

KURODA ELECTRIC

To Our Shareholders
and Investors

REPORT 82ND

82ND KURODA ELECTRIC REPORT

(April 1, 2016 - March 31, 2017)

 **KURODA ELECTRIC Co., Ltd.**

KURODA ELECTRIC Co., Ltd.

Securities code: 7517

TO OUR SHAREHOLDERS

Greeting

We would like to express our sincere gratitude for your continued support.

Upon the conclusion of the 82nd term (from April 1, 2016 to March 31, 2017), we hereby report on our business results.

We look forward to your ongoing guidance and encouragement.

Consolidated Results for the Current Fiscal Year

During the current consolidated fiscal year, despite steady corporate earnings and employment environment on the back of the solid U.S. economy as well as the continued monetary policies adopted by the government and the Bank of Japan, the Japanese economy remained unstable, reflecting lack of stability in foreign exchange and stock market amid intensifying uncertainty about the global economic outlook due to factors such as Brexit and the start of the new U.S. administration.

With regard to the business environment surrounding the Group, although the automotive-related business remained robust, the LCD-related business changed significantly at the end of the fiscal year, affected by change in business policy of a client company.

As a result, for the consolidated fiscal year ended March 31, 2017, net sales amounted to ¥229,571 million (a year-on-year decrease of 19.6%), operating profit amounted to ¥7,088 million (a year-on-year decrease of 12.6%), ordinary profit amounted to ¥6,953 million (a year-on-year decrease of 9.9%), and profit attributable to owners of parent amounted to ¥4,844 million (a year-on-year increase of 25.2%).

Performance by segment was as follows.

In Japan, net sales decreased year on year due to decreased orders for large-size LCD as well as components and manufacturing facili-

ties for HDD. As a result, net sales amounted to ¥169,264 million (a year-on-year decrease of 11.7%), and operating profit amounted to ¥4,411 million (a year-on-year decrease of 23.2%).

In Asia, net sales decreased year on year mainly due to a significant decrease in orders in the small- and medium-size LCD-related business for smartphones in the Chinese market. As a result, net sales amounted to ¥55,109 million (a year-on-year decrease of 36.4%), and operating profit amounted to ¥2,469 million (a year-on-year increase of 11.4%).

With regard to other segments (North America and Europe), net sales amounted to ¥5,198 million (a year-on-year decrease of 29.7%), and operating profit amounted to ¥25 million (in the previous year, operating loss amounted to ¥133 million).

Our Future Initiatives

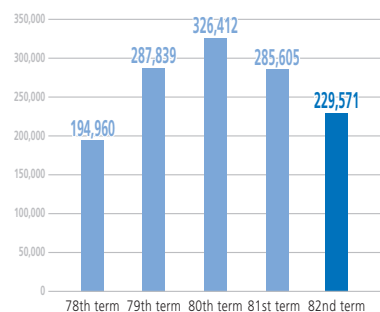
In terms of the consolidated business forecasts for the 83rd term, we project net sales of ¥160,000 million, operating profit of ¥5,700 million, ordinary profit of ¥5,600 million, and profit attributable to owners of parent of ¥3,600 million.

Under the Mid-term Management Plan announced in May 2015, the Group aimed to achieve net sales of ¥400,000 million and operating profit of ¥13,000 million in the fiscal year ending March 2018. However, the LCD-related business experienced decline in Japan and overseas, affected by change in business policy of a client company. As a result, net sales of the Group are expected to be lower than the initial forecast. In response to such change in business environment, we announced the New Mid-term Management Plan in May 2017. (The New Mid-term Management Plan is stated on pages 7 and 8.)

