

To Our Shareholders

The **112**th Fiscal Year **Business Report**

April 1, 2020 ▶▶▶ March 31, 2021

 **AICHI ELECTRIC CO., LTD.**

Stock Exchange Code: 6623



We are pleased to extend our greetings to our shareholders in presenting our 112th annual report for the fiscal year ended March 31, 2021.

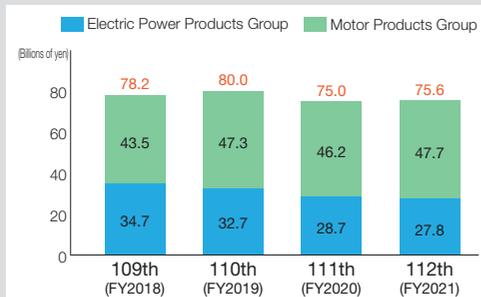
Overview of business

During the period under review, the Japanese economy faced harsh conditions, with a slump in production and consumption due to the global spread of COVID-19. Despite a gradual upturn after the state of emergency was lifted in May, the outlook remains clouded in the absence of a genuine recovery, with widening disparities among industries as the impact of the pandemic becomes more long-term. Regarding the business conditions of our group, the Electric Power Products Group suffered the impact of the COVID-19 crisis, with delays to scheduled overseas plant works, but enjoyed robust demand from power transmission and distribution companies.

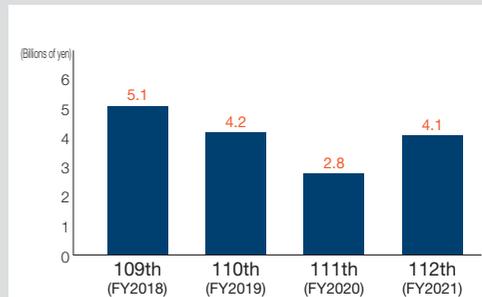
The Motor Products Group faced sluggish demand for motors during the first half of the fiscal year, but demand began to increase in second half, with a recovery in the air-conditioning, automotive and other industries. Demand for printed wiring boards remained at a high level throughout the fiscal year, against the background of a booming electronics industry.

Under such circumstances, our Group has worked on structural enhancements for future growth in this fiscal year, the second year of the 2023 medium-term management plan “Create the future with reliable technology - Innovation and Challenge -.” Specifically, we have undertaken organizational reforms including the merger of the Company and its subsidiary AICHI ELEC CO. and adopted a structure comprising internal companies, while enhancing the competitiveness of existing businesses, developing new products and businesses, and implementing focused investment in growth businesses. The Electric Power Products Group focused its efforts on expanding sales of products such as new step voltage regulators and transformers targeting the general manufacturing industry. At the same time, it

Net sales 75.6 billion yen



Operating income 4.1 billion yen



Note: Effective the 112th fiscal year, powder processing machines and boilers, etc. have been reclassified under the Electric Power Products Group instead of the Motor Products Group, under which they had been classified. Figures for the 109th, 110th and 111th fiscal years have been prepared based on the new classification for the purposes of comparability.

proceeded with initiatives to enhance quality, cost and delivery (QCD) such as the renewal of the small transformer factory and TPS improvement activities for large transformers. It also worked to pioneer businesses including biogas power plants and hydroelectric power generation equipment. The Motor Products Group worked on initiatives including ramping up production capacity of on-vehicle hermetic motors and package board cores, as well as countermeasures to respond to a temporary downturn in orders due to COVID-19.

With regard to the consolidated performance for the fiscal year ended March 31, 2021, both sales and income increased compared with the previous fiscal year, due to an increase in sales of the Motor Products Group and an improvement in the gross profit ratio resulting from changes in the composition of sales of the Electric Power Products Group. Net sales increased by 0.8% to 75,619 million yen, operating income increased by 49.2% to 4,179 million yen, ordinary income increased by 43.7% to 4,751 million yen, and net income attributable to owners of parent increased by 22.0% to 3,338 million yen.

Dividend

Our final dividend was 48 yen per share. Combined with the interim dividend, the total dividend was 93 yen per share.

Future prospects

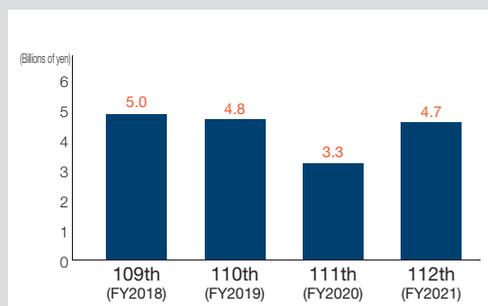
Business conditions surrounding our group will be subject to some adverse factors, including the prolonged impact of COVID-19, wheeling cost reductions by power transmission and distribution companies, and soaring materials prices. However, growth is expected in demand for products such as sophisticated power distribution products, on-vehicle motors and package board cores, in the context of the spread of renewable energy and the progressive digitalization of society. The Group will continue to strive for even more competitive products through the enhanced QCD, and aim for business expansion by steadily making investment focused on growth fields.

