

**AICHI CORPORATION**  
**Audited Financial Statements**  
(English Translation)

March 31, 2013

Independent Auditors' Report  
(English Translation\*)

May 15, 2013

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, 2012 to March 31, 2013.

**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.

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\* 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, 2013**

In Thousands of Yen

**Assets**

**Current assets:**

Cash on hand and in banks	¥	1,180,176
Deposits receivable		20,880,500
Notes and accounts receivable – trade		14,274,917
Finished goods		773,650
Work in process		1,237,544
Raw materials and supplies		1,279,863
Deferred tax assets		673,298
Other current assets		387,262
Less, allowance for doubtful accounts		(8,257)
<b>Total current assets</b>		<b>40,678,956</b>

**Fixed assets:**

**Property, plant and equipment:**

Buildings and structures		4,103,491
Machinery, equipment and vehicles		843,542
Tools, furniture and fixtures		131,480
Land		8,752,187
Other property, plant and equipment		805,841
<b>Total property, plant and equipment</b>		<b>14,636,543</b>

**Intangible assets** 946,089

**Investments and other assets:**

Investment securities		3,644,761
Deferred tax assets		739,523
Other assets		1,166,282
Less, allowance for doubtful accounts		(33,493)
<b>Total investments and other assets</b>		<b>5,517,075</b>
<b>Total fixed assets</b>		<b>21,099,707</b>
<b>Total assets</b>	¥	<b>61,778,664</b>

	<u>In Thousands of Yen</u>
<b>Liabilities</b>	
<b>Current liabilities:</b>	
Trade notes and accounts payable	¥ 8,432,685
Income taxes payable	943,156
Accrued bonuses to directors and corporate auditors	70,000
Allowance for product warranty	88,900
Other current liabilities	3,585,492
<b>Total current liabilities</b>	<u>13,120,234</u>
<b>Long-term liabilities:</b>	
Deferred tax liabilities for land revaluation	716,366
Accrued retirement benefits	2,964,311
Accrued retirement benefits to directors and corporate auditors	192,100
Other liabilities	1,149,569
<b>Total long-term liabilities</b>	<u>5,022,347</u>
<b>Total liabilities</b>	<u>18,142,581</u>
<b>Net assets</b>	
<b>Shareholders' equity:</b>	
Common stock	10,425,325
Capital surplus	9,923,342
Retained earnings	25,522,852
Less, treasury stock	(914,193)
<b>Total shareholders' equity</b>	<u>44,957,326</u>
<b>Accumulated other comprehensive income:</b>	
Net unrealized gains on other securities	1,174,847
Less, land revaluation	(2,439,114)
Foreign currency translation adjustments	(56,975)
<b>Total accumulated other comprehensive income</b>	<u>(1,321,242)</u>
<b>Total net assets</b>	<u>43,636,083</u>
<b>Total liabilities and net assets</b>	<u>¥ 61,778,664</u>

**AICHI CORPORATION**  
**Consolidated Statement of Income**  
**Fiscal Year from April 1, 2012 to March 31, 2013**

In Thousands of Yen

<b>Operating revenue:</b>	
Net sales	¥ 39,942,216
<b>Operating costs and expenses:</b>	
Cost of sales	32,135,356
<b>Gross profit</b>	<u>7,806,859</u>
<b>Selling, general and administrative expenses</b>	<u>5,253,828</u>
<b>Operating income</b>	<u>2,553,030</u>
<b>Non-operating income:</b>	
Interest and dividend income	160,143
Miscellaneous incomes	336,595
	<u>496,739</u>
<b>Non-operating expenses:</b>	
Interest expense	64
Miscellaneous expenses	8,112
	<u>8,176</u>
<b>Ordinary income</b>	<u>3,041,593</u>
<b>Extraordinary gains:</b>	
Gain on sales of tangible fixed assets	2,000
	<u>2,000</u>
<b>Extraordinary losses:</b>	
Loss on disposal of tangible fixed assets	9,654
Loss on sales of investment securities	3,571
Impairment loss	374
Loss on insurance cancellation	1,361
Loss on sublease	38,500
	<u>53,462</u>
<b>Income before income taxes and minority interests</b>	<u>2,990,131</u>
Income taxes-current	1,351,246
Income taxes-deferred	(60,619)
Income before minority interests	<u>1,699,505</u>
<b>Net income</b>	<u><u>¥ 1,699,505</u></u>

**AICHI CORPORATION**  
**Consolidated Statement of Change in Net Assets**  
**Fiscal Year from April 1, 2012 to March 31, 2013**

(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	9,923,342	24,617,675	(14,109)	44,952,234
Changes of items during the period					
Cash dividends			(794,301)		(794,301)
Net income for the year			1,699,505		1,699,505
Purchase of treasury stock				(900,139)	(900,139)
Disposal of treasury stock			(26)	54	28
Other changes					
Total changes of items during the period	—	—	905,177	(900,084)	5,092
Balance at the end of current period	10,425,325	9,923,342	25,522,852	(914,193)	44,957,326