FINANCIAL HIGHLIGHTS

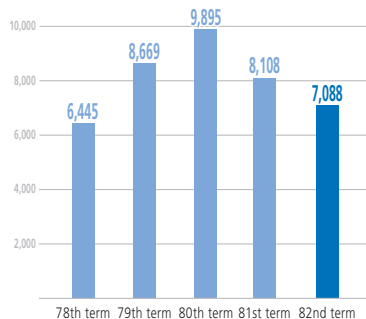
Net sales

(¥ millions)



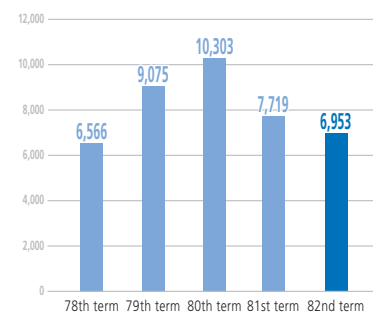
Operating profit

(¥ millions)



Ordinary profit

(¥ millions)



Message to Our Shareholders

Our basic policy on dividends is to continue the stable distribution of profits from a long-term perspective, based on a comprehensive consideration of profitability for our shareholders, future business expansion, and the strengthening of financial structure of the Company.

The dividend per share for the fiscal year under review was set at ¥95. For the next fiscal year, we plan to pay an annual dividend of ¥67 per share.

We sincerely request the ongoing support of all our shareholders.



Koichi Hosokawa

President
CEO and COO

Forecast for the Next Fiscal Year (83rd Term)

Net sales

¥160,000 million
(year-on-year decrease of 30.3%)

Operating profit

¥5,700 million
(year-on-year decrease of 19.6%)

Ordinary profit

¥5,600 million
(year-on-year decrease of 19.5%)

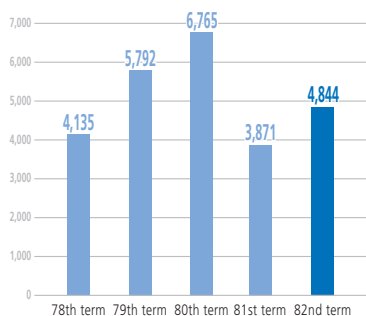
Profit attributable to owners of parent

¥3,600 million
(year-on-year decrease of 25.7%)

* Should any revision of the full-year consolidated business forecasts become necessary in light of future trends, an announcement will be made promptly.

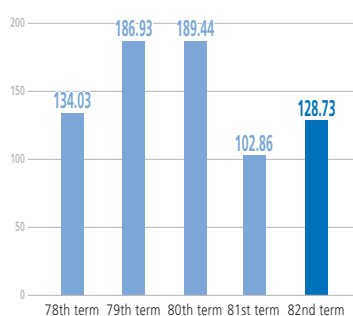
Profit attributable to owners of parent

(¥ millions)



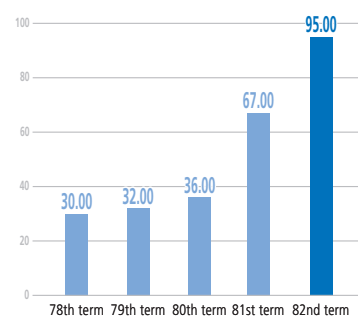
Earnings per share

(¥)



Dividend per share

(¥)



CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Balance Sheets (¥ millions)

Account	As of March 31, 2017	As of March 31, 2016
Assets		
Current assets	93,380	90,381
Cash and deposits	29,055	19,053
Notes and accounts receivable – trade	50,789	53,155
Inventories	10,844	15,379
Other	2,689	2,793
Non-current assets	24,144	24,433
Total assets	117,525	114,814
Liabilities		
Current liabilities	36,706	35,231
Notes and accounts payable – trade	28,652	28,257
Electronically recorded obligations – operating	2,899	1,623
Short-term loans payable	894	468
Other	4,258	4,881
Non-current liabilities	2,911	2,809
Total liabilities	39,617	38,040
Net assets		
Shareholders' equity	72,584	70,417
Capital stock	10,045	10,045
Capital surplus	9,918	10,074
Retained earnings	54,527	52,204
Treasury shares	(1,907)	(1,907)
Accumulated other comprehensive income	2,654	3,583
Non-controlling interests	2,669	2,772
Total net assets	77,908	76,774
Total liabilities and net assets	117,525	114,814

(Figures are rounded down to the nearest million yen.)

