

AICHI CORPORATION
Audited Financial Statements
(English Translation)

March 31, 2019

Independent Auditors' Report
(English Translation*)

May 16, 2019

To the Board of Directors of AICHI CORPORATION

PricewaterhouseCoopers Aarata LLC

Kosaku Kawahara, CPA
Designated Limited Liability Partner, Engagement Partner
Yoshiyuki Ohashi, CPA
Designated Limited Liability Partner, Engagement Partner

We have audited, pursuant to Article 444 (4) of the Companies Act of Japan, the consolidated financial statements, which consist of the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to consolidated financial statements of AICHI CORPORATION (hereinafter referred to as the "Company") for the fiscal year from April 1, 2018 to March 31, 2019.

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, including establishing and operating internal control that management determines is necessary to enable the preparation and fair presentation 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 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 by management, the method of application of the policies, 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 consists 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 Accountants Act 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, 2019

In Thousands of Yen

Assets

Current assets:

Cash and deposits	¥	1,442,894
Deposits paid		24,286,493
Notes and accounts receivable – trade		24,159,059
Finished goods		1,470,999
Work in process		1,644,939
Raw materials and supplies		1,258,816
Other		610,479
Allowance for doubtful accounts		(82)
Total current assets		54,873,600

Non-current assets:

Property, plant and equipment:

Buildings and structures		8,246,952
Machinery, equipment and vehicles		2,698,089
Tools, furniture and fixtures		312,063
Land		8,525,575
Construction in progress		133,835
Other		394,234

Total property, plant and equipment 20,310,751

Intangible assets 1,015,904

Investments and other assets:

Investment securities		6,576,365
Deferred tax assets		304,456
Other		1,486,882
Allowance for doubtful accounts		(5,784)

Total investments and other assets 8,361,920

Total non-current assets 29,688,576

Total assets ¥ 84,562,176

	<u>In Thousands of Yen</u>
Liabilities	
Current liabilities:	
Notes and accounts payable – trade	¥ 10,311,428
Income taxes payable	1,281,952
Provision for bonuses for directors (and other officers)	32,000
Provision for product warranties	201,738
Other	3,045,582
Total current liabilities	<u>14,872,702</u>
Non-current liabilities:	
Deferred tax liabilities for land revaluation	616,302
Provision for retirement benefits for directors (and other officers)	44,100
Retirement benefit liability	3,401,625
Other	372,567
Total non-current liabilities	<u>4,434,596</u>
Total liabilities	<u>19,307,299</u>
Net assets	
Shareholders' equity:	
Share capital	10,425,325
Capital surplus	9,923,356
Retained earnings	44,118,766
Treasury shares	(917,709)
Total shareholders' equity	<u>63,549,738</u>
Accumulated other comprehensive income:	
Valuation difference on available-for-sale securities	3,441,100
Revaluation reserve for land	(1,624,044)
Foreign currency translation adjustment	(182,650)
Remeasurements of defined benefit plans	70,733
Total accumulated other comprehensive income	<u>1,705,138</u>
Total net assets	<u>65,254,877</u>
Total liabilities and net assets	<u>¥ 84,562,176</u>

AICHI CORPORATION
Consolidated Statement of Income
Fiscal Year from April 1, 2018 to March 31, 2019

In Thousands of Yen

Operating revenue:	
Net sales	¥ 61,838,950
Operating costs and expenses:	
Cost of sales	47,832,283
Gross profit	<u>14,006,667</u>
Selling, general and administrative expenses	<u>7,006,595</u>
Operating profit	7,000,072
Non-operating income:	
Interest and dividend income	155,363
Foreign exchange gains	31,498
Other	208,480
	<u>395,342</u>
Non-operating expenses:	
Other	2,204
	<u>2,204</u>
Ordinary profit	7,393,210
Extraordinary income:	
Gain on sales of non-current assets	22
Gain on sales of investment securities	413,690
	<u>413,712</u>
Extraordinary losses:	
Loss on sales of investment securities	6,150
Loss on sales of non-current assets	479
Loss on retirement of non-current assets	23,272
Impairment loss	395
	<u>30,297</u>
Profit before income taxes	7,776,626
Income taxes – current	2,378,500
Income taxes – deferred	(126,929)
Profit	<u>5,225,055</u>
Profit attributable to owners of parent	<u>¥ 5,225,055</u>

