

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

March 31, 2021

Independent Auditors' Report  
(English Translation\*)

May 17, 2021

To the Board of Directors of AICHI CORPORATION

PricewaterhouseCoopers Aarata LLC, Tokyo Office

Kosaku Kawahara, CPA  
Designated Limited Liability Partner, Engagement Partner  
Kazuaki Sekine, CPA  
Designated Limited Liability Partner, Engagement Partner

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of AICHI CORPORATION (the "Company") for the fiscal year from April 1, 2020 through March 31, 2021.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and 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.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

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\* The original audit report is in Japanese. This English translation is for readers' convenience and reading this translation is not a substitute for reading the original audit report in Japanese.

**AICHI CORPORATION**  
**Consolidated Balance Sheet**  
**As of March 31, 2021**

In Thousands of Yen

**Assets**

**Current assets:**

|                                       |   |                   |
|---------------------------------------|---|-------------------|
| Cash and deposits                     | ¥ | 1,224,322         |
| Deposits paid                         |   | 36,536,175        |
| Notes and accounts receivable – trade |   | 19,464,344        |
| Finished goods                        |   | 808,516           |
| Work in process                       |   | 1,287,837         |
| Raw materials and supplies            |   | 1,191,555         |
| Other                                 |   | 465,096           |
| Allowance for doubtful accounts       |   | (225)             |
| <b>Total current assets</b>           |   | <b>60,977,622</b> |

**Non-current assets:**

**Property, plant and equipment:**

|  |  |                   |
|--|--|-------------------|
| Buildings and structures                   |  | 7,421,847         |
| Machinery, equipment and vehicles          |  | 2,407,495         |
| Tools, furniture and fixtures              |  | 226,410           |
| Land                                       |  | 8,524,457         |
| Construction in progress                   |  | 32,714            |
| Other                                      |  | 399,109           |
| <b>Total property, plant and equipment</b> |  | <b>19,012,035</b> |

**Intangible assets**

692,607

**Investments and other assets:**

|   |  |                   |
|---|--|-------------------|
| Investment securities                     |  | 7,954,715         |
| Other                                     |  | 2,239,294         |
| Allowance for doubtful accounts           |  | (6,713)           |
| <b>Total investments and other assets</b> |  | <b>10,187,296</b> |

**Total non-current assets**

29,891,939

**Total assets**

¥ 90,869,562

|  | <u>In Thousands of Yen</u> |
|--|----------------------------|
| <b>Liabilities</b>                                       |                            |
| <b>Current liabilities:</b>                              |                            |
| Notes and accounts payable – trade                       | ¥ 10,089,276               |
| Income taxes payable                                     | 1,727,200                  |
| Provision for bonuses for directors (and other officers) | 38,000                     |
| Provision for product warranties                         | 294,302                    |
| Other  | 3,339,192                  |
| <b>Total current liabilities</b>                         | <u>15,487,971</u>          |
| <b>Non-current liabilities:</b>                          |                            |
| Deferred tax liabilities for land revaluation            | 616,302                    |
| Retirement benefit liability                             | 450,694                    |
| Deferred tax liabilities                                 | 578,155                    |
| Other  | 414,769                    |
| <b>Total non-current liabilities</b>                     | <u>2,059,922</u>           |
| <b>Total liabilities</b>                                 | <u>17,547,893</u>          |
| <br>   |                            |
| <b>Net assets</b>  |                            |
| <b>Shareholders' equity:</b>                             |                            |
| Share capital  | 10,425,325                 |
| Capital surplus  | 9,923,342                  |
| Retained earnings  | 50,386,498                 |
| Treasury shares  | (1,147,983)                |
| <b>Total shareholders' equity</b>                        | <u>69,587,182</u>          |
| <b>Accumulated other comprehensive income:</b>           |                            |
| Valuation difference on available-for-sale securities    | 4,498,080                  |
| Revaluation reserve for land                             | (1,624,044)                |
| Foreign currency translation adjustment                  | 86,580                     |
| Remeasurements of defined benefit plans                  | 773,869                    |
| <b>Total accumulated other comprehensive income</b>      | <u>3,734,486</u>           |
| <b>Total net assets</b>                                  | <u>73,321,669</u>          |
| <b>Total liabilities and net assets</b>                  | <u>¥ 90,869,562</u>        |