Condensed Consolidated Income Statements (¥ millions)

Account	Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Net sales	229,571	285,605
Cost of sales	206,937	261,233
Gross profit	22,633	24,372
Selling, general and administrative expenses	15,545	16,263
Operating profit	7,088	8,108
Non-operating income	328	404
Non-operating expenses	463	793
Ordinary profit	6,953	7,719
Extraordinary income	163	170
Extraordinary losses	101	1,244
Profit before income taxes	7,014	6,645
Income taxes	1,929	2,531
Profit	5,084	4,113
Profit attributable to non-controlling interests	239	242
Profit attributable to owners of parent	4,844	3,871

(Figures are rounded down to the nearest million yen.)

Condensed Consolidated Statements of Cash Flows (¥ millions)

Account	Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Cash flows from operating activities	15,030	6,866
Cash flows from investing activities	(263)	(1,775)
Cash flows from financing activities	(2,777)	(2,905)
Effect of exchange rate change on cash and cash equivalents	(589)	(553)
Net increase (decrease) in cash and cash equivalents	11,399	1,631
Cash and cash equivalents at beginning of period	16,836	15,204
Cash and cash equivalents at end of period	28,236	16,836

(Figures are rounded down to the nearest million yen.)

REVIEW OF OPERATIONS

Automotive

- Design and sale of automotive printed circuit boards (Trading Department and Design Department)
- Sale of LCD panels for car navigation systems, automotive electronic components, molded article, plastic materials, etc. (Trading Department)
- Manufacture and sale of aluminum die-casting products (Manufacturing Department)
- Manufacture and sale of metal molds and pressed parts (Manufacturing Department)
- Manufacture and sale of metal molds for large-size plastic products (Manufacturing Department)
- Manufacture and sale of metal-pressed parts and welding-processed products (Manufacturing Department)
- Manufacture and sale of plastic molded products (Manufacturing Department)

Display

- Sale of LCD modules, peripheral components for LCD TVs, and optical films (Trading Department)
- Sale of LCD panels, processed film products, assembly parts for printed circuit boards, and parts for assembling modules (Trading Department)
- Manufacture and sale of alignment layer printing plates and printing presses (Manufacturing Department)

HDD (Hard Disk Drive)

- Manufacture and sale of HDD components (Trading Department and Manufacturing Department)
- Manufacture and sale of assembly & inspection equipment for HDD units (Manufacturing Department)

Mobile

- Sale of parts for smartphones, tablet PCs, personal computers, digital cameras, etc. (Trading Department)
- Manufacture and sale of plastic molded products and processed film products (Manufacturing Department)

Overview of the Fiscal Year Under Review

[Trading Department]

Sales of electrical components and plastic materials were strong for both the domestic and overseas bases.

[Manufacturing Department]

Net sales decreased year on year due to implementation of a downsizing as part of structural reforms at a production base in Mexico. For other manufacturing companies, net sales were unchanged from the previous fiscal year.



Overview of the Fiscal Year Under Review

[Trading Department]

Orders in the small- and medium-size LCD-related business for smartphones decreased significantly. In addition, net sales decreased significantly year on year due to change in business policy of a client company.

[Manufacturing Department]

Although sales of printing presses increased, net sales remained unchanged from the previous fiscal year due to slowdown in sales of the mainstay alignment layer printing plates.



Overview of the Fiscal Year Under Review

[Trading Department]

Sales of components by the Company decreased year on year due to a contraction in the global market for HDD-related business.

[Manufacturing Department]

Sales in components manufacturing remained unchanged from the previous fiscal year.

Sales of assembly & inspection equipment for HDD units showed a year-on-year decrease.



Overview of the Fiscal Year Under Review

[Trading Department]

Net sales decreased year on year due to a reduction in orders for components for smartphones overseas.

