

# ANNUAL REPORT 2013

Year ended March 31, 2013

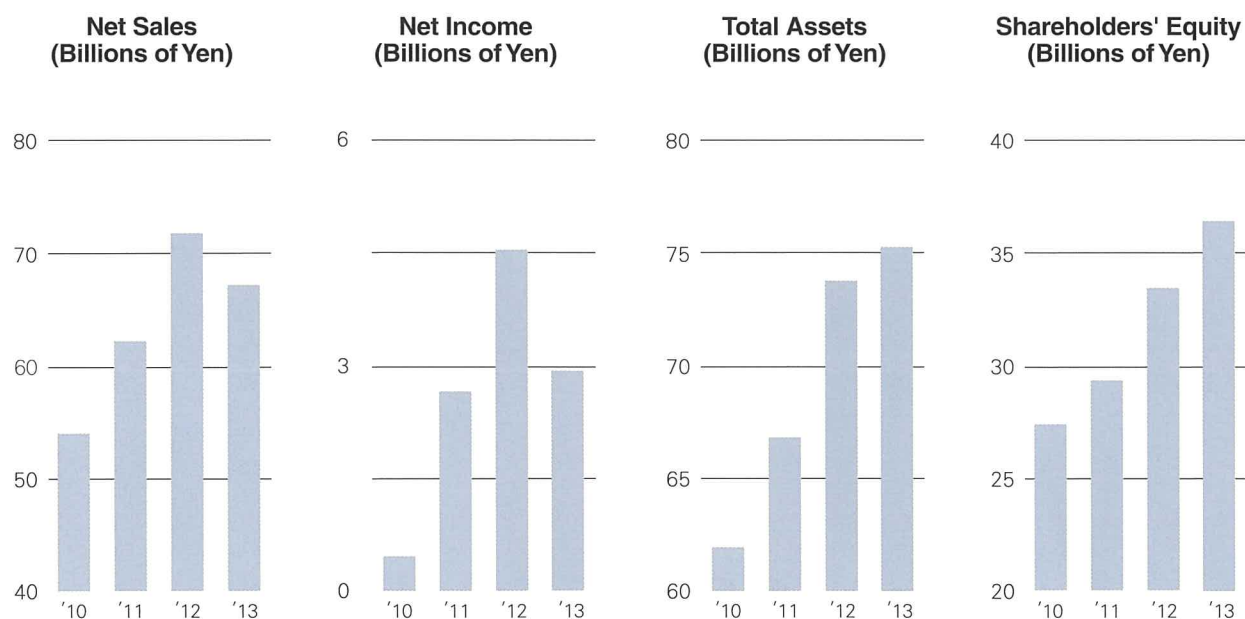
**AICHI ELECTRIC CO., LTD.**

# Financial Highlights

Years ended March 31

## Consolidated

|                             |                 | Millions of Yen |        |        | Thousands of<br>U.S. dollars |
|-----------------------------|-----------------|-----------------|--------|--------|------------------------------|
|                             | 2013            | 2012            | 2011   | 2010   | 2013                         |
| Net sales.....              | <b>¥ 67,110</b> | 71,932          | 62,186 | 54,019 | <b>\$ 713,558</b>            |
| Net income .....            | <b>2,909</b>    | 4,523           | 2,667  | 459    | <b>30,929</b>                |
| Total assets.....           | <b>75,209</b>   | 73,630          | 66,800 | 61,954 | <b>799,667</b>               |
| Shareholders' equity .....  | <b>36,499</b>   | 33,445          | 29,361 | 27,488 | <b>388,086</b>               |
| Per share (Yen and dollars) |                 |                 |        |        |                              |
| Net income .....            | <b>¥ 60.45</b>  | 94.00           | 55.42  | 9.54   | <b>\$ 0.64</b>               |

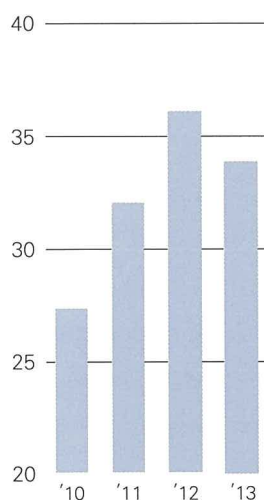


Note: In this Annual Report, U.S. dollars and \$ refer to the currency of the United States of America and Yen and ¥ refer to the currency of Japan. U.S. dollar amounts are translated from Yen at the rate of ¥94.05=U.S.\$1, solely for the convenience of the reader.

