

AICHI CORPORATION

Annual Report

(English Translation)

March 31, 2023

AICHI CORPORATION
Consolidated Balance Sheet
As of March 31, 2023

In Thousands of Yen

Assets

Current assets:

Cash and deposits	¥	1,162,162
Deposits paid		37,865,486
Notes and accounts receivable – trade, and contract assets		23,471,637
Finished goods		1,065,423
Work in process		1,251,898
Raw materials and supplies		1,486,946
Other		1,249,447
Total current assets		67,553,002

Non-current assets:

Property, plant and equipment:

Buildings and structures	6,615,115
Machinery, equipment and vehicles	1,696,350
Tools, furniture and fixtures	175,392
Land	8,523,400
Construction in progress	341,940
Other	262,839
Total property, plant and equipment	17,615,039

Intangible assets

601,208

Investments and other assets:

Investment securities	6,959,086
Other	2,973,787
Allowance for doubtful accounts	(6,653)
Total investments and other assets	9,926,220

Total non-current assets

28,142,468

Total assets

¥ 95,695,470

	<u>In Thousands of Yen</u>
Liabilities	
Current liabilities:	
Notes and accounts payable – trade	¥ 10,248,973
Income taxes payable	1,385,807
Provision for bonuses for directors (and other officers)	38,000
Provision for product warranties	153,065
Other	<u>3,069,956</u>
Total current liabilities	<u>14,895,802</u>
Non-current liabilities:	
Deferred tax liabilities for land revaluation	616,302
Retirement benefit liability	660,461
Deferred tax liabilities	695,862
Other	<u>253,294</u>
Total non-current liabilities	<u>2,225,920</u>
Total liabilities	<u>17,121,723</u>
Net assets	
Shareholders' equity:	
Share capital	10,425,325
Capital surplus	9,923,342
Retained earnings	54,606,278
Treasury shares	<u>(313)</u>
Total shareholders' equity	<u>74,954,632</u>
Accumulated other comprehensive income:	
Valuation difference on available-for-sale securities	3,882,938
Revaluation reserve for land	(1,624,044)
Foreign currency translation adjustment	808,182
Remeasurements of defined benefit plans	<u>552,038</u>
Total accumulated other comprehensive income	<u>3,619,115</u>
Total net assets	<u>78,573,747</u>
Total liabilities and net assets	<u>¥ 95,695,470</u>

AICHI CORPORATION
Consolidated Statement of Income
Fiscal Year from April 1, 2022 to March 31, 2023

In Thousands of Yen

Operating revenue:	
Net sales	¥ 60,678,851
 Operating costs and expenses:	
Cost of sales	47,627,170
Gross profit	<u>13,051,681</u>
Selling, general and administrative expenses	5,700,370
Operating profit	<u>7,351,310</u>
 Non-operating income:	
Interest and dividend income	183,588
Share of profit of entities accounted for using equity method	375,337
Foreign exchange gains	56,844
Other	51,487
	<u>667,258</u>
 Non-operating expenses:	
Other	2,492
	<u>2,492</u>
Ordinary profit	<u>8,016,076</u>
 Extraordinary income:	
Gain on sale of non-current assets	755
Gain on sale of investment securities	406,591
	<u>407,347</u>
 Extraordinary losses:	
Loss on sale of non-current assets	170
Loss on retirement of non-current assets	6,461
Loss on valuation of investment securities	6,650
Impairment loss	606
Loss on liquidation of subsidiaries and associates	28,491
Compensation for damage	104,011
	<u>146,393</u>
Profit before income taxes	8,277,030
Income taxes – current	2,177,077
Income taxes – deferred	141,849
	<u>2,318,927</u>
Profit	<u>5,958,103</u>
Profit attributable to owners of parent	<u>¥ 5,958,103</u>

AICHI CORPORATION
Consolidated Statement of Changes in Equity
Fiscal Year from April 1, 2022 to March 31, 2023

(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	9,923,342	52,416,619	(646,937)	72,118,350
Changes during period					
Dividends of surplus			(2,790,323)		(2,790,323)
Profit attributable to owners of parent			5,958,103		5,958,103
Purchase of treasury shares				(331,569)	(331,569)
Disposal of treasury shares		(8)		78	70
Cancellation of treasury shares		(978,113)		978,113	-
Transfer from retained earnings to capital surplus		978,121	(978,121)		-
Net changes of items other than shareholders' equity					
Total changes during period	-	-	2,189,659	646,623	2,836,282
Balance at end of period	10,425,325	9,923,342	54,606,278	(313)	74,954,632

