

**NISSIN  
ELECTRIC**

ANNUAL REPORT  
**2017**  
Year Ended March 31, 2017



## Corporate Principles of the Nissin Electric Group

We have established a new Business Mindset to define the Nissin Electric Group DNA passed down since our founding in order to create a driving force aimed at future growth and further evolve our corporate philosophy on our 100th anniversary. The following three elements of our Corporate Philosophy, Principles of Activities and Business Mindset form our revamped Group Philosophy.

### Group Slogan

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

#### Corporate Philosophy

Through corporate activities that support the foundations of society and industry, the Nissin Electric Group will harmonize with the environment and contribute toward realizing a vibrant society.

#### Principles of Activity

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

We take the following Five Trusts as the principles of our activities. (Customer Trust, Shareholder Trust, Societal Trust, Partner Trust, Employee Mutual Trust)

#### Business Mindset

##### “Venture Spirit” fostered since our founding

The spirit to develop a future with high ambitions and a passion for constantly taking up challenges

##### The spirit of “New Each Day” embedded in our company name

The unwavering spirit to seek something new each day and make constant efforts toward one’s goal

##### “Open-mindedness and the ability to digest different cultures and technologies”

The spirit to accept different things and eventually internalize them

#### Five Trusts

##### (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 the Nissin Electric Group.

##### (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.

## Contents

Consolidated Financial Highlights .....	2
Top Message .....	3
Consolidated Balance Sheets .....	7
Consolidated Statements of Income .....	9
Consolidated Statements of Comprehensive Income .....	9
Consolidated Statements of Changes in Net Assets .....	10
Consolidated Statements of Cash Flows .....	12
Notes to Consolidated Financial Statements .....	13
Independent Auditors’ Report .....	29
Corporate Data .....	30

## 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
	2017	2016	2015	2014	2013	2017
Net sales	¥ 126,910	¥ 113,618	¥ 107,090	¥ 109,864	¥ 103,309	\$ 1,133,125
Operating income	18,743	12,424	8,930	9,319	7,045	167,348
Profit attributable to owners of parent	14,158	8,525	5,055	5,194	3,283	126,411
Total assets	154,097	143,287	124,948	118,546	117,352	1,375,866
Shareholders' equity	90,536	77,632	75,976	64,808	62,909	808,358
Capital expenditure	4,858	3,813	3,162	3,011	3,648	43,375
Depreciation and amortization	2,871	2,999	2,964	2,745	2,443	25,634
Research and development expenses	6,442	5,331	4,937	5,318	4,751	57,518

Per share of common stock:	Yen					U.S. dollars
	2017	2016	2015	2014	2013	2017
Profit attributable to owners of parent	¥ 132.47	¥ 79.77	¥ 47.30	¥ 48.59	¥ 30.71	\$ 1.18
Diluted profit attributable to owners of parent	—	—	—	—	—	—
Cash dividends	30.00	18.00	13.00	12.00	10.00	0.27
Shareholders' equity	847.13	726.38	710.88	606.37	588.58	7.56

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, 2017.

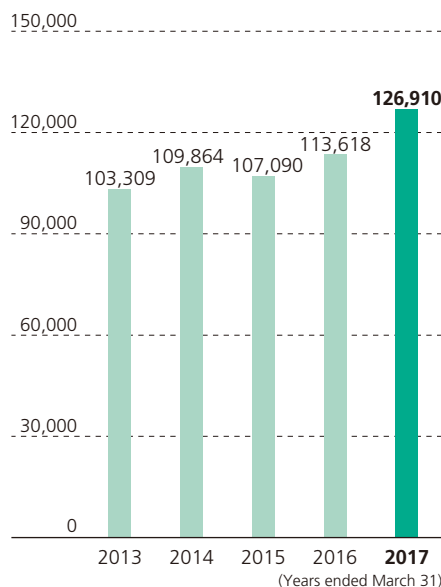
2. For the fiscal years ended March 31, 2017, 2016, 2015, 2014 and 2013 there were no potentially dilutive common stocks.

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

4. The dividends of ¥ 30.00 (\$0.27) per share include the commemorative dividend of ¥ 8.00 (\$0.07) for the 100th anniversary of the Company's foundation.

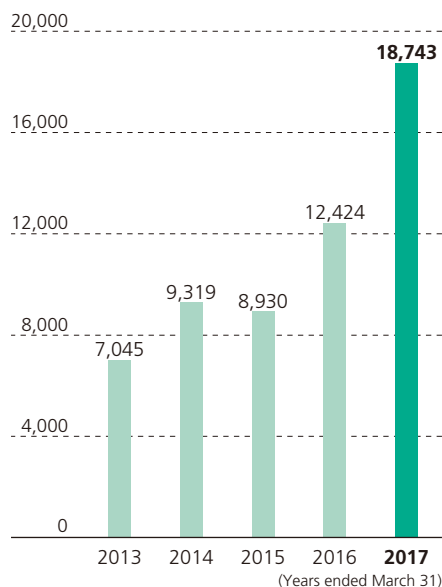
## Net Sales

(Millions of yen)



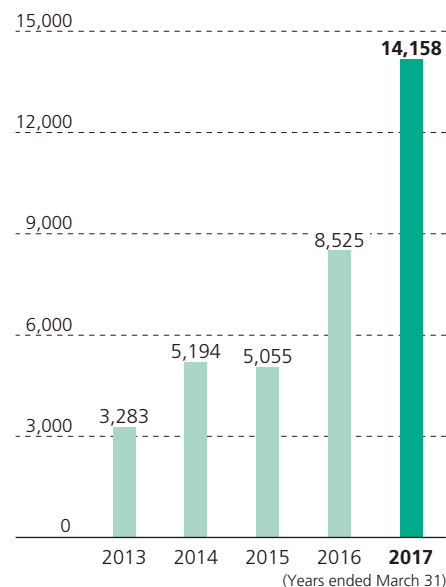
## Operating Income

(Millions of yen)



## Profit Attributable to Owners of Parent

(Millions of yen)





**Shigeo Saito**  
President

**Hideaki Obata**  
Chairman

## Performance for the Last Reporting Year

In the fiscal year under review (April 1, 2016, to March 31, 2017), the Japanese economy posted a steady recovery as a result of rising exports and capital investments driven by a recovery in the global economy and improved corporate earnings. Overseas, economic growth stabilized in China, the Nissin Electric Group's primary market, thanks mainly to various economic stimulus measures implemented by the government. The economies of ASEAN countries remained solid in general because of their monetary easing and other efforts.

