

AICHI CORPORATION
Audited Financial Statements
(English Translation)

March 31, 2012

Independent Auditors' Report
(English Translation*)

May 14, 2012

To the Board of Directors of AICHI CORPORATION

PricewaterhouseCoopers Aarata

Haruyasu Tanabe, CPA
Engagement Partner
Kensuke Koda, CPA
Engagement Partner

We have audited, pursuant to Article 444 (4) of the "Corporate Law" of Japan, the consolidated financial statements, which consist of the consolidated balance sheet, consolidated statement of income, consolidated statement of change in net assets and notes to the consolidated financial statements of AICHI CORPORATION (hereinafter referred to as the "Company") for the fiscal year from April 1, 2011 to March 31, 2012.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity 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 from an independent standpoint based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we 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 are selected and adopted depend on the auditor's judgment, 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, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of the corporate group which consist of the Company and its consolidated subsidiaries for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

Interest

We have no interest in or relationship with the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountant Law of Japan.

* The original audit report is in Japanese. This English translation is for readers' convenience and reading this translation is not a substitute for reading the original audit report in Japanese.

AICHI CORPORATION
Consolidated Balance Sheet
As of March 31, 2012

In Thousands of Yen

Assets

Current assets:

Cash on hand and in banks	¥	736,021
Deposits receivable		23,063,462
Notes and accounts receivable – trade		11,894,225
Finished goods		411,110
Work in process		884,066
Raw materials and supplies		1,245,740
Deferred tax assets		608,572
Other current assets		362,126
Less, allowance for doubtful accounts		(7,925)
Total current assets		39,197,399

Fixed assets:

Property, plant and equipment:

Buildings and structures		4,169,194
Machinery, equipment and vehicles		809,185
Tools, furniture and fixtures		107,451
Land		8,752,562
Other property, plant and equipment		619,132

Total property, plant and equipment 14,457,526

Intangible assets 797,308

Investments and other assets:

Investment securities		2,926,053
Deferred tax assets		964,126
Other assets		1,140,376
Less, allowance for doubtful accounts		(30,782)

Total investments and other assets 4,999,773

Total fixed assets 20,254,608

Total assets ¥ 59,452,007

	<u>In Thousands of Yen</u>
Liabilities	
Current liabilities:	
Trade notes and accounts payable	¥ 7,353,418
Income taxes payable	944,690
Accrued bonuses to directors and corporate auditors	67,600
Allowance for product warranty	68,600
Other current liabilities	<u>3,281,516</u>
Total current liabilities	11,715,825
Long-term liabilities:	
Deferred tax liabilities for land revaluation	716,366
Accrued retirement benefits	3,066,336
Accrued retirement benefits to directors and corporate auditors	170,600
Other liabilities	<u>836,856</u>
Total long-term liabilities	<u>4,790,159</u>
Total liabilities	<u>16,505,984</u>
Net assets	
Shareholders' equity:	
Common stock	10,425,325
Capital surplus	9,923,342
Retained earnings	24,617,675
Less, treasury stock	<u>(14,109)</u>
Total shareholders' equity	44,952,234
Accumulated other comprehensive income:	
Net unrealized gains on other securities	667,535
Less, land revaluation	(2,439,114)
Foreign currency translation adjustments	<u>(234,631)</u>
Total accumulated other comprehensive income	(2,006,210)
Total net assets	<u>42,946,023</u>
Total liabilities and net assets	<u>¥ 59,452,007</u>

AICHI CORPORATION
Consolidated Statement of Income
Fiscal Year from April 1, 2011 to March 31, 2012

In Thousands of Yen

Operating revenue:	
Net sales	¥ 36,737,657
Operating costs and expenses:	
Cost of sales	30,004,241
Gross profit	<u>6,733,416</u>
Selling, general and administrative expenses	<u>5,017,522</u>
Operating income	1,715,894
Non-operating income:	
Interest and dividend income	158,778
Miscellaneous incomes	112,476
	<u>271,255</u>
Non-operating expenses:	
Interest expense	97
Miscellaneous expenses	21,897
	<u>21,994</u>
Ordinary income	1,965,155
Extraordinary gains:	
Gain on sales of tangible fixed assets	388
Gain on redemption of membership	4,443
Gain on transfer of investments in affiliated partnerships	34,792
	<u>39,624</u>
Extraordinary losses:	
Loss on sale of tangible fixed assets	745
Loss on disposal of tangible fixed assets	16,639
Loss on valuation of investment securities	5,443
Loss on insurance cancellation	3,494
Impairment loss	3,837
	<u>30,161</u>
Income before income taxes and minority interests	1,974,618
Income taxes-current	935,754
Income taxes-deferred	155,503
Income before minority interests	883,360
Net income	<u>¥ 883,360</u>