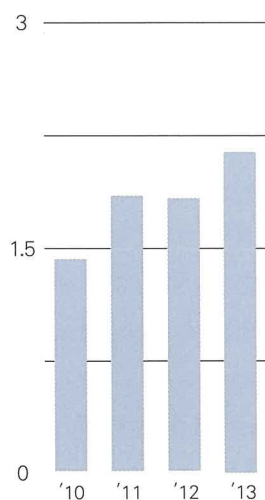
## Non-Consolidated

|                             |                 | Millions of Yen |        |        | Thousands of U.S. dollars |
|-----------------------------|-----------------|-----------------|--------|--------|---------------------------|
|                             |                 | 2013            | 2012   | 2011   | 2010                      |
| Net sales.....              | <b>¥ 33,819</b> | 36,198          | 32,111 | 27,465 | <b>\$ 359,582</b>         |
| Net income .....            | <b>2,132</b>    | 1,831           | 1,861  | 1,421  | <b>22,668</b>             |
| Total assets .....          | <b>45,828</b>   | 45,927          | 43,437 | 39,870 | <b>487,271</b>            |
| Shareholders' equity.....   | <b>27,791</b>   | 26,145          | 24,830 | 23,578 | <b>295,491</b>            |
| Per share (Yen and dollars) |                 |                 |        |        |                           |
| Net income .....            | <b>¥ 44.28</b>  | 38.04           | 38.65  | 29.51  | <b>\$ 0.47</b>            |
| Cash dividends .....        | <b>9.00</b>     | 11.50           | 7.50   | 6.50   | <b>0.10</b>               |

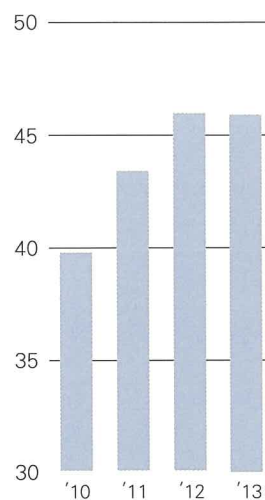
**Net Sales**  
(Billions of Yen)



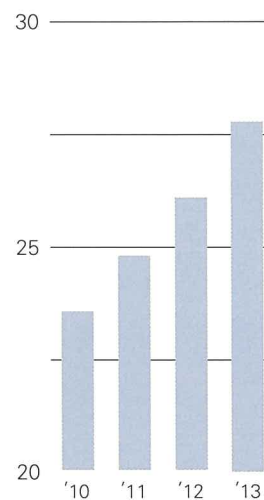
**Net Income**  
(Billions of Yen)



**Total Assets**  
(Billions of Yen)



**Shareholders' Equity**  
(Billions of Yen)



## To Our Shareholders



We are pleased to extend our greetings to our shareholders in presenting our 104th annual report for the fiscal year ended March 31, 2013.

For the Japanese economy in 2012, there were signs of brightness seen in some fields with the strong yen correction, but the economy was in a severe situation due to the influence of slowed down overseas economies.

The seriousness of our group's business condition was increasing due to the slowing of the Chinese economy, customers' overseas business transfers, and other factors.

Under these circumstances, in this fiscal year, our 70th anniversary, we endeavored to secure achievements by further deepening the stable relationships we hold with existing customers, improving productivity, reducing material cost, while also expanding overseas business.

Further, as this year marks the 100th anniversary of our company's foundation, we have launched a middle term management plan entitled "Transform & Actuate Phase III." Commemorative events were carried out, and more are planned for the future, as we strive to

enhance the common sense of purpose and unity among our employees.

Despite these measures, our sales and profit were lower than last year's, due to decreased orders of our main products. Our sales were 67,110 million yen, a decrease of 6.7% from the previous year. Operating income was 3,771 million yen, a decrease of 39.3% from the previous year, and net profit was 2,909 million yen, a decrease of 35.7% from the previous year.

The year-end dividend was 4.5 yen per share. After adding the intermediate dividend, the dividend of the 104th fiscal year was 9 yen per share.

The performance by our group was as follows.

### Sales condition

The sales achieved by the Electric Power Products Group were 30,232 million yen, a 5.0% decrease from the previous year. Though control equipment and overseas plant engineering businesses were steady, sales were lower due to decreased small transformer sales to electric power companies, which is the main business of this group.

In the Motor Products Group, sales were 36,877 million yen, an 8.1% decrease from the previous year. Nursing care equipment sales were steady following the previous year, but the small motor and printed wiring board business, the main business of this group, were lower as a result of decreased demand in the China market.

### Challenges for new products and businesses

In the Electric Power Products Group, we endeavored

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to expand the electric power products sales by strengthening the domestic private sector and overseas sales structure, and proceeded with overseas expansion to Indonesia where electric power demand is expected. We coped with the diversification of the products and business by including transformer products to meet with upgrading the domestic distribution network on the market, and entered the solar generation business.

In the Motor Products Group, we expanded the hermetic motor factory in Suzhou and prepared the printed wiring board business in order to respond to customers' overseas business shifts. We also tackled with making products such as electrical equipment for nursing care beds and inverter modules, to expand orders.