Items	Accumulated other comprehensive income				Total net assets
	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	667,535	(2,439,114)	(234,631)	(2,006,210)	42,946,023
Changes of items during the period					
Cash dividends					(794,301)
Net income for the year					1,699,505
Purchase of treasury stock					(900,139)
Disposal of treasury stock					28
Other changes	507,312		177,655	684,968	(684,968)
Total changes of items during the period	507,312	—	177,655	684,968	(690,060)
Balance at the end of current period	1,174,847	(2,439,114)	(56,975)	(1,321,242)	43,636,083

## 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.

2. Application of equity method

(1) Overview of affiliates accounted for by the equity method

One affiliate is accounted for by the equity method.

Name of the affiliate

Hangzhou Aichi Engineering Vehicles Co., Ltd.

(2) Special matters concerning application procedures of the equity method

As the fiscal year end date of Hangzhou Aichi Engineering Vehicles Co., Ltd. is December 31, 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

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates.)

Starting from the current consolidated fiscal year, the Company and its domestic consolidated subsidiaries have changed its depreciation method for property, plant and equipment acquired on or after April 1, 2012 due to the revision of Corporate Tax Act.

This change has minor impact on operating income, ordinary income and income before income taxes and minority interests for the current consolidated fiscal year.

## Notes to Consolidated Balance Sheet

	<u>In Thousands of Yen</u>	
(1) Accumulated depreciation of property, plant and equipment	¥	15,779,932
(2) Contingent liabilities – Guarantee for customers' liabilities	¥	1,535

### (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	¥(2,626,755) 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	¥574,806 thousand
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## Notes to Consolidated Statement of Income

	<u>In Thousands of Yen</u>	
Amount of reduction in book value of inventories held for normal sales purpose due to the lowered earnings		
Cost of sales	¥	10,300

## Notes to Consolidated Statement of Change in Net Assets

### (1) Class of stock and number of issued shares

Class of stock	As of April 1, 2012	Increase	Decrease	As of March 31, 2013
Common stock	79,453,250	—	—	79,453,250

### (2) Variety and number of treasury stock

Class of stock	As of April 1, 2012	Increase	Decrease	As of March 31, 2013
Common stock	22,974	1,800,382	90	1,823,266

Notes: 1. Increase of treasury stock is due to acquisition of treasury stocks (1,800,000 shares) and purchase of stocks less than one unit (382 shares).

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

### (3) Stock acquisition rights, etc.

There is no applicable item.

### (4) Cash dividends

#### ① Amount of cash dividends

Resolution	Class of stock	Amount of cash dividends	Cash dividends per share	Measurement date	Effective date of distribution
Annual general shareholders' meeting on June 28, 2012	Common stock	(Thousands of Yen) 397,151	(Yen) 5.00	March 31, 2012	June 29, 2012
Board meeting on October 30, 2012	Common stock	397,150	5.00	September 30, 2012	November 27, 2012

#### ② Dividends whose record date falls in the fiscal year ended March 31, 2013, but the effective date of distribution falls in the fiscal year ending March 31, 2014

Resolution	Class of stock	Resource of dividends	Amount of cash dividends	Cash dividends per share	Measurement date	Effective date of distribution
Annual general shareholders' meeting on June 27, 2013	Common stock	Retained earnings	(Thousands of Yen) 388,149	(Yen) 5.00	March 31, 2013	June 28, 2013

## 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 to 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, 2013 are as follows.

(In Thousands of Yen)

	Consolidated balance sheet amounts	Fair values	Differences
① Cash on hand and in banks	1,180,176	1,180,176	—
② Deposits receivable	20,880,500	20,880,500	—
③ Notes and accounts receivable – trade	14,274,917		
Allowance for doubtful accounts (※)	(8,138)		
	14,266,779	14,266,779	—
④ Investment securities			
Other securities	3,210,131	3,210,131	—
Total assets	39,537,588	39,537,588	—
⑤ Trade notes and accounts payable	8,432,685	8,432,685	—
⑥ Income taxes payable	943,156	943,156	—
Total liabilities	9,375,842	9,375,842	—
⑦ Derivative transactions	—	(16,024)	(16,024)

(※) 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 ¥434,630 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	¥	562.10
Net income per share		21.47

### **Notes to Subsequent Event**

There is no applicable item.

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#### *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 15, 2013

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 65th fiscal year from April 1, 2012 to March 31, 2013.

