AICHI CORPORATION

Audited Financial Statements

(English Translation)

March 31, 2015

Independent Auditors' Report

(English Translation*)

May 13, 2015

To the Board of Directors of AICHI CORPORATION

PricewaterhouseCoopers Aarata

Sakae Toda, 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, 2014 to March 31, 2015.

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, 2015

		In Thousands of Yen
Assets		
Current assets:		
Cash on hand and in banks	¥	1,403,808
Deposits receivable		23,914,799
Notes and accounts receivable – trade		19,081,574
Finished goods		815,975
Work in process		1,104,438
Raw materials and supplies		1,242,774
Deferred tax assets		583,707
Other current assets		417,288
Less, allowance for doubtful accounts		(84,595)
Total current assets		48,479,770
Fixed assets:		
Property, plant and equipment:		
Buildings and structures		4,285,265
Machinery, equipment and vehicles		1,098,325
Tools, furniture and fixtures		244,213
Land		8,746,262
Construction in progress		866,751
Other property, plant and equipment		679,333
Total property, plant and equipment		15,920,151
Intangible assets		1,059,965
Investments and other assets:		
Investment securities		5,325,813
Deferred tax assets		147,664
Other assets		1,523,623
Less, allowance for doubtful accounts		(6,638)
Total investments and other assets		6,990,463
Total fixed assets		23,970,580
Total assets	¥	72,450,350

	In Thousands of Yen
Liabilities	
Current liabilities:	
Trade notes and accounts payable	¥ 12,265,095
Income taxes payable	871,165
Accrued bonuses to directors and corporate auditors	73,000
Allowance for product warranty	184,074
Other current liabilities	4,807,437
Total current liabilities	18,200,772
Long-term liabilities:	
Deferred tax liabilities for land revaluation	648,777
Net defined benefit liability	3,163,970
Accrued retirement benefits to directors and corporate auditors	222,800
Other liabilities	1,059,976
Total long-term liabilities	5,095,524
Total liabilities	23,296,296
Net assets	
Shareholders' equity:	
Capital stock	10,425,325
Capital surplus	9,923,342
Retained earnings	29,315,188
Less, treasury stock	(914,980)
Total shareholders' equity	48,748,874
Accumulated other comprehensive income:	
Net unrealized gains on other securities	2,403,102
Less, land revaluation	(2,371,226)
Foreign currency translation adjustments	476,809
Remeasurements of defined benefit plans	(103,507)
Total accumulated other comprehensive income	405,178
Total net assets	49,154,053
Total liabilities and net assets	¥ 72,450,350

AICHI CORPORATION
Consolidated Statement of Income
Fiscal Year from April 1, 2014 to March 31, 2015

	In Thousands of Yen
Operating revenue:	
Net sales	¥ 49,307,128
Operating costs and expenses:	
Cost of sales	38,929,795
Gross profit	10,377,332
Selling, general and administrative expenses	6,159,704
Operating income	4,217,628
Non-operating income:	
Interest and dividend income	170,255
Foreign exchange gains	202,515
Miscellaneous incomes	317,904
	690,675
Non-operating expenses:	
Interest expense	66
Miscellaneous expenses	9,355
	9,421
Ordinary income	4,898,881
Extraordinary gains:	
Gain on sales of tangible fixed assets	509
	509
Extraordinary losses:	
Loss on sales of tangible fixed assets	4,057
Loss on retirement of tangible fixed assets	163,962
Impairment loss	3,101
	171,121
Income before income taxes and minority interests	4,728,269
Income taxes-current	1,451,368
Income taxes-deferred	183,581
Income before minority interests	3,093,320
Net income	¥ 3,093,320

AICHI CORPORATION
Consolidated Statement of Change in Net Assets
Fiscal Year from April 1, 2014 to March 31, 2015

(In Thousands of Yen)

Items	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	10,425,325	9,923,342	26,972,758	(914,551)	46,406,874
Cumulative effects of changes in accounting policies			25,399		25,399
Adjusted balance at the beginning of current period	10,425,325	9,923,342	26,998,158	(914,551)	46,432,274
Changes of items during the period					
Cash dividends			(776,290)		(776,290)
Net income for the year			3,093,320		3,093,320
Purchase of treasury stock				(429)	(429)
Other changes					
Total changes of items during the period	–	–	2,317,029	(429)	2,316,600
Balance at the end of current period	10,425,325	9,923,342	29,315,188	(914,980)	48,748,874