Regarding our future prospects, though recovery of facility investment in the private sector is expected given the government's economic measures, we foresee severe business conditions including tough competition of products for electric power companies, our main customers and motor products, material price increases, and other issues.

Under these circumstances, based on the middle term management plan "Transform & Actuate Phase III" formulated in March 2013, we intend to move toward business base expansion by diversifying our products and business, promoting overseas business, and expanding private sector business, while enhancing our products for quality, cost, delivery, and other factors.

As well as offering high quality products and services, we will carry out our social responsibilities such as reducing environmental load and complying with

relevant regulations. We aim to become a corporate group which is trusted by shareholders, customers and society.

We appreciate your continued understanding and support.

June, 2013



Isao Yamada  
President



# Consolidated Balance Sheets

March 31, 2013 and 2012

|   | Millions of Yen |                 | Thousands of<br>U.S. dollars |
|---|-----------------|-----------------|------------------------------|
|   | 2013            | 2012            | 2013                         |
| <b>ASSETS</b>                                     |                 |                 |                              |
| <b>Current assets:</b>                            |                 |                 |                              |
| Cash and time deposits .....                      | ¥ 12,802        | ¥ 12,006        | \$ 136,116                   |
| Marketable securities (Note 2) .....              | 7,411           | 4,411           | 78,802                       |
| Notes and accounts receivable                     |                 |                 |                              |
| Trade notes and accounts .....                    | 20,444          | 22,608          | 217,377                      |
| Other accounts .....                              | 248             | 130             | 2,639                        |
| Allowance for doubtful receivables (Note 2) ..... | (8)             | (10)            | (84)                         |
| Inventories (Notes 2 and 3) .....                 | 10,534          | 11,187          | 112,002                      |
| Deferred tax assets .....                         | 235             | 239             | 2,502                        |
| Other current assets .....                        | 711             | 656             | 7,554                        |
| <b>Total current assets</b> .....                 | <b>52,377</b>   | <b>51,227</b>   | <b>556,908</b>               |
| <b>Property, plant and equipment (Note 2):</b>    |                 |                 |                              |
| Land .....  | 4,237           | 4,240           | 45,047                       |
| Buildings and structures .....                    | 23,634          | 22,889          | 251,296                      |
| Machinery and equipment .....                     | 34,182          | 32,957          | 363,449                      |
| Construction in progress .....                    | 41              | 593             | 432                          |
| Accumulated depreciation .....                    | (46,692)        | (45,494)        | (496,463)                    |
|   | <b>15,402</b>   | <b>15,185</b>   | <b>163,761</b>               |
| <b>Investments and other assets:</b>              |                 |                 |                              |
| Investments in securities (Note 2) .....          | 4,403           | 4,155           | 46,817                       |
| Deferred tax assets .....                         | 2,337           | 2,458           | 24,852                       |
| Other assets .....                                | 690             | 605             | 7,329                        |
|   | <b>7,430</b>    | <b>7,218</b>    | <b>78,998</b>                |
|   | <b>¥ 75,209</b> | <b>¥ 73,630</b> | <b>\$ 799,667</b>            |

|  | Millions of Yen |                 | Thousands of<br>U.S. dollars |
|--|-----------------|-----------------|------------------------------|
|  | 2013            | 2012            | 2013                         |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>            |                 |                 |                              |
| <b>Current liabilities:</b>                            |                 |                 |                              |
| Notes and accounts payable                             |                 |                 |                              |
| Trade notes and accounts .....                         | ¥ 14,795        | ¥ 16,671        | \$ 157,315                   |
| Other accounts .....                                   | 780             | 844             | 8,298                        |
| Short-term bank loans .....                            | 6,887           | 7,403           | 73,223                       |
| Income and enterprise taxes payable .....              | 656             | 897             | 6,970                        |
| Accrued expenses .....                                 | 2,103           | 2,181           | 22,365                       |
| Other current liabilities .....                        | 555             | 582             | 5,894                        |
| <b>Total current liabilities</b> .....                 | <b>25,776</b>   | <b>28,578</b>   | <b>274,065</b>               |
| <b>Long-term liabilities:</b>                          |                 |                 |                              |
| Long-term debt .....                                   | 5,267           | 3,764           | 55,999                       |
| Retirement benefits .....                              | 6,711           | 6,801           | 71,356                       |
| Other Long-term liabilities .....                      | 956             | 1,042           | 10,161                       |
|  | <b>12,934</b>   | <b>11,607</b>   | <b>137,516</b>               |
| <b>Shareholders' equity:</b>                           |                 |                 |                              |
| Common stock   |                 |                 |                              |
| Authorized 119,561,000 shares                          |                 |                 |                              |
| Issued 48,252,061 shares .....                         | 4,053           | 4,053           | 43,095                       |
| Capital surplus .....                                  | 2,199           | 2,199           | 23,383                       |
| Retained earnings .....                                | 29,285          | 26,954          | 311,382                      |
| Treasury stock, at cost .....                          | (28)            | (27)            | (301)                        |
| Unrealized gain on available-for-sale securities ..... | 430             | 297             | 4,579                        |
| Foreign currency translation adjustment .....          | 274             | (366)           | 2,909                        |
| Minority interests .....                               | 286             | 335             | 3,039                        |
| <b>Total shareholders' equity</b> .....                | <b>36,499</b>   | <b>33,445</b>   | <b>388,086</b>               |
|  | <b>¥ 75,209</b> | <b>¥ 73,630</b> | <b>\$ 799,667</b>            |