**AICHI CORPORATION**  
**Consolidated Statement of Income**  
**Fiscal Year from April 1, 2020 to March 31, 2021**

In Thousands of Yen

|   |                    |
|---|--------------------|
| <b>Operating revenue:</b>                           |                    |
| Net sales   | ¥ 59,330,782       |
| <b>Operating costs and expenses:</b>                |                    |
| Cost of sales                                       | 46,584,582         |
| <b>Gross profit</b>                                 | <u>12,746,199</u>  |
| <b>Selling, general and administrative expenses</b> | <u>5,694,944</u>   |
| <b>Operating profit</b>                             | 7,051,255          |
| <b>Non-operating income:</b>                        |                    |
| Interest and dividend income                        | 155,452            |
| Foreign exchange gains                              | 23,564             |
| Other   | 485,794            |
|   | <u>664,811</u>     |
| <b>Non-operating expenses:</b>                      |                    |
| Other   | 7,436              |
|   | <u>7,436</u>       |
| <b>Ordinary profit</b>                              | 7,708,630          |
| <b>Extraordinary income:</b>                        |                    |
| Gain on sales of non-current assets                 | 1,959              |
| Gain on sales of investment securities              | 3,694              |
| Insurance claim income                              | 767,844            |
|   | <u>773,499</u>     |
| <b>Extraordinary losses:</b>                        |                    |
| Loss on sales of non-current assets                 | 1,096              |
| Loss on retirement of non-current assets            | 12,716             |
| Impairment loss                                     | 381                |
| Loss on sales of investment securities              | 149                |
|   | <u>14,343</u>      |
| <b>Profit before income taxes</b>                   | 8,467,785          |
| Income taxes – current                              | 2,553,072          |
| Income taxes – deferred                             | 7,919              |
| <b>Profit</b>                                       | <u>5,906,793</u>   |
| <b>Profit attributable to owners of parent</b>      | <u>¥ 5,906,793</u> |

**AICHI CORPORATION**  
**Consolidated Statement of Changes in Equity**  
**Fiscal Year from April 1, 2020 to March 31, 2021**

(In Thousands of Yen)

| Items  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Share capital        | Capital surplus | Retained earnings | Treasury Shares | Total shareholders' equity |
| Balance at beginning of period                       | 10,425,325           | 9,923,356       | 47,334,222        | (918,004)       | 66,764,898                 |
| Changes during period                                |                      |                 |                   |                 |                            |
| Dividends of surplus                                 |                      |                 | (2,083,974)       |                 | (2,083,974)                |
| Profit attributable to owners of parent              |                      |                 | 5,906,793         |                 | 5,906,793                  |
| Purchase of treasury shares                          |                      |                 |                   | (1,000,535)     | (1,000,535)                |
| Cancellation of treasury shares                      |                      | (770,556)       |                   | 770,556         | —                          |
| Transfer from retained earnings to capital surplus   |                      | 770,542         | (770,542)         |                 | —                          |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes during period                          | —                    | (13)            | 3,052,276         | (229,978)       | 2,822,283                  |
| Balance at end of period                             | 10,425,325           | 9,923,342       | 50,386,498        | (1,147,983)     | 69,587,182                 |

| Items  | Accumulated other comprehensive income                |                              |   |
|--|---|------------------------------|---|
|  | Valuation difference on available-for-sale securities | Revaluation reserve for land | Foreign currency translation adjustment |
| Balance at beginning of period                       | 2,886,803   | (1,624,044)                  | (311,330)                               |
| Changes during period                                |   |                              |   |
| Dividends of surplus                                 |   |                              |   |
| Profit attributable to owners of parent              |   |                              |   |
| Purchase of treasury shares                          |   |                              |   |
| Cancellation of treasury shares                      |   |                              |   |
| Transfer from retained earnings to capital surplus   |   |                              |   |
| Net changes of items other than shareholders' equity | 1,611,276   |                              | 397,911                                 |
| Total changes during period                          | 1,611,276   | —                            | 397,911                                 |
| Balance at end of period                             | 4,498,080   | (1,624,044)                  | 86,580                                  |

| Items  | Accumulated other comprehensive income  |  | Total net assets |
|--|---|--|------------------|
|  | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                  |
| Balance at beginning of period                       | 228,626                                 | 1,180,055                                    | 67,944,954       |
| Changes during period                                |   |  |                  |
| Dividends of surplus                                 |   |  | (2,083,974)      |
| Profit attributable to owners of parent              |   |  | 5,906,793        |
| Purchase of treasury shares                          |   |  | (1,000,535)      |
| Cancellation of treasury shares                      |   |  | —                |
| Transfer from retained earnings to capital surplus   |   |  | —                |
| Net changes of items other than shareholders' equity | 545,243                                 | 2,554,431                                    | 2,554,431        |
| Total changes during period                          | 545,243                                 | 2,554,431                                    | 5,376,714        |
| Balance at end of period                             | 773,869                                 | 3,734,486                                    | 73,321,669       |