We appreciate your continued understanding and support.

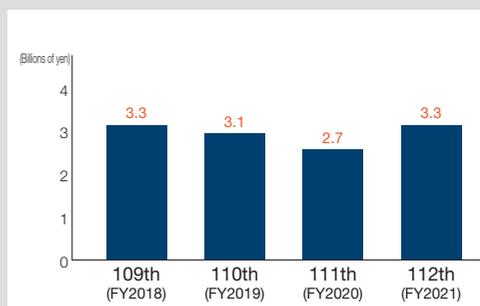
June 2021

Kazuo Kobayashi
President

Ordinary income 4.7 billion yen



Net income attributable to owners of parent 3.3 billion yen



Performance at each Group

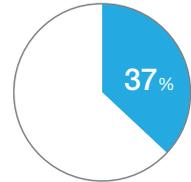
Electric Power Products Group

Net sales 27.8 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, powder processing machines and hot water boilers, as well as receiving and transforming substation construction in Japan and Overseas.

Sales ratio



Overview of FY2021

Compared with the previous year, net sales decreased by 3.3% to 27,845 million yen and segment income increased by 48.7% to 3,565 million yen. Net sales declined due to a slump in overseas substation construction and sales of large transformers, etc. but segment income increased thanks to an increase in sales of step voltage regulators and controllers.

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)



Hot water boilers



Digital-type devices for monitoring, protection and control



Power conditioners



Receiving and transforming substation construction



Powder processing machines

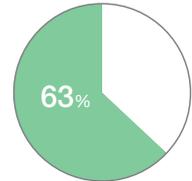
Motor Products Group

Net sales 47.7 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 3.3% to 47,774 million yen and segment income increased by 20.1% to 2,293 million yen. Both net sales and segment income increased due to a recovery in sales of hermetic motors during the second half of the fiscal year, in addition to a strong sales of package board cores and actuators.

Net sales trend (Billions of Yen)

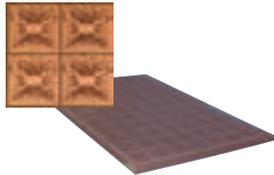


Note: Effective the 112th fiscal year, powder processing machines and boilers, etc. have been reclassified under the Electric Power Products Group instead of the Motor Products Group, under which they had been classified. Figures for the 110th and 111th fiscal years have been prepared based on the new classification for the purposes of comparability.

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, 2021)	FY2020 (As of March 31, 2020)	Liabilities and Net assets	FY2021 (As of March 31, 2021)	FY2020 (As of March 31, 2020)
Current assets	65,078	61,719	Liabilities		
Non-current assets	31,117	26,966	Current liabilities	29,516	25,783
Property, plant and equipment	19,968	16,906	Non-current liabilities	9,190	8,506
Intangible assets	368	337	Total liabilities	38,707	34,289
Investments and other assets	10,780	9,722	Net assets		
			Shareholders' equity	54,805	52,322
			Accumulated other comprehensive income	1,528	977
			Non-controlling interests	1,154	1,095
			Total net assets	57,488	54,395
Total assets	96,196	88,685	Total liabilities and net assets	96,196	88,685

Consolidated Statements of Income

(Millions of Yen)

	FY2021 (From April 1, 2020 to March 31, 2021)	FY2020 (From April 1, 2019 to March 31, 2020)
Net sales	75,619	75,030
Cost of sales	64,510	65,293
Gross profit	11,109	9,736
Selling, general and administrative expenses	6,929	6,935
Operating income	4,179	2,801
Non-operating income	837	706
Non-operating expenses	265	201
Ordinary income	4,751	3,306
Extraordinary income	67	94
Extraordinary losses	43	25
Income before income taxes	4,775	3,375
Income taxes-current	1,723	882
Income taxes-deferred	(324)	(300)
Net income	3,376	2,792
Net income attributable to non-controlling interests	38	56
Net income attributable to owners of parent	3,338	2,735

Non-Consolidated Balance Sheets

(Millions of Yen)