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	4,085,430	(1,624,044)	758,735
Changes during period			
Dividends of surplus			
Profit attributable to owners of parent			
Purchase of treasury shares			
Disposal of treasury shares			
Cancellation of treasury shares			
Transfer from retained earnings to capital surplus			
Net changes of items other than shareholders' equity	(202,491)		49,447
Total changes during period	(202,491)	-	49,447
Balance at end of period	3,882,938	(1,624,044)	808,182

Items	Accumulated other comprehensive income		Total net assets
	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	705,280	3,925,401	76,043,752
Changes during period			
Dividends of surplus			(2,790,323)
Profit attributable to owners of parent			5,958,103
Purchase of treasury shares			(331,569)
Disposal of treasury shares			70
Cancellation of treasury shares			-
Transfer from retained earnings to capital surplus			-
Net changes of items other than shareholders' equity	(153,242)	(306,286)	(306,286)
Total changes during period	(153,242)	(306,286)	2,529,995
Balance at end of period	552,038	3,619,115	78,573,747

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

(i) 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.

(ii) Securities

Available-for-sale securities

Securities other than shares, etc., that do not have a market price:

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.)

Shares, etc., that do not have a market price:

Stated at cost, cost mainly being determined by the moving average method.

(iii) Derivatives

Derivatives are stated at fair value.

(2) Method of depreciation or amortization

(i) Property, plant and equipment (except for leased assets) are depreciated mainly by 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 by the straight-line method.

(ii) Intangible assets (except for leased assets) are amortized based on the straight-line method. In addition, software for internal use is amortized by the straight-line method over their estimated useful lives (five years).

(iii) 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 by the straight-line method over the lease period with no residual value.

(3) Significant allowances and provisions

(i) 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 conditions for doubtful or troubled receivables and provides for losses on uncollectible amounts. In addition, a general reserve for other accounts receivable is provided based on historical loss experience for certain past periods.

(ii) Provision for bonuses for directors (and other officers)

The Company provides for estimated payment of bonuses to directors.

(iii) 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

(i) Method of attributing projected benefit obligation to periods

In calculating retirement benefit obligations, the projected benefit obligation attributed to the current fiscal year is determined using the benefit formula basis.

(ii) 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

Accounting standards for revenue and expense recognition

The Group manufactures and sells specially equipped vehicles such as digger derricks, aerial work platforms and skid-steer loaders, sells their parts, and provides after-sales services such as repairs. The Group also provides training in the operation of aerial work platforms, etc. The Group usually recognizes revenue from the sales of these products and the provision of these services when they are accepted by customers because customers obtain control of these products and services, and the performance obligations are satisfied when the products and services are accepted by customers. However, the Group recognizes revenue from the sole domestic sales of parts at their shipment by applying the alternative treatment as stipulated in Paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30) when the period between the shipment and the transfer of control of these parts to customers falls under the usual period.

There are cases where long-term maintenance contracts are concluded with customers as an after-sales service business and customers receive benefits from the provision of these services as the performance obligations are satisfied. The Group recognizes revenue from these services over the contract periods because the performance obligations of these services are satisfied over time.

For parts supply transactions for fees relating to specially equipped vehicles for which manufacturing consignment agreements are received from customers, the Group recognizes revenue from the sales of these specially equipped vehicles at the amounts excluding the amounts of parts supplied for fees.

Changes in Accounting Policies due to Revision of Accounting Standard, etc.

(Adoption of Accounting Standard for Fair Value Measurement)

The Group has adopted the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Guidance”) from the beginning of the current fiscal year, and in accordance with the transitional treatment prescribed in Paragraph 27-2 of the Fair Value Measurement Guidance, the new accounting policies prescribed by the Fair Value Measurement Guidance will be adopted prospectively.

This change has no impact on the consolidated financial statements.

Notes to Accounting Estimates

Provision for product warranties

The balance of provision for product warranties at the end of the fiscal year ended March 31, 2023 was ¥153,065 thousand.