AICHI CORPORATION
Consolidated Statement of Change in Net Assets
Fiscal Year from April 1, 2011 to March 31, 2012

(In Thousands of Yen)

Items	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	10,425,325	9,923,348	24,528,648	(13,890)	44,863,431
Changes of items during the period					
Cash dividends			(794,307)		(794,307)
Net income for the year			883,360		883,360
Purchase of treasury stock				(283)	(283)
Disposal of treasury stock		(6)	(26)	65	32
Other changes					
Total changes of items during the period	—	(6)	89,027	(218)	88,802
Balance at the end of current period	10,425,325	9,923,342	24,617,675	(14,109)	44,952,234

Items	Accumulated other comprehensive income			
	Net unrealized gains or losses on other securities	Less, land revaluation	Foreign currency translation adjustments	Total accumulated other comprehensive income
Balance at the beginning of current period	626,398	(2,521,520)	(281,194)	(2,176,317)
Changes of items during the period				
Cash dividends				
Net income for the year				
Purchase of treasury stock				
Disposal of treasury stock				
Other changes	41,136	82,405	46,563	170,106
Total changes of items during the period	41,136	82,405	46,563	170,106
Balance at the end of current period	667,535	(2,439,114)	(234,631)	(2,006,210)

Items	Minority interest in consolidated subsidiaries	Total net assets
	Balance at the beginning of current period	614,302
Changes of items during the period		
Cash dividends		(794,307)
Net income for the year		883,360
Purchase in treasury stock		(283)
Disposal of treasury stock		32
Other changes	(614,302)	(444,196)
Total changes of items during the period	(614,302)	(355,394)
Balance at the end of current period	—	42,946,023

AICHI CORPORATION
Notes to Consolidated Financial Statements

Summary of significant accounting policies

1. Basis of consolidation

The accounts of AICHI CORPORATION (the Company) and all of its 4 subsidiaries are included in the consolidated financial statements.

Name of the consolidated subsidiaries

Aichi Training Center Co., Ltd.
Zhejiang Aichi Industrial Machinery Co., Ltd.
Aichi U.S.A. Inc.
Aichi Europe B.V.

Hangzhou Aichi Engineering Vehicles Co., Ltd., which had been a consolidated subsidiary, was excluded from the basis of consolidation from this fiscal year as of April 29, 2011 because it became an affiliate following the partial transfer of the Company's ownership of the investment in Hangzhou Aichi Engineering Vehicles Co., Ltd.

2. Application of equity method

One affiliate is accounted for by equity method.

Name of the affiliate

Hangzhou Aichi Engineering Vehicles Co., Ltd.

Hangzhou Aichi Engineering Vehicles Co., Ltd., which had been a consolidated subsidiary, was included in the basis of application of equity method from this fiscal year as of April 29, 2011 because it became an affiliate following the partial transfer of the Company's ownership of the investment in Hangzhou Aichi Engineering Vehicles Co., Ltd.

The fiscal year end date of Hangzhou Aichi Engineering Vehicles Co., Ltd. is different from that of the Company, and the Company uses the affiliate's financial statements for the fiscal year.

3. Fiscal year of consolidated subsidiaries

The fiscal year end date of Zhejiang Aichi Industrial Machinery Co., Ltd. is December 31, which is three months earlier than the Company's.

For the purpose of preparing the consolidated financial statements, the Company uses the subsidiary's financial statements as of December 31, and makes necessary adjustments for the significant transactions incurred between December 31 and the Company's fiscal year end date.

4. Accounting policies

(1) Valuation method of significant assets

① Inventories

Inventories are stated at cost (computed by reducing the book value to reflect deterioration in profitability).

Finished goods and work in process are evaluated using specific identification method.

Raw materials are mainly stated at cost, cost being determined by moving average method.

Supplies are stated at cost, cost being determined by last purchase price method.

② Securities

Securities are classified in accordance with "Accounting Standard for Financial Instruments."

Other securities whose market quotations are available are stated at fair value. Net unrealized gains or losses are reported as a separate component in net assets, net of applicable income taxes. Gains and losses on disposition are computed based on moving average method.

