



The **113**th Fiscal Year **Business Report**

To Our Shareholders

April 1, 2021 ▶▶▶ March 31, 2022

 **AICHI ELECTRIC CO., LTD.**

Stock Exchange Code: 6623



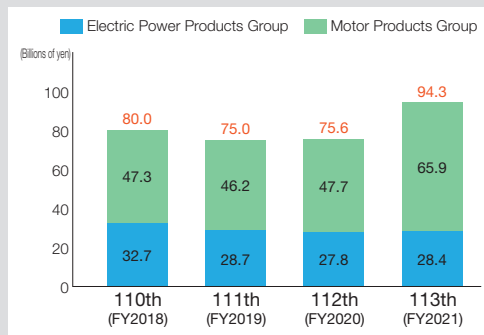
We are pleased to extend our greetings to our shareholders in presenting our 113th annual report for the fiscal year ended March 31, 2022 (“FY2021”).

Overview of business

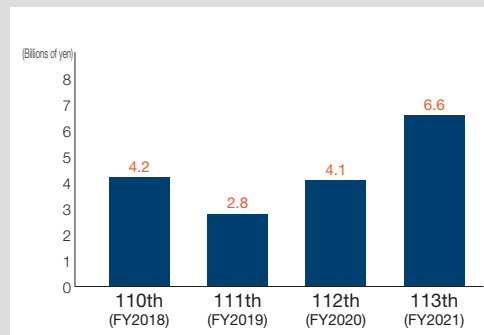
During the period under review, despite a continuing upturn in conditions, the Japanese economy struggled with factors such as global supply chain disruptions and soaring resource prices due to the resurgence of COVID-19 and the situation in Ukraine, and the outlook is clouded. Our Group was affected by semiconductor and electronic component supply issues and the soaring price of raw materials, but the business environment remained favorable throughout the fiscal year thanks mainly to the spread of electric vehicles and a booming electronics industry.

Under such circumstances, this fiscal year, which marks the 80th anniversary of its foundation, our Group has taken the challenge to develop new products and businesses and worked on enhancing the competitiveness of existing businesses in line with the 2023 medium-term management plan “Create the future with reliable technology - Innovation and Challenge -.” The Electric Power Products Group pushed ahead with the development of sophisticated power distribution products, marketing in new energy fields, and expanding sales of products targeting the general manufacturing industry. At the same time, it proceeded with initiatives to enhance quality, cost and delivery (QCD) such as factory renewal, TPS improvement activities, and fundamental quality reform activities. The Motor Products Group worked on enhancing production equipment to meet growing demand for motors for car air-conditioner compressors and package board cores. It also worked to ensure the supply of components and materials by developing new and substitute suppliers.

Net sales 94.3 billion yen



Operating income 6.6 billion yen



With regard to the consolidated performance for the fiscal year ended March 31, 2022, both sales and income increased compared with the previous fiscal year, due to a strong performance from the Motor Products Group. Net sales increased by 24.8% to 94,381 million yen, operating income increased by 59.5% to 6,667 million yen, ordinary income increased by 67.7% to 7,966 million yen, and net income attributable to owners of parent increased by 66.7% to 5,564 million yen.

Dividend

Our final dividend was 100 yen per share, including a commemorative dividend of 35 yen per share to mark the 80th anniversary of the Group's founding. Combined with the interim dividend, the total dividend was 150 yen per share.

Future prospects

Concerns remain regarding the business conditions surrounding our Group, in view of

factors such as soaring resource prices due to the resurgence of COVID-19 and the situation in Ukraine, and intensifying competition due to wheeling cost reductions by power transmission and distribution companies. However, growth is expected in demand for products such as motors for car air-conditioner compressors, sophisticated power distribution products and package board cores, in the context of the accelerating spread of electric vehicles, promotion of the introduction of renewable energy and high growth in semiconductor markets. The Group will continue to strive to be even more competitive through enhanced QCD, and aim for sustainable business growth through active investment in growth fields.

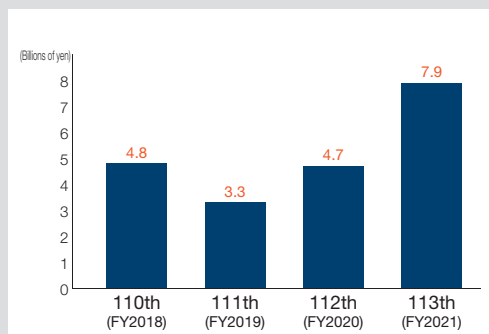
We appreciate your continued understanding and support.