# AICHI CORPORATION

## Notes to Consolidated Financial Statements

### Summary of Significant Accounting Policies

#### 1. Basis of consolidation

The accounts of AICHI CORPORATION (the “Company”) and all of its 3 subsidiaries are included in the consolidated financial statements.

Name of the consolidated subsidiaries

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 (write-down due to decreased 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.



### ③ Derivatives

Derivatives are stated at fair value.

### (2) Method of depreciation or amortization

- ① Property, plant and equipment (except for leased assets) are depreciated mainly on the declining-balance method. However, buildings (except for facilities attached to buildings) acquired on and after April 1, 1998 and facilities attached to buildings and structures acquired on and after April 1, 2016 are depreciated on the straight-line method.
- ② Intangible assets (except for leased 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 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.
- 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) 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  
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

Deferred hedge accounting is applied.

Designated hedge accounting ("Furiate-shori") is applied for foreign currency forward contracts that meet qualifications for designated hedge accounting.

### (6) Other important matters for preparing consolidated financial statements

Consumption taxes

Consumption taxes are separately recorded at each transaction.

## **Additional Information**

(Accounting estimates associated with the impact of the spread of the infection of COVID-19)

There are many uncertainties related to COVID-19, and it is difficult to predict the period for measures to prevent the spread of the disease and its impact. Accounting estimates have been reflected in the accounting process on the assumption that the impact of the spread of the infection will continue for at least a certain period of time. However, there are many uncertain factors about the impact of the spread of COVID-19, and stagnation of activities due to a subsequent spread of the infection may affect future financial position and business results.

(Discontinuation of retirement benefit plan for directors and other officers)

At its 72nd Annual General Meeting of Shareholders held on June 18, 2020, the Company resolved to make final payment of retirement benefits for directors and other officers upon discontinuing its retirement benefit plan for directors and other officers. Accordingly, upon having reversed in full the provision for retirement benefits for directors (and other officers), the amount of ¥36,800 thousand which had been recorded in the said account is now included in “other” under non-current liabilities as long-term accounts payable.

## **Notes to a Change in the Presentation Method**

(Change associated with adoption of Accounting Standard for Disclosure of Accounting Estimates)

Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020) has been adopted starting in the fiscal year ended March 31, 2021, and Notes to Consolidated Financial Statements have Notes to Accounting Estimates.

## **Notes to Accounting Estimates**

### 1. Provision for product warranties

The balance of provision for product warranties at the end of the fiscal year ended March 31, 2021 was ¥294,302 thousand yen.

Provision for product warranty is categorized into provision for free repairs carried out within the warranty period and provision for free repairs to rectify defects in specific products.

For the provision for free repairs carried out within the warranty period, future product warranty expenses are estimated and recognized in a lump sum based on the actual ratio of warranty expenses incurred to sales.

For specific products of which it has been decided to rectify defects, expected product warranty expenses are estimated and recognized individually based on the number of units to be rectified, the estimated cost of the repair per unit, the percentage of the units that will actually be repaired, and the percentage of the liability shared with suppliers.

If liabilities arise due to product defects that were not expected when the estimates were made for the provision, or if warranty expenses exceed the provision, it may become necessary to recognize additional provision for product warranties. Meanwhile, if the actual warranty expenses turn out to be smaller than the provision, reversal of provision will be recognized.

