

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

March 31, 2014

Independent Auditors' Report  
(English Translation\*)

May 14, 2014

To the Board of Directors of AICHI CORPORATION

PricewaterhouseCoopers Aarata

Haruyasu Tanabe, CPA  
Engagement Partner  
Yoshiyuki Ohashi, 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, 2013 to March 31, 2014.

**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, 2014**

In Thousands of Yen

**Assets**

**Current assets:**

Cash on hand and in banks	¥	1,174,048
Deposits receivable		21,864,794
Notes and accounts receivable – trade		17,264,557
Finished goods		615,653
Work in process		1,244,331
Raw materials and supplies		1,340,395
Deferred tax assets		617,914
Other current assets		573,902
Less, allowance for doubtful accounts		(4,867)
<b>Total current assets</b>		<b>44,690,729</b>

**Fixed assets:**

**Property, plant and equipment:**

Buildings and structures		4,063,259
Machinery, equipment and vehicles		885,153
Tools, furniture and fixtures		176,868
Land		8,749,501
Other property, plant and equipment		892,078
<b>Total property, plant and equipment</b>		<b>14,766,861</b>

**Intangible assets** 1,050,255

**Investments and other assets:**

Investment securities		4,753,405
Deferred tax assets		506,457
Other assets		1,328,631
Less, allowance for doubtful accounts		(42,827)
<b>Total investments and other assets</b>		<b>6,545,667</b>
<b>Total fixed assets</b>		<b>22,362,784</b>
<b>Total assets</b>	¥	<b>67,053,514</b>

	<u>In Thousands of Yen</u>
<b>Liabilities</b>	
<b>Current liabilities:</b>	
Trade notes and accounts payable	¥ 11,000,144
Income taxes payable	743,803
Accrued bonuses to directors and corporate auditors	73,000
Allowance for product warranty	219,502
Other current liabilities	<u>3,697,604</u>
<b>Total current liabilities</b>	<u>15,734,055</u>
<b>Long-term liabilities:</b>	
Deferred tax liabilities for land revaluation	716,366
Net defined benefit liability	3,534,960
Accrued retirement benefits to directors and corporate auditors	201,300
Other liabilities	<u>1,129,884</u>
<b>Total long-term liabilities</b>	<u>5,582,511</u>
<b>Total liabilities</b>	<u>21,316,566</u>
<b>Net assets</b>	
<b>Shareholders' equity:</b>	
Common stock	10,425,325
Capital surplus	9,923,342
Retained earnings	26,972,758
Less, treasury stock	<u>(914,551)</u>
<b>Total shareholders' equity</b>	<u>46,406,874</u>
<b>Accumulated other comprehensive income:</b>	
Net unrealized gains on other securities	1,887,608
Less, land revaluation	(2,439,114)
Foreign currency translation adjustments	222,886
Remeasurements of defined benefit plans	<u>(341,306)</u>
<b>Total accumulated other comprehensive income</b>	<u>(669,926)</u>
<b>Total net assets</b>	<u>45,736,948</u>
<b>Total liabilities and net assets</b>	<u>¥ 67,053,514</u>

**AICHI CORPORATION**  
**Consolidated Statement of Income**  
**Fiscal Year from April 1, 2013 to March 31, 2014**

In Thousands of Yen

<b>Operating revenue:</b>	
Net sales	¥ 47,493,926
<b>Operating costs and expenses:</b>	
Cost of sales	39,029,977
<b>Gross profit</b>	<u>8,463,948</u>
<b>Selling, general and administrative expenses</b>	<u>5,409,110</u>
<b>Operating income</b>	3,054,837
<b>Non-operating income:</b>	
Interest and dividend income	149,625
Miscellaneous incomes	350,539
	<u>500,165</u>
<b>Non-operating expenses:</b>	
Interest expense	65
Miscellaneous expenses	41,289
	<u>41,355</u>
<b>Ordinary income</b>	3,513,647
<b>Extraordinary gains:</b>	
Gain on sales of tangible fixed assets	195
Gain on sales of investment securities	1,896
	<u>2,091</u>
<b>Extraordinary losses:</b>	
Loss on sales of tangible fixed assets	688
Loss on retirement of tangible fixed assets	5,910
Loss on valuation of investment securities	500
Impairment loss	2,685
	<u>9,784</u>
<b>Income before income taxes and minority interests</b>	3,505,954
Income taxes-current	1,203,453
Income taxes-deferred	76,296
Income before minority interests	<u>2,226,203</u>
<b>Net income</b>	<u><u>¥ 2,226,203</u></u>