# Consolidated Statements of Income

Years ended March 31, 2013 and 2012

|  | Millions of Yen |          | Thousands of<br>U.S. dollars |
|--|-----------------|----------|------------------------------|
|  | 2013            | 2012     | 2013                         |
| <b>Net sales</b> .....   | <b>¥ 67,110</b> | ¥ 71,932 | <b>\$ 713,558</b>            |
| <b>Cost of sales</b> .....                                     | <b>56,792</b>   | 59,525   | <b>603,849</b>               |
| <b>Gross profit</b> .....                                      | <b>10,318</b>   | 12,407   | <b>109,709</b>               |
| <b>Selling, general and administrative expenses</b> .....      | <b>6,547</b>    | 6,198    | <b>69,618</b>                |
| <b>Operating income</b> .....                                  | <b>3,771</b>    | 6,209    | <b>40,091</b>                |
| <b>Other income (expenses):</b>                                |                 |          |                              |
| Interest and dividend income.....                              | 119             | 89       | 1,261                        |
| Interest expense.....  | (215)           | (202)    | (2,287)                      |
| Other, net.....  | 791             | 571      | 8,425                        |
| <b>Income before income taxes and minority interests</b> ..... | <b>4,466</b>    | 6,667    | <b>47,490</b>                |
| <b>Income taxes</b>  |                 |          |                              |
| Current.....   | 1,557           | 1,818    | 16,557                       |
| Deferred.....  | 73              | 326      | 777                          |
| <b>Net income before minority interests</b> .....              | <b>2,836</b>    | 4,523    | <b>30,156</b>                |
| <b>Minority interests</b> .....                                | <b>(73)</b>     | 0        | <b>(773)</b>                 |
| <b>Net income</b> .....  | <b>¥ 2,909</b>  | ¥ 4,523  | <b>\$ 30,929</b>             |
|  |                 |          |                              |
|  | Yen             |          | U.S. dollars                 |
|  |                 |          |                              |
| <b>Per share of common stock (Note 2):</b>                     |                 |          |                              |
| Net income.....  | ¥ 60.45         | ¥ 94.00  | \$ 0.64                      |



## Consolidated Statements of Changes in Equity

Years ended March 31, 2013 and 2012

|                             | Number of shares issued | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Unrealized gain on available-for-sale securities | Foreign currency translation adjustment | Minority interests | Total     |
|-----------------------------|-------------------------|--------------|-----------------|-------------------|-------------------------|--|---|--------------------|-----------|
| Millions of Yen             |                         |              |                 |                   |                         |  |   |                    |           |
| Balance at April 1, 2011    | 48,252,061              | ¥ 4,053      | ¥ 2,199         | ¥22,816           | ¥ (26)                  | ¥424   | ¥(372)                                  | ¥267               | ¥29,361   |
| Net income                  | —                       | —            | —               | 4,523             | —                       | —  | —                                       | —                  | 4,523     |
| Cash dividends              | —                       | —            | —               | (385)             | —                       | —  | —                                       | —                  | (385)     |
| Purchase of treasury stock  | —                       | —            | —               | —                 | (1)                     | —  | —                                       | —                  | (1)       |
| Net changes during the year | —                       | —            | —               | —                 | —                       | (127)  | 6                                       | 68                 | (53)      |
| Balance at March 31, 2012   | 48,252,061              | ¥ 4,053      | ¥ 2,199         | ¥ 26,954          | ¥ (27)                  | ¥ 297  | ¥ (366)                                 | ¥ 335              | ¥ 33,445  |
| Balance at April 1, 2012    | 48,252,061              | ¥4,053       | ¥2,199          | ¥26,954           | ¥(27)                   | ¥297   | ¥(366)                                  | ¥335               | ¥33,445   |
| Net income                  | —                       | —            | —               | 2,909             | —                       | —  | —                                       | —                  | 2,909     |
| Cash dividends              | —                       | —            | —               | (578)             | —                       | —  | —                                       | —                  | (578)     |
| Purchase of treasury stock  | —                       | —            | —               | —                 | (1)                     | —  | —                                       | —                  | (1)       |
| Net changes during the year | —                       | —            | —               | —                 | —                       | 133  | 640                                     | (49)               | 724       |
| Balance at March 31, 2013   | 48,252,061              | ¥4,053       | ¥2,199          | ¥29,285           | ¥(28)                   | ¥430   | ¥(274)                                  | ¥286               | ¥36,499   |
| Thousands of U.S. dollars   |                         |              |                 |                   |                         |  |   |                    |           |
| Balance at April 1, 2012    | 48,252,061              | \$43,095     | \$23,383        | \$286,596         | \$(293)                 | \$3,161  | \$(3,900)                               | \$3,563            | \$355,605 |
| Net income                  | —                       | —            | —               | \$30,929          | —                       | —  | —                                       | —                  | \$30,929  |
| Cash dividends              | —                       | —            | —               | \$(6,143)         | —                       | —  | —                                       | —                  | \$(6,143) |
| Purchase of treasury stock  | —                       | —            | —               | —                 | \$(8)                   | —  | —                                       | —                  | \$(8)     |
| Net changes during the year | —                       | —            | —               | —                 | —                       | \$1,418  | \$6,809                                 | \$(524)            | \$7,703   |
| Balance at March 31, 2013   | 48,252,061              | \$43,095     | \$23,383        | \$311,382         | \$(301)                 | \$4,579  | \$2,909                                 | \$3,039            | \$388,086 |