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	1,887,608	(2,439,114)	222,886	(341,306)	(669,926)	45,736,948
Cumulative effects of changes in accounting policies						25,399
Adjusted balance at the beginning of current period	1,887,608	(2,439,114)	222,886	(341,306)	(669,926)	45,762,347
Changes of items during the period						
Cash dividends						(776,290)
Net income for the year						3,093,320
Purchase of treasury stock						(429)
Other changes	515,494	67,888	253,922	237,799	1,075,105	1,075,105
Total changes of items during the period	515,494	67,888	253,922	237,799	1,075,105	3,391,705
Balance at the end of current period	2,403,102	(2,371,226)	476,809	(103,507)	405,178	49,154,053

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 2 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. is excluded from the scope of consolidation from the end of the fiscal year ended March 31, 2015 as it has completed the procedure of liquidation on March 9, 2015.

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

Although the fiscal year end date of Hangzhou Aichi Engineering Vehicles Co., Ltd. is December 31, when preparing the consolidated financial statements, the Company uses the affiliate's provisional financial statements, which are calculated assuming the fiscal year end date is March 31.

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 that of the Company.
For the purpose of preparing the consolidated financial statements, previously, if the difference between the fiscal year end dates of a consolidated subsidiary and the Company fell within three months, the Company would prepare the consolidated financial statements using the subsidiary's financial statements as of the subsidiary's fiscal year end date. However, to increase the accuracy of information disclosed in the consolidated financial statements, from the fiscal year ended March 31, 2015, this method has been changed: conduct a provisional settlement of accounts on the Company's fiscal year end date, and use the provisional financial statements for consolidation. Due to the provisional settlement of accounts, the consolidated statement of income for the fiscal year ended March 31, 2015 consolidates the financial results of the abovementioned subsidiary for 15 months, from January 1, 2014 to March 31, 2015. From January 1, 2015 to March 31, 2015, financial results of the said subsidiary were as follows: net sales of ¥523,461 thousand, operating income of ¥90,222 thousand, ordinary income of ¥94,785 thousand, and net income of ¥94,692 thousand.

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 based 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 benefit formula basis.

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 fiscal year following the fiscal 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

(Adoption of Accounting Standard for Retirement Benefits and other standards)
Regarding the "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 March 26, 2015, hereinafter, the "Guidance"), the Company has adopted the provisions described in the main clause of Section 35 of the Standard and in the main clause of Section 67 of the Guidance from the fiscal year ended March 31, 2015. Accordingly, the Company has revised the method of calculating retirement benefit obligation and service costs. Also, the Company now conducts attribution of projected benefit obligation to periods on a benefit formula basis, instead of on the previous straight-line method. In addition, the method of determining the discount rate has been revised. Previously, the discount rate was determined based on the bonds with the period, which in turn was determined using a number that approximates the average remaining years of service of the employees. After the change, the Company will use a single weighted average discount rate that reflects the estimated timing and amount of each benefit payment.
Concerning the application of the Standard, etc., based on the provisional treatment set out in Section 37 of the Standard, at the beginning of the fiscal year under review, the effects of the change in the calculation methods of retirement benefit obligation and service costs have been reflected in retained earnings.
As a result, as of April 1, 2014, net defined benefit liability decreased by ¥39,323 thousand, and retained earnings increased by ¥25,399 thousand. In addition, operating income, ordinary income and income before income taxes and minority interests each decreased by ¥1,337 thousand.
Consequently, for the fiscal year under review, net assets per share increased by ¥0.31, and net income per share decreased by ¥0.02.

Notes to Consolidated Balance Sheet

	In Thousands of Yen
(1) Accumulated depreciation of property, plant and equipment	¥ 16,206,850

(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	¥(2,723,651) thousand

Notes to Consolidated Statement of Income

In Thousands of Yen

Amount of reduction in book value of inventories held for normal sales purpose due to the lowered earnings		
Cost of sales	¥	25,250

Notes to Consolidated Statement of Change in Net Assets

(1) Class and number of issued shares

Class of stock	As of April 1, 2014	Increase	Decrease	As of March 31, 2015
Common stock	79,453,250	―	―	79,453,250

(2) Class and number of treasury stock

Class of stock	As of April 1, 2014	Increase	Decrease	As of March 31, 2015
Common stock	1,823,993	794	―	1,824,787