Next, I will report on trends seen in the Nissin Electric Group's primary markets. First, the market for electric power companies in Japan posted a recovery in replacement investment. The private sector market remained favorable, centering on replacement demand. In the renewable energy market, on the other hand, demand for power conditioners for photovoltaic systems decreased, due in part to declining power purchase prices. In China's power system equipment market, investments stood at an elevated level in the ultrahigh voltage transmission sector. In the charged beam equipment and processing market, there is growing demand for ion implanters for manufacturing small/medium high-definition flat panel displays (FPDs) driven by rising production of organic light emitting (OLE) displays in Korea and China.

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.

Nevertheless, the Group's total order receipts were down 9.3% year on year to ¥125,368 million.

Order receipts by business segment were as follows:

Order receipts for the Power System Equipment Business totaled ¥49,844 million, a decrease of 10.7% year on year due to a drop in larger orders received from electric power companies in Japan compared to the previous year.

Order receipts for the Charged Beam Equipment and Processing Business came to ¥33,856 million, down 11.5% year on year. This was due to a decline in orders for ion implanters for manufacturing small/medium high-definition FPDs, despite the fact order value remained at an elevated level.

Order receipts for the Renewable Energy and Environment Business totaled ¥17,804 million, down 15.4% year on year, due to a decrease in orders for power conditioners for photovoltaic systems.

Order receipts for the Life Cycle Engineering Business increased 3.2% year on year to ¥23,862 million thanks to an increase in after-sales services outside of Japan.

Net sales of the Group grew 11.7% year on year to ¥126,910 million.

Net sales by business segment are as follows:

Net sales for the Power System Equipment Business totaled ¥48,341 million, an increase of 6.6% year on year, as demand from electric power companies in China rose.

Net sales for the Charged Beam Equipment and Processing Business came to ¥40,299 million, up sharply 71.4% year on year, as ion implanters for manufacturing small/medium high-definition FPDs increased.

Net sales for the Renewable Energy and Environment Business totaled ¥15,851 million, down 30.8% year on year, due to decreased sales of power conditioners for photovoltaic systems.

Net sales for the Life Cycle Engineering Business rose 2.7% year on year to ¥22,419 million, reflecting an increase in after-sales services outside of Japan.

Operating income of the Group came to ¥18,743 million, a sharp increase of ¥6,319 million (50.9%) year on year, thanks to the entire Group working together to enhance earnings power



by increasing product profitability, lowering cost price, and improving as well as reinforcing its organizational culture. The Renewable Energy and Environment Business saw a drop in operating income of ¥2,387 million year on year due to a decline in sales of power conditioners for photovoltaic systems, but the Charged Beam Equipment and Processing Business posted an increase in operating income of ¥9,430 million over the previous year owing to improved profit and a significant increase in sales of ion implanters for manufacturing small/medium high-definition FPDs, which helped to push overall operating income higher.

As for extraordinary income, we booked a reversal of provision for loss on liquidation of subsidiaries and associates totaling ¥71 million due to a decrease in liquidation costs of subsidiaries in China. On the other hand, in terms of extraordinary losses, we booked a loss on retirement of non-current assets of ¥370 million that occurred when disposing of the company's aging buildings and a loss on reversal of foreign currency translation adjustments of ¥197 million following the completion of the liquidation of Chinese subsidiary Nissin Electric (Wujiang) Co., Ltd (located in Wujiang City, Jiangsu Province).

Based on the above, profit attributable to owners of parent surged 66.1% over the previous fiscal year to ¥14,158 million after income tax and adjustments for non-controlling interests.

## **New Medium- to Long-Term Business Plan “VISION2020” (2016-2020)**

In April 2016, we launched our new medium- to long-term business plan called “VISION2020,” under which 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 return on assets (ROA) and return on equity (ROE) of over 10%. On the strength of the “4xGlobal” business portfolio built up under “VISION2015,” we will expand upon the “six growth domains” to utilize the various forms of dynamism found in related markets as a business opportunity in an effort to build a new business portfolio called “4xGlobal+NEW.” At the same time, we will exert our fullest efforts toward business structure reform and untiring cost reductions. We will further refine our earnings power cultivated over the years under the aim of becoming a “Global, Energy, Environment and Solutions Company,” which will enable us to grow and generate profits in any environment.

## **Six Growth Domains**

We have selected the following six growth domains to seek 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 for energy efficiency and cost savings

### 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 for 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 undertake business structure reform. This entails implementing 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 four reform initiatives, we will work collectively as a Group to boost growth and earnings power.

### **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 creating new business (+NEW). 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. To steadily capture these new types of demand and commercialize them, we will actively deploy the Smart Power Supply Systems (SPSS®), which deliver various solutions by combining hard technologies mainly for power system equipment products and soft technologies for controlling equipment and energy.

In the overseas market, we will expand sales of products tailored to increasingly intelligent systems and products related to ultrahigh voltage transmission in which investment is expanding in China. We will also accelerate business operations in 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 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 have expanded our supply capacity for them to respond to increasing demand for organic light emitting displays. As a result, we will continue to maintain an overwhelming market share in this area.

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. The Chinese market is expected to grow going forward, and therefore, we will

seek to further expand business operations there by leveraging the manufacturing base in Yangzhou, Jiangsu Province.

With regard to electron-beam processing equipment, we will expand sales to automobile-related industries mainly in the emerging economies, which are expected to post strong growth over the medium- to long-term. We will also work 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 excellent surface smoothness and wear resistance, both characteristics 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 short 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 as well as power conditioners 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 (SPSS®) 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 to extend the life of equipment, and contribute to increasing their operating rate and enhancing their productivity. As the number of customers and equipment we delivered increases, so too does the number of customers and their needs, so we expect this segment to grow going forward. In Japan, in particular, since there is growing demand to extend the service life of aging power system equipment, we will expand the repair business to meet these needs. 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 Philosophy 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 philosophy of “Through corporate activities that support the foundations of society and industry, the Nissin Electric Group will harmonize with the environment and contribute toward realizing a vibrant society,” which stands as one of the Principles of Activities to develop relationships of trust with stakeholders. We will thoroughly seek the further penetration of the Corporate Philosophy across the Group and business activities based on it.

