

The **115**th Fiscal Year **Business Report**

To Our Shareholders

April 1, 2023 ▶ March 31, 2024

 **AICHI ELECTRIC CO., LTD.**

Stock Exchange Code: 6623



We are pleased to extend our greetings to our shareholders in presenting our 115th annual report for the fiscal year ended March 31, 2024 (“FY2023”).

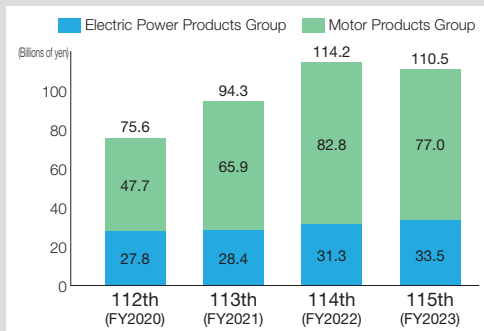
Overview of business

During the period under review, despite a continuing moderate recovery in conditions, the outlook remained clouded due to factors such as a slowdown in overseas economies and the prolonged conflict in Ukraine. Our Group faced a difficult environment for orders in the Motor Products Group, with a slump in the air conditioning market due to the Chinese real estate downturn and the backlash from stay-at-home demand, as well as sluggish growth caused by the adjustment phase in the semiconductor market.

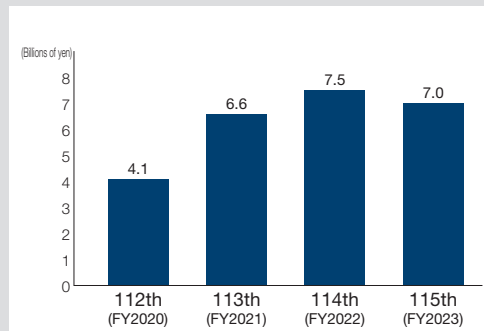
Under such circumstances, in the final fiscal year of “the 2023 medium-term management plan -Create the future with reliable technology-Innovation and Challenge”, our Group strove to achieve the management targets of 100.0 billion yen in net sales, 6.0 billion yen in ordinary income and ROA of 6.0%, while promoting activities for sustainable growth. The Electric Power Products Group worked to create new products and businesses, including next generation digital control equipment and hydropower generation systems, while also striving to enhance productivity through TPS improvement activities. The Motor Products Group worked on enhancing production capacity for motors for car air-conditioner compressors, which is a growth area, and on establishing a new factory for package board cores (printed wiring boards).

With regard to the consolidated performance for the fiscal year ended March 31, 2024, both sales and income decreased compared with the previous fiscal year, due to a decline in orders for motors for building air-conditioner compressors

Net sales 110.5 billion yen



Operating income 7.0 billion yen



in the Motor Products Group, despite strong performance in the Electric Power Products Group. Net sales decreased by 3.2% to 110,595 million yen, operating income decreased by 5.9% to 7,059 million yen, ordinary income decreased by 5.5% to 8,312 million yen, and net income attributable to owners of parent decreased by 0.3% to 5,937 million yen. Nevertheless, we achieved all the management targets set out in the medium-term management plan.

Dividend

Our year-end dividend was 80 yen per share. Combined with the interim dividend, the total dividend was 160 yen per share.

Future prospects

The business conditions surrounding our Group are currently seeing an adjustment phase in the air conditioning market. However, due to changes in the social environment, such as a trend toward decarbonization and the progress of digital transformation, in the medium and long

term, we expect to see increased demand for renewable energy-related electric power products, expansion of the heat pump market, further spread of electrified vehicles, and expanded demand, advancing and multi-layering for semiconductor package boards.