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	Record date	Effective date of distribution
Annual general shareholders' meeting on June 27, 2014	Common stock	(Thousands of Yen) 388,146	(Yen) 5.00	March 31, 2014	June 30, 2014
Board meeting on October 30, 2014	Common stock	388,144	5.00	September 30, 2014	November 26, 2014

② Dividends whose record date falls in the fiscal year ended March 31, 2015, but the effective date of distribution falls in the fiscal year ending March 31, 2016

Resolution	Class of stock	Resource of dividends	Amount of cash dividends	Cash dividends per share	Record date	Effective date of distribution
Annual general shareholders' meeting on June 26, 2015	Common stock	Retained earnings	(Thousands of Yen) 388,142	(Yen) 5.00	March 31, 2015	June 29, 2015

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, 2015 are as follows.

(In Thousands of Yen)

	Consolidated balance sheet amounts	Fair values	Differences
① Cash on hand and in banks	1,403,808	1,403,808	－
② Deposits receivable	23,914,799	23,914,799	－
③ Notes and accounts receivable – trade	19,081,574		
Allowance for doubtful accounts (※)	(84,544)		
	18,997,029	18,997,029	－
④ Investment securities			
Other securities	4,894,253	4,894,253	－
Total assets	49,209,890	49,209,890	－
⑤ Trade notes and accounts payable	12,265,095	12,265,095	－
⑥ Income taxes payable	871,165	871,165	－
Total liabilities	13,136,260	13,136,260	－
⑦ Derivative transactions	－	45,825	45,825

(※) Allowance for doubtful accounts corresponding to notes and accounts receivable – trade is deducted.

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	¥	633.20
Net income per share		39.85

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." and the "Act to Amend the Local Taxation Act, etc." were promulgated on March 31, 2015. As a result, for the fiscal year ended March 31, 2015, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities (applies only to temporary differences realized or settled on or after April 1, 2015) was changed as follows: from 35.4% in the previous fiscal year, to 32.8% for those expected to be settled or paid from April 1, 2015 to March 31, 2016, and to 32.1% for those expected to be settled or paid on or after April 1, 2016.
The effect of the announced reduction of the effective statutory tax rate is immaterial.

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 13, 2015

To the Board of Directors of AICHI CORPORATION

PricewaterhouseCoopers Aarata

Sakae Toda, 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 67th fiscal year from April 1, 2014 to March 31, 2015.

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.

---

* 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
Balance Sheet
As of March 31, 2015

	In Thousands of Yen
Assets	
Current assets:	
Cash on hand and in banks	¥ 245,871
Deposits receivable	23,914,799
Notes receivable – trade	5,340,470
Electronically recorded monetary claims	895,227
Accounts receivable – trade	12,711,657
Finished goods	830,555
Work in process	1,013,558
Raw materials and supplies	1,002,762
Deferred tax assets	554,785
Short-term loans receivable	1,442,040
Other current assets	400,449
Less, allowance for doubtful accounts	(3,736)
Total current assets	48,348,440
Fixed assets:	
Property, plant and equipment:	
Buildings	3,305,155
Structures	420,073
Machinery and equipment	956,962
Vehicles	9,199
Tools, furniture and fixtures	182,409
Land	8,746,262
Construction in progress	863,918
Other property, plant and equipment	679,333
Total property, plant and equipment	15,163,314
Intangible assets:	
Telephone use rights (not depreciable)	33,529
Water supply utility rights	367
Telephone rights to use public facility (depreciable)	24
Software	217,342
Goodwill	203,500
Other intangible assets	186,008
Total intangible assets	640,772
Investments and other assets:	
Investment securities	5,325,813
Investments in subsidiaries and affiliates	30,000
Investments in partnerships	1,220
Investments in affiliated partnerships	1,234,069
Deferred tax assets	145,509
Long-term prepaid expenses	63,173
Lease deposits	90,373
Other assets	150,019
Less, allowance for doubtful accounts	(6,638)
Total investments and other assets	7,033,540
Total fixed assets	22,837,627
Total assets	¥ 71,186,067