[Manufacturing Department]

Net sales increased year on year as a result of increased orders for plastic molded products for tablet PCs.



WORLDWIDE NETWORK

The global business environment is continuing to undergo complex and intensifying changes. Customers' needs have become diverse, and we must deal with all such needs in the areas of development, manufacturing, procurement and logistics. KURODA ELECTRIC's global network will flexibly cater to various business models and continue to increase customer satisfaction.

Net Sales by Region (destination basis)

Japan >>>

Net sales decreased year-on-year due to a significant decrease in orders in the small- and medium-size LCD-related business for smartphones.

Asia >>>

Net sales decreased year-on-year due to a significant decrease in sales of large-size LCD panels.

North America and Europe >>>

Sales were largely unchanged from the previous fiscal year.

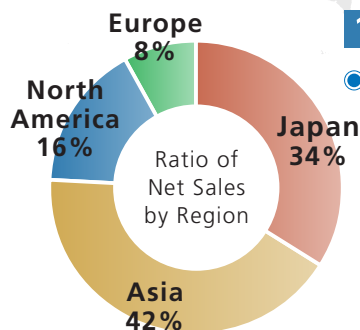
North America

6 sales bases

- KURODA ELECTRIC U.S.A. INC.
- KURODA ELECTRIC U.S.A. INC. Tennessee Branch
- KURODA ELECTRIC U.S.A. INC. San Diego Branch
- KURODA ELECTRIC U.S.A. INC. Michigan Branch
- NANKAI Enviro-Tech Corporation
- Kuroda Electric Mexico S.A. de C.V. *1

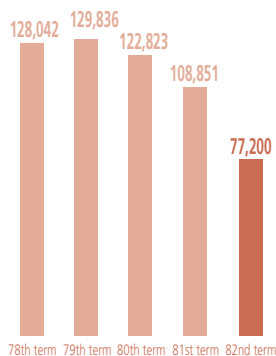
1 manufacturing base

- NANKAI Mexico, S.A. DE C.V.



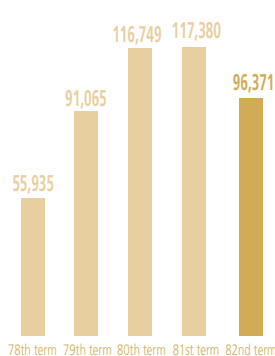
Japan

(¥ millions)



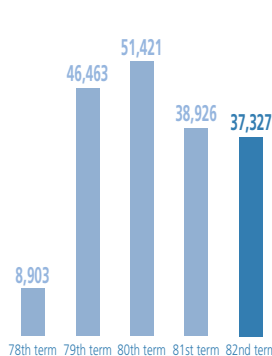
Asia

(¥ millions)



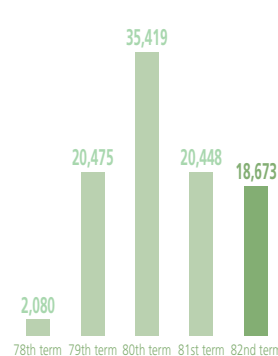
North America

(¥ millions)



Europe

(¥ millions)



Europe

1 sales base

- KURODA ELECTRIC CZECH s.r.o.

Asia

16 sales bases

- Z. KURODA (SINGAPORE) PTE. LTD.
- KURODA ELECTRIC (MALAYSIA) SDN.BHD.
- P.T. KURODA ELECTRIC INDONESIA
- Z. KURODA (THAILAND) CO., LTD. Bangkok Branch
- Z. KURODA (THAILAND) CO., LTD. Hanoi Branch
- KURODA ELECTRIC PHILIPPINES, INC.
- KURODA ELECTRIC KOREA INC.
- KURODA ELECTRIC INDIA PVT. LTD.
- Z. KURODA (HONG KONG) CO., LTD.
- KURODA ELECTRIC (SHENZHEN) CO., LTD.
- Kuroda GKM Co., Ltd.
- SHANGHAI KURODA TRADING CO., LTD.
- SHANGHAI KURODA TRADING CO., LTD. Nanjing Branch
- SHANGHAI KURODA TRADING CO., LTD. WUXI Branch
- TIANJIN KURODA TRADING CO., LTD.
- TAIWAN KURODA ELECTRIC CO., LTD.