The provision for product warranties is categorized into a provision for free repairs carried out within the warranty period and a 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 subject to measures for rectifying defects, expected product warranty expenses are estimated and recognized individually based on the number of units to be rectified, the estimated cost of repair per unit, the percentage of the units that have actually been 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 an additional provision for product warranties. Meanwhile, if the actual warranty expenses turn out to be smaller than the provision, a reversal of the provision will be recognized.

Notes to Consolidated Balance Sheet

	<u>In Thousands of Yen</u>	
1. Accumulated depreciation of property, plant and equipment	¥	24,425,390
2. Balances of receivables from contracts with customers and contract assets		
Notes receivable – trade	¥	3,408,581
Accounts receivable – trade	¥	20,063,056
Contract assets	¥	–
3. Balance of contract liabilities within other of current liabilities	¥	174,141
4. 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, Item 3 and Article 2, Item 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 fair value at the end of the fiscal year ended March 31, 2023 and the book value of the land after the revaluation		¥(2,269,381) thousand

Notes to Consolidated Statement of Income

	<u>In Thousands of Yen</u>	
1. Amount of revenue from contracts with customers within net sales	¥	60,678,851
2. Write-down due to decreased profitability of inventories held for sale in the ordinary course of business		
Cost of sales	¥	36,989
3. Loss on liquidation of subsidiaries and associates		
This loss was incurred due to a resolution made to liquidate AICHI AUS PTY LTD, a consolidated subsidiary of the Company.	¥	28,491
4. Compensation for damage		
This was a settlement of product liability involving Zhejiang Aichi Industrial Machinery Co., Ltd., a consolidated subsidiary of the Company.	¥	104,011

Notes to Consolidated Statement of Changes in Equity

1. Class and number of issued shares

Class of shares	As of April 1, 2022	Increase	Decrease	As of March 31, 2023
Common shares	76,395,901	–	1,184,501	75,211,400

(Major cause of changes)

Decrease due to cancellation of treasury shares based on a resolution made at a board meeting held on January 31, 2023 1,184,501 shares

2. Share acquisition rights, etc.

There are no applicable items.

3. Cash dividends

(1) Amount of cash dividends

Resolution	Class of shares	Amount of cash dividends	Cash dividends per share	Record date	Effective date of distribution
Board meeting on April 26, 2022	Common shares	(Thousands of Yen) 1,511,731	(Yen) 20.00	March 31, 2022	June 1, 2022
Board meeting on October 26, 2022	Common shares	1,278,591	17.00	September 30, 2022	November 28, 2022

(2) Dividends whose record date falls in the fiscal year ended March 31, 2023, but the effective date of distribution falls in the fiscal year ending March 31, 2024

Resolution (Planned)	Class of shares	Source of dividends	Amount of cash dividends	Cash dividends per share	Record date	Effective date of distribution
Board meeting on April 25, 2023	Common shares	Retained earnings	(Thousands of Yen) 1,429,009	(Yen) 19.00	March 31, 2023	June 1, 2023

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 funds without 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 shares in companies, and the fair value of listed shares 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, 2023 are as follows. Shares, etc., that do not have a market price (with consolidated balance sheet amount of ¥355,660 thousand) are not included in available-for-sale securities under investment securities. Notes to cash are omitted. Notes to deposits, deposits paid, notes and accounts receivable – trade, and contract assets, notes and accounts payable – trade, and income taxes payable are omitted, because they are settled on short-term basis and their book values approximate their fair values.

(In Thousands of Yen)

	Consolidated balance sheet amount	Fair value	Difference
Investment securities			
Available-for-sale securities	6,603,426	6,603,426	–
Total assets	6,603,426	6,603,426	–

3. Breakdown of fair value of financial instrument by appropriate classifications

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using (unadjusted) quoted prices in active markets for the same assets or liabilities.

Level 2 fair value: Fair value measured using directly or indirectly observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable material inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial assets measured at fair value

(In Thousands of Yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	6,603,426	–	–	6,603,426

(2) Financial assets and financial liabilities of which book value is not measured at fair value

Notes are omitted due to their insignificance.

Notes: A description of the valuation technique(s) and inputs used in the fair value measurements

Investment securities

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1.

Notes to Rental Property

Disclosure is omitted as the information is insignificant.

