

To Our Shareholders

The **111**th Fiscal Year
Business Report

April 1, 2019 ▶ March 31, 2020

 **AICHI ELECTRIC CO., LTD.**

Stock Exchange Code: 6623



We are pleased to extend our greetings to our shareholders in presenting our 111th annual report for the fiscal year ended March 31, 2020.

Overview of business

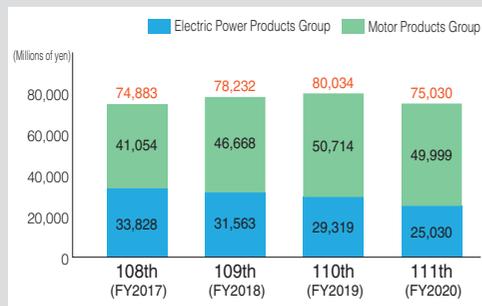
During the period under review, the Japanese economy lacked vitality, affected by the persistence of US-China trade friction and the consumption tax hike, despite continuing improvement in the employment and income environment. Conditions deteriorated dramatically towards the end of the fiscal year, particularly in personal consumption and production, due to the impact of the spread of COVID-19.

In regards to the business conditions of our group, the Electric Power Products Group faced challenging conditions due to the end of special replacement demand for transformers containing PCBs and increased price competition, despite steady demand for sophisticated power distribution products in the

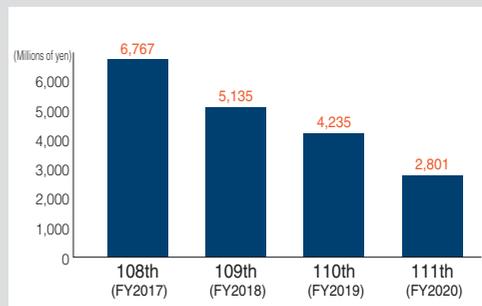
context of the spread of renewable energy. The Motor Products Group faced sluggish demand for printed wiring boards, due to the impact of production adjustments in the electrical appliances and electronics industries caused by a slowdown in the Chinese economy.

Under such circumstances, our Group has worked to secure revenue from existing products and build the foundations for future growth, during this first year of the 2023 medium-term management plan “Create the future with reliable technology - Innovation and Challenge -.” The Electric Power Products Group proceeded with developing and launching sophisticated power distribution products on the market, while focusing on expanding sales of products such as “TOP RUNNER” low loss transformers to the general manufacturing industry. We also engaged in initiatives to strengthen production capabilities, including renewal of the small transformer factory, TPS improvement activities and in-house production of hot water boilers. The Motor Products Group worked to ramp up production line of on-vehicle hermetic motors and package cores, while also promoting initiatives such as new customer acquisition for our motors and actuators.

Net sales 75.0 billion yen



Operating income 2.8 billion yen



With regard to the consolidated performance for the fiscal year ended March 31, 2020, both sales and income decreased compared with the previous fiscal year, due to a decline in net sales of products including pole-mounted transformers and printed wiring boards. Compared with the previous year, net sales decreased by 6.3% to 75,030 million yen, operating income decreased by 33.9% to 2,801 million yen, ordinary income decreased by 31.9% to 3,306 million yen, and net income attributable to owners of parent decreased by 12.0% to 2,735 million yen.

Dividend

Our final dividend was 45 yen per share. Combined with the interim dividend, the total dividend was 90 yen per share.

Future prospects

With respect to the business conditions surrounding our group, while in the Electric Power Products Group, we expect electric power companies to continue progress to more sophisticated power distribution, we also expect to see a strengthening of the trend towards reducing wheeling costs through the reuse and maintenance of aging facilities. The

Motor Products Group projects stronger demand for on-vehicle motors and printed wiring boards, against the backdrop of next-generation vehicles and the increasing use of AI and the IoT, but concerns remain regarding the risk of a slump in demand due to the prolonged effects of the COVID-19 pandemic.

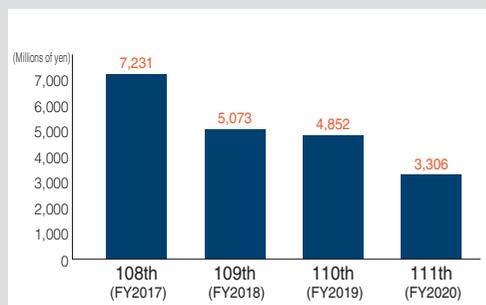
In this context, the Company merged with its subsidiary AICHI ELEC CO. that manufactures and sells hermetic motors, this April, and reorganized its operational structure to comprise two internal companies, the Electric Power Company and the Motor Company. In July, the Company also merged with its motor manufacturing subsidiaries SHIROTORI AICHI ELEC CO., LTD. and ENA AICHI ELECTRIC CO., LTD. The Company will seek for even more efficient business operation and stronger development, production and quality in the motors business under this new structure, and aim to achieve the targets of the medium-term management plan.