Other securities whose market quotations are not available are stated at cost, cost being determined by moving average method.

(2) Method of depreciation or amortization

- ① Property, plant and equipment (except for lease assets) are depreciated mainly on declining-balance method. In addition, buildings (except for its accessory structures) acquired on and after April 1, 1998 are depreciated on straight-line method.
- ② Intangible assets (except for lease assets) are amortized mainly on straight-line method. In addition, Software for internal use is amortized on straight-line method over estimated useful lives (5 years).
Goodwill is amortized on straight-line method over eight years.
- ③ Depreciation of leased assets regarding finance leases other than those for which the ownership of the leased items is transferred to the lessee is computed with the straight-line method over the lease period with no residual value.
- ④ Long-term prepaid expenses are charged to income on straight-line method.

(3) Significant allowances and provisions

- ① Allowance for doubtful accounts
The Company provides for estimated losses on accounts receivable based on prior bad debt experience and a review of existing receivable balances. The Company reviews individual financial condition for doubtful or troubled receivables and provides for losses on uncorrectable amounts. In addition, general reserve for other accounts receivable is provided based on historical loss experience for certain past periods.
- ② Accrued bonuses to directors and corporate auditors
The Company provides for estimated payment of bonuses to directors and corporate auditors.
- ③ Allowance for product warranty
The Company provides for estimated warranty costs based on the Company's prior experience under product warranty agreements.
- ④ Accrued retirement benefits
The Company provides for estimated cost for future severance payments to employees based on actuarial present value of projected benefit obligation and pension plan assets at fiscal year end.
Unrecognized actuarial gains or losses are amortized on a straight-line basis over ten years from year following the year they incur. Prior service costs are amortized on a straight-line basis over ten years from the year they incur.
- ⑤ Accrued retirement benefits to directors and corporate auditors
The Company provides for estimated cost for retirement benefits to directors and corporate auditors based on the amount which would be payable under internal rule if all directors and corporate auditors retired at fiscal year end date.

(4) Hedge accounting

Hedge accounting is applied for foreign currency forward contracts when certain conditions are met.

(5) Consumption taxes

Consumption taxes are separately recorded at each transaction.

Changes in accounting policies and adoption of new accounting standards

Additional information

Application of accounting standard for accounting changes and error corrections

Effective this fiscal year, the Company adopted the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24), both issued on December 4, 2009, with reference to accounting changes and corrections of previous period errors made after the beginning of this fiscal year.

Notes to Consolidated Balance Sheet

	<u>In Thousands of Yen</u>	
(1) Accumulated depreciation of property, plant and equipment	¥	15,214,149
(2) Contingent liabilities – Guarantee for customers’ liabilities	¥	11,934

(3) Land Revaluation

Pursuant to the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998) and the Law to Partially Amend the Law Concerning Revaluation of Land (Law No. 19, March 31, 2001), the Company revalued lands for business activities on March 31, 2002.

Pursuant to the Law to Partially Amend the Law Concerning Revaluation of Land (Law No. 24, March 31, 1999), the effect of this revaluation has been recorded as deferred tax liabilities for land revaluation in liabilities and as land revaluation in net assets.

Revaluation was carried out based on an amount rationally calculated using the land value for local government tax and roadside land assessment as prescribed in Article 2, Paragraph 3 and Article 2, Paragraph 4 of the Ordinance Implementing the Law Concerning Revaluation of Land (No. 119 of the 1998 Cabinet Order, promulgated on March 31, 1998), respectively.

Revaluation date	March 31, 2002
Difference between the market value on the land revaluation date above and the carrying amount of the land after the revaluation	¥(2,536,263) thousand

(4) Notes maturing at end of period

The settlement of notes maturing at the end of the period is made on the clearing date.

Since the end of this fiscal year fell on a holiday of financial institutions, the following notes maturing at the end of the period are included in the year-end balance.

Notes receivable – trade	¥441,525 thousand
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Notes to Consolidated Statement of Income

	<u>In Thousands of Yen</u>	
(1) Amount of reduction in book value of inventories held for normal sales purpose due to the lowered earnings		
Cost of sales	¥	67,330
(2) Gain on transfer of investments in affiliated partnerships		

Gain of ¥34,792 thousand on transfer of investments in affiliated partnerships is attributable to the partial transfer of the investment in Hangzhou Aichi Engineering Vehicles Co., Ltd., which was a consolidated subsidiary of the Company.