## Consolidated Statements of Cash Flows

Years ended March 31, 2013 and 2012

|  | Millions of Yen |         | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
|  | 2013            | 2012    | 2013                      |
| Cash flows from operating activities                                   |                 |         |                           |
| Income before income taxes and minority interests                      | ¥4,466          | ¥ 6,667 | \$ 47,490                 |
| Adjustments for:   |                 |         |                           |
| Depreciation and amortization  | 2,059           | 2,106   | 21,893                    |
| Increase (decrease) in allowance for retirement benefits               | (90)            | (76)    | (954)                     |
| Equity in net loss (income) of affiliated companies                    | (50)            | (62)    | (535)                     |
| Decrease (increase) in trade receivables                               | 2,175           | (4,569) | 23,127                    |
| Decrease (increase) in inventories                                     | 1,290           | (919)   | 13,714                    |
| Increase (decrease) in trade payable                                   | (2,075)         | 3,317   | (22,067)                  |
| Other-net  | (556)           | 162     | (5,907)                   |
| Sub-total  | 7,219           | 6,626   | 76,761                    |
| Interest and dividend received   | 129             | 95      | 1,369                     |
| Interest paid  | (206)           | (202)   | (2,189)                   |
| Income taxes paid  | (1,799)         | (2,195) | (19,129)                  |
| Net cash provided by operating activities                              | 5,343           | 4,324   | 56,812                    |
| Cash flows from investing activities                                   |                 |         |                           |
| Payments for purchase of property, plant and equipment                 | (1,758)         | (1,566) | (18,688)                  |
| Proceeds from sales of property, plant and equipment                   | 2               | 15      | 25                        |
| Purchases of marketable securities and investment securities           | (15)            | (15)    | (160)                     |
| Proceeds from sales of marketable securities and investment securities | 15              | 13      | 158                       |
| Other-net  | (2,922)         | (2,595) | (31,079)                  |
| Net cash used in investing activities                                  | (4,678)         | (4,148) | (49,744)                  |
| Cash flows from financing activities                                   |                 |         |                           |
| Increase (decrease) in short-term loans                                | (135)           | 908     | (1,436)                   |
| Proceeds from long-term debt   | 3,325           | 2,500   | 35,354                    |
| Payment for long-term debt   | (2,204)         | (3,364) | (23,431)                  |
| Cash dividends   | (577)           | (385)   | (6,134)                   |
| Other-net  | (188)           | 31      | (2,007)                   |
| Net cash provided by financing activities                              | 221             | (310)   | 2,346                     |
| Effects of exchange rate changes on cash and cash equivalents          | 175             | 10      | 1,865                     |
| Net (decrease) increase in cash and cash equivalents                   | 1,061           | (124)   | 11,279                    |
| Cash and cash equivalents at beginning of year                         | 11,514          | 11,638  | 122,422                   |
| Cash and cash equivalents at end of year                               | ¥12,575         | ¥11,514 | \$ 133,701                |

## Notes to the Consolidated Financial Statements

### 1. Basis of Presenting Financial Statements

The accompanying consolidated financial statements of Aichi Electric Co., Ltd. (the “Company”) and its consolidated subsidiaries have been prepared in conformity with generally accepted accounting principles and practices in Japan. In preparing the consolidated financial statements for the purpose of inclusion in this Annual Report, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in Japan in order to present these statements in a form which is more familiar to readers outside Japan.