AICHI CORPORATION
Consolidated Statement of Changes in Equity
Fiscal Year from April 1, 2018 to March 31, 2019

(In Thousands of Yen)

Items	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	10,425,325	9,923,356	40,301,476	(917,134)	59,733,023
Changes in items during period					
Dividends of surplus			(1,707,764)		(1,707,764)
Profit attributable to owners of parent			5,525,055		5,525,055
Purchase of treasury shares				(575)	(575)
Net changes of items other than shareholders' equity					
Total changes in items during period	—	—	3,817,290	(575)	3,816,715
Balance at the end of current period	10,425,325	9,923,356	44,118,766	(917,709)	63,549,738

Items	Accumulated other comprehensive income		
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment
Balance at the beginning of current period	3,199,125	(1,624,044)	75,631
Changes in items during period			
Dividends of surplus			
Profit attributable to owners of parent			
Purchase of treasury shares			
Net changes of items other than shareholders' equity	241,975		(258,281)
Total changes in items during period	241,975	—	(258,281)
Balance at the end of current period	3,441,100	(1,624,044)	(182,650)

Items	Accumulated other comprehensive income		Total net assets
	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of current period	(433,505)	1,217,206	60,950,230
Changes in items during period			
Dividends of surplus			(1,707,764)
Profit attributable to owners of parent			5,525,055
Purchase of treasury shares			(575)
Net changes of items other than shareholders' equity	504,238	487,932	487,932
Total changes in items during period	504,238	487,932	4,304,647
Balance at the end of current period	70,733	1,705,138	65,254,877

AICHI CORPORATION

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies

1. Basis of consolidation

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

Name of the consolidated subsidiaries

Aichi Training Center Co., Ltd.
Zhejiang Aichi Industrial Machinery Co., Ltd.
AICHI NZ LIMITED
AICHI AUS PTY LTD

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

Although the fiscal year end date of Zhejiang Aichi Industrial Machinery Co., Ltd. is December 31, when preparing the consolidated financial statements, the Company uses the subsidiary’s provisional financial statements, which are calculated assuming the fiscal year end date is March 31.

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 the specific identification method.

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

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

② Securities

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

Available-for-sale 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 the moving average method.

Available-for-sale securities whose market quotations are not available are stated at cost, cost being determined by the moving average method.

(2) Method of depreciation or amortization

- ① Property, plant and equipment (except for lease assets) are depreciated mainly on the declining-balance method. In addition, buildings (except for its accessory structures) acquired on and after April 1, 1998 and accessory structures of buildings and structures acquired on and after April 1, 2016 are depreciated on the straight-line method.
- ② Intangible assets (except for lease assets) are amortized based on the straight-line method. In addition, software for internal use is amortized on the straight-line method over estimated useful lives (5 years).
Goodwill is amortized on the straight-line method over four to 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.

(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 Provision for bonuses for directors (and other officers)
The Company provides for estimated payment of bonuses to directors and corporate auditors.
- ③ Provision for product warranties
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 Provision for retirement benefits for directors (and other officers)
The Company provides for estimated cost for retirement benefits to directors and corporate auditors based on the amount which would be payable under internal rules 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) Other important matters for preparing consolidated financial statements

Consumption taxes

Consumption taxes are separately recorded at each transaction.

Changes of Presentation Method

Consolidated Balance Sheet

The Company applied “Ministerial Ordinance to Partially Amend Regulation for Enforcement of the Companies Act and Regulation on Corporate Accounting” (Ministry of Justice Ordinance No. 5, March 26, 2018) which is associated with “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the fiscal year ended March 31, 2019. Accordingly, deferred tax assets are presented under “Investments and other assets” and deferred tax liabilities are presented under “Non-current liabilities.”

Notes to Consolidated Balance Sheet

	<u>In Thousands of Yen</u>	
(1) Accumulated depreciation of property, plant and equipment	¥	19,345,621

(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	¥(2,482,787) 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	¥	110,305

Notes to Consolidated Statement of Changes in Equity

(1) Class and number of issued shares

Class of stock	As of April 1, 2018	Increase	Decrease	As of March 31, 2019
Common stock	79,453,250	—	—	79,453,250

(2) Stock acquisition rights, etc.

There is no applicable item.