Japan

16 sales bases

5 main logistics bases

4 manufacturing bases

- KURODA TECHNO CO., LTD.
- KOMURA-TECH CO., LTD.
- SOHWA & SOPHIA TECHNOLOGIES CO., LTD.
- NICHIDO-DENKO CO., LTD.

1 holding company

- Tenma-trust Co., Ltd.

8 manufacturing bases

- PT TRIMITRA CHITRAHASTA
- Z. KURODA (THAILAND) CO., LTD.
- KURODA AUTO-TECH (THAILAND) LTD.
- BORAMTEK (VIETNAM) CO., LTD.
- ECOREA & KURODA ELECTRIC INDIA PVT. LTD. *2
- RAINBOW METAL TECHNOLOGIES CO., LTD.
- KC AUTOMATION (SHENZHEN) CO., LTD.
- KURODA PRECISION TECHNOLOGY CO., LTD.

3 management and administrative companies, etc.

- SHANGHAI KURODA MANAGEMENT CO., LTD.
- HiVAT Global Co., Ltd.
- Eco-Techwell Investment Inc.

*1 Non-consolidated subsidiary

*2 Equity-method affiliate

NEW MIDTERM MANAGEMENT PLAN

About New Mid-term Management Plan

After the Company announced the Mid-term Management Plan (81st term - 83rd term) on the Company's website in May 2015, business environment surrounding the Company and its group has significantly changed. Given the circumstance, the Company has conducted a comprehensive review and formulated the New Mid-term Management Plan (83rd term - 85th term).

For the next three years during the New Mid-term Management Plan, the Company will focus on increase of operating profit by increasing operating profit margin as a basic policy and will not pursue to enlarge the size of sales revenue accompanied by reduced operating profit margin. While we will not cease our Trading business, the Company will achieve the objectives by aiming to transform itself into a "Not-only a specialized whole-seller company" meaning to become a business enterprise with continued improvement of the existing business model and creation of the next core business (new business) to provide higher value-added services and products to customers.

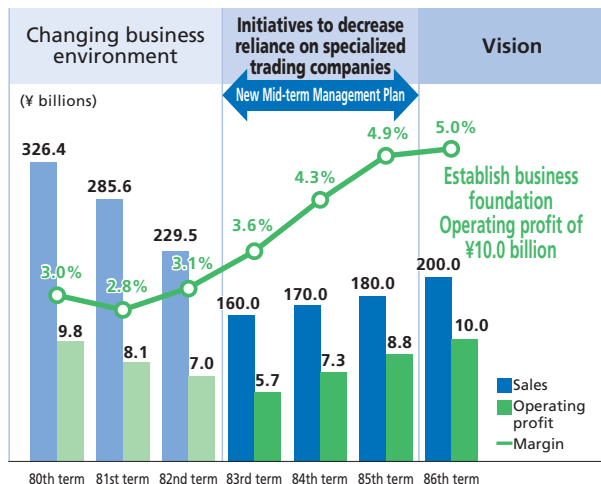
Segment strategy

(¥ billions)

		Strategy	Operating profit goals	
			83rd term	85th term
Existing business	Manufacturing / processing in Japan	<ul style="list-style-type: none"> R&D into new technologies 	2.5	3.0
	Manufacturing / processing outside Japan	<ul style="list-style-type: none"> Capital investment for automotive related business 	1.5	2.0
	Domestic trading business	<ul style="list-style-type: none"> Concentrate on key accounts Accelerate commercial rights acquisition investment business 	0.6	1.3
	Overseas trading business	<ul style="list-style-type: none"> Expand non-Japanese company business through non-overlapping areas 	1.1	1.5
Next core business (new business)	Trading business / services	<ul style="list-style-type: none"> Create new demand through cross-industrial collaboration 	0	0.6
	Development / manufacturing		0	0.4
Total			5.7	8.8