### 2. Summary of Significant Accounting Policies

#### (1) Consolidation

The consolidated financial statements include the accounts of the Company and its 8 (8 in 2012) domestic subsidiaries and 2 (2 in 2012) overseas subsidiaries. 2 (2 in 2012) companies were not accounted for by the equity method.

Unconsolidated subsidiaries are insignificant to consolidation.

#### (2) Inventories

Inventories of finished goods and work in process are stated at cost as determined by the specific identification method. Inventories of merchandise, raw materials and supplies are stated at cost as determined by the moving average method.

#### (3) Investments in securities

Publicly traded equity securities included in investments in securities are stated at the lower of cost or market value as determined by the moving average method. Other securities are stated at cost as determined by the moving average method.

#### (4) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Depreciation for tangible assets is computed by the declining balance method based on the useful lives prescribed under the Japanese tax regulations, ranging from 3 to 60 years for buildings and structures and from 4 to 8 years for machinery and equipment.

#### (5) Lease

Property, plant and equipment capitalized under finance lease arrangements are depreciated over the lease term of the respective assets up to no residual values. However, as permitted, finance leases commencing prior to April 1, 2008, which do not transfer ownership of the leased property to the lessee, are accounted for as operating leases with disclosure of certain “as if capitalized” information.

#### (6) Allowance for doubtful receivables

The Company and its consolidated subsidiaries provide the allowance for doubtful accounts in an amount sufficient to cover possible losses on collection by estimating individually uncollectible amounts and applying a percentage based on collection experience to the remaining accounts.

### (7) Retirement benefits

The liability and expenses for severance and retirement benefits are determined based on amounts actuarially calculated using certain assumptions. The Domestic Companies provide allowance for employees' severance and retirement benefits at the end of the fiscal year based on the estimated amounts of projected benefit obligation. Prior service costs are recognized in expenses in equal amounts over 3 years, and actuarial gains and losses are recognized in expenses in equal amounts mainly over 15 years, which is within the average of the estimated remaining service years, commencing with the following period.

### (8) Amounts per share of common stock

The computation of net income per share is based on the weighted average number of shares of common stock outstanding during the year. Cash dividends per share presented in the consolidated statements represent actual amounts applicable to the respective years.

### (9) Cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities that do not exceed three months at the time of purchase, are considered to be cash and cash equivalents.

## 3. Inventories

Inventories at March 31, 2013 and 2012 consisted of the following:

|                       | Millions of Yen |                 | Thousands of<br>U.S. dollars |
|-----------------------|-----------------|-----------------|------------------------------|
|                       | 2013            | 2012            | 2013                         |
| Finished goods .....  | ¥ 3,419         | ¥ 3,059         | \$ 36,352                    |
| Merchandise.....      | 349             | 315             | 3,712                        |
| Raw materials .....   | 3,825           | 4,300           | 40,668                       |
| Work in process ..... | 2,646           | 3,207           | 28,132                       |
| Supplies .....        | 295             | 306             | 3,138                        |
|                       | <u>¥ 10,534</u> | <u>¥ 11,187</u> | <u>\$ 112,002</u>            |

## Non-Consolidated Balance Sheets

March 31, 2013 and 2012

|  | Millions of Yen |                 | Thousands of<br>U.S. dollars |
|--|-----------------|-----------------|------------------------------|
|  | 2013            | 2012            | 2013                         |
| <b>ASSETS</b>                                    |                 |                 |                              |
| <b>Current assets:</b>                           |                 |                 |                              |
| Cash and time deposits.....                      | ¥ 5,129         | ¥ 5,620         | \$ 54,539                    |
| Marketable securities (Note 2).....              | 7,301           | 4,300           | 77,626                       |
| Notes and accounts receivable                    |                 |                 |                              |
| Trade notes and accounts.....                    | 9,632           | 11,335          | 102,413                      |
| Other accounts.....                              | 133             | 91              | 1,411                        |
| Allowance for doubtful receivables (Note 2)..... | (1)             | (1)             | (11)                         |
| Inventories (Notes 2 and 3).....                 | 4,299           | 4,633           | 45,705                       |
| Deferred tax assets.....                         | 223             | 230             | 2,370                        |
| Other current assets.....                        | 622             | 536             | 6,619                        |
| <b>Total current assets</b> .....                | <b>27,338</b>   | <b>26,744</b>   | <b>290,672</b>               |
| <b>Property, plant and equipment (Note 2):</b>   |                 |                 |                              |
| Land.....  | 2,688           | 2,688           | 28,585                       |
| Buildings and structures.....                    | 11,494          | 11,410          | 122,212                      |
| Machinery and equipment.....                     | 15,382          | 14,992          | 163,551                      |
| Construction in progress.....                    | 4               | 67              | 44                           |
| Accumulated depreciation.....                    | (22,847)        | (22,417)        | (242,927)                    |
|  | <b>6,721</b>    | <b>6,740</b>    | <b>71,465</b>                |
| <b>Investments and other assets:</b>             |                 |                 |                              |
| Investments in securities (Note 2).....          | 2,108           | 1,911           | 22,411                       |
| Investments in subsidiaries and affiliates.....  | 7,408           | 7,481           | 78,766                       |
| Deferred tax assets.....                         | 1,223           | 1,261           | 13,001                       |
| Other assets.....                                | 1,030           | 1,790           | 10,956                       |
|  | <b>11,769</b>   | <b>12,443</b>   | <b>125,134</b>               |
|  | <b>¥ 45,828</b> | <b>¥ 45,927</b> | <b>\$ 487,271</b>            |