Notes to Revenue Recognition

1. Information about breakdown of revenue from contracts with customers

(1) Major regional markets

(In Thousands of Yen)

	Reportable segment			Other (Note)	Total
	Specially equipped vehicles	Parts & repair	Subtotal		
Japan	43,677,486	11,787,432	55,464,918	656,401	56,121,320
Asia	2,107,114	791,684	2,898,798	–	2,898,798
Other	1,528,491	130,240	1,658,732	–	1,658,732
Revenue from contracts with customers	47,313,092	12,709,357	60,022,450	656,401	60,678,851
Net sales to external customers	47,313,092	12,709,357	60,022,450	656,401	60,678,851

(Note) The category “Other” is a business segment not included in the reportable segment and includes the used vehicles sales of aerial work platforms, etc., and education business, etc.

(2) Timing of revenue recognition

(In Thousands of Yen)

	Reportable segment			Other (Note 1)	Total
	Specially equipped vehicles	Parts & repair	Subtotal		
Goods or services transferred at a point in time	47,313,092	12,639,418	59,952,511	656,401	60,608,912
Goods or services transferred over time (Note 2)	–	69,938	69,938	–	69,938
Revenue from contracts with customers	47,313,092	12,709,357	60,022,450	656,401	60,678,851
Net sales to external customers	47,313,092	12,709,357	60,022,450	656,401	60,678,851

(Notes)

1. The category “Other” is a business segment not included in the reportable segment and includes the used vehicles sales of aerial work platforms, etc., and education business, etc.
2. Goods or services transferred over time are those related to maintenance contracts.

2. Useful information in understanding revenue

Revenue is measured at consideration promised in contracts with customers less discounts, etc. The amounts of discounts are determined at the conclusion of the said contracts and therefore do not alter consideration in relation with revenue in the current fiscal year.

Consideration for these performance obligations is received generally within one year after the performance obligations are satisfied under separately prescribed payment terms, and includes no significant financing components.

Under sales contracts related to specially equipped vehicles, the Group has warranty obligations that promise to repair faults that arise within the warranty period without fee. The warranty provides assurance that the product complies with agreed-upon specifications and will operate as promised, and thus, is recognized as a provision for product warranties.

3. Information for understanding revenue amount of the current and subsequent fiscal years

(1) Balances of receivables from contracts with customers and contract liabilities

The balances of receivables from contracts with customers and contract liabilities at the beginning and end of period are as follows:

	(In Thousands of Yen)
	Current fiscal year (from April 1, 2022 to March 31, 2023)
Receivables from contracts with customers (balance at beginning of period)	18,608,241
Receivables from contracts with customers (balance at end of period)	23,471,637
Contract assets (balance at beginning of period)	-
Contract assets (balance at end of period)	-
Contract liabilities (balance at beginning of period)	249,678
Contract liabilities (balance at end of period)	174,141

Contract liabilities are recorded under other of current liabilities. Contract liabilities are related to advances received from customers based on the payment terms agreed with customers for contracts in which revenue from the sales, repair, etc., of specially equipped vehicles or their parts is recognized when those products or services are accepted by customers, and for contracts in which revenue is recognized over time as the performance obligations for after-sales services are satisfied. Contract liabilities are reversed upon recognition of revenue.

Revenue recognized in the current fiscal year that was included in the contract liability balance at the beginning of the period was ¥248,290 thousand.

The amount of revenue recognized in the current fiscal year from performance obligations that were satisfied in previous periods is immaterial.

(2) Transaction price allocated to the remaining performance obligations

The Company and its consolidated subsidiaries have applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations, and do not disclose transaction prices related to contracts with an original expected duration of one year or less. For maintenance contracts with servicing periods longer than one year, the total transaction price allocated to the remaining performance obligations and the time frame the Company expects to recognize the amount as revenue are as follows:

	(In Thousands of Yen)
	Current fiscal year (as of March 31, 2023)
Within one year	340,698
Over one year and within two years	259,066
Over two years and within three years	205,825
Over three years	507,639
Total	1,313,229

Per Share Information

	In Yen	
Net assets per share	¥	1,044.71
Profit per share		79.16

Notes to Subsequent Events

There are no applicable items.

Other Notes

There are no applicable items.