**AICHI CORPORATION**  
**Consolidated Statement of Change in Net Assets**  
**Fiscal Year from April 1, 2013 to March 31, 2014**

(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	25,522,852	(914,193)	44,957,326
Changes of items during the period					
Cash dividends			(776,297)		(776,297)
Net income for the year			2,226,203		2,226,203
Purchase of treasury stock				(357)	(357)
Disposal of treasury stock					
Other changes					
Total changes of items during the period	—	—	1,449,906	(357)	1,449,548
Balance at the end of current period	10,425,325	9,923,342	26,972,758	(914,551)	46,406,874

Items	Accumulated other comprehensive income					Total net assets
	Net unrealized gains or losses on other securities	Less, land revaluation	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of current period	1,174,847	(2,439,114)	(56,975)	—	(1,321,242)	43,636,083
Changes of items during the period						
Cash dividends						(776,297)
Net income for the year						2,226,203
Purchase of treasury stock						(357)
Disposal of treasury stock						
Other changes	712,760		279,862	(341,306)	651,316	651,316
Total changes of items during the period	712,760	—	279,862	(341,306)	651,316	2,100,864
Balance at the end of current period	1,887,608	(2,439,114)	222,886	(341,306)	(669,926)	45,736,948

## 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 3 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 Europe B.V.

Aichi U.S.A. Inc. is excluded from the scope of consolidation from the end of the fiscal year ended March 31, 2014 as it has completed the procedure of liquidation on March 31, 2014.

##### 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 and estimated costs to be incurred individually for certain products.
- ④ 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) Retirement benefits

- ① Method of attributing projected benefit obligation to periods  
In calculating retirement benefit obligation, projected benefit obligation attributed to the current fiscal year is determined using the straight-line method.
- ② Calculation treatment for actuarial gains or losses and prior service costs  
Prior service costs are amortized as incurred by the straight-line method over a fixed period (10 years), which are shorter than the average remaining years of service of the employees.  
Actuarial gains or losses are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over a fixed period (10 years), which is shorter than the average remaining years of service of the employees.

(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**

(Record the amount after deducting pension plan assets from retirement benefit obligation as net defined benefit liability)

The Company adopted “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 of May 17, 2012, hereinafter, the “Standard”) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 of May 17, 2012, hereinafter, the “Guidance”) (except for certain provisions described in the main clause of Section 35 of the Standard and in the main clause of Section 67 of the Guidance) as of the end of the fiscal year ended March 31, 2014. These accounting standards require entities to apply a revised method for recording retirement benefit obligation, after deducting pension plan assets, as net defined benefit liability. In addition, unrecognized actuarial differences and unrecognized prior service costs are recorded as net defined benefit liability. Concerning the application of the Standard, etc., based on the provisional treatment set out in Section 37 of the Standard, the effects of such changes in the current fiscal year have been recorded in remeasurements of defined benefit plans under accumulated other comprehensive income. As a result of this change, net defined benefit liability was recognized in the amount of 3,534,960 thousand yen and accumulated other comprehensive income decreased by 341,306 thousand yen as of March 31, 2014.

**Notes to Consolidated Balance Sheet**

	<u>In Thousands of Yen</u>
(1) Accumulated depreciation of property, plant and equipment	¥ 16,411,742
(2) 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	¥(2,716,208) thousand

**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	¥ (77,950)

## Notes to Consolidated Statement of Change in Net Assets

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

Class of stock	As of April 1, 2013	Increase	Decrease	As of March 31, 2014
Common stock	79,453,250	—	—	79,453,250

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

Class of stock	As of April 1, 2013	Increase	Decrease	As of March 31, 2013
Common stock	1,823,266	727	—	1,823,993

Note: Increase of treasury stock is due to acquisition 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 27, 2013	Common stock	(Thousands of Yen) 388,149	(Yen) 5.00	March 31, 2013	June 28, 2013
Board meeting on October 30, 2013	Common stock	388,148	5.00	September 30, 2013	November 26, 2013