## Notes to Consolidated Balance Sheet

|  | <u>In Thousands of Yen</u> |
|--|----------------------------|
| 1. Accumulated depreciation of property, plant and equipment   | ¥ 21,865,465               |
| 2. 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 at the end of the fiscal year ended March 31, 2021 and the carrying amount of the land after the revaluation   | ¥(2,422,754) thousand      |

## Notes to Consolidated Statement of Income

|   | <u>In Thousands of Yen</u> |
|---|----------------------------|
| Write-down due to decreased profitability of inventories held for sale in the ordinary course of business |                            |
| Cost of sales   | ¥ 37,138                   |

## Notes to Consolidated Statement of Changes in Equity

### 1. Class and number of issued shares

| Class of stock | As of April 1, 2020 | Increase | Decrease  | As of March 31, 2021 |
|----------------|---------------------|----------|-----------|----------------------|
| Common stock   | 79,453,250          | —        | 1,227,900 | 78,225,350           |

(Major cause of movement)

Decrease due to cancellation of treasury shares based on a resolution made at a board meeting held on January 28, 2021

1,227,900 shares

### 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 18, 2020 | Common stock   | (Thousands of Yen)<br>1,009,119 | (Yen)<br>13.00           | March 31, 2020     | June 19, 2020                  |
| Board meeting on October 28, 2020                     | Common stock   | 1,074,855                       | 14.00                    | September 30, 2020 | November 27, 2020              |

#### (2) Dividends whose record date falls in the fiscal year ended March 31, 2021, but the effective date of distribution falls in the fiscal year ending March 31, 2022

| 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 18, 2021 | Common stock   | Retained earnings     | (Thousands of Yen)<br>1,375,129 | (Yen)<br>18.00           | March 31, 2021 | June 21, 2021                  |

## 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, 2021 are as follows.

(In Thousands of Yen)

|   | Consolidated balance sheet amounts | Fair values | Differences |
|---|------------------------------------|-------------|-------------|
| (1) Cash and deposits                     | 1,224,322                          | 1,224,322   | —           |
| (2) Deposits paid                         | 36,536,175                         | 36,536,175  | —           |
| (3) Notes and accounts receivable – trade | 19,464,344                         |             |             |
| Allowance for doubtful accounts (※)       | (225)                              |             |             |
|   | 19,464,118                         | 19,464,118  | —           |
| (4) Investment securities                 |                                    |             |             |
| Available-for-sale securities             | 7,598,155                          | 7,598,155   | —           |
| Total assets                              | 64,822,771                         | 64,822,771  | —           |
| (5) Notes and accounts payable – trade    | 10,089,276                         | 10,089,276  | —           |
| (6) Income taxes payable                  | 1,727,200                          | 1,727,200   | —           |
| Total liabilities                         | 11,816,476                         | 11,816,476  | —           |
| (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 ¥356,560 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 | ¥      | 959.76 |
| Profit per share     |        | 76.84  |

**Notes to Subsequent Event**

There is no applicable item.

**Other Notes**

There is no applicable item.

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*Notice to Readers:*

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

Independent Auditors' Report  
(English Translation\*)

May 17, 2021

To the Board of Directors of AICHI CORPORATION

PricewaterhouseCoopers Aarata LLC, Tokyo Office

Kosaku Kawahara, CPA  
Designated Limited Liability Partner, Engagement Partner  
Kazuaki Sekine, CPA  
Designated Limited Liability Partner, Engagement Partner

#### Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of AICHI CORPORATION (the "Company") for the 73rd fiscal year from April 1, 2020 through March 31, 2021.

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations for the period covered by the financial statements and the supplementary schedules in conformity with accounting principles generally accepted in Japan.

#### Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Financial Statements and the Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

#### Responsibilities of Management and the Audit and Supervisory Committee for the Financial Statements and the Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

#### Auditor's Responsibility for the Audit of the Financial Statements and the Supplementary Schedules

Our responsibility is to obtain reasonable assurance about whether the financial statements and the supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted

in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements and the supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the supplementary schedules in the audit report, or if the notes to the financial statements and the supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the financial statements and the supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the supplementary schedules including related notes, and whether the financial statements and the supplementary schedules fairly present the transactions and accounting events on which they are based.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

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\* The original audit report is in Japanese. This English translation is for readers' convenience and reading this translation is not a substitute for reading the original audit report in Japanese.