Notice to Readers:

Figures below the unit of presentation are discarded from the amounts in the accompanying financial statements stated in thousands of yen.

AICHI CORPORATION
Non-consolidated Balance Sheet
As of March 31, 2023

In Thousands of Yen

Assets

Current assets:

Cash and deposits	¥ 186,934
Deposits paid	37,865,486
Notes receivable – trade	1,885,769
Electronically recorded monetary claims – operating	1,522,811
Accounts receivable – trade	20,006,760
Finished goods	1,004,451
Work in process	1,175,882
Raw materials and supplies	1,199,929
Short-term loans receivable	66,765
Other	1,224,903
Total current assets	<u>66,139,694</u>

Non-current assets:

Property, plant and equipment:

Buildings	5,793,536
Structures	529,424
Machinery and equipment	1,468,358
Vehicles	27,250
Tools, furniture and fixtures	149,994
Land	8,523,400
Construction in progress	341,940
Other	262,839
Total property, plant and equipment	<u>17,096,745</u>

Intangible assets:

Right to use water facilities	752
Software	214,072
Other	33,249
Total intangible assets	<u>248,074</u>

Investments and other assets:

Investment securities	6,959,086
Investments in capital	1,010
Investments in capital of subsidiaries and affiliates	1,420,530
Long-term prepaid expenses	140,576
Guarantee deposits	55,060
Other	17,238
Allowance for doubtful accounts	(6,653)
Total investments and other assets	<u>8,586,848</u>

Total non-current assets

Total assets

25,931,668

¥ 92,071,363

Liabilities

Current liabilities:

Notes payable – trade	¥ 716,495
Electronically recorded obligations – operating	3,849,666
Accounts payable – trade	5,762,250
Accounts payable – other	744,278
Income taxes payable	1,371,163
Accrued consumption taxes	237,459
Accrued expenses	1,420,484
Deposits received	302,020
Unearned revenue	431
Provision for bonuses for directors (and other officers)	38,000
Provision for product warranties	153,065
Notes payable – facilities	169,025
Electronically recorded obligations – facilities	7,675
Other	94,148

Total current liabilities	14,866,163
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Non-current liabilities:

Deferred tax liabilities for land revaluation	616,302
Provision for retirement benefits	1,454,954
Deferred tax liabilities	229,718
Other	253,294

Total non-current liabilities	2,554,271
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Total liabilities	17,420,434
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Net assets

Shareholders' equity:

Share capital	10,425,325
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Capital surplus:

Legal capital surplus	9,941,842
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Total capital surplus	9,941,842
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Retained earnings:

Other retained earnings	52,025,180
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Retained earnings brought forward	52,025,180
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Total retained earnings	52,025,180
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Treasury shares

Total shareholders' equity	72,392,034
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Valuation and translation adjustments:

Valuation difference on available-for-sale securities	3,882,938
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Revaluation reserve for land	(1,624,044)
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Total valuation and translation adjustments	2,258,894
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Total net assets	74,650,928
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Total liabilities and net assets	¥ 92,071,363
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AICHI CORPORATION
Non-consolidated Statement of Income
Fiscal Year from April 1, 2022 to March 31, 2023

In Thousands of Yen

Operating revenue:	
Net sales	¥ 59,981,126
 Operating costs and expenses:	
Cost of sales	47,316,902
Gross profit	12,664,223
Selling, general and administrative expenses	5,377,209
Operating profit	7,287,013
 Non-operating income:	
Interest and dividend income	866,987
Foreign exchange gains	46,011
Other	54,920
	967,918
 Non-operating expenses:	
Other	933
	933
Ordinary profit	8,253,999
 Extraordinary income:	
Gain on sale of non-current assets	755
Gain on sale of investment securities	406,591
	407,347
 Extraordinary losses:	
Loss on retirement of non-current assets	3,864
Impairment loss	606
Loss on valuation of investment securities	6,650
Loss on liquidation of subsidiaries and associates	3,524
	14,645
Profit before income taxes	8,646,700
Income taxes – current	2,189,589
Income taxes – deferred	102,487
	2,292,077
Profit	¥ 6,354,623

AICHI CORPORATION
Non-consolidated Statement of Changes in Equity
Fiscal Year from April 1, 2022 to March 31, 2023