June 2022

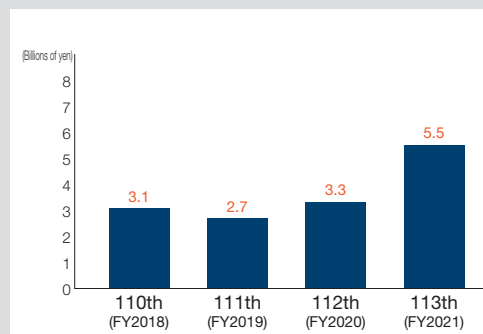


President

Ordinary income 7.9 billion yen



Net income attributable to owners of parent 5.5 billion yen



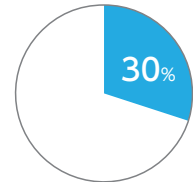
Electric Power Products Group

Net sales 28.4 billion yen

Business description

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

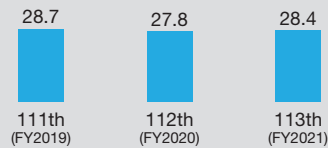
Sales ratio



Overview of FY2021

Compared with the previous year, net sales increased by 2.0% to 28,410 million yen while segment income decreased by 16.7% to 2,961 million yen. Net sales were little changed from the previous year, as sales of controllers declined but sales of small transformers were robust. Segment income decreased due to the impact of soaring materials costs.

Net sales trend (Billions of yen)



Main products



Pole-mounted transformers



"TOP RUNNER" low loss transformers



Step voltage regulators (SVR)



On-load tap-changing transformers (LRT)



Digital-type devices for monitoring, protection and control



Power conditioners



Powder processing machines



Hot water boilers



Receiving and transforming substation construction

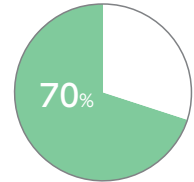
Motor Products Group

Net sales 65.9 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.

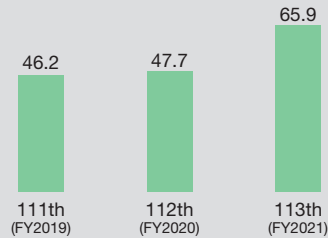
Sales ratio



Overview of FY2021

Compared with the previous year, net sales increased by 38.1% to 65,971 million yen and segment income increased by 139.4% to 5,489 million yen. Both net sales and segment income increased substantially due to strong overall sales of products such as motors for car and building air-conditioner compressors and package board cores.

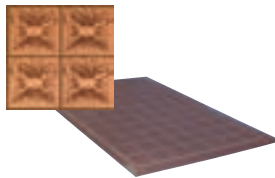
Net sales trend (Billions of yen)



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	FY2021 (As of March 31, 2022)	FY2020 (As of March 31, 2021)	Liabilities and Net assets	FY2021 (As of March 31, 2022)	FY2020 (As of March 31, 2021)
Current assets	74,179	65,078	Liabilities		
Non-current assets	36,124	31,117	Current liabilities	37,027	29,516
Property, plant and equipment	24,988	19,968	Non-current liabilities	9,768	9,190
Intangible assets	509	368	Total liabilities	46,796	38,707
Investments and other assets	10,626	10,780	Net assets		
			Shareholders' equity	59,439	54,805
			Accumulated other comprehensive income	2,790	1,528
			Non-controlling interests	1,278	1,154
			Total net assets	63,508	57,488
Total assets	110,304	96,196	Total liabilities and net assets	110,304	96,196

Consolidated Statements of Income

(Millions of yen)

	FY2021 (From April 1, 2021 to March 31, 2022)	FY2020 (From April 1, 2020 to March 31, 2021)
Net sales	94,381	75,619
Cost of sales	79,612	64,510
Gross profit	14,768	11,109
Selling, general and administrative expenses	8,100	6,929
Operating income	6,667	4,179
Non-operating income	1,466	837
Non-operating expenses	166	265
Ordinary income	7,966	4,751
Extraordinary income	34	67
Extraordinary losses	148	43
Income before income taxes	7,853	4,775
Income taxes-current	2,231	1,723
Income taxes-deferred	65	(324)
Net income	5,557	3,376
Net income (loss) attributable to non-controlling interests	(7)	38
Net income attributable to owners of parent	5,564	3,338

Non-Consolidated Balance Sheets

(Millions of yen)

Assets	FY2021 (As of March 31, 2022)	FY2020 (As of March 31, 2021)	Liabilities and Net assets	FY2021 (As of March 31, 2022)	FY2020 (As of March 31, 2021)
Current assets	41,509	40,240	Liabilities		
Non-current assets	27,045	25,813	Current liabilities	17,573	15,669
Property, plant and equipment	8,916	8,599	Non-current liabilities	3,923	5,414
Intangible assets	70	68	Total liabilities	21,496	21,084
Investments and other assets	18,058	17,145	Net assets		
			Shareholders' equity	46,031	43,707
			Valuation and translation adjustments	1,026	1,262
Total assets	68,555	66,054	Total net assets	47,058	44,969
			Total liabilities and net assets	68,555	66,054