|  | Millions of Yen |                 | Thousands of<br>U.S. dollars |
|--|-----------------|-----------------|------------------------------|
|  | 2013            | 2012            | 2013                         |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>            |                 |                 |                              |
| <b>Current liabilities:</b>                            |                 |                 |                              |
| Notes and accounts payable                             |                 |                 |                              |
| Trade notes and accounts .....                         | ¥ 8,159         | ¥ 9,569         | \$ 86,748                    |
| Other accounts .....                                   | 323             | 563             | 3,432                        |
| Short-term bank loans .....                            | 2,320           | 2,320           | 24,668                       |
| Income and enterprise taxes payable .....              | 522             | 657             | 5,549                        |
| Accrued expenses .....                                 | 1,157           | 1,134           | 12,303                       |
| Other current liabilities .....                        | 321             | 312             | 3,414                        |
| <b>Total current liabilities</b> .....                 | <b>12,802</b>   | <b>14,555</b>   | <b>136,114</b>               |
| <b>Long-term liabilities:</b>                          |                 |                 |                              |
| Long-term debt .....                                   | 1,000           | 1,000           | 10,633                       |
| Retirement benefits (Note 2) .....                     | 4,042           | 4,007           | 42,980                       |
| Other Long-term liabilities .....                      | 193             | 220             | 2,053                        |
|  | <b>5,235</b>    | <b>5,227</b>    | <b>55,666</b>                |
| <b>Shareholders' equity:</b>                           |                 |                 |                              |
| Common stock   |                 |                 |                              |
| Authorized 119,561,000 shares                          |                 |                 |                              |
| Issued 48,252,061 shares .....                         | 4,053           | 4,053           | 43,095                       |
| Capital surplus .....                                  | 2,199           | 2,199           | 23,383                       |
| Retained earnings .....                                | 21,214          | 19,660          | 225,565                      |
| Treasury stock, at cost .....                          | (24)            | (23)            | (257)                        |
| Unrealized gain on available-for-sale securities ..... | 349             | 256             | 3,705                        |
| <b>Total shareholders' equity</b> .....                | <b>27,791</b>   | <b>26,145</b>   | <b>295,491</b>               |
|  | <b>¥ 45,828</b> | <b>¥ 45,927</b> | <b>\$ 487,271</b>            |



# Non-Consolidated Statements of Income

Years ended March 31, 2013 and 2012

|   | Millions of Yen |          | Thousands of<br>U.S. dollars |
|---|-----------------|----------|------------------------------|
|   | 2013            | 2012     | 2013                         |
| <b>Net sales</b> .....                                    | <b>¥ 33,819</b> | ¥ 36,198 | <b>\$ 359,582</b>            |
| <b>Cost of sales</b> .....                                | <b>27,857</b>   | 30,047   | <b>296,192</b>               |
| <b>Gross profit</b> .....                                 | <b>5,962</b>    | 6,151    | <b>63,390</b>                |
| <b>Selling, general and administrative expenses</b> ..... | <b>3,056</b>    | 3,051    | <b>32,488</b>                |
| <b>Operating income</b> .....                             | <b>2,906</b>    | 3,100    | <b>30,902</b>                |
| <b>Other income(expenses):</b>                            |                 |          |                              |
| Interest and dividend income.....                         | 272             | 126      | 2,890                        |
| Interest expense.....                                     | (45)            | (56)     | (475)                        |
| Other, net.....   | 209             | 225      | 2,219                        |
| <b>Income before income taxes</b> .....                   | <b>3,342</b>    | 3,395    | <b>35,536</b>                |
| <b>Income taxes</b>                                       |                 |          |                              |
| Current.....  | 1,207           | 1,370    | 12,838                       |
| Deferred.....   | 3               | 194      | 30                           |
| <b>Net income</b> .....                                   | <b>¥ 2,132</b>  | ¥ 1,831  | <b>\$ 22,668</b>             |
|   |                 |          |                              |
|   | Yen             |          | U.S. dollars                 |
| <b>Per share of common stock (Note 2):</b>                |                 |          |                              |
| Net income.....   | <b>¥ 44.28</b>  | ¥ 38.04  | <b>\$ 0.47</b>               |
| Cash dividends.....                                       | <b>9.00</b>     | 11.50    | <b>0.10</b>                  |

# Notes to the Non-Consolidated Financial Statements

## 1. Basis of Presenting Financial Statements

The accompanying non-consolidated financial statements of Aichi Electric Co., Ltd. (the "Company") have been prepared in conformity with generally accepted accounting principles and practices in Japan. In preparing the non-consolidated financial statements for the purpose of inclusion in this Annual Report, certain reclassifications and rearrangements have been made to the non-consolidated financial statements issued domestically in Japan in order to present these statements in a form which is more familiar to readers outside Japan.

