥ 107,090 |
| Property, plant and equipment | 16,885          | 7,881    | 21      | 24,787    |

#### D. Impairment loss by reporting segment

| Year ended March 31, 2016 | Millions of yen        |                                       |                                  |                        |       |                          |              |
|---------------------------|------------------------|---------------------------------------|----------------------------------|------------------------|-------|--------------------------|--------------|
|                           | Power System Equipment | Charged Beam Equipment and Processing | Renewable Energy and Environment | Life Cycle Engineering | Total | Elimination or corporate | Consolidated |
| Impairment loss           | ¥ 62                   | ¥ –                                   | ¥ –                              | ¥ –                    | ¥ 62  | ¥ –                      | ¥ 62         |

| Year ended March 31, 2016 | Thousands of U.S. dollars |                                       |                                  |                        |        |                          |              |
|---------------------------|---------------------------|---------------------------------------|----------------------------------|------------------------|--------|--------------------------|--------------|
|                           | Power System Equipment    | Charged Beam Equipment and Processing | Renewable Energy and Environment | Life Cycle Engineering | Total  | Elimination or corporate | Consolidated |
| Impairment loss           | \$ 554                    | \$ –                                  | \$ –                             | \$ –                   | \$ 554 | \$ –                     | \$ 554       |

| Year ended March 31, 2015 | Millions of yen        |                                       |                                  |                        |       |                          |              |
|---------------------------|------------------------|---------------------------------------|----------------------------------|------------------------|-------|--------------------------|--------------|
|                           | Power System Equipment | Charged Beam Equipment and Processing | Renewable Energy and Environment | Life Cycle Engineering | Total | Elimination or corporate | Consolidated |
| Impairment loss           | ¥ 180                  | ¥ –                                   | ¥ 43                             | ¥ –                    | ¥ 223 | ¥ –                      | ¥ 223        |

#### E. Goodwill by reporting segment

| Year ended March 31, 2016 | Millions of yen        |                                       |                                  |                        |       |                          |              |
|---------------------------|------------------------|---------------------------------------|----------------------------------|------------------------|-------|--------------------------|--------------|
|                           | Power System Equipment | Charged Beam Equipment and Processing | Renewable Energy and Environment | Life Cycle Engineering | Total | Elimination or corporate | Consolidated |
| Amortization              | ¥ 6                    | ¥ –                                   | ¥ –                              | ¥ –                    | ¥ 6   | ¥ –                      | ¥ 6          |
| Unamortized balance       | –                      | –                                     | –                                | –                      | –     | –                        | –            |

| Year ended March 31, 2016 | Thousands of U.S. dollars |                                       |                                  |                        |       |                          |              |
|---------------------------|---------------------------|---------------------------------------|----------------------------------|------------------------|-------|--------------------------|--------------|
|                           | Power System Equipment    | Charged Beam Equipment and Processing | Renewable Energy and Environment | Life Cycle Engineering | Total | Elimination or corporate | Consolidated |
| Amortization              | \$ 54                     | \$ –                                  | \$ –                             | \$ –                   | \$ 54 | \$ –                     | \$ 54        |
| Unamortized balance       | –                         | –                                     | –                                | –                      | –     | –                        | –            |

| Year ended March 31, 2015 | Millions of yen        |                                       |                                  |                        |       |                          |              |
|---------------------------|------------------------|---------------------------------------|----------------------------------|------------------------|-------|--------------------------|--------------|
|                           | Power System Equipment | Charged Beam Equipment and Processing | Renewable Energy and Environment | Life Cycle Engineering | Total | Elimination or corporate | Consolidated |
| Amortization              | ¥ 39                   | ¥ 7                                   | ¥ –                              | ¥ –                    | ¥ 46  | ¥ –                      | ¥ 46         |
| Unamortized balance       | 6                      | –                                     | –                                | –                      | 6     | –                        | 6            |

# Independent Auditor's Report

To the Board of Directors of Nissin Electric Co., Ltd.:

We have audited the accompanying consolidated financial statements of Nissin Electric Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2016 and 2015, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

## **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nissin Electric Co., Ltd. and its consolidated subsidiaries as at March 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

## **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

**KPMG AZSA LLC**

August 31, 2016

Kyoto, Japan



## Company Outline

### Company Name

Nissin Electric Co., Ltd.

### Founded

November 1910

### Incorporated

April 1917

### Head Office

47 Umezu-takase-cho, Ukyo-ku, Kyoto  
615-8686, Japan  
Telephone: +81-75-861-3151  
Facsimile: +81-75-864-8312

### Stated Capital

¥10,252,845,127

### Authorized Shares

431,329,000

### Issued Shares

107,832,445

### Employees

4,829

## Board of Directors and Statutory Auditors (as of June 22, 2016)

### President

Hideaki Obata\*

### Senior Managing Directors

Naoyuki Yamabayashi\*  
Shigeo Saito

### Managing Directors

Masahide Nobu  
Yasuhisa Hoshi  
Tadashi Ueno  
Michinaga Miyashita

### Directors

Masahiro Yurino  
Sachiko Hirabayashi

### Standing Auditors

Satoru Nakahori  
Michio Inada

### Auditors

Mamoru Morita  
Hitoshi Tanaka  
Go Saeki

\* Representative Director

## Major Offices and Works

### Head Office and Works

47 Umezu-takase-cho, Ukyo-ku, Kyoto  
615-8686, Japan  
Telephone: +81-75-861-3151  
Facsimile: +81-75-864-8312

### Tokyo Office

**Overseas Marketing and Sales Division**  
1 Kandaizumi-cho, Chiyoda-ku, Tokyo  
101-0024, Japan  
Telephone: +81-3-5821-5908  
Facsimile: +81-3-5821-5877