The Nissin Electric Group marks its 100th anniversary since its incorporation and its 107th anniversary since its founding. The support of our customers and stakeholders has proven integral to our continued business success for more than a century. We greatly appreciate your support over the years.

On this milestone of our 100th anniversary, we looked back on the Group’s history to identify the business mindsets that were the driving force behind our century of growth. As a result, we identified three such business mindsets, which are “Venture Spirit” fostered since our founding, the spirit of “New Each Day” embedded in our company name, and “Open-mindedness and the ability to digest different cultures and technologies.” Going forward, we will share these three business mindsets with all employees to inspire them and so that we will work together as a Group to achieve powerful growth over the next century of our businesses.



Hideaki Obata, Chairman



Shigeo Saito, President

# Consolidated Balance Sheets

Nissin Electric Co., Ltd. and Consolidated Subsidiaries  
March 31, 2017 and 2016

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>Current assets:</b>			
Cash and cash equivalents	¥14,656	¥ 23,323	\$ 130,857
Time deposits	454	588	4,054
Receivables:			
Trade notes and accounts	48,596	49,754	433,893
Other	703	629	6,277
	49,299	50,383	440,170
Allowance for doubtful receivables	(409)	(241)	(3,652)
	48,890	50,142	436,518
Inventories (Note 4)	27,570	27,811	246,161
Deferred tax assets (Note 12)	3,700	3,303	33,036
Short-term loans receivable	20,000	155	178,571
Other current assets	3,198	4,081	28,553
Total current assets	118,468	109,403	1,057,750
<b>Property, plant and equipment:</b>			
Land	4,127	4,113	36,848
Buildings and structures	32,025	30,764	285,938
Machinery and equipment	39,825	39,358	355,580
Construction in progress	735	952	6,562
Total property, plant and equipment	76,712	75,187	684,928
Accumulated depreciation	(51,095)	(51,081)	(456,205)
Net property, plant and equipment	25,617	24,106	228,723
<b>Investments and other assets:</b>			
Investment securities (Note 3)	6,708	5,597	59,893
Deferred tax assets (Note 12)	932	1,792	8,321
Net defined benefit asset (Note 13)	31	48	277
Other assets	1,276	1,301	11,393
Allowance for doubtful receivables	(221)	(229)	(1,973)
Total investments and other assets	8,726	8,509	77,911
<b>Intangible assets</b>	1,286	1,269	11,482
Total assets	¥154,097	¥ 143,287	\$ 1,375,866

See accompanying notes.



LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Short-term bank loans (Note 5)	¥ 3,624	¥ 2,126	\$ 32,357
Payables:			
Trade notes and accounts	20,697	22,239	184,795
Other	2,500	3,454	22,321
	23,197	25,693	207,116
Accrued expenses	7,295	6,885	65,134
Accrued income taxes	1,707	2,505	15,241
Advances from customers	16,508	15,343	147,393
Allowance for losses on contracts (Note 4)	779	534	6,955
Allowance for environmental protection measures	886	—	7,911
Other provision	789	486	7,045
Other current liabilities	348	748	3,106
Total current liabilities	55,133	54,320	492,258
<b>Long-term liabilities:</b>			
Long-term debt due after one year (Note 5)	125	70	1,116
Allowance for environmental protection measures	381	2,155	3,402
Net defined benefit liability (Note 13)	4,837	5,962	43,188
Other long-term provision	112	274	1,000
Other long-term liabilities (Note 12)	382	524	3,411
Total long-term liabilities	5,837	8,985	52,117
Total liabilities	60,970	63,305	544,375
<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	72,597	60,791	648,188
Treasury stock, at cost:			
957,718 shares in 2017 and 957,657 shares in 2016	(301)	(301)	(2,688)
Total shareholders' equity	89,228	77,422	796,679
<b>Other comprehensive income:</b>			
Valuation difference on available-for-sale securities	2,933	2,152	26,188
Deferred gains and losses on hedges	9	(12)	80
Foreign currency translation adjustments	1,937	2,411	17,295
Remeasurements of defined benefit plans (Note 13)	(3,571)	(4,341)	(31,884)
Total other comprehensive income	1,308	210	11,679
<b>Non-controlling interests</b>	2,591	2,350	23,133
Total net assets	93,127	79,982	831,491
<b>Total liabilities and net assets</b>	¥ 154,097	¥ 143,287	\$ 1,375,866

See accompanying notes.

# Consolidated Statements of Income

Nissin Electric Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>Net sales</b>	<b>¥ 126,910</b>	¥ 113,618	<b>\$ 1,133,125</b>
<b>Cost and expenses:</b>			
Cost of sales (Note 9)	<b>84,348</b>	78,359	<b>753,107</b>
Selling, general and administrative expenses (Note 9 and 10)	<b>23,819</b>	22,835	<b>212,670</b>
<b>Operating income</b>	<b>18,743</b>	12,424	<b>167,348</b>
<b>Other income (expenses):</b>			
Interest and dividend income	<b>186</b>	193	<b>1,661</b>
Gain on sales of investment securities	—	222	—
Reversal of provision for loss on liquidation of subsidiaries and associates (Note 14)	<b>71</b>	137	<b>634</b>
Interest expense	<b>(66)</b>	(88)	<b>(589)</b>
Loss on valuation of derivatives	—	(513)	—
Loss on cancellation of derivatives	<b>(197)</b>	—	<b>(1,759)</b>
Loss on retirement of non-current assets (Note 16)	<b>(370)</b>	—	<b>(3,304)</b>
Loss on sales of investments in capital of subsidiaries and associates	—	(48)	—
Loss on liquidation of subsidiaries and associates (Note 17)	—	(23)	—
Business structure improvement expenses (Note 18)	—	(667)	—
Provision for environmental protection measures	—	(249)	—
Loss on reversal of foreign currency translation adjustments (Note 19)	<b>(197)</b>	—	<b>(1,759)</b>
Other, net	<b>(271)</b>	124	<b>(2,419)</b>
<b>Income before income taxes</b>	<b>17,899</b>	11,512	<b>159,813</b>
<b>Income taxes (Note 12):</b>			
Current	<b>3,600</b>	3,965	<b>32,143</b>
Deferred	<b>(225)</b>	(989)	<b>(2,009)</b>
Total income taxes	<b>3,375</b>	2,976	<b>30,134</b>
<b>Profit</b>	<b>14,524</b>	8,536	<b>129,679</b>
<b>Profit attributable to non-controlling interests</b>	<b>366</b>	11	<b>3,268</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 14,158</b>	¥ 8,525	<b>\$ 126,411</b>
		Yen	U.S. dollars (Note 1)
<b>Amounts per share:</b>			
Profit attributable to owners of parent	<b>¥ 132.47</b>	¥ 79.77	<b>\$ 1.18</b>
Diluted profit attributable to owners of parent	—	—	—
Cash dividends applicable to the period	<b>30.00</b>	18.00	<b>0.27</b>

See accompanying notes.