	In Thousands of Yen
Liabilities	
Current liabilities:	
Notes payable – trade	¥ 1,809,851
Electronically recorded obligations – operating	7,331,131
Accounts payable – trade	3,201,971
Accounts payable – other	1,172,086
Income taxes payable	866,874
Accrued consumption taxes	378,198
Accrued expenses	1,342,926
Deposits received	264,872
Deferred income	1,624
Accrued bonuses to directors and corporate auditors	73,000
Allowance for product warranty	184,074
Notes payable – equipment	1,142,961
Electronically recorded obligations – equipment	190,541
Other current liabilities	227,512
Total current liabilities	18,187,627
Long-term liabilities:	
Deferred tax liabilities for land revaluation	648,777
Accrued retirement benefits	2,984,081
Accrued retirement benefits to directors and corporate auditors	222,800
Other liabilities	1,059,976
Total long-term liabilities	4,915,635
Total liabilities	23,103,263
Net assets	
Shareholders' equity:	
Capital stock	10,425,325
Capital surplus:	
Additional paid-in capital	9,941,842
Total capital surplus	9,941,842
Retained earnings:	
Other retained earnings	28,598,740
Retained earnings carried forward to the following period	28,598,740
Total retained earnings	28,598,740
Less, treasury stock	(914,980)
Total shareholders' equity	48,050,927
Valuation and translation adjustments:	
Net unrealized gains on other securities	2,403,102
Less, land revaluation	(2,371,226)
Total valuation and translation adjustments	31,876
Total net assets	48,082,804
Total liabilities and net assets	¥ 71,186,067

AICHI CORPORATION
Statement of Income
Fiscal Year from April 1, 2014 to March 31, 2015

	In Thousands of Yen
Operating revenue:	
Net sales	¥ 48,516,395
Operating costs and expenses:	
Cost of sales	38,803,553
Gross profit	9,712,842
Selling, general and administrative expenses	5,743,095
Operating income	3,969,746
Non-operating income:	
Interest and dividend income	269,167
Foreign exchange gains	247,324
Miscellaneous incomes	116,703
	633,196
Non-operating expenses:	
Interest expense	406
Miscellaneous expenses	5,303
	5,710
Ordinary income	4,597,232
Extraordinary gains:	
Gain on sales of tangible fixed assets	408
	408
Extraordinary losses:	
Loss on sales of tangible fixed assets	694
Loss on disposal of tangible fixed assets	163,458
Impairment loss	3,101
Loss on liquidation of affiliated partnerships	72,714
	239,968
Income before income taxes	4,357,671
Income taxes-current	1,447,077
Income taxes-deferred	132,090
Net income	¥ 2,778,503

AICHI CORPORATION
Statement of Change in Net Assets
Fiscal Year from April 1, 2014 to March 31, 2015

(In Thousands of Yen)

Items	Shareholders' equity		
	Capital 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
Cumulative effects of changes in accounting policies			
Adjusted 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			
Other changes			
Total changes of items during the period	−	−	−
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	26,571,279	26,571,279	(914,551)	46,023,895
Cumulative effects of changes in accounting policies	25,248	25,248		25,248
Adjusted balance at the beginning of current period	26,596,527	26,596,527	(914,551)	46,049,144
Changes of items during the period				
Cash dividends	(776,290)	(776,290)		(776,290)
Net income for the year	2,778,503	2,778,503		2,778,503
Purchase of treasury stock			(429)	(429)
Other changes				
Total changes of items during the period	2,002,212	2,002,212	(429)	2,001,783
Balance at the end of current period	28,598,740	28,598,740	(914,980)	48,050,927

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	1,887,608	(2,439,114)	(551,506)	45,472,388
Cumulative effects of changes in accounting policies				25,248
Adjusted balance at the beginning of current period	1,887,608	(2,439,114)	(551,506)	45,497,637
Changes of items during the period				
Cash dividends				(776,290)
Net income for the year				2,778,503
Purchase of treasury stock				(429)
Other changes	515,494	67,888	583,383	583,383
Total changes of items during the period	515,494	67,888	583,383	2,585,166
Balance at the end of current period	2,403,102	(2,371,226)	31,876	48,082,804

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 retirement 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 benefit formula basis.

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 fiscal year following the fiscal 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 Accounting treatment for retirement benefits
The accounting treatment for unrecognized actuarial differences for retirement benefits and unrecognized prior service costs differ from that of the consolidated financial statements.

② Consumption taxes
Consumption taxes are separately recorded at each transaction.