### Maebashi Works

2121 Soja, Soja-machi, Maebashi, Gumma  
371-8515, Japan  
Telephone: +81-27-251-1131  
Facsimile: +81-27-254-1578

### Kuze Works

575 Kuze-tonoshiro-cho Minami-ku, Kyoto  
601-8205, Japan  
Telephone: +81-75-922-4611  
Facsimile: +81-75-922-4615

## Domestic Major Subsidiaries and Affiliates

### NHV Corporation

Business Line: Manufacturing and customer service for electron processing systems, irradiation service of electron beam

### Nissin Denki Shouji Co., Ltd.

Business Line: Sales of electrical equipment

### Nissin Systems Co., Ltd.

Business Line: Design and sales of computer software

### Nissin Ion Equipment Co., Ltd.

Business Line: Manufacturing and customer service of LSI/LCD manufacturing equipment

### Nippon ITF Inc.

Business Line: Thin-film coating of various materials

### Nissin Pulse Electronics Co., Ltd.

Business Line: Manufacturing and sales of high voltage equipment and related equipment

### Nissin Heartful Friend Co., Ltd.

Business Line: Digitization of documents

## Overseas Major Subsidiaries and Affiliates

### Nissin Electric (Wuxi) Co., Ltd.

Wuxi, Jiangsu, China  
Business Line: Manufacturing and sales of power capacitors and capacitor voltage transformers

### Beijing Hongda Nissin Electric Co., Ltd.

Beijing, China  
Business Line: Manufacturing and sales of gas insulated switchgears (GIS)

### Nissin Electric Wuxi Co., Ltd.

Wuxi, Jiangsu, China  
Business Line: Manufacturing and sales of gas insulated voltage transformers for GIS, current transformers. Thin-film coating service

### Nissin Allis Ion Equipment (Shanghai) Co., Ltd.

PuDong New Area, Shanghai, China  
Business Line: Sales and customer service of LSI/LCD manufacturing equipment

### Nissin Advanced Coating (Shenyang) Co., Ltd.

Shenyang, China  
Business Line: Thin-film coating service

### Nissin Advanced Coating (Tianjin) Co., Ltd.

Tianjin, China  
Business Line: Thin-film coating service

### Nissin Ion HighTech (Yangzhou) Co., Ltd.

Yangzhou, China  
Business Line: Manufacturing and sales of LSI/LCD manufacturing equipment

### NHV Accelerator Technologies Shanghai

Shanghai, China  
Business Line: Manufacturing and customer service for electron processing systems

### Nissin Allis Electric Co., Ltd.

Taoyuan, Taiwan  
Business Line: Manufacturing and sales of gas insulated switchgears

### Nissin Allis Union Ion Equipment Co., Ltd.

Hsin-Chu City, Taiwan  
Business Line: Customer service of LSI/LCD manufacturing equipment

### Nissin Electric (Thailand) Co., Ltd.

Pathumthani, Thailand  
Business Line: Manufacturing and sales of power capacitors, gas circuit breakers and metal parts. Thin-film coating service

### Nissin Electric Vietnam Co., Ltd.

Bac Ninh, Vietnam  
Business Line: Manufacturing and sales of metal parts, electrical equipment

### NHV America Inc.

Methuen, Massachusetts, U.S.A.  
Business Line: Manufacturing and sales of electron processing systems

### Nissin Ion Equipment USA, Inc.

Austin, Texas, U.S.A.  
Business Line: Customer service of LSI/LCD manufacturing equipment

### Nissin Ion Korea Co., Ltd.

Hwang Seong-city, Gyeonggi-Do, Korea  
Business Line: Customer service of LSI/LCD manufacturing equipment

### Nissin Advanced Coating Indo Co., Private Ltd.

Noida, India  
Business Line: Thin-film coating service

## NISSIN ELECTRIC CO., LTD.

47, Umezu-Takase-cho, Ukyo-ku, Kyoto  
615-8686, Japan  
Telephone: +81-75-861-3151  
Facsimile: +81-75-864-8312  
<http://nissin.jp/e/>

### Cover Story



#### **Sekison-tei**

*Sekison-tei was the residence of Junichiro Tanizaki, a great writer known as the author of "The Makioka Sisters". He passed over the residence to Nissin in 1956 when he left Kyoto. At that time, he requested that the residence be maintained in the same condition, since he wanted to see it on his visits to Kyoto. Nissin has kept this promise to Tanizaki, and is using this residence as a guest house while maintaining its traditional elegance.*