Non-Consolidated Statements of Income

(Millions of yen)

	FY2021 (From April 1, 2021 to March 31, 2022)	FY2020 (From April 1, 2020 to March 31, 2021)
Net sales	52,115	46,295
Cost of sales	43,745	39,270
Gross profit	8,369	7,025
Selling, general and administrative expenses	4,741	4,355
Operating income	3,627	2,670
Non-operating income	989	782
Non-operating expenses	67	68
Ordinary income	4,550	3,384
Extraordinary income	55	3,327
Extraordinary losses	81	3
Income before income taxes	4,523	6,708
Income taxes-current	1,164	1,128
Income taxes-deferred	103	(189)
Net income	3,255	5,770

Celebrating the 80th Anniversary

This year marks the Company's 80th anniversary. We would like to take this opportunity to again express our gratitude for your continued understanding and support.

Our focus on technology and passion for manufacturing has been passed down over the decades since the Company was founded in 1942. Under our basic management policy of "Active management, Technology training, Respect for human," we have engaged in developing and providing transformers and controllers to ensure a stable supply of high-quality electricity, and products to support a comfortable lifestyle such as motors and printed wiring boards.

1942

"Aichi Electric Repair Company" was born

Founded by Shoichi Kawaguchi with the aim of doing his best for society through the repair of broken or discarded transformers and electric motors, amid a shortage of resources due to the Pacific War.



1947

Commenced manufacture of new pole-mounted transformers

As social conditions stabilized after the post-War period of turbulence, the Company began to manufacture new products in anticipation of growing demand for transformers in 1947.



A cast tank pole-mounted transformer manufactured in 1949

1957

Launched the motor business

Shoichi Kawaguchi had participated in a business mission tour of the United States organized by the Japan Productivity Center in 1955, where he marveled at the prevalence of electrical appliances in use. He launched the motor business in anticipation of the future spread of small motors in Japan.



The prototype condenser motor completed in 1957

1973

Established 275kV-class high voltage large transformer factory

In 1970, concluded technical collaboration with ELIN UNION, Austria. Obtained technology to produce high voltage large transformers (ranging from 77kV to 154kV), which led to the construction of a high voltage large transformer factory that can manufacture up to 275kV-class transformers in 1973.



1942

1950

1960

1970

1980

1952

Launched the controller business

The controller business began with the manufacture of DC transmission system integrating wattmeter switching equipment, around 50 sets of which were delivered to Chubu Electric Power Co., Inc. in 1953.



DC transmission controller developed in 1952

1961

Consolidated factories in Kasugai City

The Company purchased approximately 165,000 m² of land in Kasugai City (current head office location) in 1957 and built a large-scale factory, consolidating its factories to increase productivity. Overcoming damage from Typhoon Vera (Ise Bay Typhoon), which struck immediately after the first stage of construction was completed, the Company succeeded in gathering all its factories at the new site in 1961.



Construction of the new factory in Kasugai City in 1959

1964

Technical alliance with Emerson Electric Co. in the United States

The Company established Aichi-Emerson Electric Co., Ltd., a joint venture with Emerson Electric Co. in the United States, to respond to the rapid popularization of refrigerators and air conditioners in Japan.



A history of the first century of Emerson Electric Co. records the joint establishment of Aichi-Emerson Electric Co., Ltd. with Aichi Electric in 1964 as one of the early joint ventures undertaken.

Looking ahead to the Company's 100th anniversary in 20 years, we will engage in further development and provide a diverse range of value to all our stakeholders under our medium-term corporate philosophy: to be "a valuable company that creates good products, develops good human resources, and establishes good relationship."

2005-2020

Expanded the motor business into China

- 2005 Established SUZHOU AICHI TECHNOLOGY CO., LTD.
- 2011 Established SUZHOU AICHI GAUSS MOTOR CO., LTD.
- 2020 Established GUANGZHOU AICHI ELECTRIC CO., LTD.

1992

Completed construction of the Head Office Building



2006-2011

Constructed new production lines at the transformer and controller factories

- 2006 Constructed a new pole-mounted transformer production line
- 2008 Constructed a new medium transformer production line
- 2009 Constructed a new large transformer production line
- 2011 Constructed a new controller production line



The new production line at the controller factory

2022

80th anniversary of founding

Toward a centenary company

1990 2000 2010 2020

1986

Company name changed

We changed the name of the Company from AICHI ELECTRIC MFG.CO., LTD. to AICHI ELECTRIC CO., LTD. At the same time, we renewed the corporate image, designating royal blue as the Company's official color and changing the company name logo. We also shifted the fiscal year-end from May 31 to March 31.

Ⓜ AICHI ELECTRIC CO., LTD.