# Consolidated Statements of Comprehensive Income

Nissin Electric Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>Profit</b>	<b>¥ 14,524</b>	¥ 8,536	<b>\$ 129,679</b>
<b>Other comprehensive income (Note 20):</b>			
Valuation difference on available-for-sale securities	<b>781</b>	(774)	<b>6,973</b>
Deferred gains and losses on hedges	<b>21</b>	(18)	<b>188</b>
Foreign currency translation adjustments	<b>(487)</b>	(2,675)	<b>(4,348)</b>
Remeasurements of defined benefit plans	<b>771</b>	(2,153)	<b>6,884</b>
Total other comprehensive income	<b>1,086</b>	(5,620)	<b>9,697</b>
<b>Comprehensive income</b>	<b>¥ 15,610</b>	¥ 2,916	<b>\$ 139,376</b>
Comprehensive income attributable to			
Owners of parent	<b>¥ 15,256</b>	¥ 3,152	<b>\$ 136,214</b>
Non-controlling interests	<b>354</b>	(236)	<b>3,162</b>

See accompanying notes.

# Consolidated Statements of Changes in Net Assets

Nissin Electric Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2017 and 2016

	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>	¥ 10,253	¥ 6,679	¥ 53,762	¥ (301)	¥ 70,393
Cash dividends	–	–	(1,496)	–	(1,496)
Profit attributable to owners of parent	–	–	8,525	–	8,525
Purchase of treasury stock	–	–	–	(0)	(0)
Net changes for the year	–	–	–	–	–
<b>Balance at March 31, 2016</b>	¥ 10,253	¥ 6,679	¥ 60,791	¥ (301)	¥ 77,422

	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, 2015</b>	¥ 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>	¥ 2,152	¥ (12)	¥ 2,411	¥ (4,341)	¥ 210	¥ 2,350	¥ 79,982

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
<b>Balance at April 1, 2016</b>	¥ 10,253	¥ 6,679	¥ 60,791	¥ (301)	¥ 77,422
Cash dividends	–	–	(2,352)	–	(2,352)
Profit attributable to owners of parent	–	–	14,158	–	14,158
Purchase of treasury stock	–	–	–	(0)	(0)
Net changes for the year	–	–	–	–	–
<b>Balance at March 31, 2017</b>	¥ 10,253	¥ 6,679	¥ 72,597	¥ (301)	¥ 89,228

# Consolidated Statements of Changes in Net Assets

Nissin Electric Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2017 and 2016

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, 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>
Cash dividends	–	–	–	–	–	–	(2,352)
Profit attributable to owners of parent	–	–	–	–	–	–	14,158
Purchase of treasury stock	–	–	–	–	–	–	(0)
Net changes for the year	781	21	(474)	770	1,098	241	1,339
<b>Balance at March 31, 2017</b>	<b>¥ 2,933</b>	<b>¥ 9</b>	<b>¥ 1,937</b>	<b>¥ (3,571)</b>	<b>¥ 1,308</b>	<b>¥ 2,591</b>	<b>¥ 93,127</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, 2016</b>	<b>\$ 91,545</b>	<b>\$ 59,634</b>	<b>\$ 542,777</b>	<b>\$ (2,688)</b>	<b>\$ 691,268</b>
Cash dividends	–	–	(21,000)	–	(21,000)
Profit attributable to owners of parent	–	–	126,411	–	126,411
Purchase of treasury stock	–	–	–	(0)	(0)
Net changes for the year	–	–	–	–	–
<b>Balance at March 31, 2017</b>	<b>\$ 91,545</b>	<b>\$ 59,634</b>	<b>\$ 648,188</b>	<b>\$ (2,688)</b>	<b>\$ 796,679</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, 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>
Cash dividends	–	–	–	–	–	–	(21,000)
Profit attributable to owners of parent	–	–	–	–	–	–	126,411
Purchase of treasury stock	–	–	–	–	–	–	(0)
Net changes for the year	6,974	187	(4,232)	6,875	9,804	2,151	11,955
<b>Balance at March 31, 2017</b>	<b>\$ 26,188</b>	<b>\$ 80</b>	<b>\$ 17,295</b>	<b>\$ (31,884)</b>	<b>\$ 11,679</b>	<b>\$ 23,133</b>	<b>\$ 831,491</b>

See accompanying notes.