Notes to Consolidated Statement of Change in Net Assets

(1) Variety and number of issued shares

Variety	As of April 1, 2011	Increase	Decrease	As of March 31, 2012
Common stock	79,453,250	—	—	79,453,250

(2) Variety and number of treasury stock

Variety	As of April 1, 2011	Increase	Decrease	As of March 31, 2012
Common stock	22,278	802	106	22,974

Increase of treasury stock is due to purchase of the stocks less than unit.

Decrease of treasury stock is due to selling of the stocks less than unit.

(3) Stock acquisition rights, etc.

There is no applicable item.

(4) Cash dividends

① Amount of cash dividends

Resolution	Class of stock	Cash dividends declared	Cash dividends per share	Measurement date	Effective date of distribution
Annual general shareholders' meeting on June 29, 2011	Common stock	(Thousands of Yen) 397,154	(Yen) 5.00	March 31, 2011	June 30, 2011
Board meeting on October 27, 2011	Common stock	397,152	5.00	September 30, 2011	November 28, 2011

② Dividends whose record date falls in the fiscal year ended March 31, 2012, but the effective date of distribution falls in the fiscal year ending March 31, 2013

Resolution	Class of stock	Resource of dividends	Amount of cash dividends	Dividend per share	Measurement date	Effective date of distribution
Annual general shareholders' meeting on June 28, 2012	Common stock	Retained earnings	(Thousands of Yen) 397,151	(Yen) 5.00	March 31, 2012	June 29, 2012

Notes to Financial Instruments

(1) Status of financial instruments held by the Group

The Group's fund management is limited primarily to short-term deposits while working capital and capital investments are financed by the Group's own fund without involving borrowings from banks or other financial institutions.

Credit risk of customers in respect of notes and accounts receivable – trade is mitigated by credit control. Investment securities held by the Group are mainly company shares, and the fair values of listed stocks are verified on a quarterly basis.

Regarding derivative transactions, we use forward exchange contracts in order to mitigate the exchange risks associated with export transactions in the normal course of our business.

(2) Fair value of financial instruments

Consolidated balance sheet amounts, fair values and their differences as of March 31, 2012 are as follows.

(In Thousands of Yen)

	Consolidated balance sheet amounts	Fair values	Differences
① Cash on hand and in banks	736,021	736,021	—
② Deposits receivable	23,063,462	23,063,462	—
③ Notes and accounts receivable – trade	11,894,225		
Allowance for doubtful accounts (※)	(7,769)		
	11,886,456	11,886,456	—
④ Investment securities			
Other securities	2,482,323	2,482,323	—
Total assets	38,168,263	38,168,263	—
⑤ Trade notes and accounts payable	7,353,418	7,353,418	—
⑥ Income taxes payable	944,690	944,690	—
Total liabilities	8,298,108	8,298,108	—
⑦ Derivative transactions	—	(619)	(619)

(※) Allowance for doubtful accounts is deducted from Notes and accounts receivable – trade.

Notes:

① Cash on hand and in banks, ② Deposits receivable and ③ Notes and accounts receivable – trade
These are settled on short-term basis where their book values approximate their fair values, thus they are stated at book values.

④ Investment securities
Fair values of shares are based on stock exchange quoted prices.

Unlisted shares (with consolidated balance sheet amount of ¥443,730 thousand) are not included in “Other securities in ④ Investment securities,” as their fair values appear extremely difficult to determine because they do not have market prices and it is impossible to estimate future cash flows.

⑤ Trade notes and accounts payable and ⑥ Income taxes payable
These are settled on short-term basis where their book values approximate their fair values, thus they are stated at book values.

⑦ Derivative transactions
Fair values of these are based on the account statements from the concerned financial institutions.

Notes to rental property

Disclosure is omitted as the information is insignificant.

Per share information

	In Yen	
Net assets per share	¥	540.68
Net income per share		11.12

Notes to subsequent event

There is no applicable item.

Other notes

Revision of the amounts of deferred tax assets and deferred tax liabilities due to changes in the effective statutory tax rate

Following the promulgation of the “Law for Partial Amendment of the Income Tax Law, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures,” and the “Law on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” on December 2, 2011, the effective statutory tax rates, used to measure deferred tax assets and deferred tax liabilities for this fiscal year (limited to those expected to be eliminated on and after April 1, 2012), was reduced from 40.4% in the previous fiscal year to 37.8% for those that are to be collected or paid during the period from April 1, 2012 to March 31, 2015 and to 35.4% for those that are to be collected or paid on or after April 1, 2015.