#### ② Dividends whose record date falls in the fiscal year ended March 31, 2014, but the effective date of distribution falls in the fiscal year ending March 31, 2015

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, 2014	Common stock	Retained earnings	(Thousands of Yen) 388,146	(Yen) 5.00	March 31, 2014	June 30, 2014

## 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, 2014 are as follows.

(In Thousands of Yen)

	Consolidated balance sheet amounts	Fair values	Differences
① Cash on hand and in banks	1,174,048	1,174,048	—
② Deposits receivable	21,864,794	21,864,794	—
③ Notes and accounts receivable – trade	17,264,557		
Allowance for doubtful accounts (※)	(4,788)		
	17,259,769	17,259,769	—
④ Investment securities			
Other securities	4,321,845	4,321,845	—
Total assets	44,620,458	44,620,458	—
⑤ Trade notes and accounts payable	11,000,144	11,000,144	—
⑥ Income taxes payable	743,803	743,803	—
Total liabilities	11,743,948	11,743,948	—
⑦ Derivative transactions	—	(3,088)	(3,088)

(※) 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 ¥431,560 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	¥	589.17
Net income per share		28.68

### Notes to Subsequent Event

There is no applicable item.

### Other Notes

Changes in the amounts of deferred tax assets and liabilities due to income tax rate change

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 10 of 2014) was promulgated on March 31, 2014 and the Company is therefore no longer subject to the Special Reconstruction Corporation Tax effective for fiscal years beginning on or after April 1, 2014. As a result, the effective statutory tax rate used to measure the Company’s deferred tax assets and liabilities was changed from 37.8% to 35.4% for the temporary differences expected to be realized or settled during the fiscal year beginning April 1, 2014. The effect of the announced reduction of the effective statutory tax rate is immaterial.

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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 14, 2014

To the Board of Directors of AICHI CORPORATION

PricewaterhouseCoopers Aarata

Haruyasu Tanabe, CPA  
Engagement Partner  
Yoshiyuki Ohashi, 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 66th fiscal year from April 1, 2013 to March 31, 2014.

**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, 2014**

In Thousands of Yen

**Assets**

**Current assets:**

Cash on hand and in banks	¥	307,619
Deposits receivable		21,864,794
Notes receivable – trade		3,159,596
Electronically recorded monetary claims		453,976
Accounts receivable – trade		13,693,764
Finished goods		504,899
Work in process		1,074,024
Raw materials and supplies		940,524
Deferred tax assets		568,856
Short-term loans receivable		1,944,020
Other current assets		412,186
Less, allowance for doubtful accounts		(186,767)
<b>Total current assets</b>		<b>44,737,495</b>

**Fixed assets:**

**Property, plant and equipment:**

Buildings		3,222,794
Structures		295,394
Machinery and equipment		761,205
Vehicles		7,198
Tools, furniture and fixtures		96,602
Land		8,749,501
Other property, plant and equipment		892,078
<b>Total property, plant and equipment</b>		<b>14,024,775</b>

**Intangible assets:**

Telephone use rights (not depreciable)		33,529
Water supply utility rights		457
Telephone rights to use public facility (depreciable)		34
Software		204,726
Goodwill		254,375
Other intangible assets		167,982
<b>Total intangible assets</b>		<b>661,106</b>

**Investments and other assets:**

Investment securities		4,753,405
Investments in subsidiaries and affiliates		30,000
Investments in partnerships		1,320
Investments in affiliated partnerships		1,234,069
Deferred tax assets		334,277
Long-term prepaid expenses		86,619
Lease deposits		92,040
Other assets		144,831
Less, allowance for doubtful accounts		(18,478)
<b>Total investments and other assets</b>		<b>6,658,085</b>
<b>Total fixed assets</b>		<b>21,343,967</b>
<b>Total assets</b>	¥	<b>66,081,462</b>



In Thousands of Yen

**Liabilities**

**Current liabilities:**

Notes payable – trade	¥	3,675,893
Accounts payable – trade		7,309,237
Accounts payable – other		1,734,732
Income taxes payable		742,783
Accrued consumption taxes		136,776
Accrued expenses		1,213,726
Deposits received		237,105
Deferred income		1,544
Accrued bonuses to directors and corporate auditors		73,000
Allowance for product warranty		219,502
Notes payable – equipment		32,289
Other current liabilities		208,273