Assets	FY2021 (As of March 31, 2021)	FY2020 (As of March 31, 2020)	Liabilities and Net assets	FY2021 (As of March 31, 2021)	FY2020 (As of March 31, 2020)
Current assets	40,240	30,743	Liabilities		
Non-current assets	25,813	21,823	Current liabilities	15,669	9,727
Property, plant and equipment	8,599	6,929	Non-current liabilities	5,414	3,377
Intangible assets	68	40	Total liabilities	21,084	13,105
Investments and other assets	17,145	14,854	Net assets		
			Shareholders' equity	43,707	38,792
			Valuation and translation adjustments	1,262	670
Total assets	66,054	52,567	Total net assets	44,969	39,462
			Total liabilities and net assets	66,054	52,567

Non-Consolidated Statements of Income

(Millions of Yen)

	FY2021 (From April 1, 2020 to March 31, 2021)	FY2020 (From April 1, 2019 to March 31, 2020)
Net sales	46,295	31,946
Cost of sales	39,270	27,021
Gross profit	7,025	4,924
Selling, general and administrative expenses	4,355	3,777
Operating income	2,670	1,147
Non-operating income	782	621
Non-operating expenses	68	122
Ordinary income	3,384	1,646
Extraordinary income	3,327	93
Extraordinary losses	3	6
Income before income taxes	6,708	1,733
Income taxes-current	1,128	497
Income taxes-deferred	(189)	(34)
Net income	5,770	1,270

Management

Strengthening the management structure

We are progressively strengthening our management structure, with the aim of creating products and services for the future with reliable technology to be an electrical manufacturer that continues to grow, as set forth under our 2023 medium-term management plan.

1) Introduction of an internal company structure

We have reorganized our operational structure to the one comprising two internal companies and one division—the Electric Power Company, the Motor Company and the Administration Division.

Through this transition, we aim to clarify responsibilities and authorities, and expedite operations.

In addition, each company will take control of subsidiary management, and effectively utilize management resources such as personnel and flexible funding.

2) Restructuring the motor businesses

We are proceeding with the concentration of management resources and business expansion in the motor businesses, where future growth is anticipated. We have completed the absorption-type merger of our subsidiary AICHI ELEC CO., and have integrated the motor businesses into the Motor Company.

We also merged the subsidiaries SHIROTORI AICHI ELEC CO., LTD. and ENA AICHI ELECTRIC CO., LTD. to form a new company, SHIROTORI ENA AICHI ELECTRIC CO., LTD.

The Group will aim for sustainable growth, with the Electric Power Company and the Motor Company as the pillars of our business expansion.

Electric Power Products Group

Development of a centralized-server-type automated power distribution master station device

This is a system that monitors and controls the status of power distribution lines.

Previously, Chubu Electric Power Grid Co., Inc. operated a decentralized system of automated power distribution master stations, with a master station at each business location.

We have improved this arrangement, developing a new system where the server, the core of the master station control function, is centralized in one location.

This achieves improvements in cyber security, reductions in maintenance costs, and improvements in system availability at a time of disaster, among other benefits.

Master stations at all 60 locations operated by Chubu Electric Power Grid Co., Inc. will progressively switch from a decentralized to a centralized-server-type system.



Master station servers
(at one location)



Master station controllers
(at each business location)

Electric Power Products Group

Development of a low voltage thyristor type step voltage regulator (LTVR*)

This product compensates for decreases in voltage along low voltage power distribution lines.

Electric power companies are currently considering changing the mode of power distribution through mountainous regions from high voltage to low voltage, in order to form more efficient and effective power distribution systems.

In making this transition to low voltage distribution lines, electric power companies are faced with the problem of significant declines in voltage over long distribution lines, compared to high voltage distribution. We have developed LTVR with the aim of solving this problem.

Our newly-developed product has the following features.

- Compensate for large declines in voltage, with a focus on raising voltage
- Improve voltage instability through a balancer function
- Utilize a tap-changing thyristor type function, making maintenance almost unnecessary

*LTVR=Low voltage Thyristor type step Voltage Regulator



Electric Power Products Group

Development of a dual power source transformer for automatic switching devices

We have developed a dual power source transformer for automatic switching devices, for use with the power sources for their operation and control. We have begun delivering these new products to Shikoku Electric Power Transmission & Distribution Company, Incorporated.

Automatic switching devices are installed on high voltage power distribution lines. If a breakdown in power transmission occurs, then they automatically detect the section in which the breakdown occurred, and automatically operate switches to minimize the sections affected by the blackout. This product is a transformer to supply power to these automatic switching devices.

In addition to using the same assembly as existing products, allowing easy installation, these new products enable cost reductions through the use of common components with the pole-mounted transformers that we also provide to Shikoku Electric Power Transmission & Distribution Company, Incorporated.