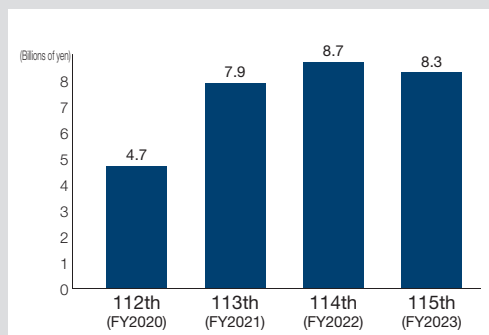
In order to quickly respond to these environmental changes, we have formulated a new five-year plan, "2028 medium-term management plan", which ends in FY2028. In this plan, we aim to enhance trust and quality, achieve sustainable growth, and improve corporate value through the basic policies of "discovering and developing new products and businesses", "strengthening manufacturing capabilities", and "strengthening the management base".

We appreciate your continued understanding and support.

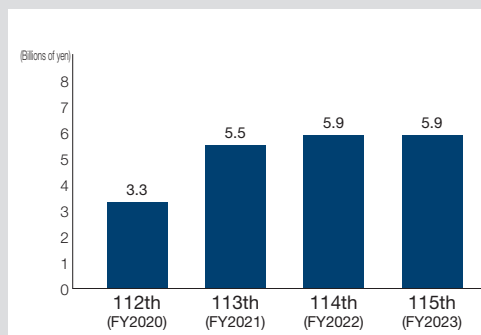
June 2024

Takeshi Kobayashi
President

Ordinary income 8.3 billion yen



Net income attributable to owners of parent 5.9 billion yen



Performance at Each Group

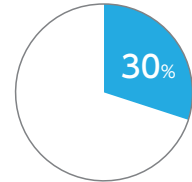
Electric Power Products Group

Net sales 33.5 billion yen

Business description

This Group is engaged in the design, manufacture and sale of electric power equipment such as different types of transformers, protection and control devices, equipment related to renewable energy, and industrial equipment such as powder processing machines, as well as designing and executing the construction of receiving and transforming substations in Japan and overseas.

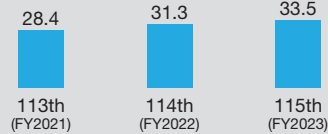
Sales ratio



Overview of FY2023

Compared with the previous year, net sales increased by 6.9% to 33,560 million yen while segment income increased by 46.7% to 3,887 million yen. Both sales and income increased due to steady sales of voltage regulators for power distribution companies and transformers for general industries among medium transformers, as well as an increase in domestic substation construction.

Net sales trend (Billions of yen)



Main products



Pole-mounted transformers



"TOP RUNNER" low loss transformers



Bi-directional power flow type SVR



A²-TVR



A²-STATCOM

Automatic voltage regulators



On-load tap-changing transformers (LRT)



Digital-type observation, protection and control devices



Hydropower turbine, generator and control panels



Receiving and transforming substation construction



Powder processing machines

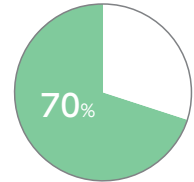
Motor Products Group

Net sales 77.0 billion yen

Business description

This Group supplies products that facilitate daily living, such as various small motors including hermetic motors for air-conditioner compressors, printed wiring boards, linear actuators for electric beds, shutter operators, etc.

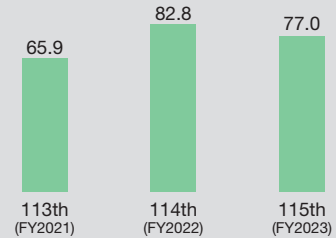
Sales ratio



Overview of FY2023

Compared with the previous year, net sales decreased by 7.1% to 77,034 million yen and segment income decreased by 24.5% to 5,075 million yen. Sales of printed wiring boards and motors for car air-conditioner compressors increased compared with the previous year, but both net sales and segment income decreased due to a significant drop in domestic and overseas sales of motors for building air-conditioner compressors.