# Consolidated Statements of Cash Flows

Nissin Electric Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥ 17,899	¥ 11,512	\$ 159,813
Adjustments for:			
Depreciation and amortization	2,871	2,999	25,634
Business structure improvement expenses	—	628	—
Increase (decrease) in allowance for doubtful receivables	164	(94)	1,464
Increase (decrease) in net defined benefit liability	6	791	54
Increase (decrease) in allowance for loss on contracts	246	73	2,196
Increase (decrease) in allowance for environmental protection measures	(888)	(119)	(7,929)
Increase (decrease) in other provision	164	(327)	1,464
Interest and dividend income	(186)	(193)	(1,661)
Interest expense	66	88	589
Loss (gain) on valuation of derivatives	—	513	—
Loss (gain) on sales of investment securities	—	(222)	—
Loss on retirement of non-current assets	473	56	4,223
Loss on reversal of foreign currency translation adjustments	197	—	1,759
Decrease (increase) in trade receivables	514	(546)	4,589
Decrease (increase) in inventories	84	(7,135)	750
Increase (decrease) in trade payables	(1,555)	3,361	(13,884)
Decrease (increase) in advance payments	725	(354)	6,473
Increase (decrease) in consumption tax payable	(356)	(720)	(3,179)
Increase (decrease) in accrued expenses	426	156	3,804
Increase (decrease) in advances from customers	1,237	10,668	11,045
Other, net	(1,235)	445	(11,025)
Subtotal	20,852	21,580	186,179
Interest and dividends received	228	190	2,036
Interest paid	(64)	(90)	(571)
Income taxes paid	(4,594)	(1,828)	(41,018)
<b>Net cash provided by (used in) operating activities</b>	<b>16,422</b>	<b>19,852</b>	<b>146,626</b>
<b>Cash flows from investing activities:</b>			
Payments for purchase of time deposits	(186)	(2,371)	(1,661)
Proceeds from refund of time deposits	333	2,197	2,973
Purchase of short-term securities	(5,055)	(8,002)	(45,134)
Proceeds from sales and redemption of short-term securities	5,007	8,002	44,705
Payments for purchase of property, plant and equipment and intangible assets	(4,570)	(3,615)	(40,804)
Net decrease (increase) in short-term loans receivable	(19,992)	(8)	(178,500)
Payments for sales of investments in capital of subsidiary resulting in change in scope of consolidation (Note 21)	—	(29)	—
Other, net	256	1,015	2,286
<b>Net cash provided by (used in) investing activities</b>	<b>(24,207)</b>	<b>(2,811)</b>	<b>(216,135)</b>
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans	1,460	(1,417)	13,036
Cash dividends paid	(2,352)	(1,496)	(21,000)
Other, net	(18)	(85)	(161)
<b>Net cash provided by (used in) financing activities</b>	<b>(910)</b>	<b>(2,998)</b>	<b>(8,125)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>28</b>	<b>(709)</b>	<b>250</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(8,667)</b>	<b>13,334</b>	<b>(77,384)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>23,323</b>	<b>9,989</b>	<b>208,241</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 14,656</b>	<b>¥ 23,323</b>	<b>\$ 130,857</b>

See accompanying notes.



# Notes to Consolidated Financial Statements

Nissin Electric Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2017 and 2016

## 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 disclosures 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, 2017, 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 2016) and 17 overseas subsidiaries (18 in 2016).

Nissin Electric (Wujiang) Co. Ltd. was excluded from the scope of consolidation due to liquidation during the consolidated fiscal year ended March 31, 2017.

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 8 other overseas subsidiaries (9 in 2016) is December 31. These 12 overseas subsidiaries (13 in 2016) 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 at the lower of cost or net realizable value. Cost is mainly 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, 2017. 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 year.

### 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 taxation 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 amounts 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:

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

#### Hedged items:

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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, 2017 and 2016, there were no potentially dilutive common stocks.

Cash dividends per share in the consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the consolidated fiscal year.

### Additional information

The Company and its domestic subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) from the current fiscal year.

### 3. INVESTMENT SECURITIES

The carrying amounts of investment securities at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Available-for-sale securities with available fair values	¥ 6,431	¥ 5,320	\$ 57,420
Available-for-sale securities with no available fair values	277	277	2,473
Total	¥ 6,708	¥ 5,597	\$ 59,893

The following is a summary of available-for-sale securities included in investment securities that had a fair value at March 31, 2017 and 2016.

2017	Millions of yen			Book (fair) value
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	
Equity securities	¥ 2,367	¥ 4,064	¥ –	¥ 6,431

2016	Millions of yen			Book (fair) value
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	
Equity securities	¥ 2,367	¥ 3,014	¥ 61	¥ 5,320

2017	Thousands of U.S. dollars			Book (fair) value
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	
Equity securities	\$ 21,134	\$ 36,286	\$ –	\$ 57,420

Gross realized gains and losses on the sale of available-for-sale securities for the fiscal year ended March 31, 2017 were not material.

Proceeds from sales of available-for-sale securities were ¥ 300 million for the fiscal year ended March 31, 2016.

Gross realized gains on those sales were ¥ 222 million for the fiscal year ended March 31, 2016.

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, 2017 and 2016.

### 4. INVENTORIES

Inventories at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Finished goods	¥ 2,236	¥ 1,729	\$ 19,964
Work-in-process	20,634	21,023	184,233
Raw materials and supplies	4,700	5,059	41,964
Total	¥ 27,570	¥ 27,811	\$ 246,161

Inventories related to construction contracts for which losses were expected after being offset by the allowance for losses on contracts for the fiscal years ended March 31, 2017 and 2016 were ¥353 million (\$3,152 thousand) and ¥200 million, respectively.

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

Short-term loans at March 31, 2017 and 2016 were represented by short-term notes that consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Short-term loans bearing average interest rates of 2.24% (2017) and 2.32% (2016)	¥ 3,549	¥ 2,107	\$ 31,687

A summary of long-term debt at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Long-term debt	¥ 200	¥ 89	\$ 1,786
Current portion of long-term debt	(75)	(19)	(670)
Loans maturing serially through 2021 bearing average interest rates of 7.19% (2017) and 4.32% (2016)	¥ 125	¥ 70	\$ 1,116

The annual maturities of long-term debt outstanding at March 31, 2017 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2018	¥ 75	\$ 670
2019	79	706
2020	23	205
2021	23	205
2022 and thereafter	—	—
Total	¥ 200	\$ 1,786

## 6. CONTINGENT LIABILITIES

At March 31, 2017 and 2016, the Companies' contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Endorsed trade notes	¥ 86	¥ 57	\$ 768

## 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, 2017 and after March 31, 2017 were as follows:

#### Dividends paid in the fiscal year ended March 31, 2017

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
Board of Directors meeting on October 28, 2016	September 30, 2016	December 6, 2016	1,176	10,500

#### Dividends paid after March 31, 2017 and for which the record date was in the fiscal year ended March 31, 2017

Approved by	Record date	Effective date	Total amount	
			Millions of yen	Thousands of U.S. dollars
Shareholders' meeting on June 27, 2017	March 31, 2017	June 28, 2017	¥ 2,031	\$ 18,134

The dividends include the commemorative dividend of ¥8.00 (\$0.07) per share for the 100th anniversary of the Company's foundation.