**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, 2013**

In Thousands of Yen

**Assets**

**Current assets:**

Cash on hand and in banks	¥	411,610
Deposits receivable		20,880,500
Notes receivable – trade		4,549,096
Accounts receivable – trade		9,627,906
Finished goods		587,908
Work in process		1,171,172
Raw materials and supplies		970,513
Deferred tax assets		641,225
Short-term loans receivable		1,425,900
Other current assets		291,089
Less, allowance for doubtful accounts		(189,457)
<b>Total current assets</b>		<b>40,367,466</b>

**Fixed assets:**

**Property, plant and equipment:**

Buildings		3,389,160
Structures		269,370
Machinery and equipment		689,930
Vehicles		3,979
Tools, furniture and fixtures		59,305
Land		8,752,187
Other property, plant and equipment		803,568
<b>Total property, plant and equipment</b>		<b>13,967,503</b>

**Intangible assets:**

Telephone use rights (not depreciable)		33,529
Water supply utility rights		548
Telephone rights to use public facility (depreciable)		45
Software		165,400
Goodwill		305,250
Other intangible assets		121,013
<b>Total intangible assets</b>		<b>625,788</b>

**Investments and other assets:**

Investment securities		3,644,761
Investments in subsidiaries and affiliates		30,000
Investments in partnerships		1,320
Investments in affiliated partnerships		2,014,416
Long-term loans receivable		591,586
Deferred tax assets		754,265
Long-term prepaid expenses		107,513
Lease deposits		99,748
Other assets		142,959
Less, allowance for doubtful accounts		(462,143)
<b>Total investments and other assets</b>		<b>6,924,428</b>
<b>Total fixed assets</b>		<b>21,517,720</b>
<b>Total assets</b>	¥	<b>61,885,187</b>



In Thousands of Yen

**Liabilities**

**Current liabilities:**

Notes payable – trade	¥ 3,134,846
Accounts payable – trade	5,363,932
Accounts payable – other	1,697,116
Income taxes payable	940,218
Accrued consumption taxes	90,601
Accrued expenses	1,270,341
Deposits received	233,383
Deferred income	1,413
Accrued bonuses to directors and corporate auditors	70,000
Allowance for product warranty	88,900
Notes payable – equipment	36,999
Other current liabilities	184,457

<b>Total current liabilities</b>	13,112,212
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**Long-term liabilities:**

Deferred tax liabilities for land revaluation	716,366
Accrued retirement benefits	2,932,390
Accrued retirement benefits to directors and corporate auditors	192,100
Other liabilities	1,149,569

<b>Total long-term liabilities</b>	4,990,426
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<b>Total liabilities</b>	18,102,638
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**Net assets**

**Shareholders' equity:**

<b>Capital stock</b>	10,425,325
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**Capital surplus:**

Additional paid-in capital	9,941,842
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<b>Total capital surplus</b>	9,941,842
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**Retained earnings:**

Other retained earnings	25,593,843
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Retained earnings carried forward to the following period	25,593,843
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<b>Total retained earnings</b>	25,593,843
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<b>Less, treasury stock</b>	(914,193)
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<b>Total shareholders' equity</b>	45,046,816
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**Valuation and translation adjustments:**

Net unrealized gains on other securities	1,174,847
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Less, land revaluation	(2,439,114)
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<b>Total valuation and translation adjustments</b>	(1,264,267)
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<b>Total net assets</b>	43,782,549
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<b>Total liabilities and net assets</b>	¥ 61,885,187
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**AICHI CORPORATION**  
**Statement of Income**  
**Fiscal Year from April 1, 2012 to March 31, 2013**

In Thousands of Yen

<b>Operating revenue:</b>	
Net sales	¥ 39,468,389
<b>Operating costs and expenses:</b>	
Cost of sales	31,649,044
Gross profit	7,819,344
Selling, general and administrative expenses	4,960,584
Operating income	2,858,760
<b>Non-operating income:</b>	
Interest and dividend income	208,560
Miscellaneous incomes	306,114
	514,675
<b>Non-operating expenses:</b>	
Interest expense	616
Miscellaneous expenses	6,868
	7,485
Ordinary income	3,365,950
<b>Extraordinary gains:</b>	
Gain on sales of tangible fixed assets	15,026
	15,026
<b>Extraordinary losses:</b>	
Loss on disposal of tangible fixed assets	9,654
Loss on sales of investment securities	3,571
Provision of allowance for doubtful accounts	95,600
Impairment loss	374
Loss on insurance cancellation	1,361
Loss on sublease	38,500
	149,062
Income before income taxes	3,231,914
Income taxes-current	1,347,476
Income taxes-deferred	(57,665)
Net income	¥ 1,942,104

**AICHI CORPORATION**  
**Statement of Change in Net Assets**  
**Fiscal Year from April 1, 2012 to March 31, 2013**

(In Thousands of Yen)