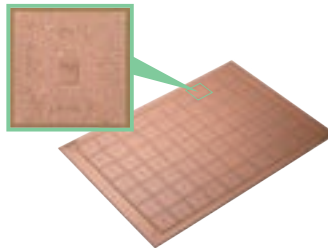
Net sales trend (Billions of yen)



Main products



Hermetic motors for air-conditioner compressors



Printed wiring boards



Linear actuators
Controllers and handsets for linear actuators



Motors for submersible pumps



Shutter operators



Fans for cattle farms



Inverters

Consolidated Balance Sheets

(Millions of yen)

Assets	FY2023 (As of March 31, 2024)	FY2022 (As of March 31, 2023)	Liabilities and Net assets	FY2023 (As of March 31, 2024)	FY2022 (As of March 31, 2023)
Current assets	86,668	84,660	Liabilities		
Non-current assets	47,678	38,718	Current liabilities	41,058	39,580
Property, plant and equipment	36,436	27,707	Non-current liabilities	18,762	15,284
Intangible assets	600	517	Total liabilities	59,821	54,865
Investments and other assets	10,641	10,493	Net assets		
			Shareholders' equity	68,110	63,683
			Accumulated other comprehensive income	4,924	3,425
			Non-controlling interests	1,492	1,404
			Total net assets	74,526	68,513
Total assets	134,347	123,378	Total liabilities and net assets	134,347	123,378

Consolidated Statements of Income

(Millions of yen)

	FY2023 (From April 1, 2023 to March 31, 2024)	FY2022 (From April 1, 2022 to March 31, 2023)
Net sales	110,595	114,286
Cost of sales	94,954	98,118
Gross profit	15,640	16,167
Selling, general and administrative expenses	8,580	8,663
Operating income	7,059	7,504
Non-operating income	1,562	1,559
Non-operating expenses	309	270
Ordinary income	8,312	8,793
Extraordinary income	259	66
Extraordinary losses	30	364
Income before income taxes	8,541	8,494
Income taxes-current	2,343	2,452
Income taxes-deferred	243	18
Net income	5,955	6,023
Net income attributable to non-controlling interests	17	69
Net income attributable to owners of parent	5,937	5,954

Non-Consolidated Balance Sheets

(Millions of yen)

Assets	FY2023 (As of March 31, 2024)	FY2022 (As of March 31, 2023)	Liabilities and Net assets	FY2023 (As of March 31, 2024)	FY2022 (As of March 31, 2023)
Current assets	45,052	47,455	Liabilities		
Non-current assets	29,420	27,911	Current liabilities	15,708	20,393
Property, plant and equipment	9,985	9,059	Non-current liabilities	7,454	6,672
Intangible assets	70	84	Total liabilities	23,163	27,066
Investments and other assets	19,364	18,766	Net assets		
			Shareholders' equity	49,542	47,241
			Valuation and translation adjustments	1,766	1,059
Total assets	74,473	75,367	Total net assets	51,309	48,300
			Total liabilities and net assets	74,473	75,367

Non-Consolidated Statements of Income

(Millions of yen)

	FY2023 (From April 1, 2023 to March 31, 2024)	FY2022 (From April 1, 2022 to March 31, 2023)
Net sales	60,261	60,797
Cost of sales	52,684	53,128
Gross profit	7,576	7,669
Selling, general and administrative expenses	4,883	4,847
Operating income	2,692	2,821
Non-operating income	2,215	1,507
Non-operating expenses	69	88
Ordinary income	4,839	4,239
Extraordinary income	224	23
Extraordinary losses	8	341
Income before income taxes	5,055	3,921
Income taxes-current	945	868
Income taxes-deferred	298	132
Net income	3,811	2,920

Management

Launch of 2028 medium-term management plan

We have formulated a new medium-term management plan for the five years from FY2024 to FY2028, and began activities in April of this year.

Our basic policies are “discovering and developing new products and businesses”, “strengthening manufacturing capabilities”, and “strengthening the management base”, and we aim to achieve consolidated net sales of 150.0 billion yen, consolidated operating income of 10.0 billion yen and ROIC of 6% or more by FY2028.

Aichi Electric Group 2028 Medium-term Management Plan

Basic Policies

Enhance trust and quality, achieve sustainable growth and improve corporate value by discovering and developing new products and businesses, strengthening manufacturing capabilities and the management base.

Discovering and Developing New Products and Businesses

Actively propose new products, expand business domain, strengthen relationships of trust with customers and business partners, promote business development in new markets, and discover and develop new products and businesses.