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	
Shareholders' meeting on June 23, 2015	March 31, 2015	June 24, 2015	¥ 748	
Board of Directors meeting on November 12, 2015	September 30, 2015	December 7, 2015	748	

#### 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	
Shareholders' meeting on June 22, 2016	March 31, 2016	June 23, 2016	¥ 1,176	

## 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, 2017 and 2016 were ¥6,442 million (\$57,518 thousand) and ¥5,331 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
	2017	2016	2017
Salaries and bonuses for employees	¥ 8,253	¥ 7,804	\$ 73,688
Research and development expenses	4,936	3,905	44,071
Cost of transportation of goods	1,184	2,316	10,571
Sales commissions	762	611	6,804
Retirement benefit costs	653	647	5,830
Provision of allowance for doubtful receivables	167	7	1,491

## 11. DERIVATIVE TRANSACTIONS

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

	Millions of yen				Millions of yen			
	2017				2016			
	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								
U.S. dollars	¥ 270	¥ 36	¥ (31)	¥ (31)	¥ 258	¥ –	¥ 14	¥ 14
Chinese yuan	134	14	(7)	(7)	297	–	4	4
Trade payables								
Chinese yuan	248	–	(3)	(3)	4,157	1,576	(535)	(535)
U.S. dollars	49	–	(1)	(1)	70	–	(1)	(1)
Japanese yen	17	–	0	0	–	–	–	–
Total	¥ 718	¥ 50	¥ (42)	¥ (42)	¥ 4,782	¥ 1,576	¥ (518)	¥ (518)

Thousands of U.S. dollars

	2017			
	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				
U.S. dollars	\$ 2,411	\$ 321	\$ (277)	\$ (277)
Chinese yuan	1,196	125	(63)	(63)
Trade payables				
Chinese yuan	2,214	–	(27)	(27)
U.S. dollars	438	–	(9)	(9)
Japanese yen	152	–	0	0
Total	\$ 6,411	\$ 446	\$ (376)	\$ (376)

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		
	2017			2016			2017		
	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	¥ 106	¥ 2	¥ (4)	¥ 221	¥ –	¥ 10	\$ 946	\$ 18	\$ (36)
Euro	36	–	2	36	36	0	321	–	18
Trade payables									
U.S. dollars	14	–	(0)	7	–	0	125	–	(0)
Euro	5	–	(0)	1	–	0	45	–	(0)
Deferred hedge method									
Forward foreign exchange contracts:									
Trade receivables									
U.S. dollars	476	22	(14)	207	–	17	4,250	196	(125)
Chinese yuan	49	–	(0)	76	–	4	438	–	(0)
Trade payables									
N.Z. dollars	474	–	4	791	–	(7)	4,232	–	36
U.S. dollars	430	–	26	627	–	(17)	3,839	–	232
Chinese yuan	57	–	(2)	60	–	(1)	509	–	(18)
Swiss francs	52	–	(1)	141	–	(10)	465	–	(9)
Thai baht	8	–	0	45	–	(2)	71	–	0
Euro	5	–	(0)	566	–	(2)	45	–	(0)
Canadian dollars	–	–	–	8	–	(0)	–	–	–
Special treatment									
Interest rate and currency swap contracts:									
Receive variable rate in Japanese yen, pay fixed rate in Euro	–	–	–	147	–	14	–	–	–
<b>Total</b>	<b>¥ 1,712</b>	<b>¥ 24</b>	<b>¥ 11</b>	<b>¥ 2,933</b>	<b>¥ 36</b>	<b>¥ 6</b>	<b>\$ 15,286</b>	<b>\$ 214</b>	<b>\$ 98</b>

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 30.8% and 33.0% for the fiscal years ended March 31, 2017 and 2016, respectively.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
<b>Deferred tax assets:</b>			
Net defined benefit liability	¥ 1,507	¥ 1,841	\$ 13,455
Accrued employees' bonuses	1,028	1,005	9,179
Devaluation of inventories	893	944	7,973
Depreciation	663	435	5,920
Cost of sales	612	658	5,464
Retirement benefits trust	513	504	4,580
Research and development expenses	398	529	3,554
Allowance for environmental protection measures	389	663	3,473
Tax loss carryforwards	256	522	2,286
Allowance for losses on contracts	240	164	2,143
Unrealized intercompany profits	233	230	2,080
Other temporary differences	1,568	1,449	14,000
Total deferred tax assets	8,300	8,944	74,107
Valuation allowance	(1,398)	(1,989)	(12,482)
Net deferred tax assets	6,902	6,955	61,625
<b>Deferred tax liabilities:</b>			
Valuation difference on available-for-sale securities	(1,130)	(819)	(10,089)
Undistributed earnings of overseas subsidiaries	(871)	(798)	(7,777)
Reserve for deferred gains related to fixed assets for tax purposes	(248)	(244)	(2,214)
Other temporary differences	(36)	(18)	(321)
Total deferred tax liabilities	(2,285)	(1,879)	(20,401)
Net deferred tax assets	¥ 4,617	¥ 5,076	\$ 41,224

Reconciliations to the consolidated balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deferred tax assets reported in current assets	¥ 3,700	¥ 3,303	\$ 33,036
Deferred tax assets reported in investments and other assets	932	1,792	8,321
Deferred tax liabilities reported in other long-term liabilities	(15)	(19)	(133)
Net deferred tax assets	¥ 4,617	¥ 5,076	\$ 41,224

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, 2017 and 2016 were as follows:

	2017	2016
Statutory income tax rate	<b>30.8 %</b>	33.0 %
Changes in valuation allowance	<b>(3.3)</b>	(5.4)
Tax credit for research and development expenses	<b>(4.1)</b>	(3.2)
Tax credit for increase in salaries	<b>(1.5)</b>	(1.1)
Effect of lower tax rates on overseas subsidiaries	<b>(1.8)</b>	(1.1)
Temporary differences for investments in subsidiaries	<b>(3.0)</b>	(1.7)
Others	<b>1.8</b>	5.4
Effective income tax rate	<b>18.9 %</b>	25.9 %

### 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		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Balance at beginning of year	¥ 25,456	¥ 22,627	\$ 227,286
Service cost - benefits earned during the year	1,319	1,300	11,777
Interest cost on retirement benefit obligations	137	319	1,223
Actuarial differences	32	2,314	285
Payment of retirement benefits	(1,212)	(1,104)	(10,821)
Balance at end of year	¥ 25,732	¥ 25,456	\$ 229,750