# AICHI CORPORATION

## Balance Sheet

As of March 31, 2021

In Thousands of Yen

### Assets

#### Current assets:

|   |   |                   |
|---|---|-------------------|
| Cash and deposits                                   | ¥ | 288,990           |
| Deposits paid                                       |   | 36,536,175        |
| Notes receivable – trade                            |   | 2,047,007         |
| Electronically recorded monetary claims – operating |   | 1,514,294         |
| Accounts receivable – trade                         |   | 16,069,515        |
| Finished goods                                      |   | 741,684           |
| Work in process                                     |   | 1,193,906         |
| Raw materials and supplies                          |   | 942,810           |
| Short-term loans receivable                         |   | 263,600           |
| Other   |   | 438,803           |
| Allowance for doubtful accounts                     |   | (121,907)         |
| <b>Total current assets</b>                         |   | <b>59,914,879</b> |

#### Non-current assets:

##### Property, plant and equipment:

|  |  |                   |
|--|--|-------------------|
| Buildings                                  |  | 6,392,118         |
| Structures                                 |  | 714,169           |
| Machinery and equipment                    |  | 2,152,726         |
| Vehicles                                   |  | 4,523             |
| Tools, furniture and fixtures              |  | 191,042           |
| Land                                       |  | 8,524,457         |
| Construction in progress                   |  | 31,519            |
| Other                                      |  | 399,109           |
| <b>Total property, plant and equipment</b> |  | <b>18,409,665</b> |

##### Intangible assets:

|                                |  |                |
|--------------------------------|--|----------------|
| Right to use water facilities  |  | 940            |
| Software                       |  | 336,203        |
| Other                          |  | 23,790         |
| <b>Total intangible assets</b> |  | <b>360,933</b> |

##### Investments and other assets:

|   |   |                   |
|---|---|-------------------|
| Investment securities                                 |   | 7,954,715         |
| Investments in capital                                |   | 1,010             |
| Investments in capital of subsidiaries and associates |   | 1,420,530         |
| Long-term prepaid expenses                            |   | 123,283           |
| Guarantee deposits                                    |   | 57,384            |
| Other   |   | 21,177            |
| Allowance for doubtful accounts                       |   | (6,713)           |
| <b>Total investments and other assets</b>             |   | <b>9,571,387</b>  |
| <b>Total non-current assets</b>                       |   | <b>28,341,986</b> |
| <b>Total assets</b>                                   | ¥ | <b>88,256,866</b> |

**Liabilities**

**Current liabilities:**

|  |   |            |
|--|---|------------|
| Notes payable – trade                                    | ¥ | 1,512,947  |
| Electronically recorded obligations – operating          |   | 3,907,688  |
| Accounts payable – trade                                 |   | 4,779,966  |
| Accounts payable – other                                 |   | 711,317    |
| Income taxes payable                                     |   | 1,727,200  |
| Accrued consumption taxes                                |   | 685,779    |
| Accrued expenses   |   | 1,357,967  |
| Deposits received  |   | 209,185    |
| Unearned revenue   |   | 271        |
| Provision for bonuses for directors (and other officers) |   | 38,000     |
| Provision for product warranties                         |   | 294,302    |
| Notes payable – facilities                               |   | 131,474    |
| Electronically recorded obligations – facilities         |   | 47,603     |
| Other  |   | 99,476     |
| <b>Total current liabilities</b>                         |   | 15,503,179 |

**Non-current liabilities:**

|   |  |            |
|---|--|------------|
| Deferred tax liabilities for land revaluation |  | 616,302    |
| Provision for retirement benefits             |  | 1,564,186  |
| Deferred tax liabilities                      |  | 80,195     |
| Other   |  | 414,769    |
| <b>Total non-current liabilities</b>          |  | 2,675,454  |
| <b>Total liabilities</b>                      |  | 18,178,633 |

**Net assets**

**Shareholders' equity:**

|                                   |  |             |
|-----------------------------------|--|-------------|
| <b>Share capital</b>              |  | 10,425,325  |
| <b>Capital surplus:</b>           |  |             |
| Legal capital surplus             |  | 9,941,842   |
| <b>Total capital surplus</b>      |  | 9,941,842   |
| <b>Retained earnings:</b>         |  |             |
| Other retained earnings           |  | 47,985,012  |
| Retained earnings brought forward |  | 47,985,012  |
| <b>Total retained earnings</b>    |  | 47,985,012  |
| <b>Treasury shares</b>            |  | (1,147,983) |
| <b>Total shareholders' equity</b> |  | 67,204,195  |