As a result of this change, deferred tax assets (after deducting deferred tax liabilities) and deferred tax liabilities for land revaluation decreased by ¥149,186 thousand and ¥82,405 thousand, respectively, and income taxes-deferred reported in this fiscal year, net unrealized gains on other securities and land revaluation increased by ¥179,897 thousand, ¥30,711 thousand and ¥82,405 thousand, respectively.

Notice to Readers:

The amounts in thousands of yen in the accompanying financial statements are stated, omitting any fractional sums.

Independent Auditors' Report
(English Translation*)

May 14, 2012

To the Board of Directors of AICHI CORPORATION

PricewaterhouseCoopers Aarata

Haruyasu Tanabe, CPA
Engagement Partner
Kensuke Koda, CPA
Engagement Partner

We have audited, pursuant to Article 436 (2) i of the "Corporate Law" of Japan, the financial statements, which consist of the balance sheet, statement of income, statement of change in net assets and notes to the financial statements, and the supplementary schedules of AICHI CORPORATION (hereinafter referred to as the "Company") for the 64th fiscal year from April 1, 2011 to March 31, 2012.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements and supplementary schedules in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements and supplementary schedules from an independent standpoint based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures are selected and adopted depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements and the supplementary schedules.

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

Audit Opinion

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations for the period covered by the financial statements and the supplementary schedules in conformity with accounting principles generally accepted in Japan.

Interest

We have no interest in or relationship with the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountant Law of Japan.

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AICHI CORPORATION
Balance Sheet
As of March 31, 2012

In Thousands of Yen

Assets

Current assets:

Cash on hand and in banks	¥	161,673
Deposits receivable		23,063,462
Notes receivable – trade		3,389,525
Accounts receivable – trade		8,465,604
Finished goods		252,307
Work in process		823,324
Raw materials and supplies		1,042,380
Deferred tax assets		580,010
Short-term loans receivable		796,332
Other current assets		313,589
Less, allowance for doubtful accounts		(170,325)
Total current assets		38,717,885

Fixed assets:

Property, plant and equipment:

Buildings		3,443,296
Structures		310,019
Machinery and equipment		659,093
Vehicles		6,354
Tools, furniture and fixtures		58,851
Land		8,752,562
Other property, plant and equipment		616,947
Total property, plant and equipment		13,847,123

Intangible assets:

Telephone use rights (not depreciable)		33,529
Water supply utility rights		496
Telephone rights to use public facility (depreciable)		80
Software		114,048
Goodwill		356,125
Other intangible assets		1,955
Total intangible fixed assets		506,235

Investments and other assets:

Investment securities		2,926,053
Investments in subsidiaries and affiliates		30,000
Investments in partnerships		1,320
Investments in affiliated partnerships		2,014,416
Long-term loans receivable		475,890
Deferred tax assets		978,311
Long-term prepaid expenses		93,639
Lease deposits		95,979
Other assets		160,002
Less, allowance for doubtful accounts		(391,982)
Total investments and other assets		6,383,630
Total fixed assets		20,736,989
Total assets	¥	59,454,874

In Thousands of Yen

Liabilities

Current liabilities:

Notes payable – trade	¥ 2,598,858
Accounts payable – trade	4,757,180
Accounts payable – other	1,595,033
Income taxes payable	944,611
Accrued consumption taxes	76,867
Accrued expenses	1,157,930
Deposits received	224,625
Deferred income	713
Accrued bonuses to directors and corporate auditors	67,600
Allowance for product warranty	68,600
Notes payable – equipment	60,448
Other current liabilities	118,298

Total current liabilities	11,670,766
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Long-term liabilities:

Deferred tax liabilities for land revaluation	716,366
Accrued retirement benefits	3,032,740
Accrued retirement benefits to directors and corporate auditors	170,600
Other liabilities	836,856

Total long-term liabilities	4,756,562
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Total liabilities	16,427,329
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Net assets

Shareholders' equity:

Capital stock	10,425,325
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Capital surplus:

Additional paid-in capital	9,941,842
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Total capital surplus	9,941,842
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Retained earnings:

Other retained earnings	24,446,066
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Retained earnings carried forward to the following period	24,446,066
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Total retained earnings	24,446,066
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Less, treasury stock	(14,109)
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Total shareholders' equity	44,799,125
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Valuation and translation adjustments:

Net unrealized gains on other securities	667,535
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Less, land revaluation	(2,439,114)
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Total valuation and translation adjustments	(1,771,579)
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Total net assets	43,027,545
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Total liabilities and net assets	¥ 59,454,874
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AICHI CORPORATION
Statement of Income
Fiscal Year from April 1, 2011 to March 31, 2012

In Thousands of Yen

Operating revenue:	
Net sales	¥ 36,306,617
 Operating costs and expenses:	
Cost of sales	29,628,465
Gross profit	6,678,152
Selling, general and administrative expenses	4,835,436
Operating income	1,842,715
 Non-operating income:	
Interest and dividend income	163,333
Miscellaneous incomes	58,660
	221,993
 Non-operating expenses:	
Interest expense	605
Miscellaneous expenses	12,440
	13,045
Ordinary income	2,051,663
 Extraordinary gains:	
Gain on redemption of membership	4,443
Gain on transfer of investments in affiliated partnerships	108,652
	113,096
 Extraordinary losses:	
Loss on disposal of tangible fixed assets	16,639
Loss on valuation of investment securities	5,443
Loss on insurance cancellation	3,494
Provision of allowance for doubtful accounts	36,771
Impairment loss	3,837
	66,186
Income before income taxes	2,098,573
Income taxes-current	934,279
Income taxes-deferred	151,098
Net income	¥ 1,013,195

AICHI CORPORATION
Statement of Change in Net Assets
Fiscal Year from April 1, 2011 to March 31, 2012

(In Thousands of Yen)

Items	Shareholders' equity			
	Common stock	Capital surplus		
		Additional paid-in capital	Other capital surplus	Total capital surplus
Balance at the beginning of current period	10,425,325	9,941,842	6	9,941,848
Changes of items during the period				
Cash dividends				
Net income for the year				
Purchase of treasury stock				
Disposal of treasury stock			(6)	(6)
Other changes				
Total changes of items during the period	—	—	(6)	(6)
Balance at the end of current period	10,425,325	9,941,842	—	9,941,842

Items	Shareholders' equity			
	Retained earnings		Treasury stock at cost	Total shareholders' equity
	Other retained earnings	Total retained earnings		
	Retained earnings carried forward to the following period			
Balance at the beginning of current period	24,227,205	24,227,205	(13,890)	44,580,488
Changes of items during the period				
Cash dividends	(794,307)	(794,307)		(794,307)
Net income for the year	1,013,195	1,013,195		1,013,195
Purchase of treasury stock			(283)	(283)
Disposal of treasury stock	(26)	(26)	65	32
Other changes				
Total changes of items during the period	218,861	218,861	(218)	218,637
Balance at the end of current period	24,446,066	24,446,066	(14,109)	44,799,125

Items	Valuation and translation adjustments			Total net assets
	Net unrealized gains or losses on other securities	Less, land revaluation	Total valuation and translation adjustments	
Balance at the beginning of current period	626,398	(2,521,520)	(1,895,122)	42,685,366
Changes of items during the period				
Cash dividends				(794,307)
Net income for the year				1,013,195
Purchase of treasury stock				(283)
Disposal of treasury stock				32
Other changes	41,136	82,405	123,542	123,542
Total changes of items during the period	41,136	82,405	123,542	342,179
Balance at the end of current period	667,535	(2,439,114)	(1,771,579)	43,027,545

AICHI CORPORATION
Notes to Financial Statements

Significant Accounting Policies

(1) Valuation of securities

Securities are classified in accordance with “Accounting Standard for Financial Instruments.”

Investments in subsidiaries and affiliates are stated at cost, cost being determined by moving average method.

Other securities whose market quotations are available are stated at fair value. Net unrealized gains or losses are reported as a separate component in net assets, net of applicable income taxes. Gains and losses on disposition are computed based on moving average method.

Other securities whose market quotations are not available are stated at cost, cost being determined by moving average method.

(2) Valuation of inventories

Inventories are stated at cost (computed by reducing the book value to reflect deterioration in profitability).

Finished goods and work in process are evaluated using specific identification method.

Raw materials are evaluated using moving average method.

Supplies are stated at cost, cost being determined by last purchase price method.

(3) Method of depreciation or amortization

Property, plant and equipment (except for lease assets) are depreciated mainly on declining-balance method. In addition, buildings (except for its accessory structures) acquired on and after April 1, 1998 are depreciated on straight-line method.