(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	–	9,941,842
Changes during period				
Dividends of surplus				
Profit				
Purchase of treasury shares				
Disposal of treasury shares			(8)	(8)
Cancellation of treasury shares			(978,113)	(978,113)
Transfer from retained earnings to capital surplus			978,121	978,121
Net changes of items other than shareholders' equity				
Total changes during period	–	–	–	–
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		
Balance at beginning of period	49,439,001	49,439,001	(646,937)	69,159,232
Changes during period				
Dividends of surplus	(2,790,323)	(2,790,323)		(2,790,323)
Profit	6,354,623	6,354,623		6,354,623
Purchase of treasury shares			(331,569)	(331,569)
Disposal of treasury shares			78	70
Cancellation of treasury shares			978,113	–
Transfer from retained earnings to capital surplus	(978,121)	(978,121)		–
Net changes of items other than shareholders' equity				
Total changes during period	2,586,178	2,586,178	646,623	3,232,802
Balance at end of period	52,025,180	52,025,180	(313)	72,392,034

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	4,085,430	(1,624,044)	2,461,385	71,620,617
Changes during period				
Dividends of surplus				(2,790,323)
Profit				6,354,623
Purchase of treasury shares				(331,569)
Disposal of treasury shares				70
Cancellation of treasury shares				–
Transfer from retained earnings to capital surplus				–
Net changes of items other than shareholders' equity	(202,491)		(202,491)	(202,491)
Total changes during period	(202,491)	–	(202,491)	3,030,310
Balance at end of period	3,882,938	(1,624,044)	2,258,894	74,650,928

AICHI CORPORATION
Notes to Non-consolidated Financial Statements

Significant Accounting Policies

1. Valuation of securities
Securities other than shares, etc., that do not have a market price:
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.)
Shares, etc., that do not have a market price:
Stated at cost, cost mainly 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 of non-current assets
 - (1) Property, plant and equipment (except for leased assets) are depreciated by 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 by the straight-line method.
 - (2) Intangible assets (except for leased assets) are amortized by the straight-line method. In addition, software for internal use is amortized by the straight-line method over their estimated useful lives (five 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 by the straight-line method over the lease period with no residual value.
 - (4) Long-term prepaid expenses are amortized by 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 conditions for doubtful or troubled receivables and provides for losses on uncollectible amounts. In addition, a 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 the actuarial present value of retirement benefit obligations and pension plan assets.

(i) Method of attributing projected benefit obligation to periods

In calculating retirement benefit obligations, the projected benefit obligation attributed to the current fiscal year is determined using the benefit formula basis.

(ii) 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. Accounting standards for revenue and expense recognition

The Company manufactures and sells specially equipped vehicles such as digger derricks, aerial work platforms and skid-steer loaders, sells their parts, and provides after-sales services such as repairs. The Company also provides training in the operation of aerial work platforms, etc. The Company usually recognizes revenue from the sales of these products and the provision of these services when they are accepted by customers because customers obtain control of these products and services, and the performance obligations are satisfied when the products and services are accepted by customers. However, the Company recognizes revenue from the sole domestic sales of parts at their shipment by applying the alternative treatment as stipulated in Paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30) when the period between the shipment and the transfer of control of these parts to customers falls under the usual period.

There are cases where long-term maintenance contracts are concluded with customers as an after-sales service business and customers receive benefits from the provision of these services as the performance obligations are satisfied. The Company recognizes revenue from these services over the contract periods because the performance obligations of these services are satisfied over time.

For parts supply transactions for fees relating to specially equipped vehicles for which manufacturing consignment agreements are received from customers, the Company recognizes revenue from the sales of these specially equipped vehicles at the amounts excluding the amounts of parts supplied for fees.

7. 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.

8. Other important matters for preparing non-consolidated financial statements

Accounting treatment for retirement benefits

The accounting treatment for unrecognized actuarial differences for retirement benefits differ from that of the consolidated financial statements.

Changes in Accounting Policies due to Revision of Accounting Standard, etc.

(Adoption of Accounting Standard for Fair Value Measurement)

The Company has adopted the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Guidance”) from the beginning of the current fiscal year, and in accordance with the transitional treatment prescribed in Paragraph 27-2 of the Fair Value Measurement Guidance, the new accounting policies prescribed by the Fair Value Measurement Guidance will be adopted prospectively.