New Mid-term Management Plan: Numerical Targets

Final year (85th term): ¥8.8 billion operating profit, 4.9% operating profit margin



← New Mid-term Management Plan →

	82nd term	83rd term	84th term	85th term	86th term
Net sales (¥ billions)	229.5	160.0	170.0	180.0	200.0
Operating profit (¥ billions)	7.0	5.7	7.3	8.8	10.0
Operating profit margin	3.1%	3.6%	4.3%	4.9%	5.0%
ROE (Return on equity)	6.5%	4.8%	6.5%	7.6%	8.4%
ROIC (Return on invested capital)	6.1%	4.4%	6.0%	7.1%	7.8%
Earnings per share	¥128	¥95	¥132	¥159	¥181

Return to Shareholders

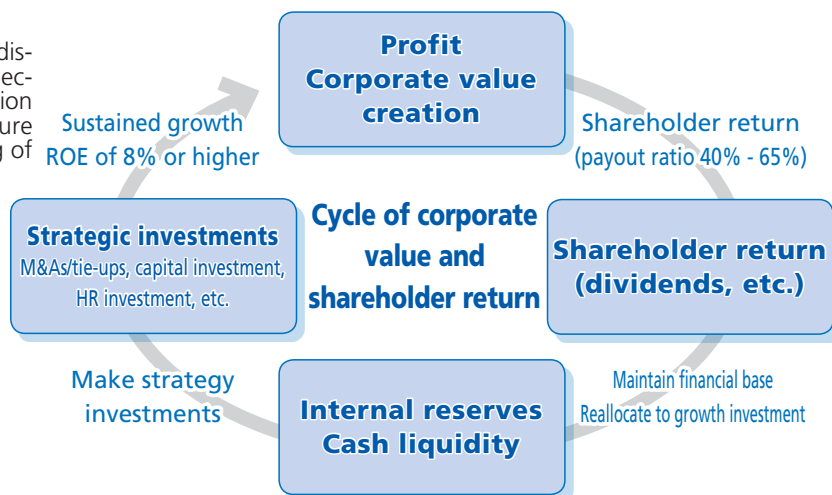
[Basic policy]

Our basic policy is to continue the stable distribution of profits from a long-term perspective, based on a comprehensive consideration of profitability for our shareholders, future business expansion, and the strengthening of financial structure of the Company.

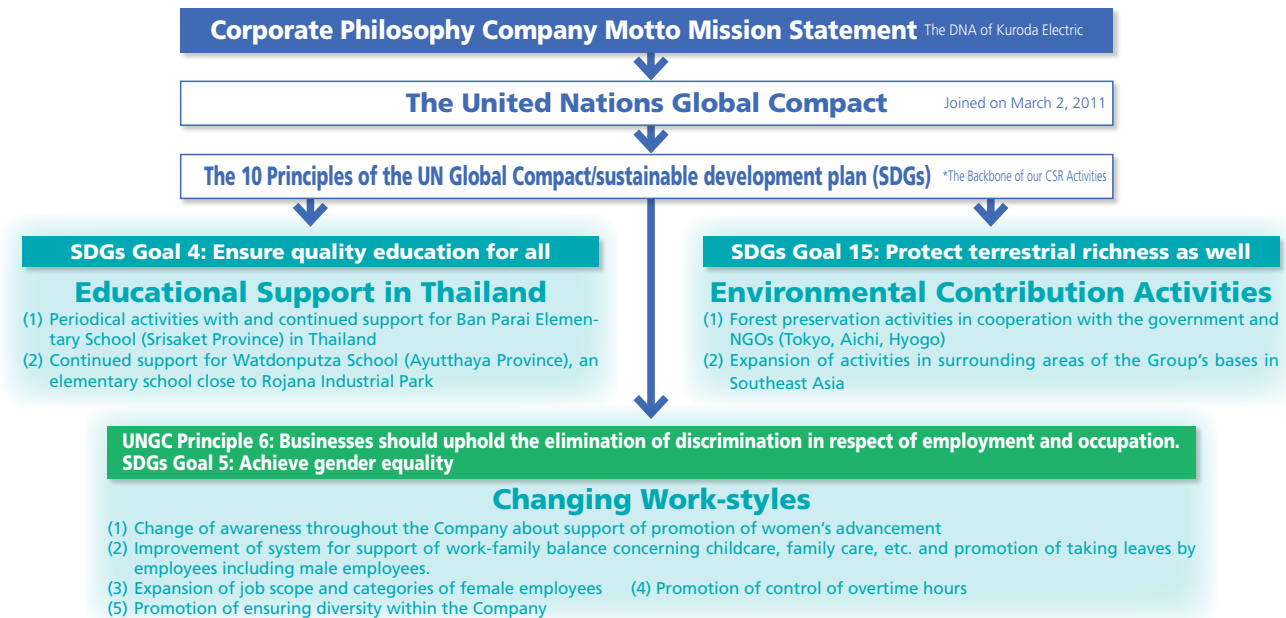
[Payout ratio]