**Valuation and translation adjustments:**

|   |   |             |
|---|---|-------------|
| Valuation difference on available-for-sale securities |   | 4,498,080   |
| Revaluation reserve for land                          |   | (1,624,044) |
| <b>Total valuation and translation adjustments</b>    |   | 2,874,036   |
| <b>Total net assets</b>                               |   | 70,078,232  |
| <b>Total liabilities and net assets</b>               | ¥ | 88,256,866  |

**AICHI CORPORATION**  
**Statement of Income**  
**Fiscal Year from April 1, 2020 to March 31, 2021**

In Thousands of Yen

|  |              |
|--|--------------|
| <b>Operating revenue:</b>                    |              |
| Net sales                                    | ¥ 59,129,795 |
| <br><b>Operating costs and expenses:</b>     |              |
| Cost of sales                                | 46,686,544   |
| Gross profit                                 | 12,443,250   |
| Selling, general and administrative expenses | 5,484,277    |
| Operating profit                             | 6,958,972    |
| <br><b>Non-operating income:</b>             |              |
| Interest and dividend income                 | 202,923      |
| Foreign exchange gains                       | 52,646       |
| Other  | 35,304       |
|  | 290,873      |
| <br><b>Non-operating expenses:</b>           |              |
| Other  | 2,091        |
|  | 2,091        |
| <b>Ordinary profit</b>                       | 7,247,755    |
| <br><b>Extraordinary income:</b>             |              |
| Gain on sales of non-current assets          | 1,959        |
| Gain on sales of investment securities       | 3,694        |
| Insurance claim income                       | 767,844      |
|  | 773,499      |
| <br><b>Extraordinary losses:</b>             |              |
| Loss on sales of non-current assets          | 1,096        |
| Loss on retirement of non-current assets     | 12,619       |
| Impairment loss                              | 381          |
| Loss on sales of investment securities       | 149          |
|  | 14,247       |
| <b>Profit before income taxes</b>            | 8,007,007    |
| Income taxes – current                       | 2,538,004    |
| Income taxes – deferred                      | (67,307)     |
| <b>Profit</b>                                | ¥ 5,536,310  |

**AICHI CORPORATION**  
**Statement of Changes in Equity**  
**Fiscal Year from April 1, 2020 to March 31, 2021**

(In Thousands of Yen)

| Items  | Shareholders' equity |                       |                       |                       |
|--|----------------------|-----------------------|-----------------------|-----------------------|
|  | Share capital        | Capital surplus       |                       |                       |
|  |                      | Legal capital surplus | Other capital surplus | Total capital surplus |
| Balance at beginning of period                       | 10,425,325           | 9,941,842             | 13                    | 9,941,856             |
| Changes during period                                |                      |                       |                       |                       |
| Dividends of surplus                                 |                      |                       |                       |                       |
| Profit   |                      |                       |                       |                       |
| Purchase of treasury shares                          |                      |                       |                       |                       |
| Cancellation of treasury shares                      |                      |                       | (770,556)             | (770,556)             |
| Transfer from retained earnings to capital surplus   |                      |                       | 770,542               | 770,542               |
| Net changes of items other than shareholders' equity |                      |                       |                       |                       |
| Total changes during period                          | —                    | —                     | (13)                  | (13)                  |
| Balance at end of period                             | 10,425,325           | 9,941,842             | —                     | 9,941,842             |

| Items  | Shareholders' equity              |                         |                 |                            |
|--|-----------------------------------|-------------------------|-----------------|----------------------------|
|  | Retained earnings                 |                         | Treasury shares | Total shareholders' equity |
|  | Other retained earnings           | Total retained earnings |                 |                            |
|  | Retained earnings brought forward |                         |                 |                            |
| Balance at beginning of period                       | 45,303,219                        | 45,303,219              | (918,004)       | 64,752,395                 |
| Changes during period                                |                                   |                         |                 |                            |
| Dividends of surplus                                 | (2,083,974)                       | (2,083,974)             |                 | (2,083,974)                |
| Profit   | 5,536,310                         | 5,536,310               |                 | 5,536,310                  |
| Purchase of treasury shares                          |                                   |                         | (1,000,535)     | (1,000,535)                |
| Cancellation of treasury shares                      |                                   |                         | 770,556         | —                          |
| Transfer from retained earnings to capital surplus   | (770,542)                         | (770,542)               |                 | —                          |
| Net changes of items other than shareholders' equity |                                   |                         |                 |                            |
| Total changes during period                          | 2,681,792                         | 2,681,792               | (229,978)       | 2,451,800                  |
| Balance at end of period                             | 47,985,012                        | 47,985,012              | (1,147,983)     | 67,204,195                 |