Intangible assets (except for lease assets) are amortized on straight-line method. In addition, Software for internal use is amortized on straight-line method over estimated useful lives (5 years). Goodwill is amortized on straight-line method over eight years.

Depreciation of leased assets regarding finance leases other than those for which the ownership of the leased items is transferred to the lessee is computed with the straight-line method over the lease period with no residual value.

Long-term prepaid expenses are charged to income on straight-line method.

(4) Allowances and provisions

① Allowance for doubtful accounts

The Company provides for estimated losses on accounts receivable based on prior bad debt experience and a review of existing receivable balances. The Company reviews individual financial condition for doubtful or troubled receivables and provides for losses on uncorrectable amounts. In addition, general reserve for other accounts receivable is provided based on historical loss experience for certain past periods.

② Accrued bonuses to directors and corporate auditors

The Company provides for estimated payment of bonuses to directors and corporate auditors.

③ Allowance for product warranty
The Company provides for estimated warranty costs based on the Company's prior experience under product warranty agreements.

④ Accrued retirement benefits
The Company provides for estimated cost for future severance payments to employees based on actuarial present value of projected benefit obligation and pension plan assets at fiscal year end. Unrecognized actuarial gains or losses are amortized on a straight-line basis over ten years from year following the year they incur. Prior service costs are amortized on a straight-line basis over ten years from the year they incur.

⑤ Accrued retirement benefits to directors and corporate auditors
The Company provides for estimated cost for retirement benefits to directors and corporate auditors based on the amount which would be payable under internal rule if all directors and corporate auditors retired at fiscal year end date.

(5) Hedge accounting

Hedge accounting is applied for foreign currency forward contracts when certain conditions are met.

(6) Consumption taxes

Consumption taxes are separately recorded at each transaction.

Changes in accounting policies and adoption of new accounting standards

Additional information

Application of accounting standard for accounting changes and error corrections
Effective this fiscal year, the Company adopted the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24), both issued on December 4, 2009, with reference to accounting changes and corrections of previous period errors made after the beginning of this fiscal year.

Notes to Balance Sheet

	<u>In Thousands of Yen</u>	
(1) Accumulated depreciation of property, plant and equipment	¥	15,055,694
(2) Contingent liabilities – Guarantee for customers’ liabilities	¥	11,934
(3) Receivables from and payables to subsidiaries and affiliates:		
Short-term receivables	¥	24,668,426
Short-term payables	¥	172,632
Long-term receivables	¥	475,890
(4) Land Revaluation		

Pursuant to the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998) and the Law to Partially Amend the Law Concerning Revaluation of Land (Law No. 19, March 31, 2001), the Company revalued land used for business activities on March 31, 2002.

Pursuant to the Law to Partially Amend the Law Concerning Revaluation of Land (Law No. 24, March 31, 1999), the effect of this revaluation has been recorded as deferred tax liabilities for land revaluation in liabilities and as revaluation reserve for land in net assets.

Revaluation was carried out based on an amount rationally calculated using the land value for local government tax and roadside land assessment as prescribed in Article 2, Paragraph 3 and Article 2, Paragraph 4 of the Ordinance Implementing the Law Concerning Revaluation of Land (No. 119 of the 1998 Cabinet Order, promulgated on March 31, 1998), respectively.

Revaluation date

March 31, 2002

Difference between the market value on the land revaluation date above and the carrying amount of the land after the revaluation ¥(2,536,263) thousand

(5) Notes maturing at end of period

The settlement of notes maturing at the end of the period is made on the clearing date. Since the end of this fiscal year fell on a holiday of financial institutions, the following notes maturing at the end of the period are included in the year-end balance.

Notes receivable – trade ¥441,525 thousand

Notes to Statement of Income

In Thousands of Yen

(1) Transactions with subsidiaries and affiliates:

Operating transaction			
Net sales	¥		2,223,908
Goods purchased	¥		1,174,868
Selling, general and administrative expenses	¥		61,508
Non-operating transaction	¥		97,965

(2) Write-down due to decreased profitability of inventories held for sale in the ordinary course of business

Cost of sales	¥		56,883
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(3) Gain on transfer of investments in affiliated partnerships

Gain of ¥108,652 thousand on transfer of investments in affiliated partnerships is attributable to the partial transfer of the investment in Hangzhou Aichi Engineering Vehicles Co., Ltd., which was a consolidated subsidiary of the Company.