We appreciate your continued understanding and support.

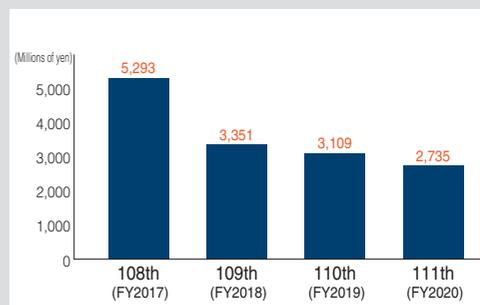
June 2020

Toru Satoh
President

Ordinary income 3.3 billion yen



Net income attributable to owners of parent 2.7 billion yen



Performance at each Group

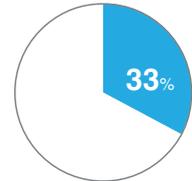
Electric Power Products Group

Net sales 25.0 billion yen

Business description

This Group supports electric power infrastructure through the design and manufacture of electrical equipment, such as different types of electric power transformers, electric power protection and control devices, and equipment related to renewable energy, as well as overseas substation construction.

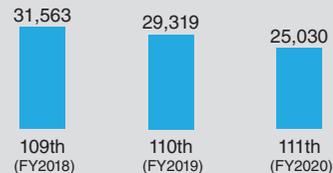
Sales breakdown



Overview of FY2020

Compared with the previous year, net sales decreased by 14.6% to 25,030 million yen and segment income decreased by 41.9% to 2,390 million yen. Sales of pole-mounted transformers and substation construction declined significantly, despite favorable performances of step voltage regulators for power distribution lines and “TOP RUNNER” low loss transformers for the general manufacturing industry.

Net sales trend (Millions of Yen)



Main products



Pole-mounted transformers



“TOP RUNNER”
low loss transformers



Step voltage regulators
(SVR)



On-load tap-changing
transformers (LRT)



Digital-type protection
and control devices



Power conditioners



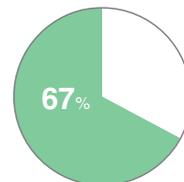
Installation of substations

■ Motor Products Group Net sales 49.9 billion yen

Business description

This Group supplies products that facilitate daily living, including linear actuators, controllers and handsets for electric beds, various small motors including hermetic motors for air conditioners, printed wiring boards and shutter operators.

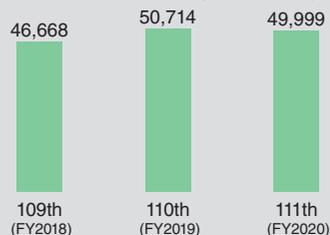
Sales breakdown



Overview of FY2020

Compared with the previous year, net sales decreased by 1.4% to 49,999 million yen and segment income increased by 15.2% to 1,917 million yen. With regard to sales, printed wiring boards continued to lower than the previous year. Segment income was higher than the previous year thanks to changes in the sales composition and a reduction in materials costs, despite the decrease in net sales.

Net sales trend (Millions of Yen)



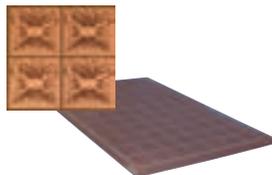
Main products



Linear actuators, controllers and handsets



Hermetic motors



Printed wiring boards



Shutter operators



Hot water boilers



Powder processing & drying equipment



Fans and controllers for cattle farms

Consolidated Balance Sheets

(Millions of Yen)

Assets	FY2020	FY2019	Liabilities and Net Assets	FY2020	FY2019
	(As of March 31, 2020)	(As of March 31, 2019)		(As of March 31, 2020)	(As of March 31, 2019)
Current assets	61,719	64,885	Liabilities		
Non-current assets	26,966	25,270	Current liabilities	25,783	28,518
Property, plant and equipment	16,906	15,241	Non-current liabilities	8,506	7,962
Intangible assets	337	182	Total liabilities	34,289	36,481
Investments and other assets	9,722	9,847	Net assets		
			Shareholders' equity	52,322	50,556
			Accumulated other comprehensive income	977	1,687
			Non-controlling interests	1,095	1,430
			Total net assets	54,395	53,674
Total assets	88,685	90,156	Total liabilities and net assets	88,685	90,156

Consolidated Statements of Income

(Millions of Yen)