##### (2) Movements in pension assets

	Millions of yen		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Balance at beginning of year	¥ 19,542	¥ 20,513	\$ 174,482
Expected return on pension assets	406	543	3,625
Actuarial differences	227	(1,557)	2,027
Contributions from the employer	1,749	999	15,616
Payment of retirement benefits	(998)	(956)	(8,911)
Balance at end of year	¥ 20,926	¥ 19,542	\$ 186,839

**(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
	2017	2016	2017
Retirement benefit obligation of funded plans	¥ 25,601	¥ 25,353	\$ 228,580
Pension assets	(20,926)	(19,542)	(186,839)
	¥ 4,675	¥ 5,811	\$ 41,741
Retirement benefit obligation of unfunded plans	131	103	1,170
Net defined benefit liability (asset) recorded in the consolidated balance sheet	¥ 4,806	¥ 5,914	\$ 42,911

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Net defined benefit liability	¥ 4,837	¥ 5,962	\$ 43,188
Net defined benefit asset	(31)	(48)	(277)
Net defined benefit liability (asset) recorded in the consolidated balance sheet	¥ 4,806	¥ 5,914	\$ 42,911

**(4) Retirement benefit costs**

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Service cost - benefits earned during the year	¥ 1,319	¥ 1,300	\$ 11,777
Interest cost on retirement benefit obligation	137	319	1,223
Expected return on pension assets	(406)	(543)	(3,625)
Amortization of unrecognized actuarial differences	921	855	8,223
	¥ 1,971	¥ 1,931	\$ 17,598

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Actuarial differences	¥ 1,113	¥ (3,017)	\$ 9,938

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unrecognized actuarial differences	¥ 5,251	¥ 6,364	\$ 46,884

**(7) Pension assets**

Pension assets consist of the followings:

	2017	2016
Bonds	25 %	21 %
Stock	27	32
Cash	8	6
Alternative	37	38
Other	3	3
	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 16% for the fiscal years ended March 31, 2017 and 2016, 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 on long-term investment of diverse assets that comprise pension assets.

#### (8) Actuarial assumptions

	2017	2016
Discount rate	mainly 0.52 %	mainly 0.52 %
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 the defined contribution plans of the Company and certain consolidated subsidiaries were ¥163 million (\$1,455 thousand) and ¥159 million for the fiscal years ended March 31, 2017 and 2016, respectively.

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

Fiscal year ended March 31, 2017

The Company accrued gain from the reversal of provision for loss on liquidation of Nissin Advanced Technology Electric (Dongguan) Co., Ltd. and another subsidiary in the amount of ¥ 71 million (\$634 thousand).

Fiscal year ended March 31, 2016

The Company accrued gain from the reversal of provision for loss on liquidation of Nissin Electric (Wujiang) Co., Ltd. in the amount of ¥ 137 million.

## 15. IMPAIRMENT LOSS

Fiscal year ended March 31, 2016

Location	Group	Assets	Millions of yen
			Impairment loss
Beijing, China	Gas insulated switchgear production facilities	Structures, machinery and equipment and intangible assets	¥ 62

The amount of ¥62 million 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. The recoverable amount, measured by the net sale value, was zero.

## 16. LOSS ON RETIREMENT OF NON-CURRENT ASSETS

Loss on retirement of non-current assets for the year ended March 31, 2017 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Buildings and structures	¥ 54	¥ –	\$ 482
Removal costs	316	–	2,822
	¥ 370	¥ –	\$ 3,304

## 17. 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
	2017	2016	2017
Nissin Advanced Technology Electric (Dongguan) Co., Ltd.	¥ –	¥ 23	\$ –

## 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. The details of the expenses for the fiscal year ended March 31, 2016 were as follows:

	Millions of yen
Loss on valuation of inventories	¥ 566
Impairment loss (Note 15)	62
Extra payment of retirement benefits	39
Total	¥ 667

## 19. LOSS ON REVERSAL OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

The loss on reversal of foreign currency translation adjustments resulted from the liquidation of the following subsidiary.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Nissin Electric (Wujiang) Co. Ltd.	¥ 197	¥ –	\$ 1,759

## 20. OTHER COMPREHENSIVE INCOME

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
<b>Valuation difference on available-for-sale securities:</b>			
Current period	¥ 1,103	¥ (982)	\$ 9,848
Adjustments	8	(221)	71
Before income tax effect	1,111	(1,203)	9,919
Tax effects	(330)	429	(2,946)
Total	¥ 781	¥ (774)	\$ 6,973
<b>Deferred gains and losses on hedges:</b>			
Current period	¥ 30	¥ (26)	\$ 268
Adjustments	—	—	—
Before income tax effect	30	(26)	268
Tax effects	(9)	8	(80)
Total	¥ 21	¥ (18)	\$ 188
<b>Foreign currency translation adjustments:</b>			
Current period	¥ (684)	¥ (3,206)	\$ (6,107)
Adjustments	197	531	1,759
Total	¥ (487)	¥ (2,675)	\$ (4,348)
<b>Remeasurements of defined benefit plans:</b>			
Current period	¥ 192	¥ (3,871)	\$ 1,715
Adjustments	921	854	8,223
Before income tax effect	1,113	(3,017)	9,938
Tax effects	(342)	864	(3,054)
Total	¥ 771	¥ (2,153)	\$ 6,884
<b>Total other comprehensive income:</b>	<b>¥ 1,086</b>	<b>¥ (5,620)</b>	<b>\$ 9,697</b>

## 21. 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 were as follows:

	Millions of yen
Current assets	¥ 1,478
Non-current assets	419
Current liabilities	(988)
Non-controlling interests	(425)
Foreign currency translation adjustments	(266)
Loss on sales of investments in capital of subsidiaries and associates	(48)
Sales of investments in capital	¥ 170
Accounts receivable - other	(170)
Cash and cash equivalents	(29)
Payments for sales of investment in capital of subsidiary resulting in change in scope of consolidation	¥ (29)