Notes to Statement of Change in Net Assets

Variety and number of treasury stock

Variety	As of April 1, 2011	Increase	Decrease	As of March 31, 2012
Common stock	22,278	802	106	22,974

Increase of treasury stock is due to purchase of the stocks less than unit.

Decrease of treasury stock is due to selling of the stocks less than unit.

Deferred tax assets and liabilities

(1) The significant components of deferred tax assets and liabilities were as follows:

	<u>In Thousands of Yen</u>	
Deferred tax assets		
Inventories	¥	138,961
Accrued enterprise tax and office tax payable		73,512
Allowance for product warranty		25,930
Accrued retirement benefits		1,097,800
Accrued bonus		281,771
Buildings, structures, machinery and equipment		15,028
Land		338,437
Investment securities		190,352
Loss on investments in subsidiaries		46,661
Others		374,082
Sub total		<u>2,582,539</u>
Valuation allowance		<u>(802,227)</u>
Total deferred tax assets		1,780,311

	<u>In Thousands of Yen</u>	
Deferred tax liabilities		
Net unrealized gains on other securities	¥	(217,901)
Others		(4,089)
Total deferred tax liabilities		<u>(221,990)</u>
Deferred tax assets (Net)		1,558,321

(2) Deferred tax assets in relation to land revaluation

	<u>In Thousands of Yen</u>	
Deferred tax assets		
Unrealized loss on land revaluation	¥	1,326,219
Valuation allowance		<u>(1,326,219)</u>
Deferred tax assets (Net)		-
Deferred tax liabilities		
Unrealized gain on land revaluation	¥	<u>(716,366)</u>
Deferred tax liabilities (Net)		(716,366)

Leased assets

(1) Acquisition cost, accumulated depreciation, net book value as of March 31, 2012

(In Thousands of yen)

	Acquisition cost	Accumulated depreciation	Net book value
Vehicles	10,039	8,911	1,128
Tools, furniture and fixtures	105,505	93,984	11,520
Others	40,213	39,017	1,195
Total	155,758	141,913	13,844

(2) Future lease payment under finance leases

	<u>In Thousands of Yen</u>	
Due within one year	¥	13,403
Due after one year		440
Total		<u>13,844</u>

(3) Important matters concerning the leased assets under review, except for the above matters

There is no applicable item.

Related party transactions

Related party transactions are as follows:

(1) Parent company and major corporate shareholders, etc.

(In Thousands of yen)

Type	Name of the related company	Capital	Description of business or occupation	Equity ownership percentage	Relationship of related company		Nature of transactions	Transaction amount	Account	Balance at year-end
					Interlocking directorate	Business relationship				
Parent company	Toyota Industries Corporation	80,462,672	Manufacture and sale of automobiles, industrial vehicles, and textile machinery, etc.	(own) direct 51.0%	Interlocking 1 person Cross- company transfer 3 persons	Sale of specially equipped vehicles as well as sale and purchase of its parts	Deposits receivable ※	423,287	Deposits receivable	23,063,462
							Interest received ※	88,208	—	—

Notes: 1. Commercial terms and condition

※ The Company charged interest on deposits receivable in accordance with market interest rates.

2. The above transaction amount does not include consumption taxes and others.

Per Share information

In Whole of Yen

Net assets per share	¥	541.70
Net income per share		12.76

Notes to subsequent event

There is no applicable item.

Notes to companies to which the restriction on consolidated dividends applies

There is no applicable item.

Other notes

Revision of the amounts of deferred tax assets and deferred tax liabilities due to changes in the effective statutory tax rate

Following the promulgation of the “Law for Partial Amendment of the Income Tax Law, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures,” and the “Law on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” on December 2, 2011, the effective statutory tax rates, used to measure deferred tax assets and deferred tax liabilities for this fiscal year (limited to those expected to be eliminated on and after April 1, 2012), was reduced from 40.4% in the previous fiscal year to 37.8% for those that are to be collected or paid during the period from April 1, 2012 to March 31, 2015 and to 35.4% for those that are to be collected or paid on or after April 1, 2015.

As a result of this change, deferred tax assets (after deducting deferred tax liabilities) and deferred tax liabilities for land revaluation decreased by ¥146,074 thousand and ¥82,405 thousand, respectively, and income taxes-deferred reported in this fiscal year, net unrealized gains on other securities and land revaluation increased by ¥176,785 thousand, ¥30,711 thousand and ¥82,405 thousand, respectively.

Notice to Readers:

The amounts in thousands of yen in the accompanying financial statements are stated, omitting any fractional sums.