(3) 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 21, 2018	Common stock	(Thousands of Yen) 853,884	(Yen) 11.00	March 31, 2018	June 22, 2018
Board meeting on October 26, 2018	Common stock	853,880	11.00	September 30, 2018	November 28, 2018

② Dividends whose record date falls in the fiscal year ended March 31, 2019, but the effective date of distribution falls in the fiscal year ending March 31, 2020

Resolution (Planned)	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 21, 2019	Common stock	Retained earnings	(Thousands of Yen) 853,874	(Yen) 11.00	March 31, 2019	June 24, 2019

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, 2019 are as follows.

(In Thousands of Yen)

	Consolidated balance sheet amounts	Fair values	Differences
① Cash and deposits	1,442,894	1,442,894	—
② Deposits paid	24,286,493	24,286,493	—
③ Notes and accounts receivable – trade	24,159,059		
Allowance for doubtful accounts (※)	(82)		
	24,158,976	24,158,976	—
④ Investment securities			
Available-for-sale securities	6,149,005	6,149,005	—
Total assets	56,037,370	56,037,370	—
⑤ Notes and accounts payable – trade	10,311,428	10,311,428	—
⑥ Income taxes payable	1,281,952	1,281,952	—
Total liabilities	11,593,381	11,593,381	—
⑦ Derivative transactions	—	—	—

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

Notes:

① Cash and deposits, ② Deposits paid 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.

Accounts receivable – trade under designated hedge accounting (“Furiate-shori”) are evaluated at an amount accounted for integrally with the forward exchange contracts.

④ Investment securities

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

Unlisted shares (with consolidated balance sheet amount of ¥427,360 thousand) are not included in “Available-for-sale 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 Notes and accounts payable – trade 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

The fair values of forward exchange contracts under designated hedge accounting (“Furiate-shori”) are included in the amount of accounts receivable – trade as they are accounted for integrally with accounts receivable – trade which are hedged items.

Notes to Rental Property

Disclosure is omitted as the information is insignificant.

Per Share Information

	In Yen	
Net assets per share	¥	840.64
Profit per share		71.18

Notes to Subsequent Event

There is no applicable item.

Other Notes

There is no applicable item.

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 16, 2019

To the Board of Directors of AICHI CORPORATION

PricewaterhouseCoopers Aarata LLC

Kosaku Kawahara, CPA
Designated Limited Liability Partner, Engagement Partner
Yoshiyuki Ohashi, CPA
Designated Limited Liability Partner, Engagement Partner

We have audited, pursuant to Article 436 (2) i of the Companies Act of Japan, the financial statements, which consist of the balance sheet, statement of income, statement of changes in equity and notes to financial statements, and the supplementary schedules of AICHI CORPORATION (hereinafter referred to as the "Company") for the 71st fiscal year from April 1, 2018 to March 31, 2019.

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, including establishing and operating internal control that management determines is necessary to enable the preparation and fair presentation of financial statements and the supplementary schedules 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 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 by management, the method of application of the policies, 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 Accountants Act of Japan.

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AICHI CORPORATION
Balance Sheet
As of March 31, 2019

In Thousands of Yen

Assets

Current assets:

Cash and deposits	¥	409,601
Deposits paid		24,286,493
Notes receivable – trade		4,250,508
Electronically recorded monetary claims – operating		2,405,509
Accounts receivable – trade		17,698,709
Finished goods		1,303,393
Work in process		1,570,422
Raw materials and supplies		901,923
Short-term loans receivable		554,950
Other		579,097
Total current assets		53,960,609

Non-current assets:

Property, plant and equipment:

Buildings		6,993,087
Structures		883,645
Machinery and equipment		2,366,373
Vehicles		3,825
Tools, furniture and fixtures		274,292
Land		8,525,575
Construction in progress		129,084
Other		394,234
Total property, plant and equipment		19,570,118

Intangible assets:

Right to use water facilities		1,128
Software		531,550
Other		19,851
Total intangible assets		552,530

Investments and other assets:

Investment securities		6,576,365
Shares of subsidiaries and associates		30,000
Investments in capital		1,220
Investments in capital of subsidiaries and associates		1,565,576
Deferred tax assets		425,355
Long-term prepaid expenses		94,718
Guarantee deposits		59,435
Other		64,336
Allowance for doubtful accounts		(5,784)
Total investments and other assets		8,811,223