This change has no impact on the non-consolidated financial statements.

Notes to Accounting Estimates

Provision for product warranties

The balance of provision for product warranties at the end of the fiscal year ended March 31, 2023 was ¥ 153,065 thousand.

The provision for product warranties is categorized into a provision for free repairs carried out within the warranty period and a 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 subject to measures for rectifying defects, expected product warranty expenses are estimated and recognized individually based on the number of units to be rectified, the estimated cost of repair per unit, the percentage of the units that have actually been 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, a reversal of the provision will be recognized.

Notes to Non-consolidated Balance Sheet

	<u>In Thousands of Yen</u>
1. Accumulated depreciation of property, plant and equipment	¥ 23,322,648
2. Receivables from and payables to subsidiaries and affiliates:	
Short-term receivables	¥ 38,718,760
Short-term payables	¥ 277,701
3. Land revaluation	
Pursuant to the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998) and the Law to Partially Amend the Law Concerning Revaluation of Land (Law No. 19, March 31, 2001), the Company revalued land used for business activities on March 31, 2002.	
Pursuant to the Law to Partially Amend the Law Concerning Revaluation of Land (Law No. 24, March 31, 1999), the effect of this revaluation has been recorded as deferred tax liabilities for land revaluation in liabilities and as revaluation reserve for land in net assets.	
Revaluation was carried out based on an amount rationally calculated using the land value for local government tax and roadside land assessment as prescribed in Article 2, Item 3 and Article 2, Item 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 fair value at the end of the fiscal year ended March 31, 2023 and the book value of the land after the revaluation	¥ (2,269,381) thousand

Notes to Non-consolidated Statement of Income

	<u>In Thousands of Yen</u>
1. Transactions with subsidiaries and affiliates:	
Operating transactions	
Net sales	¥ 2,261,237
Goods purchased	¥ 2,072,890
Selling, general and administrative expenses	¥ 59,627
Non-operating transactions	¥ 4,147
2. Amount of revenue from contracts with customers within net sales	¥ 59,981,126
3. Write-down due to decreased profitability of inventories held for sale in the ordinary course of business	
Cost of sales	¥ 62,156
4. Loss on liquidation of subsidiaries and associates	
This loss was incurred due to a resolution made to liquidate AICHI AUS PTY LTD, a consolidated subsidiary of the Company.	¥ 3,524

Notes to Non-consolidated Statement of Changes in Equity

Class and number of treasury shares

Class of shares	As of April 1, 2022	Increase	Decrease	As of March 31, 2023
Common shares	809,314	375,652	1,184,591	375

(Major causes of changes)

Increase due to acquisition of treasury shares based on a resolution made at a board meeting held on October 27, 2021	375,100 shares
Increase due to acquisition of shares less than one unit	552 shares
Decrease due to cancellation of treasury shares based on a resolution made at a board meeting held on January 31, 2023	1,184,501 shares
Decrease due to sale of shares less than one unit	90 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	¥ 108,380
Accrued enterprise tax and business office tax	86,730
Provision for product warranties	46,623
Provision for retirement benefits	552,835
Accrued bonuses	297,637
Buildings, structures, machinery and equipment	38,229
Land	569,744
Investment securities	121,561
Others	420,645
Subtotal	<u>2,242,388</u>
Valuation allowance	<u>(931,026)</u>
Total deferred tax assets	1,311,361
Deferred tax liabilities	
Valuation difference on available-for-sale securities	¥ (1,532,200)
Others	<u>(8,880)</u>
Total deferred tax liabilities	<u>(1,541,080)</u>
Deferred tax liabilities (Net)	(229,718)

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 53.9%	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) *	968,463	Deposits paid	37,865,486

Note: Commercial terms and conditions

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

Notes to Revenue Recognition

Useful information in understanding revenue

This note is omitted, as the same information has been stated in Notes to Consolidated Financial Statements.

Per Share Information

	In Yen	
Net assets per share	¥	992.55
Profit per share		84.43

Notes to Subsequent Events

There are no applicable items.

Notes to Companies Subject to the Restriction on Consolidated Dividends

There are no applicable items.

Other Notes

There are no applicable items.

Notice to Readers:

Figures below the unit of presentation are discarded from the amounts in the accompanying financial statements stated in thousands of yen.