Strengthening Manufacturing Capabilities

Establish global production bases and systems that respond to market and customer needs, promote digitalization and automation of design, manufacturing and inspection operations, and strengthen our manufacturing capabilities as a manufacturer.

Strengthening the Management Base

Secure and develop human resources, create an environment in which they can demonstrate their abilities to the fullest, optimize corporate governance, and strengthen compliance and risk management.



Management Targets

FY2028 targets:	Consolidated net sales	Consolidated operating income	ROIC*
	150.0 billion yen	10.0 billion yen	6% or more

Profit distribution: Our basic policy is to distribute profits in line with performance while maintaining stable dividends, aiming for a consolidated payout ratio of 30% or more.

*ROIC (Return on Invested Capital) = Operating income after tax ÷ (Shareholders' equity + Interest-bearing debt)

Management

Completion of a new factory for package board cores

AIKOKIKI MFG. CO., LTD., our consolidated subsidiary, has begun production at a new production base, Shibata factory (Shibata city, Niigata prefecture), where it has been proceeding with the installation of a manufacturing line for package board cores.

Package board cores are expected to experience demand growth in the medium and long term, with the accelerating spread of high-speed communications, generative AI and IoT, as well as the progress of digital transformation. AIKOKIKI MFG. CO., LTD. has been manufacturing package board cores at its head office factory (Kasugai city, Aichi prefecture), and with the addition of Shibata factory, production capacity will increase by approximately 25%.

In addition, we are continuing with the fourth phase expansion at Shibata factory. Our Group will strive to further expand the package board core business.



Exterior of Shibata factory

Electric Power Products Group

Development of signal line transformer panel

We have developed a signal line transformer panel that can be fixed at the bottom of utility poles at a height that allows operation from the ground.

Traditionally, railway companies have placed high-voltage cutouts* and signal line transformers separately at the top of utility poles.

In recent years, there has been a trend towards introducing transformers mounted on the ground (hereinafter “pad-mounted transformers”) that store high-voltage cutouts and signal line transformers inside a box. However, there exist narrow locations, such as elevated railways, where it is difficult to find a foundation for installing pad-mounted transformers.

This device can be installed in such locations, improving maintainability. This is expected to improve the efficiency of maintenance work.

*A high-voltage cutout is a type of switch that disconnects high-voltage equipment from a circuit.



Signal line transformer panel (mounted on a pole)

Electric Power Products Group

Development of an automatic voltage regulator (A²-STATCOM) with added constant power factor control function

This device regulates the voltage of power distribution systems by continuously and rapidly controlling reactive power. By adding a function to the device that controls the power factor to a constant level, it is possible to further enhance the quality of power distribution systems. This also makes it easier to improve the power factor of renewable energy generation equipment that uses induction generators.

In recent years, expectations have been growing for small hydropower generation, biomass power generation, and biogas power generation, which are renewable energy sources that can provide a stable supply of electricity. As a result, orders for this device have been increasing.

We will continue to develop products that contribute to a stable supply of electricity and that accurately capture customer needs.



Automatic voltage regulator (A²-STATCOM)

Motor Products Group

50th anniversary of SHIROTORI ENA AICHI ELECTRIC CO., LTD.

Our consolidated subsidiary, SHIROTORI ENA AICHI ELECTRIC CO., LTD., celebrated its 50th anniversary.

This company is an important production base for motors and applied equipment. In response to global market growth in electrified vehicles, the company continued to strengthen its production facilities in FY2023, including through the introduction of a press machine, in order to increase production of motor cores for cars.

We will continue to strive for further development of the motor business, including motors for cars.



Press machine

IR Activities

Just as we did last fiscal year, we participated in “the Nagoya Stock Exchange IR EXPO”. We also held a financial results briefing for institutional investors, and explained our new medium-term management plan.

We will continue to actively engage in IR activities.

Participation in “the Nagoya Stock Exchange IR EXPO 2023”



Our booth at the event



The event venue

Financial results briefing for institutional investors



The financial results briefing



An image from our website



URL : <https://www.aichidenki.jp/ir/briefing.html>

Corporate Data (As of March 31, 2024)

AICHI ELECTRIC CO., LTD.