	FY2020	FY2019
	(From April 1, 2019 to March 31, 2020)	(From April 1, 2018 to March 31, 2019)
Net sales	75,030	80,034
Cost of sales	65,293	68,706
Gross profit	9,736	11,327
Selling, general and administrative expenses	6,935	7,091
Operating income	2,801	4,235
Non-operating income	706	819
Non-operating expenses	201	203
Ordinary income	3,306	4,852
Extraordinary income	94	19
Extraordinary losses	25	325
Income before income taxes	3,375	4,546
Income taxes-current	882	1,149
Income taxes-deferred	(300)	246
Net income	2,792	3,149
Net income attributable to non-controlling interests	56	39
Net income attributable to owners of parent	2,735	3,109

Non-Consolidated Balance Sheets

(Millions of Yen)

Assets	FY2020	FY2019	Liabilities and Net Assets	FY2020	FY2019
	(As of March 31, 2020)	(As of March 31, 2019)		(As of March 31, 2020)	(As of March 31, 2019)
Current assets	30,743	30,975	Liabilities		
Non-current assets	21,823	23,290	Current liabilities	9,727	12,356
Property, plant and equipment	6,929	7,221	Non-current liabilities	3,377	2,440
Intangible assets	40	48	Total liabilities	13,105	14,797
Investments and other assets	14,854	16,020	Net assets		
			Shareholders' equity	38,792	38,377
			Valuation and translation adjustments	670	1,090
			Total net assets	39,462	39,467
Total assets	52,567	54,265	Total liabilities and net assets	52,567	54,265

Non-Consolidated Statements of Income

(Millions of Yen)

	FY2020	FY2019
	(From April 1, 2019 to March 31, 2020)	(From April 1, 2018 to March 31, 2019)
Net sales	31,946	34,964
Cost of sales	27,021	28,564
Gross profit	4,924	6,399
Selling, general and administrative expenses	3,777	3,912
Operating income	1,147	2,487
Non-operating income	621	582
Non-operating expenses	122	64
Ordinary income	1,646	3,005
Extraordinary income	93	18
Extraordinary losses	6	317
Income before income taxes	1,733	2,706
Income taxes-current	497	818
Income taxes-deferred	(34)	36
Net income	1,270	1,851

Electric Power Products Group

Delivery of 110kV-class truck-mounted mobile transformer with the highest capacity in Japan

We developed a 110kV-class truck-mounted mobile transformer with a capacity of 12MVA, the highest in Japan, and delivered it to The Chugoku Electric Power Co., Inc.

The gross mass of this product has been reduced to 20 tons or less through the use of aluminum alloys in the transformer tank, allowing it to be transported on public roads without a special vehicle permit, greatly enhancing mobility. For this reason, in the event that electricity transmission is disrupted due to the malfunction of a substation from a natural disaster or other accident, it can be dispatched immediately to the site of the problem, and contribute to the prompt resumption of electricity transmission.



Electric Power Products Group

Development of remote control thyristor type step voltage regulators (A²-TVR*)

We developed the remote control A²-TVR, an A²-TVR with the addition of remote control and measurement functions.

This product enables the remote acquisition of information on voltage and current, and the change of set points in real time. By combining it with systems to automate electricity distribution, it facilitates appropriate control of voltage across all distribution lines.

We will continue research aimed at increasing product functionality, and develop products that contribute to enhancing the quality of electric power.

* Aichi Advanced-Thyristor type step Voltage Regulator



Electric Power Products Group

Development of a distance protective relay device

We developed distance protective relay devices, used to protect the electric power system in the event of a breakdown in power transmission.

If a breakdown or other problem occurs in power transmission through the high resistivity grounded system (154kV, 77kV or less) that transmits electricity from the power station to substations, this product will calculate the distance to the location of the breakdown, swiftly and reliably disconnect the section in which the breakdown occurred, and thus minimize the area without power. The product also utilizes dual protection relay units, in order to further enhance reliability. In the event that one of the protection relay units malfunctions, the other, fully-functional protection relay units will disconnect the section in which the breakdown occurred, protecting the electric power system.

We will continue to develop devices necessary to ensure a stable supply of electricity, and engage in promotion of these devices targeting electric power companies and other customers.



Electric Power Products Group

Development of an electric power static condenser protective relay device

Together with Chubu Electric Power Grid Co., Inc. and C-TECH CORPORATION, we jointly developed a protective relay device that will disconnect static condensers (SCs)* from the electric power system in the event of electric power SC malfunction. This device enables the connection and disconnection of SCs according to a predetermined time schedule. Size reduction and cost savings have been achieved through the use of universal protection and control relay units.

*Condensers for high voltage, special high voltage, etc. applications. They are used to improve power factor and adjust voltage.