| 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 beginning of period                       | 2,886,803   | (1,624,044)                  | 1,262,759                                   | 66,015,155       |
| Changes during period                                |   |                              |   |                  |
| Dividends of surplus                                 |   |                              |   | (2,083,974)      |
| Profit   |   |                              |   | 5,536,310        |
| Purchase of treasury shares                          |   |                              |   | (1,000,535)      |
| Cancellation of treasury shares                      |   |                              |   | —                |
| Transfer from retained earnings to capital surplus   |   |                              |   | —                |
| Net changes of items other than shareholders' equity | 1,611,276   |                              | 1,611,276                                   | 1,611,276        |
| Total changes during period                          | 1,611,276   | —                            | 1,611,276                                   | 4,063,077        |
| Balance at end of period                             | 4,498,080   | (1,624,044)                  | 2,874,036                                   | 70,078,232       |

**AICHI CORPORATION**  
**Notes to Financial Statements**

**Significant Accounting Policies**

1. Valuation of 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. Valuation of inventories

Inventories are stated at cost (write-down due to decreased profitability).

- (1) Finished goods and work in process are evaluated using the specific identification method.
- (2) Raw materials are evaluated using the moving average method.
- (3) Supplies are stated at cost, cost being determined by the last purchase price method.

3. Valuation of derivatives

Derivatives are stated at fair value.

4. Method of depreciation or amortization

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

5. 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.
- (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  
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  
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.

#### 6. Hedge accounting

Deferred hedge accounting is applied.

Designated hedge accounting ("Furiate-shori") is applied for foreign currency forward contracts that meet qualifications for designated hedge accounting.

#### 7. Other

- (1) Accounting treatment for retirement benefits  
The accounting treatment for unrecognized actuarial differences for retirement benefits differ from that of the consolidated financial statements.
- (2) Consumption taxes  
Transactions are recorded at amounts exclusive of consumption tax and regional consumption tax.

### **Additional Information**

(Accounting estimates associated with the impact of the spread of the infection of COVID-19)

There are many uncertainties related to COVID-19, and it is difficult to predict the period for measures to prevent the spread of the disease and its impact. Accounting estimates have been reflected in the accounting process on the assumption that the impact of the spread of the infection will continue for at least a certain period of time. However, there are many uncertain factors about the impact of the spread of COVID-19, and stagnation of activities due to a subsequent spread of the infection may affect future financial position and business results.

(Discontinuation of retirement benefit plan for directors and other officers)

At its 72nd Annual General Meeting of Shareholders held on June 18, 2020, the Company resolved to make final payment of retirement benefits for directors and other officers upon discontinuing its retirement benefit plan for directors and other officers. Accordingly, upon having reversed in full the provision for retirement benefits for directors (and other officers), the amount of ¥36,800 thousand which had been recorded in the said account is now included in "other" under non-current liabilities as long-term accounts payable.

### **Notes to a Change in the Presentation Method**

(Change associated with adoption of Accounting Standard for Disclosure of Accounting Estimates)

Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020) has been adopted starting in the fiscal year ended March 31, 2021, and Notes to Non-consolidated Financial Statements have Notes to Accounting Estimates.

## Notes to Accounting Estimates

### 1. Provision for product warranties

The balance of provision for product warranties at the end of the fiscal year ended March 31, 2021 was ¥294,302 thousand yen.

Provision for product warranty is categorized into provision for free repairs carried out within the warranty period and provision for free repairs to rectify defects in specific products.

For the provision for free repairs carried out within the warranty period, future product warranty expenses are estimated and recognized in a lump sum based on the actual ratio of warranty expenses incurred to sales.

For specific products of which it has been decided to rectify defects, expected product warranty expenses are estimated and recognized individually based on the number of units to be rectified, the estimated cost of the repair per unit, the percentage of the units that will actually be repaired, and the percentage of the liability shared with suppliers.

If liabilities arise due to product defects that were not expected when the estimates were made for the provision, or if warranty expenses exceed the provision, it may become necessary to recognize additional provision for product warranties. Meanwhile, if the actual warranty expenses turn out to be smaller than the provision, reversal of provision will be recognized.