Established: May 27, 1942

Capital: 4,053 million yen

Number of Employees: 1,090 (Consolidated: 2,805)

Head Office: 1, Aichi-cho, Kasugai city, Aichi pref.,
486-8666, JAPAN
Phone +81-568-31-1111

Board of Directors and Auditors (As of June 27, 2024)

President	Kazuo Kobayashi
Managing Director	Shinobu Kato
Managing Director	Masaki Kakiyama
Director	Hisashi Tajima
Director	Yoshikazu Suda
Director	Yukinari Yokote
Director	Hirotsugu Shibayama
Director	Fujio Nakaseko
Director (Outside)	Keiichiro Urakami
Director (Outside)	Hideshige Seo
Auditor	Hideki Hosoe
Auditor (Outside)	Shinji Furuta
Auditor (Outside)	Wataru Hashimoto

Status of Shares (As of March 31, 2024)

Total number of shares authorized to be issued	23,912,200 shares
Total number of shares issued	9,500,000 shares
Number of shareholders	12,650 persons

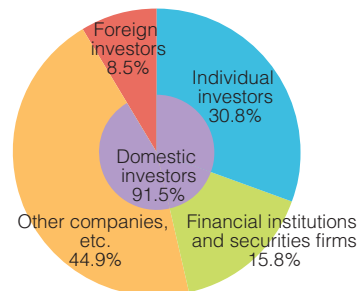
Major shareholders (top ten shareholders)

	Number of shares (thousand shares)	Shareholding ratio (%)
Chubu Electric Power Co., Inc.	2,326	24.4
Furukawa Electric Co., Ltd.	565	5.9
TSUCHIYA CORPORATION	500	5.2
BBH FOR FIDELITY LOW – PRICED STOCK FUND(PRINCIPAL ALL SECTOR SUBPORTFOLIO)	360	3.7
MUFG Bank, Ltd.	312	3.2
Custody Bank of Japan, Ltd. (trust account 4)	303	3.1
Kawaguchi Kosan Co., Ltd.	200	2.1
Meiji Yasuda Life Insurance Company	175	1.8
Tokio Marine & Nichido Fire Insurance Co., Ltd.	164	1.7
SWCC Corporation	129	1.3

Note 1 Numbers of shares are rounded down to the nearest thousand shares.

Note 2 The shareholding ratio is calculated excluding treasury shares (2,539 shares).

Distribution of shares by shareholder



Information on Shares

Business Year	April 1 to March 31 of the following year
Ordinary General Meeting of Shareholders	June
Record date for shareholder rights for the Ordinary General Meeting of Shareholders	March 31
Record date for year-end dividend	March 31
Record date for interim dividend	September 30
Stock Transfer Agent and Account Management Institution for Special Accounts	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, JAPAN
Handling Office	Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited 3-15-33, Sakae, Naka-ku, Nagoya, JAPAN
Mailing Address (Telephone Inquiries)	Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited 2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, JAPAN Telephone +81-120-782-031 (toll-free in Japan) Reception hours: 9:00 a.m. to 5:00 p.m. (excluding weekends and holidays)
Public Notices	Public notices shall be made electronically. Public notice URL: https://www.aichidenki.jp If electronic notice is impossible due to accidents or other unavoidable circumstances, the notice shall be posted in the Chunichi Shimbun which is published in Nagoya city.

Information regarding the share buyback and additional purchase program for fractional shares less than one unit (fractional shares less than 100 shares)

We have a program that enables shareholders to sell owned fractional shares less than one unit back to the Company or make additional purchases from the Company. Interested shareholders should contact the "Contacts for various procedures" below.

Contacts for various procedures

(Changes in name or address, buyback and additional purchase of fractional shares less than one unit)

For shareholders who have an account with a securities company

→ Please contact your securities company.

For shareholders who do not have an account with a securities company

→ Please contact Sumitomo Mitsui Trust Bank, Limited.

Concerning outstanding dividend payments

Please contact Sumitomo Mitsui Trust Bank, Limited.

 AICHI ELECTRIC CO., LTD.

<https://www.aichidenki.jp/english>