Electric Power Products Group

Development of a converter for induction generators

We developed, and launched a converter for induction generators, targeting biomass power generation businesses.

This product converts alternating current from induction generators into direct current. When used in conjunction with our power conditioners, the converted direct current can then be linked into the electric power system, facilitating the construction of power generation systems. With this system, we aim to extend the useful life of power generators, by enabling a soft start when they are linked into the electric power system.

Biomass power generation businesses plan to commence operation of this product in August this year.



Electric Power Products Group

Development of server-intensive type widely-linked server device

We developed a server-intensive type widely-linked server device for the automated power distribution system of Chubu Electric Power Co., Inc. This development was aimed at enhancing cyber-security, reducing upkeep and maintenance costs, and enhancing system availability in times of disaster. Previously, servers were distributed across each branch of the electrical company, but this device enables control of the entire coverage area from a single location.



Electric Power Products Group

Arab Republic of Egypt: Construction of a solar power generation facility

We constructed a solar power generation facility within the grounds of the Egypt-Japan University of Science and Technology. We undertook all steps of the process, from design of the overall system of the power generation facility, to design of the building structures and the facility itself, design and manufacture of electrical devices such as power conditioners, procurement of construction materials, on-site construction and electrical works, and on-site adjustment and testing.

This formed part of the “Project for Introduction of Clean Energy by Solar Electricity Generation System,” with the non-financial backing of the Japanese government. Solar panels were installed at three locations within the university grounds, with a total output of 560kW. The electricity generated is used to supply the university itself.



Motor Products Group

New production line for shaded-pole motors for use in kerosene fan heaters

We installed a new production line for shaded-pole motors for use in kerosene fan heaters, and commenced production. This has boosted our production capacity up to 480 thousand units per year. The new production line encompasses all processes from winding and assembly through to inspection.

We will continue to respond to new demand, and improve and expand our facilities to further enhance quality and productivity.



Outline of the Company and Status of Shares

Corporate Data (As of March 31, 2020)

AICHI ELECTRIC CO., LTD.

Established: May 27, 1942

Capital: 4,053 million yen

Number of Employees: 840 (Consolidated: 2,349)

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 26, 2020)

President	Toru Satoh
Managing Director	Kazuo Kobayashi
Managing Director	Toshiyuki Miyakawa
Director	Naoji Yamashita
Director	Hisashi Tajima
Director	Junichi Takahashi
Director	Masaki Kakiyara
Director	Yoshikazu Suda
Director	Shinobu Kato
Director (Outside)	Nozomu Amano
Director (Outside)	Hideshige Seo
Auditor	Hideki Hosoe
Auditor (Outside)	Akinori Kataoka
Auditor (Outside)	Masatoshi Hori

Status of Shares (As of March 31, 2020)

Total number of shares authorized to be issued 23,912,200 shares

Total number of shares issued 9,500,000 shares

Number of shareholders 5,791 persons

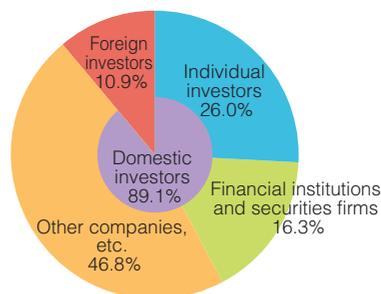
Major shareholders (top ten shareholders)

	Number of shares (thousand shares)	Shareholding ratio (%)
Chubu Electric Power Co., Inc.	2,326	24.5
TSUCHIYA CORPORATION	646	6.8
Furukawa Electric Co., Ltd.	565	5.9
BBH FOR FIDELITY LOW – PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	319	3.3
MUFG Bank, Ltd.	312	3.2
Japan Trustee Services Bank, Ltd. (trust account 4)	303	3.1
Kawaguchi Kosan Co., Ltd.	200	2.1
HIKARI TSUSHIN, INC.	186	1.9
Meiji Yasuda Life Insurance Company	175	1.8
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	173	1.8

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

Note 2 The treasury shares (4,235 shares) were excluded in the calculation of the shareholding ratio.

Distribution of shares by shareholder



Shareholder Data

Business Year April 1 to March 31 of the following year

Ordinary General Meeting of Shareholders June

Reference Date	Ordinary General Meeting of Shareholders
	March 31
	Year-end dividend March 31
	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

Reference 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)

Public Notices Public notices shall be made electronically.
Public notice URL:
<http://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 (shares less than 100 shares)

Frameworks are in place to ask the Company to buy back or request additional purchases of fractional shares less than one unit. If you are interested, please contact the following.

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.

Create the future with reliable technology - Innovation and Challenge -

A valuable company that creates good products,
develops good human resources, and establishes good relationship