Electric Power Products Group

Launch of the lightning resistant primary cutout switches repair business

We have begun a repair business for lightning resistant primary cutout switches (lightning resistant PCs*) as part of our efforts to protect and reuse resources in power distribution devices.

We repair aging lightning resistant PCs that suffer from declining function, and enable them to be used again.

We established a new repair line for this business, to achieve the high-quality, low-cost lightning resistant PC repair services that our customers need.

*Lightning resistant PCs are switches installed on electricity poles, connecting pole-mounted transformers with high voltage power distribution lines. They are also given the special function of absorbing power surges resulting from lightning strikes, and acting as a fuse to prevent pole-mounted transformers short-circuiting and failing.



A lightning resistant PC repair line

Electric Power Products Group

Development of a ground-mounted transformer tower

We have developed and begun delivering a ground-mounted transformer tower for Shikoku Electric Power Transmission & Distribution Company, Incorporated.

This product is constructed to allow easy detachment of the high and low voltage doors, and enables easier installation. In addition, we have ensured compatibility with existing products, by maintaining the same external dimensions.

This product is a transformer for use in place of pole-mounted transformers in areas with underground power distribution lines. The need for removing electricity poles is increasing in Japan, from aesthetic, safety and disaster-prevention perspectives, and we are actively promoting this new product.



Motor Products Group

Construction of a new factory for hermetic motors for car air-conditioner compressors at our subsidiary in China

SUZHOU AICHI GAUSS MOTOR CO., LTD., one of our subsidiaries in China, has built a new factory in the Suzhou Industrial Park, and begun manufacturing hermetic motors for car air-conditioner compressors.

The purpose of constructing the new factory is to respond to growing demand for on-vehicle motors in China. The area of the new factory buildings is 19,000 square meters, on a site with an area of approximately 28,000 square meters.

The new factory engages in the integrated manufacture of motors, from punching motor cores, to the final assembly and completion. It boasts a production capacity of approximately 6 million units per year, around twice as many as the current factory.

With the new factory fully operational, we aim to respond to customer needs, and expand our overseas and on-vehicle motor businesses.



Motor Products Group

Establishment of a manufacturing company to make motors for building air-conditioner compressors

We established GUANGZHOU AICHI ELECTRIC CO., LTD. (GZA) in Guangzhou city, Guangdong province, for the purpose of manufacturing motors for building air-conditioner compressors.

We made this move in response to expanding demand for air-conditioner motors in China, and plan to produce and sell approximately 300,000 units per year, to Japanese manufacturing companies in Guangzhou city.

Production will be undertaken at a leased factory in the Guangdong Conghua Economic Development Zone Mingzhu Industrial Park. The area of the factory buildings is 2,000 square meters.

GZA is a company wholly owned by SUZHOU AICHI TECHNOLOGY CO., LTD., our subsidiary in Suzhou city in China. The invested capital is RMB 25 million.

Looking ahead, we plan to position GZA as the Group's motor manufacturing base in southern China, and expand orders received from air-conditioner manufacturers in the region.



Corporate Data (As of March 31, 2021)

AICHI ELECTRIC CO., LTD.

Established: May 27, 1942
 Capital: 4,053 million yen
 Number of Employees: 1,073 (Consolidated: 2,497)
 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, 2021)

President	Kazuo Kobayashi
Managing Director	Toshiyuki Miyakawa
Managing Director	Shinobu Kato
Director	Naoji Yamashita
Director	Hisashi Tajima
Director	Masaki Kakihara
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, 2021)

Total number of shares authorized to be issued 23,912,200 shares
 Total number of shares issued 9,500,000 shares
 Number of shareholders 6,498 persons

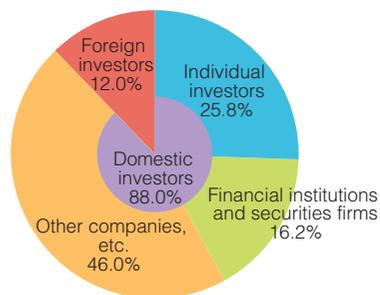
Major shareholders (top ten shareholders)

	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	548	5.7
BBH FOR FIDELITY LOW – PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	318	3.3
MUFG Bank, Ltd.	312	3.2
Custody Bank of Japan, Ltd. (trust account 4)	303	3.1
Yasumitsu Shigeta	266	2.8
SSBTC CLIENT OMNIBUS ACCOUNT	226	2.3
Kawaguchi Kosan Co., Ltd.	200	2.1
HIKARI TSUSHIN, INC.	186	1.9

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

Note 2 The treasury shares (4,421 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
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

 AICHI ELECTRIC CO., LTD.