## Notes to Balance Sheet

|  | <u>In Thousands of Yen</u> |                       |
|--|----------------------------|-----------------------|
| 1. Accumulated depreciation of property, plant and equipment   | ¥                          | 21,052,414            |
| 2. Receivables from and payables to subsidiaries and affiliates:   |                            |                       |
| Short-term receivables   | ¥                          | 38,024,267            |
| Short-term payables  | ¥                          | 292,868               |
| 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 at the end of the fiscal year ended March 31, 2021 and the carrying amount of the land after the revaluation   |                            | ¥(2,422,754) thousand |

## Notes to Statement of Income

|  | <u>In Thousands of Yen</u> |           |
|--|----------------------------|-----------|
| 1. Transactions with subsidiaries and affiliates:  |                            |           |
| Operating transaction  |                            |           |
| Net sales  | ¥                          | 2,588,461 |
| Goods purchased  | ¥                          | 2,420,439 |
| Selling, general and administrative expenses   | ¥                          | 5,717     |
| Non-operating transaction  | ¥                          | 19,332    |
| 2. Write-down due to decreased profitability of inventories held for sale in the ordinary course of business |                            |           |
| Cost of sales  | ¥                          | 14,840    |

## Notes to Statement of Change in Net Assets

### Class and number of treasury shares

| Class of stock | As of April 1, 2020 | Increase  | Decrease  | As of March 31, 2021 |
|----------------|---------------------|-----------|-----------|----------------------|
| Common stock   | 1,828,669           | 1,228,523 | 1,227,900 | 1,829,292            |

(Major causes of movement)

|  |                  |
|--|------------------|
| Decrease due to cancellation of treasury shares based on a resolution made at a board meeting held on March 23, 2020   | 1,227,900 shares |
| Increase due to acquisition of shares less than one unit   | 623 shares       |
| Decrease due to cancellation of treasury shares based on a resolution made at a board meeting held on January 28, 2021 | 1,227,900 shares |

### 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                                    | ¥ 77,657                   |
| Accrued enterprise tax and business office tax | 105,871                    |
| Provision for product warranties               | 89,644                     |
| Provision for retirement benefits              | 979,041                    |
| Accrued bonuses                                | 293,055                    |
| Buildings, structures, machinery and equipment | 59,957                     |
| Land   | 569,423                    |
| Investment securities                          | 146,571                    |
| Others   | 409,302                    |
| Subtotal                                       | <u>2,730,524</u>           |
| Valuation allowance                            | <u>(1,037,047)</u>         |
| Total deferred tax assets                      | 1,693,477                  |

|   | <u>In Thousands of Yen</u> |
|---|----------------------------|
| Deferred tax liabilities                              |                            |
| Valuation difference on available-for-sale securities | ¥ (1,764,792)              |
| Others  | (8,880)                    |
| Total deferred tax liabilities                        | <u>(1,773,672)</u>         |
| Deferred tax assets (Net)                             | (80,195)                   |

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



## 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<br>53.1%     | Cross-company transfer<br>2 persons<br>Employee<br>1 person | Sale of specially equipped vehicles as well as sale and purchase of their parts; deposits of funds | Deposits paid (Net)<br>※ | 7,242,197                                | Deposits paid | 36,536,175                                |

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 | ¥      | 917.30 |
| Profit per share     |        | 72.02  |

## 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 73rd fiscal term, from April 1, 2020 to March 31, 2021. We hereby reports as follows regarding the methods and results of our audit.

1. Methods and Contents of our Audit

The Audit and Supervisory Committee received reports periodically from Directors, Managing Officers, 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) of the Company, 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) for the current 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 19, 2021

Audit and Supervisory Committee, AICHI CORPORATION

|  |                     |
|--|---------------------|
| Audit and Supervisory Committee Member | Shigehiro Takatsuki |
| Audit and Supervisory Committee Member | Kiyoshi Tojo        |
| Audit and Supervisory Committee Member | Takuto Kawanishi    |
| Audit and Supervisory Committee Member | Kenji Aonuma        |

(Note) Audit and Supervisory Committee Members, Mr. Shigehiro Takatsuki, Mr. Kiyoshi Tojo, and Mr. Takuto Kawanishi are Outside Directors as stipulated in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.

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\* The original audit report is in Japanese. This English translation is for readers' convenience and reading this translation is not a substitute for reading the original audit report in Japanese.