As a general rule, the payout ratio is at a level between 40% and 65%.

Anticipated dividend per share	
83rd term	¥67
84th term	¥53 - ¥86
85th term	¥63 - ¥103



CORPORATE SOCIAL RESPONSIBILITY



* "17 plans and 169 targets for sustainable development" adopted in 2015 as agenda to be achieved toward 2030

Educational Support

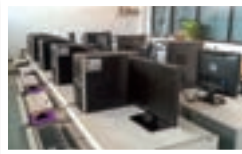
Educational Support for an Elementary School in Thailand

In Thailand, "Children's Day" is set on the second Saturday in January every year, and around this time of year, local staff of the Group visit elementary schools to provide educational support and conduct activities with children on a continuous basis.

In February 2017, we visited Ban Parai Elementary School and interacted with children through playing various games with them.



Furthermore, we provided financial aid for building communication network in classrooms, and 10 computers were installed. The Group will continue to conduct activities like this.



Community & Household Activities

Hold Basketball Clinics

As part of activities which contribute to the local community and household, we hold Basketball Clinics (technical guidance) for students of elementary school age and older in Shinagawa Ward in order to help promote interest in sports in the ward.



Staff and current members of our basketball team, a Division 1 Kanto Industrial and Commercial Basketball Federation team, held such clinic in February this year once again to help children experience the fun and excitement of basketball.



CORPORATE INFORMATION / STOCK INFORMATION

Corporate Profile

(As of March 31, 2017)

Corporate Name	Kuroda Electric Co., Ltd.
Established	March 29, 1947
Capital	¥10,045.76 million
Number of Employees	324 (231 males, 93 females) 3,844 total employees including group companies

Kuroda Group Network

Domestic Network	Sales Bases: 16 Logistics Bases: 5 Manufacturing Bases: 4 Holding Company: 1
Overseas Network	Sales Bases: 23 Manufacturing Bases: 9 Management and Administrative Companies, etc.: 3

Head Office
〒140-0013
5-17-9 Minami-Oi, Shinagawa-ku, Tokyo
TEL: 03-5764-5500 FAX: 03-5764-1500

Osaka Head Office
〒532-0012
4-11-3, Kikawahigashi, Yodogawa-ku, Osaka
TEL: 06-6303-1300 FAX: 06-6303-3078

Status of Shares

(As of March 31, 2017)

Total number of shares authorized to be issued.....	120,000,000 shares
Total number of shares issued and outstanding.....	39,446,162 shares (stock trading unit: 100 shares)
Number of shareholders.....	8,272

Major Shareholders

(As of March 31, 2017)