<b>Total current liabilities</b>		15,584,865
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**Long-term liabilities:**

Deferred tax liabilities for land revaluation		716,366
Accrued retirement benefits		2,976,657
Accrued retirement benefits to directors and corporate auditors		201,300
Other liabilities		1,129,884

<b>Total long-term liabilities</b>		5,024,207
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<b>Total liabilities</b>		20,609,073
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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		26,571,279
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Retained earnings carried forward to the following period		26,571,279
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<b>Total retained earnings</b>		26,571,279
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<b>Less, treasury stock</b>		(914,551)
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<b>Total shareholders' equity</b>		46,023,895
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**Valuation and translation adjustments:**

Net unrealized gains on other securities		1,887,608
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Less, land revaluation		(2,439,114)
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<b>Total valuation and translation adjustments</b>		(551,506)
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<b>Total net assets</b>		45,472,388
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<b>Total liabilities and net assets</b>	¥	66,081,462
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**AICHI CORPORATION**  
**Statement of Income**  
**Fiscal Year from April 1, 2013 to March 31, 2014**

In Thousands of Yen

<b>Operating revenue:</b>	
Net sales	¥ 47,068,848
<b>Operating costs and expenses:</b>	
Cost of sales	38,421,920
Gross profit	8,646,927
Selling, general and administrative expenses	5,076,747
Operating income	3,570,180
<b>Non-operating income:</b>	
Interest and dividend income	177,200
Miscellaneous incomes	243,314
	420,515
<b>Non-operating expenses:</b>	
Interest expense	549
Miscellaneous expenses	7,450
	8,000
Ordinary income	3,982,696
<b>Extraordinary gains:</b>	
Gain on sales of tangible fixed assets	22
Gain on sales of investment securities	1,896
	1,918
<b>Extraordinary losses:</b>	
Loss on disposal of tangible fixed assets	5,910
Loss on valuation of investment securities	500
Provision of allowance for doubtful accounts	700
Impairment loss	2,685
Loss on valuation of investments in affiliated partnerships	780,347
Loss on liquidation of affiliated partnerships	146,060
	936,204
Income before income taxes	3,048,410
Income taxes-current	1,201,272
Income taxes-deferred	93,403
Net income	¥ 1,753,734

**AICHI CORPORATION**  
**Statement of Change in Net Assets**  
**Fiscal Year from April 1, 2013 to March 31, 2014**

(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	25,593,843	25,593,843	(914,193)	45,046,816
Changes of items during the period				
Cash dividends	(776,297)	(776,297)		(776,297)
Net income for the year	1,753,734	1,753,734		1,753,734
Purchase of treasury stock			(357)	(357)
Disposal of treasury stock				
Other changes				
Total changes of items during the period	977,436	977,436	(357)	977,079
<b>Balance at the end of current period</b>	26,571,279	26,571,279	(914,551)	46,023,895

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	1,174,847	(2,439,114)	(1,264,267)	43,782,549
Changes of items during the period				
Cash dividends				(776,297)
Net income for the year				1,753,734
Purchase of treasury stock				(357)
Disposal of treasury stock				
Other changes	712,760		712,760	712,760
Total changes of items during the period	712,760	—	712,760	1,689,839
<b>Balance at the end of current period</b>	1,887,608	(2,439,114)	(551,506)	45,472,388

**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 and estimated costs to be incurred individually calculated for certain products.

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.

1) Method of attributing projected benefit obligation to periods  
In calculating retirement benefit obligation, projected benefit obligation attributed to the current fiscal year is determined using the straight-line method.

2) Calculation treatment for actuarial gains or losses and prior service costs  
Prior service costs are amortized as incurred by the straight-line method over a fixed period (10 years), which are shorter than the average remaining years of service of the employees.  
Actuarial gains or losses are amortized in the year following the year in which the gain or loss is recognized by the straight-line method over a fixed period (10 years), which is shorter than the average remaining years of service of the employees.

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) Other

① Calculation for retirement benefits  
The calculation method for unrecognized actuarial differences for retirement benefits and unrecognized prior service costs differ from that of consolidated financial statements.