## 22. 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, 2017	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	¥ 48,341	¥ 40,299	¥ 15,851	¥ 22,419	¥ 126,910	¥ –	¥ 126,910
Intersegment sales and transfers	269	188	–	1,852	2,309	(2,309)	–
Total	48,610	40,487	15,851	24,271	129,219	(2,309)	126,910
Segment profit (loss)	¥ 5,243	¥ 11,560	¥ 1,520	¥ 3,352	¥ 21,675	¥ (2,932)	¥ 18,743
Segment assets	¥ 59,605	¥ 29,541	¥ 12,078	¥ 18,267	¥ 119,491	¥ 34,606	¥ 154,097
<b>Other:</b>							
Depreciation and amortization	¥ 1,451	¥ 920	¥ 198	¥ 207	¥ 2,776	¥ 95	¥ 2,871
Amortization of goodwill	–	–	–	–	–	–	–
Increase in property, plant and equipment and intangible assets	2,711	1,396	325	469	4,901	(43)	4,858

Year ended March 31, 2017	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	\$ 431,616	\$ 359,813	\$ 141,526	\$ 200,170	\$ 1,133,125	\$ –	\$ 1,133,125
Intersegment sales and transfers	2,402	1,679	–	16,537	20,618	(20,618)	–
Total	434,018	361,492	141,526	216,707	1,153,743	(20,618)	1,133,125
Segment profit (loss)	\$ 46,813	\$ 103,214	\$ 13,571	\$ 29,929	\$ 193,527	\$ (26,179)	\$ 167,348
Segment assets	\$ 532,188	\$ 263,759	\$ 107,839	\$ 163,098	\$ 1,066,884	\$ 308,982	\$ 1,375,866
<b>Other:</b>							
Depreciation and amortization	\$ 12,955	\$ 8,214	\$ 1,768	\$ 1,848	\$ 24,785	\$ 849	\$ 25,634
Amortization of goodwill	–	–	–	–	–	–	–
Increase in property, plant and equipment and intangible assets	24,205	12,464	2,902	4,188	43,759	(384)	43,375

An adjustment of negative ¥2,932 million (*\$26,179 thousand*) in segment profit (loss) includes an elimination of transactions between the segments of negative ¥75 million (*\$670 thousand*) and corporate expenses of negative ¥2,857 million (*\$25,509 thousand*). Corporate expenses are mainly general and administrative expenses not attributable to the reporting segments.

An adjustment of ¥34,606 million (*\$308,982 thousand*) in segment assets includes an elimination of transactions between the segments of negative ¥3,123 million (*\$27,884 thousand*) and corporate assets of ¥37,729 million (*\$336,866 thousand*). Corporate assets are mainly assets not attributable to the reporting segments.

An adjustment of ¥95 million (*\$849 thousand*) in depreciation and amortization includes an elimination of transactions between the segments of negative ¥11 million (*\$98 thousand*) and corporate expenses of ¥106 million (*\$947 thousand*). Corporate expenses are mainly general and administrative expenses not attributable to the reporting segments.

An adjustment of negative ¥43 million (*\$384 thousand*) in increase in property, plant and equipment and intangible assets includes an elimination of transactions between the segments of negative ¥116 million (*\$1,036 thousand*) and corporate assets of ¥73 million (*\$652 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 their amortization.

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

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

An adjustment of ¥23,588 million in segment assets includes an elimination of transactions between the segments of negative ¥3,197 million and corporate assets of ¥26,785 million. Corporate assets are mainly assets not attributable to the reporting segments.

An adjustment of ¥122 million in depreciation and amortization includes an elimination of transactions between the segments of negative ¥3 million and corporate expenses of ¥125 million. Corporate expenses are mainly general and administrative expenses not attributable to the reporting segments.

An adjustment of ¥113 million in increase in property, plant and equipment and intangible assets includes an elimination of transactions between the segments of negative ¥10 million and corporate assets of ¥123 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, 2017	Millions of yen				
	Japan	Asia		Other	Total
		China	Other		
Sales	¥ 73,958	¥ 29,865	¥ 17,489	¥ 5,598	¥ 126,910
Property, plant and equipment	18,896	3,353	3,359	9	25,617

Year ended March 31, 2017	Thousands of U.S. dollars				
	Japan	Asia		Other	Total
		China	Other		
Sales	\$ 660,339	\$ 266,652	\$ 156,152	\$ 49,982	\$ 1,133,125
Property, plant and equipment	168,714	29,938	29,991	80	228,723

Year ended March 31, 2016	Millions of yen				
	Japan	Asia		Other	Total
		China	Other		
Sales	¥ 79,074	¥ 15,025	¥ 16,155	¥ 3,364	¥ 113,618
Property, plant and equipment	17,238	3,710	3,145	13	24,106

## 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

## 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	–	–	–	–	–	–	–

## 23. Related Party Transactions

### 1. Parent Company

#### Year ended March 31, 2017

Name	Capital	Ratio of voting rights (owned)	Transactions	Amounts	Closing balances	Amounts
	Millions of yen			Millions of yen		Millions of yen
Sumitomo Electric Industries, Ltd.	¥ 99,737	Directly (51.5%)	Loan of funds	¥ 17,250	Short-term loans receivable	¥ 20,000

#### Year ended March 31, 2017

Name	Capital	Ratio of voting rights (owned)	Transactions	Amounts	Closing balances	Amounts
	Thousands of U.S. dollars			Thousands of U.S. dollars		Thousands of U.S. dollars
Sumitomo Electric Industries, Ltd.	\$ 890,509	Directly (51.5%)	Loan of funds	\$ 154,018	Short-term loans receivable	\$ 178,571

The head office of Sumitomo Electric Industries, Ltd. is Osaka Chuo-ku, Osaka, Japan.

Parent Company supplies products such as cables for power distribution, applications, and other equipment.

The company purchases cables for power distribution and supplies our products at the parent company.

Six of the parent company officers, are concurrently serves our officers.

# 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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 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, 2017

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

4,852

## Board of Directors and Statutory Auditors (as of June 27, 2017)

### Chairman

Hideaki Obata\*

### President

Shigeo Saito\*

### Senior Managing Directors

Naoyuki Yamabayashi\*  
Masahide Nobu\*

### Managing Directors

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.

Texas Customer Service Center  
Austin, Texas, U.S.A.  
Massachusetts R&D Center  
Methuen, Massachusetts, 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

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### 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. Sekison-tei is an invaluable asset, and proof that Nissin Electric Group puts its Principles of Activities of "Integrity, Trust and Long-term Relationships" into practice.*