Name of shareholder	Number of shares held (1,000 shares)	Shareholding ratio (%)
AYA NOMURA	3,722	9.89
FUMINORI NAKASHIMA	3,562	9.46
JAPAN TRUSTEE SERVICES BANK, LTD.	3,521	9.35
RENO, INC.	3,484	9.25
OFFICE SUPPORT CORPORATION	3,213	8.53
STATE STREET BANK AND TRUST COMPANY	910	2.41
THE MASTER TRUST BANK OF JAPAN, LTD.	908	2.41
CBNY-GOVERNMENT OF NORWAY	670	1.78
CITIZEN WATCH CO., LTD.	600	1.59
JP MORGAN CHASE BANK 385151	487	1.29

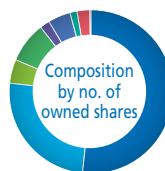
(Notes) 1. Shares have been rounded down to the nearest thousand shares.
2. The Company owns 1,811,271 shares of treasury stock but is excluded from the ten shareholders noted above. The shareholding ratio is calculated after the deduction of treasury stock.

Shareholder Composition

(As of March 31, 2017)



Shareholder type	Number of shareholders	Number of shares (1,000 shares)	Shareholding ratio (%)
Financial institutions	31	5,514	13.98
Financial instruments business operators	26	251	0.64
Other entities	92	8,802	22.32
Foreign entities, etc.	183	9,306	23.59
Individuals and others	7,939	13,759	34.88
Treasury stock	1	1,811	4.59



Number of owned shares	Number of shareholders	Number of shares (1,000 shares)	Shareholding ratio (%)
5,000 units or more	11	20,472	51.90
1,000 units or more	44	9,820	24.90
500 units or more	25	1,814	4.60
100 units or more	146	3,271	8.29
50 units or more	114	755	1.91
10 units or more	1,087	1,762	4.47
5 units or more	930	552	1.40
1 unit or more	5,610	989	2.51
Less than 1 unit	305	8	0.02

Information for Shareholders

Fiscal Year	From April 1 to March 31
Shareholder Record Date for Year-end Dividend Payment	March 31
Shareholder Record Date for Interim Dividend Payment	September 30
Ordinary General Meeting of Shareholders	Annually in June
Stock Transfer Agent and Account Management Institution for Special Accounts	Mitsubishi UFJ Trust and Banking Corporation
Contact Information	Mitsubishi UFJ Trust and Banking Corporation Osaka Stock Transfer Agency 3-6-3 Fushimi-cho, Chuo-ku, Osaka 541-8502 TEL: 0120-094-777 (free dial)
Stock Exchange Listing	First Section of the Tokyo Stock Exchange
Media of Public Notice	Nihon Keizai Shimbun

Notes

1. Following the introduction of electronic share certificates, procedures for matters such as change of address of shareholders and requests for purchase are, in principle, handled by the account management institution where your account was established (such as a securities company). Please forward such related inquiries to the securities company or other institution that established the account, as these procedures are not handled by the Stock Transfer Agent (Mitsubishi UFJ Trust and Banking Corporation).
2. Regarding procedures for matters relating to shares recorded in special accounts, Mitsubishi UFJ Trust and Banking Corporation is the Account Management Institution. Please forward related inquiries to the Account Management Institution for Special Accounts (Mitsubishi UFJ Trust and Banking Corporation) through the contact information written on the left. Please be informed that nationwide branches of Mitsubishi UFJ Trust and Banking Corporation also act as agents.
3. Unclaimed dividend payments shall be paid to the head office of Mitsubishi UFJ Trust and Banking Corporation.



Various information for a better understanding of the Company, including the latest news and IR information, are posted on our website.

<http://www.kuroda-electric.co.jp/>

Corporate Profile



Information for Investors



KURODA ELECTRIC

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 **KURODA ELECTRIC Co., Ltd.**

〒140-0013 5-17-9 Minami-Oi, Shinagawa-ku, Tokyo TEL: 03-5764-5500 FAX: 03-5764-1500