Total non-current assets

Total assets

		28,933,872
¥		82,894,481

Liabilities**Current liabilities:**

Notes payable – trade	¥	1,424,910
Electronically recorded obligations – operating		4,133,664
Accounts payable – trade		4,870,413
Accounts payable – other		815,345
Income taxes payable		1,255,127
Accrued expenses		1,470,449
Deposits received		257,385
Unearned revenue		371
Provision for bonuses for directors (and other officers)		32,000
Provision for product warranties		201,738
Notes payable - facilities		162,745
Electronically recorded obligations – facilities		26,744
Other		90,444

Total current liabilities

14,741,341

Non-current liabilities:

Deferred tax liabilities for land revaluation		616,302
Provision for retirement benefits for directors (and other officers)		44,100
Provision for retirement benefits		3,487,730
Other		372,567

Total non-current liabilities

4,520,701

Total liabilities

19,262,043

Net assets**Shareholders' equity:**

Share capital		10,425,325
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Capital surplus:

Legal capital surplus		9,941,842
Other capital surplus		13

Total capital surplus

9,941,856

Retained earnings:

Other retained earnings		42,365,910
Retained earnings brought forward		42,365,910

Total retained earnings

42,365,910

Treasury shares

(917,709)

Total shareholders' equity

61,815,381

Valuation and translation adjustments:

Valuation difference on available-for-sale securities		3,441,100
Revaluation reserve for land		(1,624,044)

Total valuation and translation adjustments

1,817,055

Total net assets

63,632,437

Total liabilities and net assets

¥ 82,894,481

AICHI CORPORATION
Statement of Income
Fiscal Year from April 1, 2018 to March 31, 2019

In Thousands of Yen

Operating revenue:	
Net sales	¥ 61,030,688
 Operating costs and expenses:	
Cost of sales	47,874,374
Gross profit	<u>13,156,314</u>
Selling, general and administrative expenses	6,598,601
Operating profit	<u>6,557,713</u>
 Non-operating income:	
Interest and dividend income	331,042
Foreign exchange gains	62,713
Other	50,728
	<u>444,484</u>
 Non-operating expenses:	
Interest expense	30
Other	1,800
	<u>1,831</u>
Ordinary profit	<u>7,000,367</u>
 Extraordinary income:	
Gain on sales of non-current assets	22
Gain on sales of investment securities	413,690
	<u>413,712</u>
 Extraordinary losses:	
Loss on sales of non-current assets	64
Loss on retirement of non-current assets	23,009
Impairment loss	395
Loss on sales of investment securities	6,150
	<u>29,619</u>
Profit before income taxes	7,384,460
Income taxes – current	2,339,304
Income taxes – deferred	(145,229)
Profit	<u>¥ 5,190,385</u>

AICHI CORPORATION
Statement of Changes in Equity
Fiscal Year from April 1, 2018 to March 31, 2019

(In Thousands of Yen)

Items	Shareholders' equity			
	Share capital	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at the beginning of current period	10,425,325	9,941,842	13	9,941,856
Changes in items during period				
Dividends of surplus				
Profit				
Purchase of treasury shares				
Net changes of items other than shareholders' equity				
Total changes in items during period	—	—	—	—
Balance at the end of current period	10,425,325	9,941,842	13	9,941,856

Items	Shareholders' equity			
	Retained earnings		Treasury shares	Total shareholders' equity
	Other retained earnings	Total retained earnings		
	Retained earnings brought forward			
Balance at the beginning of current period	38,883,289	38,883,289	(917,134)	58,333,336
Changes in items during period				
Dividends of surplus	(1,707,764)	(1,707,764)		(1,707,764)
Profit	5,190,385	5,190,385		5,190,385
Purchase of treasury shares			(575)	(575)
Net changes of items other than shareholders' equity				
Total changes in items during period	3,482,620	3,482,620	(575)	3,482,045
Balance at the end of current period	42,365,910	42,365,910	(917,709)	61,815,381

Items	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at the beginning of current period	3,199,125	(1,624,044)	1,575,080	59,908,417
Changes in items during period				
Dividends of surplus				(1,707,764)
Profit				5,190,385
Purchase of treasury shares				(575)
Net changes of items other than shareholders' equity	241,975		241,975	241,975
Total changes in items during period	241,975	—	241,975	3,724,020
Balance at the end of current period	3,441,100	(1,624,044)	1,817,055	63,632,437

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 the moving average method.

Available-for-sale 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 the moving average method.