## 2. Summary of Significant Accounting Policies

### (1) Inventories

Inventories of finished goods and work in process are stated at cost as determined by the specific identification method. Inventories of merchandise, raw materials and supplies are stated at cost as determined by the moving average method.

### (2) Investments in securities

Publicly traded equity securities included in investments in securities are stated at the lower of cost or market value as determined by the moving average method. Other securities are stated at cost as determined by the moving average method.

### (3) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Depreciation for tangible assets is computed by the declining balance method based on the useful lives prescribed under the Japanese tax regulations, ranging from 3 to 50 years for buildings and from 4 to 7 years for machinery and equipment.

### (4) Lease

Property, plant and equipment capitalized under finance lease arrangements are depreciated over the lease term of the respective assets up to no residual values. However, as permitted, finance leases commencing prior to April 1, 2008, which do not transfer ownership of the leased property to the lessee, are accounted for as operating leases with disclosure of certain "as if capitalized" information.

### (5) Allowance for doubtful receivables

The Company provides the allowance for doubtful accounts in an amount sufficient to cover possible losses on collection by estimating individually uncollectible amounts and applying a percentage based on collection experience to the remaining accounts.

### (6) Retirement benefits

The liability and expenses for severance and retirement benefits are determined based on amounts actuarially calculated using certain assumptions. The Company provides allowance for employees' severance and retirement benefits at the end of the fiscal year based on the estimated amounts of projected benefit obligation. Prior service costs are recognized in expenses in equal amounts over 3 years, and actuarial gains and losses are recognized in expenses in equal amounts mainly over 15 years, which is within the average of the estimated remaining service years, commencing with the following period.

### (7) Amounts per share of common stock

The computation of net income per share is based on the weighted average number of shares of common stock outstanding during the year. Cash dividends per share presented in non-consolidated statements represent actual amounts applicable to the respective years.

## 3. Inventories

Inventories at March 31, 2013 and 2012 consisted of the following:

|                      | Millions of Yen |                | Thousands of U.S. dollars |
|----------------------|-----------------|----------------|---------------------------|
|                      | 2013            | 2012           | 2013                      |
| Finished goods.....  | ¥ 1,155         | ¥ 1,054        | \$ 12,282                 |
| Merchandise.....     | 2               | 2              | 16                        |
| Raw materials.....   | 1,227           | 1,277          | 13,043                    |
| Work in process..... | 1,814           | 2,204          | 19,290                    |
| Supplies.....        | 101             | 96             | 1,074                     |
|                      | <u>¥ 4,299</u>  | <u>¥ 4,633</u> | <u>\$ 45,705</u>          |

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## Outline of the Company

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### Corporate Data (As of March 31, 2013)

|                         |  |
|-------------------------|--|
| Head Office:            | 1, Aichi-cho, Kasugai city, Aichi<br>486-8666, Japan<br>Phone: +81-568-31-1111<br>Fax: +81-568-35-1242<br>URL: <a href="http://www.aichidenki.jp">http://www.aichidenki.jp</a> |
| Established:            | 1942   |
| Capital:                | ¥4,053 million   |
| Shares:                 | Authorized 119,561,000<br>Issued 48,252,061  |
| Number of Shareholders: | 3,109  |
| Number of Employees:    | 787  |
| Office Location:        | Sapporo, Sendai, Tokyo,<br>Osaka, Fukuoka, Naha<br>Suzhou (China)  |

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### Board of Directors and Auditors (As of June 27, 2013)

|                               |   |
|-------------------------------|---|
| President:                    | Isao Yamada   |
| Executive Managing Directors: | Toru Satoh<br>Toshihiko Kusumi  |
| Managing Director:            | Makoto Andoh  |
| Directors:                    | Toshio Nishimi<br>Hiroshi Yano<br>Teruo Ono<br>Tatsuyoshi Kato<br>Makoto Yamada<br>Katsumi Nonomura<br>Atsushi Kitanoya<br>Kazuhiko Usami |
| Standing Auditor:             | Kozo Furuhashi  |
| Auditors:                     | Masaaki Kajita<br>Hidetaka Tomita<br>Satoshi Takeo  |

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