Changes in Accounting Policies

(Adoption of Accounting Standard for Retirement Benefits and other standards)
The Company has adopted the "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 March 26, 2015) from the fiscal year ended March 31, 2015. Accordingly, the Company has revised the method of calculating retirement benefit obligation and service costs. Also, the Company now conducts attribution of projected benefit obligation to periods on a benefit formula basis, instead of on the previous straight-line method. In addition, the method of determining the discount rate has been revised. Previously, the discount rate was determined based on the bonds with the period, which in turn was determined using a number that approximates the average remaining years of service of the employees. After the change, the Company will use a single weighted average discount rate that reflects the estimated timing and amount of each benefit payment.
Concerning the application of the Standard, etc., based on the provisional treatment set out in Section 37 of the Standard, at the beginning of the fiscal year under review, the effects of the change in the calculation methods of retirement benefit obligation and service costs have been reflected in retained earnings.
As a result, as of April 1, 2014, accrued retirement benefits decreased by ¥39,084 thousand, and retained earnings increased by ¥25,248 thousand. In addition, operating income, ordinary income and income before income taxes each decreased by ¥1,329 thousand.
Consequently, for the fiscal year under review, net assets per share increased by ¥0.31, and net income per share decreased by ¥0.02.

Notes to Balance Sheet

		In Thousands of Yen
(1) Accumulated depreciation of property, plant and equipment	¥	15,762,188
(2) Receivables from and payables to subsidiaries and affiliates:		
Short-term receivables	¥	26,183,064
Short-term payables	¥	281,113

(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	¥(2,723,651) thousand

Notes to Statement of Income

		In Thousands of Yen
(1) Transactions with subsidiaries and affiliates:		
Operating transaction		
Net sales	¥	3,431,598
Goods purchased	¥	2,810,149
Selling, general and administrative expenses	¥	56,865
Non-operating transaction	¥	84,249
(2) Write-down due to decreased profitability of inventories held for sale in the ordinary course of business		
Cost of sales	¥	28,939

(3) Loss on liquidation of affiliated partnerships
The Company recorded the losses incurred in connection with the completion of liquidation of Aichi Europe B.V., 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, 2014	Increase	Decrease	As of March 31, 2015
Common stock	1,823,993	794	－	1,824,787

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:

		In Thousands of Yen
Deferred tax assets		
Inventories	¥	52,010
Accrued enterprise tax and office tax payable		73,905
Allowance for product warranty		60,431
Accrued retirement benefits		959,836
Accrued bonus		296,472
Buildings, structures, machinery and equipment		46,249
Land		308,481
Investment securities		181,954
Others		404,764
Sub total		2,384,106
Valuation allowance		(749,773)
Total deferred tax assets		1,634,332

		In Thousands of Yen
Deferred tax liabilities		
Net unrealized gains on other securities	¥	(923,792)
Others		(10,245)
Total deferred tax liabilities		(934,038)
Deferred tax assets (Net)		700,294

(2) Deferred tax assets in relation to land revaluation

		In Thousands of Yen
Deferred tax assets		
Unrealized loss on land revaluation	¥	1,200,994
Valuation allowance		(1,200,994)
Deferred tax assets (Net)		—
Deferred tax liabilities		
Unrealized gain on land revaluation	¥	(648,777)
Deferred tax liabilities (Net)		(648,777)

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.	(owned) direct 52.2%	Cross-company transfer 3 persons Employees 1 person	Sale of specially equipped vehicles as well as sale and purchase of their parts; deposits of funds	Deposits receivable ※	2,050,004	Deposits receivable	23,914,799

Note: Commercial terms and condition
※ The Company charged interest on deposits receivable in accordance with market interest rates.

(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	(owning) direct 100.0%	Executive Officers 4 persons Employees 2 persons	Sale and purchase of special machinery and parts; working capital loans	Loans receivable on working capital	204,680	Short-term loans receivable	1,442,040

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	¥ 619.40
Net income per share	35.79

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.” and the “Act to Amend the Local Taxation Act, etc.” were promulgated on March 31, 2015. As a result, for the fiscal year ended March 31, 2015, the effective statutory tax rate used to measure the Company’s deferred tax assets and liabilities (applies only to temporary differences realized or settled on or after April 1, 2015) was changed as follows: from 35.4% in the previous fiscal year, to 32.8% for those expected to be settled or paid from April 1, 2015 to March 31, 2016, and to 32.1% for those expected to be settled or paid on or after April 1, 2016.

The effect of the announced reduction of the effective statutory tax rate is immaterial.

Notice to Readers:

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