Available-for-sale securities whose market quotations are not available are stated at cost, cost being determined by the 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 the specific identification method.

Raw materials are evaluated using the moving average method.

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

(3) Method of depreciation or amortization

Property, plant and equipment (except for lease assets) are depreciated mainly on the declining-balance method. In addition, buildings (except for its accessory structures) acquired on and after April 1, 1998 and accessory structures of buildings and structures acquired on and after April 1, 2016 are depreciated on the straight-line method.

Intangible assets (except for lease assets) are amortized on the 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 the 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 the 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 Provision for bonuses for directors (and other officers)

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

- ③ Provision for product warranties
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 Provision for retirement benefits for directors (and other officers)
The Company provides for estimated cost for retirement benefits to directors and corporate auditors based on the amount which would be payable under internal rules if all directors and corporate auditors retired at fiscal year end date.
- ⑤ Provision for 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) 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 of Presentation Method

Balance Sheet

The Company applied "Ministerial Ordinance to Partially Amend Regulation for Enforcement of the Companies Act and Regulation on Corporate Accounting" (Ministry of Justice Ordinance No. 5, March 26, 2018) which is associated with "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the fiscal year ended March 31, 2019. Accordingly, deferred tax assets are presented under "Investments and other assets" and deferred tax liabilities are presented under "Non-current liabilities."

Notes to Balance Sheet

	<u>In Thousands of Yen</u>	
(1) Accumulated depreciation of property, plant and equipment	¥	18,643,431
(2) Receivables from and payables to subsidiaries and affiliates:		
Short-term receivables	¥	26,513,887
Short-term payables	¥	412,898
(3) Land revaluation		
<p>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.</p> <p>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.</p> <p>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.</p>		
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		¥(2,482,787) thousand

Notes to Statement of Income

	<u>In Thousands of Yen</u>	
(1) Transactions with subsidiaries and affiliates:		
Operating transaction		
Net sales	¥	3,559,966
Goods purchased	¥	4,514,550
Selling, general and administrative expenses	¥	8,870
Non-operating transaction	¥	29,122
(2) Write-down due to decreased profitability of inventories held for sale in the ordinary course of business		
Cost of sales	¥	92,075

Notes to Statement of Change in Net Assets

Class and number of treasury stock

Class of stock	As of April 1, 2018	Increase	Decrease	As of March 31, 2019
Common stock	1,827,418	852	-	1,828,270

(Major cause of movement)

Increase of treasury stock is due to acquisition of shares 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	67,914
Accrued enterprise tax and office tax payable	81,367
Provision for product warranties	61,449
Provision for retirement benefits	1,062,362
Accrued bonuses	324,361
Buildings, structures, machinery and equipment	61,162
Land	569,082
Investment securities	146,604
Others	316,867
Subtotal	<u>2,691,172</u>
Valuation allowance	<u>(955,142)</u>
Total deferred tax assets	1,736,030

	<u>In Thousands of Yen</u>
Deferred tax liabilities	
Valuation difference on available-for-sale securities	¥ (1,301,794)
Others	<u>(8,880)</u>
Total deferred tax liabilities	<u>(1,310,674)</u>
Deferred tax assets (Net)	425,355

(2) Deferred tax assets in relation to revaluation reserve for land

	<u>In Thousands of Yen</u>
Deferred tax assets	
Unrealized loss on land revaluation	<u>923,260</u>
Valuation allowance	<u>(923,260)</u>
Deferred tax assets (Net)	—
Deferred tax liabilities	
Unrealized gain on land revaluation	¥ <u>(616,302)</u>
Deferred tax liabilities (Net)	(616,302)

Related Party Transactions

Related party transactions are as follows:

Parent company and major corporate shareholders, etc.

Type	Name of the related company	Capital (in thousands of Yen)	Description of business or occupation	Equity ownership percentage	Relationship of related company		Nature of transactions	Transaction amount (in thousands of Yen)	Account	Balance at year-end (in thousands of Yen)
					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 2 persons Employee 1 person	Sale of specially equipped vehicles as well as sale and purchase of their parts; deposits of funds	Deposits paid (Net) ※	(829,924)	Deposits paid	24,286,493

Note: Commercial terms and condition

※ With regards to deposits paid, the Company conducted transactions using CMS (Cash Management Service) operated by Toyota Industries Corporation, and charged interest on deposits paid in accordance with market interest rates. Transaction amount is indicated on the net value basis.