1993

Commenced mass-production of actuators

The Company, which already possessed the technology for brushless DC motors, began mass-producing geared motors in 1993, in response to a drive system development request from PARAMOUNT BED CO., LTD. In 1995, we commenced mass production of actuators as drive systems for hospital beds.



A system for home nursing beds including a geared motor, which began mass production in 1993

2017-2020

Reorganized Group companies

- 2017 Absorbed Aiden Shoji Co., Ltd. by merger
- 2020 Absorbed AICHI ELEC CO. (formerly Aichi-Emerson Electric Co., Ltd.) by merger
- 2020 SHIROTORI AICHI ELEC CO., LTD. absorbed ENA AICHI ELECTRIC CO., LTD. by merger, and changed its name to SHIROTORI ENA AICHI ELECTRIC CO., LTD.

Electric Power Products Group

Development of a dry-type balancer for low voltage power distribution lines

We have developed a balancer that does not use insulation oil.

Balancers are installed in low voltage power distribution lines to improve voltage imbalances.

Previous balancers used insulation oil and were at risk of oil leakage mainly from tank rust. To resolve this problem, we used urethane resin to replace insulation oil as a filler. This resin is then hardened to prevent the risk of liquid leakage.

We also improved the method used to attach balancers to electricity poles to enhance usability and prevent the risk of falling parts during installation.

We will continue to develop useful products to ensure a stable supply of electricity.



Electric Power Products Group

Development of a new type of powder processing machine

We have developed a waterproof, corrosion-resistant, 1000-liter type powder processing machine that can be washed using water.

This new product meets the needs of customers who wish to use water to wash the machine itself. Moreover, we are able to provide these machines at a low price by reducing the number of components and the standardization of models. We have also increased the angle of inclination of the container. This improves usability by facilitating the input of materials at the top of the container and output from the bottom.

Powder processing machines are used in many fields such as the pharmaceuticals industry and the food industry.

We will continue to develop products that accurately capture customer needs.



New type powder processing machine

Motor Products Group

10th anniversary of SUZHOU AICHI GAUSS MOTOR CO., LTD.

SUZHOU AICHI GAUSS MOTOR CO., LTD. (a consolidated subsidiary in China) has celebrated its 10th anniversary.

This company is a base for the manufacture of motors for car air-conditioner compressors in China. Its business is steadily growing against the backdrop of the global spread of electric vehicles, and it began full-scale operation at a new factory in FY2021, doubling its production capacity.

We aim to continue to grow this business amid the forecast expansion of the electric vehicle market.



Panorama of the new factory

Corporate Data (As of March 31, 2022)

AICHI ELECTRIC CO., LTD.

Established: May 27, 1942

Capital: 4,053 million yen

Number of Employees: 1,071 (Consolidated: 2,676)

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 29, 2022)

President	Kazuo Kobayashi
Managing Director	Toshiyuki Miyakawa
Managing Director	Shinobu Kato
Director	Naoji Yamashita
Director	Hisashi Tajima
Director	Masaki Kakahara
Director	Yoshikazu Suda
Director	Yukinari Yokote
Director	Hiroyuki Muto
Director (Outside)	Keiichiro Urakami
Director (Outside)	Hideshige Seo
Auditor	Hideki Hosoe
Auditor (Outside)	Akinori Kataoka
Auditor (Outside)	Wataru Hashimoto

Status of Shares (As of March 31, 2022)

Total number of shares authorized to be issued	23,912,200 shares
Total number of shares issued	9,500,000 shares
Number of shareholders	6,772 persons

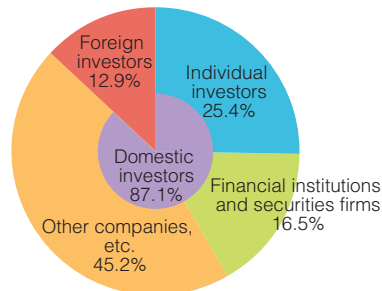
Major shareholders (top ten shareholders)

	Number of shares (thousand shares)	Shareholding ratio (%)
Chubu Electric Power Co., Inc.	2,326	24.5
Furukawa Electric Co., Ltd.	565	5.9
TSUCHIYA CORPORATION	500	5.2
BBH FOR FIDELITY LOW – PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	397	4.1
MUFG Bank, Ltd.	312	3.2
Custody Bank of Japan, Ltd. (trust account 4)	303	3.1
Yasumitsu Shigeta	266	2.8
Kawaguchi Kosan Co., Ltd.	200	2.1
HIKARI TSUSHIN, INC.	186	1.9
Meiji Yasuda Life Insurance Company	175	1.8

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

Note 2 The treasury shares (4,634 shares) were excluded in the calculation of the shareholding ratio.

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

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)

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 (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.