② Consumption taxes

Consumption taxes are separately recorded at each transaction.

### Changes in Presentation Method

(Balance Sheet)

Electronically recorded monetary claims which was included in notes receivable – trade under current assets in the previous fiscal year is presented as electronically recorded monetary claims from the current fiscal year due to its increased materiality. The amount of electronically recorded monetary claims in the previous fiscal year was ¥9,240 thousand.

### Notes to Balance Sheet

	<u>In Thousands of Yen</u>	
(1) Accumulated depreciation of property, plant and equipment	¥	16,089,668
(2) Receivables from and payables to subsidiaries and affiliates:		
Short-term receivables	¥	25,237,558
Short-term payables	¥	299,894
(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 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	¥(2,716,208) thousand

## Notes to Statement of Income

In Thousands of Yen

(1) Transactions with subsidiaries and affiliates:

Operating transaction		
Net sales	¥	2,997,272
Goods purchased	¥	2,225,210
Selling, general and administrative expenses	¥	80,201
Non-operating transaction	¥	100,232

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

Cost of sales	¥	(43,130)
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(3) Loss on valuation of investments in affiliated partnerships

The Company impaired the investment amounts with regard to Zhejiang Aichi Industrial Machinery Co., Ltd., a consolidated subsidiary of the Company, in consideration of its financial condition and financial results and recorded the amount under extraordinary losses.

(4) Loss on liquidation of affiliated partnerships

The Company recorded the losses incurred in connection with the completion of liquidation of Aichi U.S.A. Inc., which was a consolidated subsidiary of the Company, under extraordinary losses.

## Notes to Statement of Change in Net Assets

Class and number of treasury stock

Class of stock	As of April 1, 2013	Increase	Decrease	As of March 31, 2014
Common stock	1,823,266	727	—	1,823,993

Note: Increase of treasury stock is due to acquisition 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	¥	50,661
Accrued enterprise tax and office tax payable		57,793
Allowance for product warranty		77,703
Accrued retirement benefits		1,053,736
Accrued bonus		279,871
Buildings, structures, machinery and equipment		30,306
Land		339,520
Investment securities		176,666
Others		536,128
Sub total		<u>2,602,389</u>
Valuation allowance		<u>(854,611)</u>
Total deferred tax assets		1,747,777

	<u>In Thousands of Yen</u>	
Deferred tax liabilities		
Net unrealized gains on other securities	¥	(839,095)
Others		<u>(5,547)</u>
Total deferred tax liabilities		<u>(844,643)</u>
Deferred tax assets (Net)		903,134

(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, 2014

	<u>(In Thousands of Yen)</u>		
	Acquisition cost	Accumulated depreciation	Net book value
Tools, furniture and fixtures	3,906	3,627	279
Total	3,906	3,627	279

(2) Future lease payment under finance leases

	<u>In Thousands of Yen</u>	
Due within one year	¥	279
Due after one year		-
Total		<u>279</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 ※	984,294	Deposits receivable	21,864,794
							Sale of specially equipped vehicles and its parts	1,751,310	Accounts receivables	833,487
							Interest received ※	67,165	—	—

Notes: 1. Commercial terms and condition

- ※ The Company charged interest on deposits receivable in accordance with market interest rates.
- ※ The Company determines the sales price of specially equipped vehicles and its parts in the same manner as common transactions by presenting the asking price of the Company based on the estimated price and holding price negotiations every month.

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 (in thousands of US Dollars)	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 4 persons Employees 1 person	Sale and purchase of special machinery and parts	Loans receivable on working capital	518,120	Short-term loans receivable	1,646,720

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	¥	585.76
Net income per share		22.59

## 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**

Changes in the amounts of deferred tax assets and liabilities due to income tax rate change

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 10 of 2014) was promulgated on March 31, 2014 and the Company is therefore no longer subject to the Special Reconstruction Corporation Tax effective for fiscal years beginning on or after April 1, 2014. As a result, the effective statutory tax rate used to measure the Company’s deferred tax assets and liabilities was changed from 37.8% to 35.4% for the temporary differences expected to be realized or settled during the fiscal year beginning April 1, 2014. The effect of the announced reduction of the effective statutory tax rate is immaterial.