Per Share Information

	In Yen	
Net assets per share	¥	819.74
Profit per share		66.86

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

There is no applicable item.

Notice to Readers:

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

Audit Report
(English Translation*)

The Audit and Supervisory Committee has audited the performance of duties by the Directors of AICHI CORPORATION (hereinafter referred to as the "Company") during its 71st fiscal term, from April 1, 2018 to March 31, 2019. We hereby reports as follows regarding the methods and results of our audit.

1. Methods and Contents of our Audit

- (1) The Audit and Supervisory Committee received reports periodically from Directors, employees and other relevant personnel about the details of Board of Directors' resolutions concerning the matters set forth in Article 399-13, Paragraph 1, Item 1(b) and (c) of the Companies Act, as well as the establishment and operational status of the system maintained (internal control system) based on such resolutions, and then requested explanations as necessary, expressed opinions and conducted the audit through the methods described below.
 - (i) Following the auditing policies, allocation of duties and other relevant matters established by the Audit and Supervisory Committee, and cooperating with the audit division (internal control division), we participated in important meetings, received reports from the Directors on matters regarding performance of their duties, requested explanations as necessary, reviewed important approval documents and relevant materials, and inspected the status of operations and financial positions at the head office and principal business offices. With respect to subsidiaries, we communicated and exchanged information with, Directors, Auditors and other relevant personnel of subsidiaries, and received reports from subsidiaries on their business as necessary.
 - (ii) We examined the particulars to be given due consideration pursuant to Article 118, Item 5(a) as well as the judgment and the reason pursuant to Article 118, Item 5(b) of the Regulation for Enforcement of the Companies Act set forth in the business report, based on the status of deliberations at the meetings of the Board of Directors and others.
 - (iii) We monitored and verified whether the Accounting Auditor maintained its independence and implemented appropriate audits, and received reports from the Accounting Auditor regarding the performance of its duties and requested explanations as necessary. In addition, we received notice from the Accounting Auditor that "systems for ensuring that the performance of the duties of the Accounting Auditor is being carried out correctly" (matters set forth in each item of Article 131 of the Regulation on Corporate Accounting) were prepared in accordance with the Quality Control Standards for Audits (Business Accounting Council on October 28, 2005) and other relevant standards, and requested explanations as necessary.

Based on the above methods, we examined the business report and the supplementary schedules thereof, the financial statements (balance sheet, statement of income, statement of changes in equity and notes to financial statements) and the supplementary schedules thereof, as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to consolidated financial statements) related to the relevant fiscal year.

2. Results of the Audits

- (1) Results of audit of business report and other relevant documents
 - (i) In our opinion, the business report and the supplementary schedules thereof are in accordance with the related laws and regulations, and the Articles of Incorporation, and fairly represent the Company's condition.
 - (ii) We have found no evidence of wrongful action or material violation of related laws and regulations or the Articles of Incorporation, related to the performance of duties by the Directors.
 - (iii) In our opinion, the contents of the resolutions of the Board of Directors related to the internal controls system are fair and reasonable. In addition, we have found no matters to remark regarding the description in the business report and the performance of duties by the Directors related to such internal controls system.
 - (iv) With respect to the transaction with the parent companies and other parties as described in the business report, we found no matters to remark regarding the particulars to be given due consideration so that the interest of the Company will not be harmed when executing such transaction, as well as the judgment made by the Board of Directors and the reason thereof regarding whether or not such transaction will harm the interest of the Company.

(2) Results of audit of financial statements and supplementary schedules thereof

In our opinion, the methods and results employed and rendered by PricewaterhouseCoopers Aarata LLC are fair and reasonable.

(3) Results of audit of consolidated financial statements

In our opinion, the methods and results employed and rendered by PricewaterhouseCoopers Aarata LLC are fair and reasonable.

May 23, 2019

Audit and Supervisory Committee, AICHI CORPORATION

Audit and Supervisory Committee Member	Takeshi Suzuki
Audit and Supervisory Committee Member	Shigehiro Takatsuki
Audit and Supervisory Committee Member	Takushi Ito
Audit and Supervisory Committee Member	Satoru Kawataki

(Note) Audit and Supervisory Committee Members, Mr. Takeshi Suzuki, Mr. Shigehiro Takatsuki and Mr. Takushi Ito are Outside Directors as stipulated in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.

* 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.