Items	Shareholders' equity		
	Common stock	Capital surplus	
		Additional paid-in capital	Total capital surplus
Balance at the beginning of current period	10,425,325	9,941,842	9,941,842
Changes of items during the period			
Cash dividends			
Net income for the year			
Purchase of treasury stock			
Disposal of treasury stock			
Other changes			
Total changes of items during the period	—	—	—
<b>Balance at the end of current period</b>	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		
Balance at the beginning of current period	24,446,066	24,446,066	(14,109)	44,799,125
Changes of items during the period				
Cash dividends	(794,301)	(794,301)		(794,301)
Net income for the year	1,942,104	1,942,104		1,942,104
Purchase of treasury stock			(900,139)	(900,139)
Disposal of treasury stock	(26)	(26)	54	28
Other changes				
Total changes of items during the period	1,147,776	1,147,776	(900,084)	247,691
<b>Balance at the end of current period</b>	25,593,843	25,593,843	(914,193)	45,046,816

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	667,535	(2,439,114)	(1,771,579)	43,027,545
Changes of items during the period				
Cash dividends				(794,301)
Net income for the year				1,942,104
Purchase of treasury stock				(900,139)
Disposal of treasury stock				28
Other changes	507,312		507,312	507,312
Total changes of items during the period	507,312	—	507,312	755,003
<b>Balance at the end of current period</b>	1,174,847	(2,439,114)	(1,264,267)	43,782,549

**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

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates.)

Starting from the current fiscal year, the Company has changed its depreciation method for property, plant and equipment acquired on or after April 1, 2012 due to the revision of Corporate Tax Act.

This change has minor impact on operating income, ordinary income and income before income taxes for the current fiscal year.

### Notes to Balance Sheet

	<u>In Thousands of Yen</u>	
(1) Accumulated depreciation of property, plant and equipment	¥	15,543,297
(2) Contingent liabilities – Guarantee for customers' liabilities	¥	1,535
(3) Receivables from and payables to subsidiaries and affiliates:		
Short-term receivables	¥	22,981,338
Short-term payables	¥	158,111
Long-term receivables	¥	591,586

(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	¥(2,626,755) 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 ¥574,806 thousand

**Notes to Statement of Income**

In Thousands of Yen

(1) Transactions with subsidiaries and affiliates:

Operating transaction		
Net sales	¥	2,103,956
Goods purchased	¥	1,120,568
Selling, general and administrative expenses	¥	61,235
Non-operating transaction	¥	141,108

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

Cost of sales	¥	(10,839)
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**Notes to Statement of Change in Net Assets**

Class of stock and number of treasury stock

Class of stock	As of April 1, 2012	Increase	Decrease	As of March 31, 2013
Common stock	22,974	1,800,382	90	1,823,266

Notes: 1. Increase of treasury stock is due to acquisition of treasury stocks (1,800,000 shares) and purchase of stocks less than one unit (382 shares).  
2. Decrease of treasury stock is due to selling of stocks less than one 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	¥	148,358
Accrued enterprise tax and office tax payable		80,120
Allowance for product warranty		33,604
Accrued retirement benefits		1,053,961
Accrued bonus		287,052
Buildings, structures, machinery and equipment		37,686
Land		338,570
Investment securities		189,758
Loss on investments in subsidiaries		46,661
Others		435,759
Sub total		<u>2,651,534</u>
Valuation allowance		<u>(814,713)</u>
Total deferred tax assets		1,836,821

	<u>In Thousands of Yen</u>	
Deferred tax liabilities		
Net unrealized gains on other securities	¥	(437,804)
Others		(3,526)
Total deferred tax liabilities		<u>(441,330)</u>
Deferred tax assets (Net)		1,395,491

(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 and net book value as of March 31, 2013

(In Thousands of Yen)

	Acquisition cost	Accumulated depreciation	Net book value
Tools, furniture and fixtures	3,906	3,069	837
Total	3,906	3,069	837

(2) Future lease payment under finance leases

	<u>In Thousands of Yen</u>	
Due within one year	¥	558
Due after one year		279
Total		<u>837</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 52.2%	Cross-company transfer 3 persons	Sale of specially equipped vehicles as well as sale and purchase of its parts	Deposits receivable ※	2,182,961	Deposits receivable	20,880,500
					Employees 1 person		Interest received ※			

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.

(2) Subsidiaries, 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				
Subsidiary	Zhejiang Aichi Industrial Machinery Co., Ltd.	15,000	Manufacture and sale of special machinery.	(own) direct 100.0%	Executive Officers 3 persons Employees 2 persons	Sale and purchase of special machinery and parts	Loans receivable on working capital	553,270	Short-term loans receivable	1,128,600

Note: Commercial terms and condition

※ The Company charged interest on loans receivable on working capital in accordance with market interest rates.

## Per Share Information

In Yen

Net assets per share	¥	563.99
Net income per share		24.54

## 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.